

第一大題選擇題，考生應作答於『答案卡』否則不予計分。
第一大題選擇題1~20；共20題；每題各2.5分；佔總分50分。

1. According to the IFRS rules, which of the following is **not** true?
- (A) If the fluctuation in value is small, PPEs under the revaluation model can be revalued every 3-5 years
(B) Investment properties under the fair value model need no depreciation
(C) A value increase or decrease for PPEs under the revaluation model will always be recognized as gains or losses through P&L
(D) A value increase for investment properties under the fair value model will always be recognized as gains through P&L
2. Eaton, Inc., has 5,000 shares of 5%, \$100 par value, cumulative preference shares and 20,000 shares of \$1 par value ordinary shares outstanding on December 31, 2016. There were no dividends declared in 2014. The board of directors declares and pays \$45,000 dividend in both 2015 and 2016. What is the amount of dividends received by the ordinary shareholders in 2016?
- (A) \$15,000
(B) \$25,000
(C) \$45,000
(D) \$0
3. Horton Co. purchased \$500,000 of bonds at par. Horton's management has an active trading business model for this investment. On December 31, Horton Co. received annual interest of \$20,000, and the fair value of the bonds was \$470,400. In Horton's year-end statement of financial position, what amount will be reported for the bond investment and how much total income/loss will be reported on its income statement?
- | Statement of financial position | Income statement |
|---------------------------------|------------------|
| (A) \$500,000 | \$20,000 |
| (B) \$470,400 | \$20,000 |
| (C) \$470,400 | (\$9,600) |
| (D) \$470,400 | \$49,600 |
4. During 2016 Twist Company purchased 4,000 shares of Shout, Inc. at \$30 per share. The investment was classified as a trading investment. During the year Twist Company sold 1,000 shares of Shout, Inc. for \$35 per share. At December 31, 2016 the market price of Shout, Inc.'s shares were \$28 per share. What is the total amount of gain (or loss) that Twist Company will report in its income statement for the year ended December 31, 2016 related to its investment in Shout, Inc. shares?
- (A) (\$8,000)
(B) \$5,000
(C) (\$3,000)
(D) (\$1,000)

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Use the following information for questions 5 through 7. Noodle Corp.'s statement of financial position accounts as of December 31, 2016 and 2015 and information relating to 2016 activities are presented below.

| December 31, | 2016 | 2015 |
|--|-------------|-------------|
| Assets | | |
| Plant assets | \$3,400,000 | \$2,000,000 |
| Accumulated depreciation | (900,000) | (900,000) |
| Patent | 180,000 | 200,000 |
| Long-term investments | 400,000 | 600,000 |
| Inventory | 1,380,000 | 1,200,000 |
| Accounts receivable (net) | 1,020,000 | 1,020,000 |
| Short-term investments | 600,000 | — |
| Cash | 440,000 | 200,000 |
| Total assets | \$6,520,000 | \$4,320,000 |
| Equity and Liabilities | | |
| Share capital-ordinary, \$10 par | \$1,600,000 | \$1,400,000 |
| Share premium-ordinary | 800,000 | 500,000 |
| Retained earnings | 1,880,000 | 980,000 |
| Notes payable (nontrade) | 580,000 | — |
| Accounts payable and accrued liabilities | 1,660,000 | 1,440,000 |
| Total equity and liabilities | \$6,520,000 | \$4,320,000 |

Information related to 2016 activities:

- Net income for 2016 was \$1,500,000.
- Cash dividends of \$600,000 were declared and paid in 2016.
- Equipment costing \$1,000,000 and having a carrying amount of \$320,000 was sold in 2016 for \$360,000.
- A long-term investment was sold in 2016 for \$320,000. There were no other transactions affecting long-term investments in 2016.
- 20,000 ordinary shares were issued in 2016 for \$25 a share.
- Short-term investments consist of treasury bills maturing on 6/30/17.

5. Net cash provided by Noodle's 2016 operating activities was

- (A) \$1,500,000.
- (B) \$2,120,000.
- (C) \$2,080,000.
- (D) \$2,160,000.

6. Net cash used in Noodle's 2016 investing activities was

- (A) \$2,320,000.
- (B) \$1,820,000.
- (C) \$1,680,000.
- (D) \$1,720,000.

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7. Net cash provided by Noodle's 2016 financing activities was

- (A) \$480,000.
- (B) \$520,000.
- (C) \$1,080,000.
- (D) \$1,680,000.

8. On January 1 2016, Tide Co. purchased 25% of the ordinary shares of Post, Inc. The investment enables Tide Co. to exert significant influence over Post, Inc. During the year, Post earned net income of £160,000 and paid dividends of £40,000 and Tide Co. earned net income of £280,000. On December 31, 2016, shares of Post, Inc. were trading for £40 per share, and the value in the investment account on the books of Tide Co. was £395,000. What amount did Tide Co. pay for its investment in Post, Inc on January 1, 2016?

- (A) £365,000
- (B) £425,000
- (C) £325,000
- (D) £335,000

9. Grant, Inc. had 40,000 treasury shares (\$10 par value) at December 31, 2015, which it acquired at \$11 per share. On June 4, 2016, Grant issued 20,000 treasury shares to employees who exercised options under Grant's employee share option plan. The fair value per share was \$13 at December 31, 2015, \$15 at June 4, 2016, and \$18 at December 31, 2016. The share options had been granted for \$12 per share. The cost method is used. What is the balance of the treasury shares on Grant's statement of financial position at December 31, 2016?

- (A) \$140,000.
- (B) \$180,000.
- (C) \$220,000.
- (D) \$240,000.

10. Stinson Corporation owned 30,000 shares of Matile Corporation. These shares were purchased in 2014 for \$270,000. On November 15, 2016, Stinson declared a property dividend of one share of Matile for every ten shares of Stinson held by a shareholder. On that date, when the market price of Matile was \$14 per share, there were 270,000 shares of Stinson outstanding. What gain and net reduction in retained earnings would result from this property dividend?

| Gain | Net Reduction in Retained Earnings |
|---------------|------------------------------------|
| (A) \$0 | \$243,000 |
| (B) \$0 | \$378,000 |
| (C) \$135,000 | \$108,000 |
| (D) \$135,000 | \$243,000 |

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Use the following information for questions 11 through 12. Vargas Company has 35 employees who work 8-hour days and are paid hourly. On January 1, 2014, the company began a program of granting its employees 10 days of paid vacation each year. Vacation days earned in 2014 may first be taken on January 1, 2015.

Information relative to these employees is as follows:

| Year | Hourly wages | Vacation days earned by each employees | Vacation days used by each employee |
|------|--------------|--|-------------------------------------|
| 2014 | \$25.80 | 10 | 0 |
| 2015 | \$27.00 | 10 | 8 |
| 2016 | \$28.50 | 10 | 10 |

Vargas has chosen to accrue the liability for compensated absences at the current rates of pay in effect when the compensated time is earned.

11. What is the amount of expense relative to compensated absences that should be reported on Vargas's income statement for 2014?

- (A) \$0
- (B) \$68,880
- (C) \$75,600
- (D) \$72,240

12. What is the amount of the accrued liability for compensated absences that should be reported at December 31, 2016?

- (A) \$94,920
- (B) \$90,720
- (C) \$79,800
- (D) \$95,760

13. On January 1, 2015, Dora Corp. changed its inventory method to FIFO from average cost for both financial and income tax reporting purposes. The change resulted in an \$750,000 increase in the January 1, 2015 inventory. Assume that the income tax rate for all years is 40%. The cumulative effect of the accounting change should be reported by Frost in its 2015

- (A) retained earnings statement as a \$450,000 addition to the beginning balance.
- (B) income statement as a \$450,000 cumulative effect of accounting change.
- (C) retained earnings statement as an \$750,000 addition to the beginning balance.
- (D) income statement as an \$750,000 cumulative effect of accounting change.

14. Under IFRS 15, the transaction price for multiple performance obligations should be allocated

- (A) based on selling price from the company's competitors.
- (B) based on what the company could sell the goods for on a standalone basis.
- (C) based on forecasted cost of satisfying performance obligation.
- (D) based on total transaction price less residual value.

15. Lincoln Corp. has the following four deferred tax items at December 31, 2015. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority. On Lincoln's December 31, 2015 statement of financial position, it will report

| <u>Temporary Differences</u> | <u>Deferred Tax</u> <u>Asset</u> | <u>Deferred Tax</u> <u>Liability</u> |
|--|-------------------------------------|---|
| Rent collected in advance: recognized when earned for accounting purposes and when received for tax purposes | \$734,000 | |
| Use of straight-line depreciation for accounting purposes and accelerated depreciation for tax purposes | | \$48,000 |
| Recognition of profits on installment sales during period of sale for accounting purposes and during period of collection for tax purposes | | 900,000 |
| Warranty liabilities: recognized for accounting purposes at time of sale; for tax purposes at time paid | 144,000 | |

- (A) \$878,000 current deferred tax asset.
- (B) \$948,000 non-current deferred tax liability.
- (C) \$70,000 non-current deferred tax liability.
- (D) \$214,000 non-current deferred tax asset.

16. Munoz Corp.'s books showed pretax financial income of \$1,500,000 for the year ended December 31, 2015. In the computation of income taxes, the following data were considered:

| | |
|--|-----------|
| Gain on an involuntary conversion (Munoz has elected to replace the property within the statutory period using total proceeds.) | \$650,000 |
| Estimated warranty liabilities on books for 2015 sales | 100,000 |
| Depreciation deducted for tax purposes in excess of depreciation deducted for book purposes | 100,000 |
| Estimated tax payments, 2015 | 125,000 |
| Enacted tax rate, 2015 | 30% |

What amount should Munoz report as its current income tax liability on its statement of financial position on December 31, 2015?

- (A) \$100,000
- (B) \$130,000
- (C) \$325,000
- (D) \$450,000

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17. Black Jack Inc. charges an initial franchise fee of \$90,000 broken down as follows:

| | |
|---|---------------|
| Rights to trade name, market area, and proprietary know-how | \$40,000 |
| Training services | 13,500 |
| Equipment (cost of \$10,800) | <u>36,500</u> |
| Total initial franchise fee | \$90,000 |

Upon signing of the agreement, a payment of \$40,000 is due. Thereafter, two annual payments of \$30,000 are required. The credit rating of the franchisee is such that it would have to pay interest of 8% to borrow money. The franchise agreement is signed on August 1, 2014, and the franchise commences operation on November 1, 2014. Assume that the total training fees includes training services for the period leading up to the franchise opening (\$7,500 value) and for 3 months following opening. The journal entry on August 1, 2014 would include

- (A) a credit to Unearned Service Revenue for \$13,500.
- (B) a credit to Unearned Service Revenue for \$6,000.
- (C) a debit to Sales Revenue for \$36,500.
- (D) a debit to Unearned Franchise Revenue for \$40,000.

18. Under the cost-recovery method,

- (A) revenue, cost, and gross profit are recognized during the production cycle.
- (B) revenue and cost are recognized during the production cycle, but gross profit recognition is deferred until the contract is completed.
- (C) revenue, cost, and gross profit are recognized at the time the contract is completed.
- (D) None of these answers are correct.

19. Smurf Corp. and its divisions are engaged solely in manufacturing operations. The following data (consistent with prior years' data) pertain to the industries in which operations were conducted for the year ended December 31, 2015.

| Industry | Revenue | Profit(loss) | Assets |
|----------|---------------------|----------------|---------------------|
| | | | 12/31/15 |
| A | \$ 8,000,000 | \$(1,320,000) | \$16,000,000 |
| B | 6,400,000 | 1,120,000 | 4,000,000 |
| C | 4,800,000 | (960,000) | 20,000,000 |
| D | 2,400,000 | 440,000 | 5,200,000 |
| E | 3,400,000 | 540,000 | 5,600,000 |
| F | <u>1,200,000</u> | <u>180,000</u> | <u>2,400,000</u> |
| | <u>\$26,200,000</u> | <u>\$0</u> | <u>\$53,200,000</u> |

In its segment information for 2015, how many reportable segments does Smurf have?

- (A) Zero
- (B) Four
- (C) Five
- (D) Six

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20. The following data are for the pension plan for the employees of ThunderCats Company.

| | <u>1/1/14</u> | <u>12/31/14</u> | <u>12/31/15</u> |
|-----------------------------|---------------|-----------------|-----------------|
| Defined benefit obligation | \$8,100,000 | \$8,400,000 | \$11,100,000 |
| Plan assets (at fair value) | 6,900,000 | 9,000,000 | 9,900,000 |
| AOCI – net loss | -0- | 1,440,000 | 1,500,000 |
| Discount rate (for year) | | 8% | 7% |

ThunderCats' contribution was \$1,260,000 in 2015 and benefits paid were \$1,125,000. ThunderCats estimates that the average remaining service life is 15 years. The service cost in 2015 was

- (A) \$3,237,000
- (B) \$3,042,000
- (C) \$3,825,000
- (D) \$2,700,000

第二大題計算題21~26：共6題佔總分50分；請按題號順序作答於試卷之答案紙內(請不要作答於本試題本內)；並明確標示題號；配分如各題標示。

21. Starting July 2014, the regulatory body approved the use of fair value model on investment properties in Taiwan. On Dec 31, 2013, Joyce bought a rental building with \$400 million, useful life 10 year, no residual value, and straight line depreciation. On Dec 31, 2014, the fair value (and recoverable amount) of the building is \$270 Million. On Dec 31, 2015 the fair value (and recoverable amount) of the building become \$450 Million. Provide journal entries on Dec 31, 2014 and Dec 31, 2015: (1) under the cost model (2) under the fair value model. (10 points)

22. On Dec 31, 2010, J acquired S with 5000. S has three cash generating units A, B and C. Fair value of identifiable tangible assets from A, B, and C are 2000, 1000, and 1000 respectively. J recognized 1000 goodwill from this acquisition. At the end of 2012, there is an impairment from unit A. The recoverable amount of unit A is estimated to be 2000. The carrying amount of A, B, and C are:

| End of 2012 | A | B | C | Goodwill | Total |
|----------------|-------|-----|-----|----------|-------|
| Carrying value | 1,800 | 900 | 900 | 1,000 | 4,600 |

- (1) Provide journal entries for the impairment of goodwill as if the goodwill **can** be reasonably allocated. (3 points)
- (2) Provide journal entries for the goodwill impairment as if the goodwill **cannot** be reasonably allocated, provided that the recoverable amount for B is 1000, for C is 1100. (3 points)

23. On 1/1/2016 BT Co. purchased a 4-year bond issued by Star Co. with face value \$1,500,000, coupon rate 5%, original effective rate 4%, and interests will be paid at the end of the year. The effective rate was 3% at the end of 2016. The fair value of this bond investment was \$1,584,860 at the end of 2016. On 1/1/2017, BT Co. decided to reclassify this bond investment. Please prepare journal entries for 2017: (4 points each)

- (1) Assume BT reclassified the bond from available for sale investment to held to maturity investment.
- (2) Assume BT reclassified the bond from held to maturity investment to available for sale investment.

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24. In year X1, A has net income of \$100,000. Income tax rate was 20%.

- A1 has 24,000 shares outstanding at the beginning of X1. Average share price from 1/1 to 3/31 was \$40, and average share price for the whole year was \$50.
- Share warrants can subscribe 9,000 shares at \$20 at the beginning of the year. 6,000 shares were subscribed on 4/1, and the remaining 3,000 units were not exercised at the end of the year.
- 6% convertible bond with face value \$400,000, and each \$100,000 could be converted into 2,000 common shares. Original effective interest rate related to liability component of the convertible bond was also 6%. \$100,000 of convertible bond was converted to 2,000 common shares on 7/1, and the remaining bond was still outstanding at the end of the year.

Calculate **both** basic and dilutive EPS in year X1 for A company. (6 points)

25. NTU Corp. sponsors a defined benefit pension plan for its employees the following balances related to this plan: At the end of 2014, NTU Corp. has \$150,000 defined benefit obligations (DBO) and \$230,000 of plan assets. In 2015, current service cost is \$160,000. Discount rate is 10 percent. Actual return on plan assets is \$21,000. Benefits paid to retirees during the year are \$80,000, and NTU Corp. contributed \$200,000 to the pension fund at the end of year 2015. Changes in actuarial assumptions establish the end-of-year defined benefit obligation at \$265,000. There is no asset ceiling in 2014 and the asset ceiling for year 2015 is \$80,000.

(1) Prepare a pension worksheet for NTU Corp. for the year 2015; please also identify the amount as a debit item or a credit item. (7 points) (此小題請填答於試卷提供之答案紙表格內)

(2) Provide journal entries at the end of year 2015. (3 points)

26. NTU Capital and LAVITT Ltd. signed a lease agreement dated December 23, 2014, that calls for NTU to lease a crane to LAVITT beginning January 1, 2015. The terms and provisions of the lease agreement, and other pertinent data, are as follows.

- The term of the lease is four years. The lease agreement is non-cancelable, requiring equal rental payments at the beginning of each year.
- The crane has a fair value at the inception of the lease of \$780,000, an estimated economic life of four years, and estimated residual value of \$50,000 at the end of the lease, which is guaranteed by LAVITT.
- LAVITT pays all the executory costs, \$20,000 directly to NTU Capital. The lease contains no renewal options. The crane is returned back to NTU Capital at the termination of the lease.
- LAVITT's incremental borrowing rate is 12 percent per year and depreciates PP&E on a straight-line basis.
- NTU Capital sets the annual rental to earn a rate of return on its investment of 10 percent per year; LAVITT knows this fact.
- When the leased crane is returned to NTU Capital, its fair value is \$40,000.

(1) Calculate the annual payment for LAVITT (Round to nearest dollar.) (3 points)

(2) Provide journal entries for LAVITT on December 31, 2015 (4 points)

(3) Provide journal entries for LAVITT upon the termination of the lease. (3 points)

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