

系所組別： 財務金融研究所

考試科目： 中級會計

考試日期： 0308 · 節次： 2

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Part I: Multiple-Choice Questions: Select the best answer for each of the following questions. (3.5% for each question) (70%)

1. In 2007, Berger, Inc., issued for \$103 per share, 60,000 shares of \$100 par value convertible preferred stock. One share of preferred stock can be converted into three shares of Berger's \$25 par value common stock at the option of the preferred stockholder. In August 2008, all of the preferred stock was converted into common stock. The market value of the common stock at the date of the conversion was \$30 per share. What total amount should be credited to additional paid-in capital from common stock as a result of the conversion of the preferred stock into common stock?

- a. \$1,020,000.
b. \$780,000.
c. \$1,500,000.
d. \$1,680,000.

2. On April 7, 2008, Meade Corporation sold a \$2,000,000, twenty-year, 8 percent bond issue for \$2,120,000. Each \$1,000 bond has two detachable warrants, each of which permits the purchase of one share of the corporation's common stock for \$30. The stock has a par value of \$25 per share. Immediately after the sale of the bonds, the corporation's securities had the following market values:

8% bond without warrants	\$1,008
Warrants	21
Common stock	28

What accounts should Meade credit to record the sale of the bonds?

- a. Bonds Payable \$2,000,000
Premium on Bonds Payable 77,600
Paid-in Capital—Stock Warrants 42,400
- b. Bonds Payable \$2,000,000
Premium on Bonds Payable 16,000
Paid-in Capital—Stock Warrants 84,000
- c. Bonds Payable \$2,000,000
Premium on Bonds Payable 35,200
Paid-in Capital—Stock Warrants 84,800
- d. Bonds Payable \$2,000,000
Premiums on Bonds Payable 120,000
3. Kiner, Inc. had 40,000 shares of treasury stock (\$10 par value) at December 31, 2007, which it acquired at \$11 per share. On June 4, 2008, Kiner issued 20,000 treasury shares to employees who exercised options under Kiner's employee stock option plan. The market value per share was \$13 at December 31, 2007, \$15 at June 4, 2008, and \$18 at December 31, 2008. The stock options had been granted for \$12 per share. The cost method is used.

(背面仍有題目,請繼續作答)

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What is the balance of the treasury stock on Kiner's balance sheet at December 31, 2008?

- a. \$140,000.
- b. \$180,000.
- c. \$220,000.
- d. \$240,000.

4. Kern Corporation purchased Goltra Inc. and agreed to give stockholders of Goltra Inc. 50,000 additional shares in 2010 if Goltra Inc.'s net income in 2009 is \$400,000 or more; in 2008 Goltra Inc.'s net income is \$410,000. Kern has net income for 2008 of \$800,000 and has an average number of common shares outstanding for 2008 of 500,000 shares. What should Kern report as earnings per share for 2007?

	<u>Basic Earnings</u> <u>Per Share</u>	<u>Diluted Earnings</u> <u>Per Share</u>
a.	\$1.60	\$1.60
b.	\$1.45	\$1.60
c.	\$1.60	\$1.45
d.	\$1.45	\$1.45

5. During 2007, Ellis Company purchased 20,000 shares of Hiller Corp. common stock for \$315,000 as an available-for-sale investment. The fair value of these shares was \$300,000 at December 31, 2007. Ellis sold all of the Hiller stock for \$17 per share on December 3, 2008, incurring \$14,000 in brokerage commissions. Ellis Company should report a realized gain on the sale of stock in 2008 of
- a. \$11,000.
 - b. \$25,000.
 - c. \$26,000.
 - d. \$40,000.
6. On December 31, 2007, Nance Co. purchased equity securities as trading securities. Pertinent data are as follows:

<u>Security</u>	<u>Cost</u>	<u>Fair Value</u> <u>At 12/31/08</u>
A	\$132,000	\$117,000
B	168,000	186,000
C	288,000	258,000

On December 31, 2008, Nance transferred its investment in security C from trading to available-for-sale because Nance intends to retain security C as a long-term investment. What total amount of gain or loss on its securities should be included in Nance's income statement for the year ended December 31, 2008?

- a. \$3,000 gain.
- b. \$27,000 loss.
- c. \$30,000 loss.
- d. \$45,000 loss.

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7. During 2008, a construction company changed from the completed-contract method to the percentage-of-completion method for accounting purposes but not for tax purposes. Gross profit figures under both methods for the past three years appear below:

	<u>Completed-Contract</u>	<u>Percentage-of-Completion</u>
2006	\$ 475,000	\$ 800,000
2007	625,000	950,000
2008	<u>700,000</u>	<u>1,050,000</u>
	<u>\$1,800,000</u>	<u>\$2,800,000</u>

Assuming an income tax rate of 40% for all years, the affect of this accounting change on prior periods should be reported by a credit of

- \$600,000 on the 2008 income statement.
- \$390,000 on the 2008 income statement.
- \$600,000 on the 2008 retained earnings statement.
- \$390,000 on the 2008 retained earnings statement.

Use the following information for questions 8 and 9.

The balance sheet data of Naley Company at the end of 2008 and 2007 follow:

	<u>2008</u>	<u>2007</u>
Cash	\$ 50,000	\$ 70,000
Accounts receivable (net)	120,000	90,000
Merchandise inventory	140,000	90,000
Prepaid expenses	20,000	50,000
Buildings and equipment	180,000	150,000
Accumulated depreciation—buildings and equipment	(36,000)	(16,000)
Land	<u>180,000</u>	<u>80,000</u>
Totals	<u>\$654,000</u>	<u>\$514,000</u>
Accounts payable	\$136,000	\$110,000
Accrued expenses	24,000	36,000
Notes payable—bank, long-term		80,000
Mortgage payable	60,000	
Common stock, \$10 par	418,000	318,000
Retained earnings (deficit)	<u>16,000</u>	<u>(30,000)</u>
	<u>\$654,000</u>	<u>\$514,000</u>

Land was acquired for \$100,000 in exchange for common stock, par \$100,000, during the year; all equipment purchased was for cash. Equipment costing \$10,000 was sold for \$4,000; book value of the equipment was \$8,000 and the loss was reported as an ordinary item in net income. Cash dividends of \$20,000 were charged to retained earnings and paid during the year; the transfer of net income to retained earnings was

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the only other entry in the Retained Earnings account. In the statement of cash flows for the year ended December 31, 2008, for Naley Company:

8. The net cash provided by operating activities was
 - a. \$52,000.
 - b. \$66,000.
 - c. \$56,000.
 - d. \$48,000.

9. The net cash provided (used) by investing activities was
 - a. \$26,000.
 - b. \$(40,000).
 - c. \$(136,000).
 - d. \$(36,000).

10. Ben Gordon Corporation constructed a building at a cost of \$10,000,000. Average accumulated expenditures were \$4,000,000, actual interest was \$600,000, and avoidable interest was \$300,000. If the salvage value is \$800,000, and the useful life is 40 years, depreciation expense for the first full year using the straight-line method is
 - a. \$237,500.
 - b. \$245,000.
 - c. \$257,500.
 - d. \$337,500.

11. Marlin Company traded machinery with a book value of \$180,000 and a fair value of \$300,000. It received in exchange from Keach Company a machine with a fair value of \$270,000 and cash of \$30,000. Keach's machine has a book value of \$285,000. What amount of gain should Marlin recognize on the exchange?
 - a. \$ -0-
 - b. \$12,000
 - c. \$30,000
 - d. \$120,000

12. Orange Street Market's accountant is preparing its October bank reconciliation and has collected the following data

	<u>Per Books</u>	<u>Per Bank</u>
October 1 balance	\$11,600	\$10,000
October deposits	24,600	21,200
October checks	27,800	29,000
Note collected (includes 10% interest)	---	4,400
October service charge	---	20
October 31 balance	8,400	6,580

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Additionally, deposits in transit and outstanding checks from September's reconciliation were \$4,400 and \$2,800, respectively.

The correct balance for cash at October 31 should be

- a. \$10,960
- b. \$12,780
- c. \$11,180
- d. \$13,980

13. A listing of the Minerva Company's inventory items at the end of 2008 totals \$95,000. Included in this amount are the following items:

Merchandise in transit as of 12/31/2008, purchased FOB shipping point	\$6,800
Goods held by Minerva as consignee from Nirvana	5,000
Goods out on consignment, at cost plus 50% markup on cost plus \$100 delivery charge.	6,100

What is the dollar amount of Minerva's 2008 ending inventory that should be reported on the balance sheet?

- a. \$83,100
- b. \$86,200
- c. \$87,900
- d. \$88,000

14. The Star Company's inventory was partially destroyed on July 4, 2008, when its warehouse caught on fire early in the morning. Inventory that had a cost of \$7,500 was saved. The accounting records, which were located in a fireproof vault, contained the following information:

Sales (1/1/08 through 7/3/08)	\$250,000
Purchases (1/1/08 through 7/3/08)	180,000
Inventory (1/1/08)	45,000
Gross Profit Ratio	25% of cost

Using the gross profit method, what is the estimated cost of the inventory destroyed by the fire?

- a. \$17,500
- b. \$25,000
- c. \$30,000
- d. \$37,500

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15. Abrams Co. uses the dollar-value LIFO retail method. The beginning inventory, purchased when the price-level index was 100, had a retail value of \$4,000 and a cost of \$3,600. During the period, purchases amounted to \$60,000 at retail (\$52,800 at cost). Sales amounted to \$55,600. The year-end price-level index was 105. What is the cost of ending inventory?

- a. \$7,392
- b. \$7,040
- c. \$7,296
- d. \$7,938

16. On January 1, 2007, Mulberry Mfg. Co. began using the composite depreciation method. There were three machines to consider, as follows:

<u>Asset</u>	<u>Cost</u>	<u>Residual Value</u>	<u>Life</u>
A	\$20,000	\$2,000	6 years
B	15,000	3,000	3 years
C	5,000	1,000	4 years

In the second year, Machine C was sold for \$3,800. In the entry to record the sale, there would be a

- a. \$200 debit to Loss on Sale of Machine
- b. \$1,200 debit to Accumulated Depreciation
- c. \$1,200 debit to Loss on Sale of Machine
- d. \$1,000 debit to Accumulated Depreciation

17. In 2008, Colorado Mining Company paid \$4,000,000 for a mining tract with reserves of 100,000 tons of ore, which the company planned to mine over a 20-year period. The company spent \$500,000 developing the mine. Colorado Mining plans to spend \$200,000 for reclamation when mining has been completed, after which the land will have an estimated value of \$300,000. In 2008, Colorado Mining mined and sold 20,000 tons of ore. What depletion should Colorado Mining record for the year?

- a. \$400,000
- b. \$440,000
- c. \$800,000
- d. \$880,000

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18. On January 1, 2008, Hail Company signed a lease agreement requiring six annual payments of \$20,000, beginning December 31, 2008. The lease qualifies as a capital lease. Hall's incremental borrowing rate was 9% and the lessor's implicit rate, known by Hall was 10%. The present value factors of an ordinary annuity of 1 for six periods for interest rates of 9% and 10% are 4.485919 and 4.355261, respectively. The balance of the lease obligation on December 31, 2008, for financial reporting purposes after the lease payment would be (round answers to the nearest dollar):

- a. \$77,793
- b. \$75,816
- c. \$55,993
- d. \$0

19. The Ross Company made the following expenditures for research and development early in 2008: \$20,000 for materials; \$30,000 for contract services; \$40,000 for employee salaries; and \$300,000 for a building with an expected life of 20 years to be used for current and future research projects. Ross uses straight-line depreciation. The company allocated \$5,000 in overhead to research and development. What is Ross' research and development expense for 2008?

- a. \$330,000
- b. \$105,000
- c. \$115,000
- d. \$110,000

20. Rapunzel acquired a franchise to operate a beauty salon from Beautiful Hair, Inc., for \$125,000. She incurred an additional \$2,000 in legal costs to negotiate the terms with the franchisor. In ten years, the franchise contract will be renegotiated. The current contract also states that there will be a \$1,000 annual fee plus a one percent charge based on the store's annual revenue. The franchise cost that should be capitalized is

- a. \$125,000
- b. \$127,000
- c. \$137,000
- d. \$175,000

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Part II: Multiple-Choice Questions: Select the best answer for each of the following questions. (2% for each question) (30%)

1. Compensation expense resulting from a compensatory stock option plan is generally
 - a. recognized in the period of exercise.
 - b. recognized in the period of the grant.
 - c. allocated to the periods benefited by the employee's required service.
 - d. allocated over the periods of the employee's service life to retirement.
2. Antidilutive securities
 - a. should be included in the computation of diluted earnings per share but not basic earnings per share.
 - b. are those whose inclusion in earnings per share computations would cause basic earnings per share to exceed diluted earnings per share.
 - c. include stock options and warrants whose exercise price is less than the average market price of common stock.
 - d. should be ignored in all earnings per share calculations.
3. Gains or losses on cash flow hedges are
 - a. ignored completely.
 - b. recorded in equity, as part of other comprehensive income.
 - c. reported directly in net income.
 - d. reported directly in retained earnings
4. Which of the following is *not* treated as a change in accounting principle?
 - a. A change from LIFO to FIFO for inventory valuation
 - b. A change to a different method of depreciation for plant assets
 - c. A change from full-cost to successful efforts in the extractive industry
 - d. A change from completed-contract to percentage-of-completion
5. Which of the following statements relating to the statement of cash flows is correct?
 - a. Issuance of bond payable and payment of interest on bond payable would be classified as a financing activity
 - b. Issuance of common stock and distribution of cash dividend would be classified as a financing activity
 - c. Investment in security held as an available-for-sale investment and the receipt of cash dividend of the investment would be classified as an investing activity
 - d. the issuance of bonds payable in exchange for a factory building would be classified as an investing activity
6. Which of the following costs are capitalized for self-constructed assets?
 - a. Materials and labor only
 - b. Labor and overhead only
 - c. Materials and overhead only
 - d. Materials, labor, and overhead

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7. Which of the following assets do *not* qualify for capitalization of interest costs incurred during construction of the assets?
- Assets under construction for an enterprise's own use.
 - Assets intended for sale or lease that are produced as discrete projects.
 - Assets financed through the issuance of long-term debt.
 - Assets not currently undergoing the activities necessary to prepare them for their intended use.
8. When computing the amount of interest cost to be capitalized, the concept of "avoidable interest" refers to
- the total interest cost actually incurred.
 - a cost of capital charge for stockholders' equity.
 - that portion of total interest cost which would not have been incurred if expenditures for asset construction had not been made.
 - that portion of average accumulated expenditures on which no interest cost was incurred.
9. Which of the following would *not* be reported on the financial statements?
- sales discount taken
 - trade receivables
 - trade discounts
 - sales discounts not taken
10. When accounting for uncollectible accounts,
- if the percentage of sales method is in use, any existing balance in the Allowance for Doubtful Accounts is the amount used in the adjusting entry.
 - in current accounting practice, the most frequently used method of recognizing bad debts is the direct write-off method.
 - writing off a specific receivable does not reduce the current ratio if the percentage of ending accounts receivable method is in use.
 - an aging analysis results in reporting accounts receivable at their historical cost on the balance sheet.
11. Which application of the lower of cost or market rule will generally result in the lowest valuation for the ending inventory?
- to each item of the inventory
 - to each major category of inventory
 - to the total inventory
 - each of the above applications results in the same valuation for inventory

(背面仍有題目,請繼續作答)

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12. In comparison to the allowance method of applying the lower of cost or market rule to the valuation of inventory, the *direct method* has the following *deficiency*:
- the direct method reports a more conservative amount for net income
 - for the direct method, the loss or loss recovery due to market valuation changes is included in the cost of goods sold amount
 - with the direct method, the inventory amount reported on the balance sheet is the historical cost
 - the direct method can only be used with a perpetual inventory system
13. Once an asset is impaired then:
- annual depreciation expense is the same.
 - accumulated depreciation needs to be adjusted.
 - subsequent years depreciation expense is based upon changes in the asset's fair value.
 - the new cost is used to compute future year's depreciation.
14. A capital lease should be recorded in the lessee's accounts at the inception of the lease in an amount equal to
- the present value of the minimum lease payments less the executory costs included in the minimum lease payments
 - the total value of the future rental payments less any estimated contingent payments
 - the total value of future rental payments less any executory payments included in the future payments
 - the total value of the minimum lease payments less executory costs if any
15. Which of the following describes the appropriate accounting for intangible assets with a finite life?

	Amortize	Write down if impaired
a.	Yes	Yes
b.	Yes	No
c.	No	Yes
d.	No	No