

7. In January 1993, Huff Mining Corporation purchased a mineral mine for \$3,600,000 with removable ore estimated by geological surveys at 2,160,000 tons. The property has an estimated value of \$360,000 after the ore has been extracted. Huff incurred \$1,080,000 of development costs preparing the property for the extraction of ore. During 1993, 270,000 tons were removed and 240,000 tons were sold. For the year ended December 31, 1993, Huff should include what amount of depletion in its cost of goods sold?
- \$360,000.
  - \$405,000.
  - \$480,000.
  - \$540,000.

8. Korn Co. incurred the following costs during 1993:
- |   |           |
|---|-----------|
| Modification to the formulation of a chemical product                       | \$135,000 |
| Trouble-shooting in connection with breakdowns during commercial production | 150,000   |
| Design of tools, jigs, molds, and dies involving new technology             | 170,000   |
| Seasonal or other periodic design changes to existing products              | 185,000   |
| Laboratory research aimed at discovery of new technology                    | 215,000   |

In its income statement for the year ended December 31, 1993, Korn should report research and development expense of

- \$520,000.
  - \$470,000.
  - \$385,000.
  - \$335,000.
9. The stockholders' equity of Moose Company at July 31, 1993 is presented below:
- |   |                    |
|---|--------------------|
| Common stock, par value \$25, authorized 400,000 shares;<br>issued and outstanding 160,000 shares | \$4,000,000        |
| Capital in excess of par value  | 160,000            |
| Retained earnings   | 650,000            |
|   | <u>\$4,810,000</u> |

On August 1, 1993, the board of directors of Moose declared a 10% stock dividend on common stock, to be distributed on September 15th. The market price of Moose's common stock was \$35 on August 1, 1993, and \$38 on September 15, 1993. What is the amount of the debit to retained earnings as a result of the declaration and distribution of this stock dividend?

- \$320,000.
  - \$560,000.
  - \$608,000.
  - \$400,000.
10. Terry, Inc. is a calendar-year corporation whose financial statements for 1993 and 1994 included errors as follows:

Year	Ending Inventory	Depreciation Expense
1993	\$15,000 overstated	\$12,500 overstated
1994	5,000 understated	4,000 understated

Assume that purchases were recorded correctly and that no correcting entries were made at December 31, 1993, or at December 31, 1994. Ignoring income taxes, by how much should Terry's retained earnings be retroactively adjusted at January 1, 1995?

- \$13,500 increase.
- \$3,500 increase.
- \$1,500 decrease.
- \$1,000 increase.

二. 計算題 (每小題 5 分, 請列出計算過程, 否則不給分) 共 25 分.  
※ 請按順序作答.

1. On July 1, 1993, Kay Corp. sold equipment to Mando Co. for \$100,000. Kay accepted a 10% note receivable for the entire sale price. This note is payable in two equal installments of \$50,000 plus accrued interest on December 31, 1993 and December 31, 1994. On July 1, 1994, Kay discounted the note at a bank at an interest rate of 12%. Compute Kay's proceeds from the discounted note.

2. During 1992, Rex Co. introduced a new product carrying a two-year warranty against defects. The estimated warranty costs related to dollar sales are 2% within 12 months following sale and 4% in the second 12 months following sale. Sales and actual warranty expenditures for the years ended December 31, 1992 and 1993 are as follows:

	Sales	Actual Warranty Expenditures
1992	\$ 600,000	\$ 9,000
1993	1,000,000	30,000
	<u>\$1,600,000</u>	<u>\$39,000</u>

What's the amount Rex should report for an estimated warranty liability at December 31, 1993?

3. On January 1, 1988, Fox Corp. issued 1,000 of its 10%, \$1,000 bonds for \$1,040,000. These bonds were to mature on January 1, 1998 but were callable at 101 any time after December 31, 1991. Interest was payable semiannually on July 1 and January 1. On July 1, 1993, Fox called all of the bonds and retired them. Bond premium was amortized on a straight-line basis. What's Fox's gain or loss in 1993 on this early extinguishment of debt before income taxes?

4. At December 31, 1993, Ivory Company had 450,000 shares of common stock outstanding. On September 1, 1994, an additional 150,000 shares of common stock were issued. In addition, Ivory had \$10,000,000 of 8% convertible bonds outstanding at December 31, 1993 which are convertible into 300,000 shares of common stock. The bonds were not considered common stock equivalents at the time of their issuance and no bonds were converted into common stock in 1994. The net income for the year ended December 31, 1994, was \$5,000,000. Assuming the income tax rate was 30%, what should be the fully diluted earnings per share for the year ended December 31, 1994, rounded to the nearest penny?

5. The following balance sheet information is given for 19X3:

Stockholders' Equity

Paid-in capital	
Preferred stock, 5%, \$100 par, 6,000 shares authorized, 2,000 shares issued	\$200,000
Paid-in-capital in excess of par- preferred	20,000
Common stock, \$10 par, 15,000 shares authorized, 9,000 shares issued	90,000
Common stock subscribed, 500 shares	5,000
Paid-in-capital in excess of par- common	45,000
Total paid-in capital	<u>360,000</u>
Retained earnings	75,000
Total stockholders' equity	<u>\$435,000</u>

Compute the book value per share of the preferred and common stock if three years' total of cumulative preferred dividends are in arrears and the preferred has a \$125 redemption value.

三. Meridian Corporation's 19x2 income statement and its comparative balance sheets as of December 31, 19x2 and 19x1 appear as follows:

Meridian Corporation Income Statement For the Year Ended December 31, 19x2		
Sales		
Cost of Goods Sold		\$804,500
Gross Margin from Sales		<u>563,900</u>
Operating Expenses (including Depreciation Expense of \$23,400)		\$240,600
Income from Operations		<u>224,700</u>
Other Income (Expenses)		\$ 15,900
Gain on Disposal of Furniture and Fixtures	\$ 3,500	
Interest Expense	<u>(11,600)</u>	(8,100)
Income Before Income Taxes		\$ 7,800
Income Taxes		<u>2,300</u>
Net Income		<u>\$ 5,500</u>

Meridian Corporation Comparative Balance Sheets December 31, 19x2 and 19x1		
	19x2	19x1
Assets		
Cash		
Accounts Receivable (net)	\$ 82,400	\$ 25,000
Merchandise Inventory	82,600	100,000
Prepaid Rent	175,000	225,000
Furniture and Fixtures	1,000	1,500
Accumulated Depreciation, Furniture and Fixtures	74,000	72,000
Total Assets	<u>(21,000)</u>	<u>(12,000)</u>
	<u>\$394,000</u>	<u>\$411,500</u>
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 71,700	\$100,200
Notes Payable (long-term)	20,000	10,000
Bonds Payable	50,000	100,000
Income Taxes Payable	700	2,200
Common Stock—\$10 par value	120,000	100,000
Paid-in Capital in Excess of Par Value	90,720	60,720
Retained Earnings	<u>40,880</u>	<u>38,380</u>
Total Liabilities and Stockholders' Equity	<u>\$394,000</u>	<u>\$411,500</u>

Additional information about 19x2: (a) furniture and fixtures that cost \$17,800 with accumulated depreciation of \$14,400 were sold at a gain of \$3,500; (b) furniture and fixtures were purchased in the amount of \$19,800; (c) a \$10,000 note payable was paid and \$20,000 was borrowed on a new note; (d) bonds payable in the amount of \$50,000 were converted into 2,000 shares of common stock; and (e) \$3,000 in cash dividends were declared and paid.

Prepare a statement of cash flows using the direct method. Include a supporting schedule of noncash investing and financing transactions. (Do not use a work sheet.)

(20分)

四. P Company purchased 60 percent of the capital stock of S Company on January 1, 19X1, for \$46,000 when the latter's capital stock and retained earnings were \$30,000 and \$10,000, respectively. Book values were equal to fair values for all assets and liabilities of S Company except plant and equipment (net) which had a fair value \$20,000 in excess of book value. The plant and equipment had an estimated remaining life of five years, and any goodwill arising from the combination should be amortized over 10 years.

Trial balances for the companies on December 31, 19X2, are shown following:

	<i>P Company</i>	<i>S Company</i>
Cash . . . . .	\$ 28,800	\$ 30,000
Inventory (1/1) . . . . .	30,000	15,000
Investment in S Company . . . . .	51,200	
Plant and Equipment (net) . . . . .	80,000	40,000
Dividends Declared . . . . .	20,000	5,000
Purchases . . . . .	48,000	23,000
Operating Expenses . . . . .	12,000	7,000
	<u>\$270,000</u>	<u>\$120,000</u>
Accounts Payable . . . . .	\$ 24,400	\$ 20,000
Capital Stock . . . . .	100,000	30,000
Retained Earnings . . . . .	50,000	20,000
Sales . . . . .	90,000	50,000
Equity in Subsidiary Earnings . . . . .	5,600	
	<u>\$270,000</u>	<u>\$120,000</u>
Inventory (12/31) . . . . .	\$ 20,000	\$ 10,000

Required:  
Prepare a consolidated statement working paper for the year ended December 31, 19X2.

(15分)