

一、Compute the correct answer(40%)

1. Laman's Corporation has two products in its ending inventory, each accounted for at the lower of cost or market. A profit margin of 20% on selling price is considered normal for each product. Specific data with respect to each product follows:

	Product A	Product B
Historical cost	\$30	\$40
Replacement cost	34	42
Estimated cost to dispose	10	20
Estimated selling price	50	80

In pricing its ending inventory using the lower of cost or market, what unit values should Laman's use for products A and B respectively ?

2. Karlong Co. purchased land as a factory site for \$200,000. Karlong paid \$18,000 to tear down two buildings on the land. Salvage was sold for \$2,500. Legal fees of \$1,200 were paid for title investigation and making the purchase. Surveying before construction cost \$800. Architect's fees were \$15,600. Title insurance cost \$1,000, and liability insurance during construction cost \$1,500. Excavation cost \$3,000. The contractor was paid \$850,000. An assessment made by the city for pavement was \$3,200. Interest costs during construction were \$50,000. What amount should be recorded by Karlong Co. for land and buildings respectively?
3. Port House's checkbook balance on December 31, 2002 was \$28,500. In addition, Port House held the following items in its safe on December 31.
- (1) A check for \$900 from Peterson, Inc. received December 30, 2002 which was not included in the checkbook balance.
 - (2) An NSF check from Gaffner Company in the amount of \$1,200 that had been deposited at the bank, but was returned for lack of sufficient funds on December 29. The check was to be redeposited on January 3, 2003. The original deposit has been included in the December 31 checkbook balance.
 - (3) Coin and currency on hand amounted to \$2,000.
- What amount should be reported on Port House's balance sheet for cash at December 31, 2002?
4. The Fizz Corporation inaugurated a new sales promotional program. For every 10 bottle caps returned to Fizz, customers receive an attractive prize. Fizz estimates that only 50% of the bottle caps reaching the consumer market will be redeemed.

Additional information is as follows:

	<u>Units</u>	<u>Amount</u>
Sale of bottles	2,000,000	\$600,000
Prizes purchased by Fizz	110,000	82,500
Prizes distributed to customers	39,000	

At the end of its year, Fizz recognized a liability equal to the estimated cost of potential prizes outstanding. What is the amount of this estimated liability?

5. On October 1, 2002, Album Co. purchased 200 of the \$1,000 face value, 10% bonds of Acer, Inc., for \$280,000, including accrued interest of \$5,000. The bonds, which mature on January 1, 2009, pay interest semiannually on January 1 and July 1. Album used the straight-line method of amortization and appropriately recorded the bonds as a long-term investment. What amount of the bonds should be reported on Album's December 31, 2003 balance sheet?
6. The 12% bonds payable of Sowa Co. had a carrying amount of \$336,000 on December 31, 2002. The bonds, which had a face value of \$300,000, were issued at a premium to yield 10%. Sowa uses the effective interest method of amortization. Interest is paid on June 30 and December 31. On June 30, 2003, several years before their maturity, Sowa retired the bonds at 106 plus accrued interest. What is the extraordinary gain on retirement?
7. At December 31, 2003, Triple Company had 450,000 shares of common stock outstanding. On September 1, 2004, an additional 150,000 shares of common stock were issued. In addition, Triple had \$10,000,000 of 8% convertible bonds outstanding at December 31, 2003 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 2004. The net income for the year ended December 31, 2004, 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, 2004, rounded to the nearest penny?
8. Downhill Co. has outstanding 20,000 shares of 10% preferred stock with a \$10 par value and 100,000 shares of \$3 par value common stock. Dividends have been paid every year except last year and the current year. Assuming that \$130,000 will be distributed, and the preferred stock is cumulative and fully participating, how much will the common stockholders receive?

9. Anderson, Bates, and Marks were partners with capital account balances of \$62,000, \$38,000, and \$20,000, respectively, and shared income and losses in a 1:2:2 ratio. The partners decided to liquidate their firm when its assets consisted of \$8,000 cash and \$124,000 of other assets, and liabilities were \$12,000. The other assets were sold for \$44,000 and the liabilities were paid. Assuming that any partner developing a debit balance in his/her capital account was unable to pay the deficiency, how much would Anderson receive?
10. Cooper company received \$40,000 in cash and a used machine with a market value of \$360,000 from Sloan Corporation for Cooper's existing machine having a market value of \$400,000 and an undepreciated cost of \$320,000 recorded on its books. How much gain should Cooper recognize on this exchange, and at what amount should the acquired machine be recorded, respectively?

二、Define the following items and compare the difference(20%)

1. Subsequent event & Contingency
2. Compensating balance & Bank overdraft
3. Watered stock & Treasury stock
4. Relevance & Reliability
5. Off-balance sheet financing & Income manipulation

三、陽明公司成立於民國 90 年年初，會計政策以「應收帳款百分比法」估計壞帳，以「金額後進先出零售價法」作存貨計價，以「年數合計法」提列折舊。公司管理當局於 92 年發現帳冊上有下列錯誤發生：

- (1) 91 年年中有應收帳款 \$50,000 應沖銷而未沖銷，壞帳率為 6%。
- (2) 91 年年底期末存貨盤點漏列，相關資料如下(20%)：

年度	期末存貨成本	成本率	期末存貨零售價	物價指數
90	\$96,000	60%	\$160,000	100%
91	?	70%	233,200	106%
92	?	55%	299,000	115%

- (3) 91 年 4 月 1 日以 \$100,000 購入機器一部，無殘值，可用 4 年，公司卻誤以費用科目入帳。

試作：(a) 計算 92 年期末存貨成本？

(b) 若 91 年公司原先之淨利為 \$240,480，則正確淨利應為若干？

(c) 若公司於 92 年調整前發現上述錯誤，請分別對應收帳款、存貨計價及折舊提列等錯誤，作必要的更正分錄。

四、(20%) Presented below are the comparative balance sheets for Dennis Weigle Company as of December 31.

DENNIS WEIGLE COMPANY
Comparative Balance Sheets
December 31

<u>Assets</u>	<u>2002</u>	<u>2001</u>
Cash	\$ 39,000	\$ 45,000
Accounts receivable	49,500	52,000
Inventory	151,450	142,000
Prepaid expenses	16,780	21,000
Land	100,000	130,000
Equipment	228,000	155,000
Accumulated depreciation—equipment	(45,000)	(35,000)
Building	200,000	200,000
Accumulated depreciation—building	(60,000)	(40,000)
	<u>\$679,730</u>	<u>\$670,000</u>
 <u>Liabilities and Stockholders' Equity</u>		
Accounts payable	\$ 38,730	\$ 40,000
Bonds payable	250,000	300,000
Common stock, \$1 par	200,000	150,000
Retained earnings	191,000	180,000
	<u>\$679,730</u>	<u>\$670,000</u>

Additional information:

1. Operating expenses include depreciation expense of \$42,000.
2. Land was sold for cash at book value.
3. Cash dividends of \$27,000 were paid.
4. Net income for 2002 was \$38,000.
5. Equipment was purchased for \$95,000 cash. In addition, equipment costing \$22,000 with a book value of \$10,000 was sold for \$8,100 cash.
6. Bonds were converted at face value by issuing 50,000 shares of \$1 par value common stock.
7. Net sales for 2002 totaled \$420,000.

Instructions

- (a) Prepare a statement of cash flows for the year ended December 31, 2002, using the indirect method.
- (b) Compute the following cash-basis ratios for 2002.
 - (1) Current cash debt coverage ratio.
 - (2) Cash return on sales ratio.
 - (3) Cash debt coverage ratio.