

系所組別： 財務金融研究所

考試科目： 中級會計

考試日期：0220，節次：2

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1. Multiple choice questions (80%, 2% each).

Instructions: When answering the questions, please follow the International Financial Reporting Standards (IFRS) unless otherwise stated. To avoid any confusion, please write your answers using upper-case letters, i.e., A, B, C, and D. No points will be counted if you put your answers on this exam paper or use lower-case letters.

Use the following information for questions 1-2

Puffy Cakemix Company offered its customers a large non-breakable mixing bowl in exchange for 25 cents and 10 boxtops. The mixing bowl costs Puffy Cakemix Company 75 cents, and the company estimates that customers will redeem 60 percent of the boxtops. The premium offer began in June 2011. In 2011, Puffy Cakemix Company purchased 20,000 mixing bowls and recorded sales of 300,000 boxes of cake mix at 80 cents. Puffy finds that the actual number of boxtops redeemed in 2011 is 60,000.

1. How much does Puffy need to recognize for the estimated liability of outstanding premium offers (boxtops) at the end of 2011?
 - A. 5,000
 - B. 5,800
 - C. 6,000
 - D. 6,800
2. How much "Premium expense" should Puffy report in its 2011 income statement?
 - A. 8,000
 - B. 9,000
 - C. 10,000
 - D. 11,000

Use the following information for question 3-4

On January 1, 2011, Houston Oil Company erected an oil platform in the Gulf of Mexico. Houston is legally required to dismantle and remove the platform at the end of its useful life, estimated to be five years. Houston estimates that dismantling and removal will cost \$1,000,000. The appropriate effective market rate to estimate the environmental liability of this kind is 10 percent (Present value of \$1 for 5 years is 0.62092). During the life of the asset, Houston allocates the asset retirement cost to expense using the straight-line method. In addition, Houston accrues interest expense and the related increase in the environmental liability each period.

3. What is the balance of Environmental Liability account as of December 31, 2011?
 - A. 620,920
 - B. 685,012
 - C. 683,012
 - D. None of the above.

(背面仍有題目,請繼續作答)

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4. How much interest expense should the firm recognize in its 2012 income statement?
- A. 62,092
 - B. 68,301
 - C. 75,131
 - D. None of the above
5. Which of these statements regarding the IFRS and U.S. GAAP is correct?
- A. U.S. GAAP is considered to be "principles-based" and more detailed than IFRS.
 - B. U.S. GAAP is considered to be "rules-based" and less detailed than IFRS.
 - C. IFRS is considered to be "principles-based" and less detailed than U.S. GAAP
 - D. Both U.S. GAAP and IFRS are considered to be "rules-based", but U.S. GAAP tends to be more complex.
6. Enhancing qualities as described by the International Accounting Standards Board's (IASB's) Conceptual Framework, include all of the following **except**:
- A. Comparability.
 - B. Neutrality.
 - C. Understandability.
 - D. Verifiability.
7. The two fundamental qualities that make accounting information useful for decision making are
- A. comparability and consistency.
 - B. materiality and timeliness.
 - C. relevance and faithful representation.
 - D. reliability and comparability.

Questions 8-10 are based on the following information.

For the year ended December 31, 2011, Transformers Inc. reported the following:

Net income	\$ 60,000
Preference dividends declared	10,000
Ordinary share dividends declared	2,000
Unrealized holding loss, net of tax	1,000
Retained earnings	80,000
Share capital – Ordinary	40,000
Accumulated Other Comprehensive Income, Beginning Balance	5,000

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8. What would Transformers report as its ending balance of Accumulated Other Comprehensive Income?

- A. \$6,000
- B. \$5,000
- C. \$4,000
- D. \$1,000

9. What would Transformers report as the ending balance of Retained Earnings?

- A. \$139,000
- B. \$133,000
- C. \$128,000
- D. \$127,000

10. What would Transformers report as total stockholders' equity?

- A. \$172,000
- B. \$168,000
- C. \$128,000
- D. \$120,000

11. Caroline, Inc. had the following transactions during 2011:

Exchanged land for a building	£382,000
Purchased treasury shares	80,000
Paid cash dividend	190,000
Purchased equipment	106,000
Issued ordinary shares	294,000

What is Caroline, Inc.'s net cash provided (used) by financing activities?

- A. £300,000 provided by financing activities.
- B. £24,000 provided by financing activities.
- C. £24,000 used by financing activities.
- D. £214,000 used by financing activities.

Use the following information for questions 12 and 13.

Geary Co. assigned \$400,000 of accounts receivable to Kwik Finance Co. as security for a loan of \$335,000. Kwik charged a 2% commission on the amount of the loan; the interest rate

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on the note was 10%. During the first month, Geary collected \$110,000 on assigned accounts after deducting \$380 of discounts. Geary accepted returns worth \$1,350 and wrote off assigned accounts totaling \$2,980.

12. The amount of cash Geary received from Kwik at the time of the transfer was
- A. \$301,500.
 - B. \$327,000.
 - C. \$328,300.
 - D. \$335,000.
13. Entries during the first month would include a
- A. debit to Cash of \$110,380.
 - B. debit to Bad Debt Expense of \$2,980.
 - C. debit to Allowance for Doubtful Accounts of \$2,980.
 - D. debit to Accounts Receivable of \$114,710.
14. Rosalie Corporation is located in Los Angeles but does business throughout Europe. The company builds and sells equipment used in manufacturing pharmaceuticals. On December 31, 2011, Rosalie's accounts receivable are as follows:

Individually significant receivables

Finley Company	\$ 80,000
Rios, Inc.	200,000
Rafael Co.	120,000
Hunter, Inc.	100,000
All other receivables	<u>500,000</u>
Total	\$1,000,000

Rosalie Corporation determines that Finley Company's receivable is impaired by \$40,000 and Hunter, Inc.'s receivable is totally impaired. The other receivables from Rafael and Rios are not considered impaired. Rosalie determines that a composite rate of 2% is appropriate to measure impairment on all other receivables. What is the total impairment of receivables for Rosalie Corporation for 2011?

- A. \$156,400
- B. \$140,000
- C. \$150,000
- D. \$123,600

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Use the following information for questions 15 - 17.

Gross Corporation adopted the dollar-value LIFO method of inventory valuation on December 31, 2009. Its inventory at that date was \$220,000 and the relevant price index was 100. Information regarding inventory for subsequent years is as follows (US GAAPs):

Date	Inventory at Current Prices	Current Price Index
December 31, 2010	\$256,800	107
December 31, 2011	290,000	125
December 31, 2012	325,000	130

15. What is the cost of the ending inventory at December 31, 2010 under dollar-value LIFO?

- A. \$240,000.
- B. \$256,800.
- C. \$241,400.
- D. \$235,400.

16. What is the cost of the ending inventory at December 31, 2011 under dollar-value LIFO?

- A. \$232,000.
- B. \$231,400.
- C. \$232,840.
- D. \$240,000.

17. What is the cost of the ending inventory at December 31, 2012 under dollar-value LIFO?

- A. \$256,240.
- B. \$254,800.
- C. \$250,000.
- D. \$263,400.

Use the following information for questions 18 and 19.

18. Lenny's Llamas purchased 1,500 llamas on January 1, 2011. These llamas will be sheared semiannually and their wool sold to specialty clothing manufacturers. The llamas were purchased for \$222,000. During 2011 the change in fair value due to growth and price changes is \$14,100, the wool harvested but not yet sold is valued at net realizable value of \$27,000, and the change in fair value due to harvest is (\$1,750). What is the value of the llamas on Lenny's Llamas statement of financial position on June 30, 2011?

- A. \$234,350
- B. \$222,000
- C. \$220,250
- D. \$193,250

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19. On Lenny's Llamas income statement for the year ending December 31, 2011, what amount of unrealized gain on biological assets will be reported?
- A. \$39,350
B. \$41,100
C. \$14,100
D. \$12,350
20. Robust Inc. has the following information related to an item in its ending inventory. Acer Top has a cost of \$502, a selling price of \$568, a cost to complete of \$53, and a cost to sell of \$38. What is the lower-of-cost-or-net realizable inventory value for Acer Top?
- A. \$515.
B. \$502.
C. \$477.
D. \$530.
21. Rios, Inc. uses International Financial Reporting Standards (IFRS). In 2010, Rios, Inc. experienced a decline in the value of its inventory resulting in a write-down of its inventory from \$240,000 to \$200,000. The company used the loss method in 2010 to record the necessary adjustment and uses an allowance account to reduce inventory to NRV. In 2011, market conditions have improved dramatically and Rios, Inc.'s inventory increases to an NRV of \$216,000. Which of the following will Rios, Inc. record in 2011?
- A. A debit to Recovery of Inventory Loss for \$16,000.
B. A credit to Recovery of Inventory Loss for \$24,000.
C. A debit to Allowance to Reduce Inventory to NRV of \$16,000.
D. A credit to Allowance to Reduce Inventory to NRV of \$24,000.

Use the following information for questions 22 - 24.

Plank Co. uses the retail inventory method. The following information is available for the current year.

	<u>Cost</u>	<u>Retail</u>
Beginning inventory	\$ 78,000	\$122,000
Purchases	295,000	415,000
Freight-in	5,000	—
Employee discounts	—	2,000

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Net markups	—	15,000
Net Markdowns	—	20,000
Sales	—	390,000

22. If the ending inventory is to be valued at approximately lower-of-average-cost-or-net realizable value, the calculation of the cost ratio should be based on cost and retail of
- \$300,000 and \$430,000.
 - \$300,000 and \$428,000.
 - \$373,000 and \$550,000.
 - \$378,000 and \$552,000.
23. The ending inventory at retail should be
- \$160,000.
 - \$150,000.
 - \$144,000.
 - \$140,000.
24. The approximate cost of the ending inventory by the conventional retail method is
- \$95,900.
 - \$94,920.
 - \$98,000.
 - \$102,480.

Use the following information to answer questions 25 - 29.

Arlington Company is constructing a building. Construction began on January 1 and was completed on December 31. Expenditures were \$2,400,000 on January 1, \$1,980,000 on June 1, and \$3,000,000 on December 31. Arlington Company borrowed \$1,200,000 on January 1 on a 5-year, 12% note to help finance construction of the building. In addition, the company had outstanding all year a 10%, 3-year, \$2,400,000 note payable and an 11%, 4-year, \$4,500,000 note payable.

25. What are the weighted-average accumulated expenditures?
- \$4,380,000
 - \$3,155,000
 - \$7,380,000
 - \$3,555,000
26. What is the weighted-average interest rate used for interest capitalization purposes?

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- A. 11%
- B. 10.85%
- C. 10.5%
- D. 10.65%

27. What is the avoidable interest for Arlington Company?

- A. \$144,000
- B. \$394,808
- C. \$164,281
- D. \$352,208

28. What is the actual interest for Arlington Company?

- A. \$879,000
- B. \$891,000
- C. \$735,000
- D. \$352,208

29. What amount of interest should be charged to expense?

- A. \$484,192
- B. \$735,000
- C. \$526,792
- D. \$415,192

Use the following information for questions 30 – 34.

Lee Company received an HK\$1,800,000 subsidy from the government to purchase manufacturing equipment on January, 2, 2011. The equipment has a cost of HK\$3,000,000, a useful life a six years, and no salvage value. Lee depreciates the equipment on a straight-line basis.

30. If Lee chooses to account for the grant as deferred revenue, the grant revenue recognized will be:

- A. Zero in the first year of the grant's life.
- B. HK\$300,000 per year for the years 2011-2016.
- C. HK\$500,000 per year for the years 2011-2016.
- D. \$HK1,800,000 in 2011.

31. If Lee chooses to account for the grant as deferred revenue, the amount of depreciation expense recorded in 2011 will be:

- A. HK\$0.

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B. HK\$200,000.

C. HK\$300,000.

D. \$HK500,000.

32. If Lee chooses to account for the grant as an adjustment to the asset, the amount of depreciation expense recorded in 2011 will be:

A. HK\$0.

B. HK\$200,000.

C. HK\$300,000.

D. \$HK500,000.

33. If Lee chooses to account for the grant as an adjustment to the asset, the book value of the asset on the 2012 statement of financial position will be:

A. HK\$800,000.

B. HK\$1,200,000.

C. HK\$2,800,000.

D. \$HK2,400,000.

34. Whether Lee chooses to account for the grant as deferred revenue or as an adjustment to the asset, the combined impact of deferred grant revenue recognition and/ or depreciation expense recorded per year will be:

A. decrease to net income of HK\$200,000.

B. decrease to net income of HK\$300,000.

C. increase to net income of HK\$500,000.

D. increase to net income of HK\$100,000.

Use the following information for questions 35 and 36.

A machine cost \$120,000, has annual depreciation of \$20,000, and has accumulated depreciation of \$90,000 on December 31, 2010. On April 1, 2011, when the machine has a fair value of \$27,500, it is exchanged for a machine with a fair value of \$135,000 and the proper amount of cash is paid. The exchange has commercial substance.

35. The gain to be recorded on the exchange is

A. \$0.

B. \$2,500.

C. \$5,000.

D. \$15,000.

36. The new machine should be recorded at

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- A. \$107,500.
 B. \$122,500.
 C. \$132,500.
 D. \$135,000.

Use the following information for questions 37 and 38.

37. On January 2, 2011, Q. Tong Inc. purchased equipment with a cost of HK\$10,440,000, a useful life of 10 years and no salvage value. The Company uses straight-line depreciation. At December 31, 2011 and December 31, 2012, the company determines that impairment indicators are present. The following information is available for impairment testing at each year end:

	<u>12/31/2011</u>	<u>12/31/2012</u>
Fair value less cost to sell	HK\$9,315,000	HK\$8,350,000
Value-in-use	HK\$9,350,000	HK\$8,315,000

There is no change in the asset's useful life or salvage value. The 2012 income statement will report

- A. Recovery of Impairment Loss of HK\$3,889.
 B. Impairment Loss of HK\$10,000.
 C. Recovery of Impairment Loss of HK\$38,889.
 D. Impairment Loss of HK\$1,000,000.
38. If the Fair value less costs to sell and the Value-in-use in 12/31/2012 are HK\$8,850,000 and HK\$8,915,000, respectively. The 2012 income statement will report
- A. no Impairment Loss or Recovery of Impairment Loss.
 B. Impairment Loss of HK\$435,000.
 C. Recovery of Impairment Loss of HK\$40,889.
 D. Recovery of Impairment Loss of HK\$603,889.
39. On January 1, 2011, Lorry Manufacturing Company purchased equipment from Wales Inc. There was no established market price for the equipment which has an 8 year life and no salvage value. Lorry gave Wales a £105,000 zero-interest-bearing note payable in 3 equal annual installments of £35,000, with the first payment due December 31, 2011. The prevailing rate of interest for a note of this type is 8%. The present value of the note at 8% was £90,199. Assuming that Lorry uses the straight-line method of

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depreciation, what amounts will be reported in the company's 2011 income statement for interest expense and depreciation expense for the note and equipment?

- A. £7,216; £11,275
- B. £7,216; £30,066
- C. £8,400; £13,125
- D. £1,750; £8,750

40. Which of the following is not a difference between IFRS and U.S. GAAP in according for non-current liabilities?

- A. Non-current liabilities follow current liabilities on the statement of financial position under U.S. GAAP, but precede current liabilities under IFRS.
- B. The criteria for recognizing environment liabilities is more stringent under U.S. GAAP compared to IFRS.
- C. Bond issuance costs are recorded as a reduction of the carrying value of the debt under U.S. GAAP but are recorded as an asset and amortized to expense over the term of the debt under IFRS.
- D. Under U.S. GAAP, bonds payable is recorded at the face amount and any premium or discount is recorded in a separate account. Under IFRS, bonds payable is recorded at the carrying value so no separate premium or discount accounts are used.

2. Short answer questions (20%)

1. Apple Group purchased land on January 1, 2010, that cost €400,000. Apple decides to report the land at fair value in subsequent periods. At December 31, 2010, an appraisal of the land indicates that its fair value is €550,000. Additional information shows that the land's fair value at December 31, 2011, is €350,000. Further, at December 31, 2012, Apple's land value increases to €450,000.

Instructions

- (1) What are the ending balances in the Accumulated Other Comprehensive Income (AOCI) as of December 31, 2010, 2011, and 2012? (Assume that the 2010 beginning balance of AOCI is zero and that no other transactions affect the AOCI during 2010-2012) (6%)
 - (2) How much *Loss on Impairment* or *Recovery of impairment Loss* should the firm report in its income statement in 2010, 2011, and 2012, respectively? (6%)
2. Piper Corp. is a manufacturer of truck trailers. On January 1, 2010, Piper Corp. leases ten trailers to Runyan Company under a six-year noncancelable lease agreement. The following information about the lease and the trailers is provided:

(背面仍有題目,請繼續作答)

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1. Equal annual payments that are due on December 31 each year provide Piper Corp. with an 8% return on net investment (present value factor for 6 periods at 8% is 4.62288).
2. Titles to the trailers pass to Runyan at the end of the lease.
3. The fair value of each trailer is \$50,000. The cost of each trailer to Piper Corp. is \$45,000. Each trailer has an expected useful life of nine years.
4. Collectibility of the lease payments is reasonably predictable and there are no important uncertainties surrounding the amount of costs yet to be incurred by Piper Corp.

Instructions

- (1) What type of lease is this for the lessor? Discuss. (2%)
- (2) Calculate the annual lease payment. (Round to nearest dollar.) (2%)
- (3) Prepare the journal entries for the lessor for 2010 to record the lease agreement, the receipt of the lease rentals, and the recognition of income (assume the use of a perpetual inventory method and round all amounts to the nearest dollar). (4%)