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When answering the questions, please follow the International Financial Reporting Standards (IFRS) unless otherwise stated.

Part one Multiple Choice (60 points, 3 for each)

1. In a recent year Hill Corporation had net income of $140,000, interest expense of $20,000, and tax expense of $40,000. What was Hill Corporation's times interest earned ratio for the year?

   a. 10 b. 9 c. 8 d. 7

2. Wheeler Company reports the following amounts for 2014.

Net income	$ 150,000
Average shareholders' equity	1,000,000
Preference dividends	26,000
Par value preference shares	200,000

   The 2014 rate of return on ordinary shareholders' equity is

   a. 18.8% b. 15.5% c. 15.0% d. 12.4%

3. LF's Pest Control Products has the following information available:

Net Income	$25,000
Cash Provided by Operations	35,000
Cash Sales	65,000
Capital Expenditures	11,000
Dividends Paid	3,000

   What is LF's free cash flow?

   a. $32,000 b. $24,000 c. $21,000 d. $11,000

4. An aircraft company would most likely have

   a. a high inventory turnover. b. low profit margin. c. high volume. d. a low inventory turnover.

5. Tomko Company purchased machinery with a list price of $96,000. They were given a 10% discount by the manufacturer. They paid $600 for shipping and sales tax of $4,500. Tomko estimates that the machinery will have a useful life of 10 years and a residual value of $30,000. If Tomko uses straight-line depreciation, annual depreciation will be

   a. $6,150. b. $6,108. c. $9,150. d. $5,640.

6. Dooley Corporation had net income of $200,000 and paid dividends to ordinary shareholders of $40,000 in 2014. The weighted average number of shares outstanding in 2014 was 50,000 shares. Dooley Corporation's ordinary shares are selling for $35 per share Dooley Corporation's price-earnings ratio is

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a. 5 times. b. 8.8 times. c. 4 times. d. 10.9 times.

7. Gabana Inc.'s €100 petty cash fund has cash of €6 and receipts of €91. The journal entry to replenish the account would include
a. credit to Cash Over and Short for €3. b. credit to Petty Cash for €94.
c. debit to Cash for €91. d. credit to Cash for €94.

8. Andrews, Inc. paid $45,000 to buy back 9,000 shares of its $1 par value ordinary shares. These shares were sold later at a selling price of $7 per share. The entry to record the sale includes a
a. credit to Share Premium–Treasury for $18,000. b. credit to Retained Earnings for $18,000.
c. debit to Share Premium–Treasury for $45,000. d. debit to Retained Earnings for $45,000.

9. On January 1, 2014, Daley Corporation purchased 30% of the ordinary shares outstanding of King Corporation for $500,000. During 2014, King Corporation reported net income of $200,000 and paid cash dividends of $100,000. The balance of the Share Investments—King account on the books of Daley Corporation at December 31, 2014 is
a. $500,000. b. $530,000. c. $560,000. d. $470,000.

10. Enos Company has decided to change the estimate of the useful life of an asset that has been in service for 2 years. Which of the following statements describes the proper way to revise a useful life estimate?
a. Revisions in useful life are permitted if approved by the taxing authority.
b. Retroactive changes must be made to correct previously recorded depreciation.
c. Only future years will be affected by the revision.
d. Both current and future years will be affected by the revision.

11. If the market interest rate is 10%, a $10,000, 12%, 10-year bond, that pays interest semiannually would sell at an amount
a. less than face value. b. equal to face value.
c. greater than face value. d. that cannot be determined.

12. Adjustments would **not** be necessary if financial statements were prepared to reflect net income from
a. monthly operations. b. fiscal year operations. c. interim operations. d. lifetime operations.

13. Net realizable value refers to
a. the net amount the company expects to realize from the sale.
b. the selling price.
c. the cost to replace the item.
d. the gross profit realized from the sale.

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14. The accountant at Reber Company has determined that income before income taxes amounted to $6,750 using the FIFO costing assumption. If the income tax rate is 30% and the amount of income taxes paid would be $315 greater if the average-cost assumption were used, what would be the amount of income before taxes under the average-cost assumption?

a. $7,065 b. $7,800 c. $6,015 d. $6,435

15. Using the percentage of receivables method for recording bad debts expense, estimated uncollectible accounts are ¥250,000. If the balance of the Allowance for Doubtful Accounts is ¥60,000 debit before adjustment, what is the amount of bad debts expense for that period?

a. ¥250,000 b. ¥60,000 c. ¥310,000 d. ¥190,000

16. Charlie Co. lends Caroline Green Inc. $20,000 on June 1, 2014, accepting a five-month, 9% interest-bearing note. Assuming the date Charlie's statement of financial position is September 30, 2014, what amounts will Charlie record related to this note?

a. Charlie Co will not record anything related to the note since it matures on November 1, 2014.
b. Charlie Co will record interest revenue of $1,800.
c. Charlie Co will record interest revenue of $750
d. Charlie Co will record interest revenue of $600.

17. On September 23, Riley Company received a $350 check from Jack Colaw for services to be performed in the future. The bookkeeper for Riley Company incorrectly debited Cash for $350 and credited Accounts Receivable for $350. The amounts have been posted to the ledger. To correct this entry, the bookkeeper should

a. debit Cash $350 and credit Unearned Service Revenue $350.
b. debit Accounts Receivable $350 and credit Unearned Service Revenue $350.
c. debit Accounts Receivable $350 and credit Cash $350.
d. debit Accounts Receivable $350 and credit Service Revenue $350.

18. Tucker Department Store utilizes the retail inventory method to estimate its inventories. It calculated its cost to retail ratio during the period at 75%. Goods available for sale at retail amounted to $800,000 and goods were sold during the period for $500,000. The estimated cost of the ending inventory is

a. $300,000. b. $600,000. c. $225,000. d. $400,000.

19. Murray's Fashions sold merchandise for $114,000 cash during the month of July. Returns that month totaled $2,400. If the company's gross profit rate is 40%, Murray's will report monthly net sales revenue and cost of goods sold of

a. $114,000 and $45,600. b. $111,600 and $44,640.
c. $111,600 and $66,960. d. $114,000 and $66,960.

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20. Wave Inn is a resort located in Canada. Wave Inn collects cash when guests make a reservation. During December 2013, Wave Inn collected $75,000 of cash and recorded the receipt by recognizing revenue. By the end of the month Wave Inn had earned one third of this amount, the other two thirds will be earned during January 2014. The adjusting entry required at December 31, 2013 would impact the statement of financial position by

a. Decreased Equity $50,000. b. Decreased Liabilities $50,000.
c. Increased Assets $75,000. d. Increased Equity $25,000.

Part two Exercise 注意：務請詳列計算過程，否則不予計分 (40%)

1. The cash balance per books for Feagen Company on September 30, 2014 is $10,740.93. The following checks and receipts were recorded for the month of October, 2014:

Checks				Receipts	
No.	Amount	No.	Amount	Amount	Date
17	$372.96	22	$ 578.84	$843.86	10/ 5
18	$780.62	23	$ 1,687.50	$941.54	10/21
19	$157.00	24	$ 921.30	$808.58	10/27
20	$587.50	25	$ 246.03	$967.00	10/30
21	$234.15				

In addition, the bank statement for the month of October is presented below:

Balance Last Statement	Deposits and Credits No.	Deposits and Credits Total Amount	Checks and Debits No.	Checks and Debits Total Amount	Balance This Statement
$5,404.84	5	$10,178.36	10	$3,632.19	$11,951.01

Checks and other debits						Deposits	Date	Balance
No.	Amount	No.	Amount	No.	Amount			
14	148.29	17	372.96	22	578.84	5,484.38	10/ 1	$9,875.31
18	708.62	24	921.30			843.86	10/ 8	$9,219.03
19	157.00	25	246.03			941.54	10/23	$9,541.58
21	234.15		35.00 SC			808.58	10/29	$10,101.01
	230.00 NSF					2,100.00 CM	10/31	$11,951.01

Symbols: NSF (Not sufficient funds) SC (Service charge) CM (Credit Memo)

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Check No. 18 was correctly written for $708.62 for a payment on account. The NSF check was from S. Long, a customer, in settlement of an accounts receivable. An entry had not been made for the NSF check. The credit memo is for the collection of a note receivable including interest of $60 which has not been accrued. The bank service charge is $35.00.

Instructions

(a) Prepare a bank reconciliation at October 31. (12%)

(b) Prepare the adjusting journal entries required by the bank reconciliation. (4%)

2. The following securities are in Pascual Company's portfolio of long-term non- trading securities at December 31, 2013.

	Cost
1,400 shares of Elderberry Corporation ordinary shares	R 84,000
1,200 shares of Mattoon Corporation preference shares	33,600

On December 31, 2013, the total cost of the portfolio equaled total fair value. Pascual had the following transactions related to the securities during 2014.

Jan.	28	Purchased 400 R$70 par value ordinary shares of Hachito Corporation at R$79.20 per share.
	30	Received a cash dividend of R$1.15 per share on Elderberry Corp. ordinary shares.
Feb.	18	Sold all 1,200 preference shares of Mattoon Corp. at R$26.70 per share.
July	30	Received a cash dividend of R$1.00 per share on Hachito Corporation ordinary shares.
Sept.	6	Purchased an additional 900 R$70 par value ordinary shares of Hachito Corporation at R$82 per share.
Dec.	1	Received a cash dividend of R$1.50 per share on Hachito Corporation ordinary shares.

At December 31, 2014, the fair values of the securities were:

Elderberry Corporation ordinary shares R$64 per share

Hachito Corporation ordinary shares R$72 per share

Instructions

(a) Prepare journal entries to record the transactions. (6%)

(b) Prepare the adjusting entry at December 31, 2014 to report the portfolio at fair value.(3%)

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3. Condensed financial data of Popler Company appear below:

POPLER COMPANY
Comparative Statement of Financial Position
December 31

	2014	2013
Assets		
Plant assets	315,000	250,000
Accumulated depreciation	(65,000)	(60,000)
Investments	90,000	75,000
Prepaid expenses	19,000	25,000
Inventories	120,000	132,000
Accounts receivable	85,000	53,000
Cash	71,000	35,000
Total	$635,000	$510,000
Equity and Liabilities		
Share capital-ordinary	245,000	170,000
Retained earnings	138,000	81,000
Bonds payable	130,000	160,000
Accounts payable	93,000	75,000
Accrued expenses payable	29,000	24,000
Total	$635,000	$510,000

POPLER COMPANY
Income Statement
For the Year Ended December 31, 2014

Sales revenue		$470,000
Less:		
Cost of goods sold	$280,000	
Operating expenses (excluding depreciation)	60,000	
Interest expense	18,000	
Depreciation expense	17,000	
Income taxes	15,000	
Loss on sale of plant assets	3,000	393,000
Net income		$ 77,000

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Additional information:

(1). New plant assets costing $90,000 were purchased for cash in 2014.

(2). Old plant assets costing $25,000 were sold for $10,000 cash when book value was $13,000.

(3). Bonds with a face value of $30,000 were converted into $30,000 of ordinary shares.

(4). A cash dividend of $20,000 was declared and paid during the year.

(5). Accounts payable pertain to merchandise purchases.

Instructions

Prepare a statement of cash flows for the year using the direct method. (15%)

（本試題結束）