國立中正大學108學年度碩士班招生考試試題

科目名稱：中級會計學　　　　　　　　　　　　

系所組別：會計與資訊科技學系-甲組

作答須知

- 本試題可用英文或中文作答，但同一大題請使用一致之語言，中英交雜不予計分。
- 請仔細閱讀題目，**盡量依序作答並整齊書寫，並清楚註明題號**。無法辨識題號或作答內容者不予計分。
- 如無特別說明，計算時請四捨五入至個位數。

I. (20%) Please choose the following code that best matches each of the descriptions 1-10.

A. Accumulated benefit obligation
B. Bonds issued above par
C. Bonds issued at par
D. Bonds issued below par
E. Carrying value
F. Change in accounting estimate
G. Change in accounting policy
H. Deferred tax asset
I. Deferred tax liability
J. Defined benefit obligation
K. Error correction
L. Historical cost principle
M. Market rate
N. Nominal rate
O. Periodicity assumption
P. Revenue recognition principle

1. Par value of bonds adjusted by unamortized discount/premium at any given date.
2. The interest expense is the actual interest paid in cash for each period.
3. Change from capitalizing certain expenditure to expensing because the periods benefited have changed.
4. Increases in future taxes payable due to current year's temporary differences.
5. Due to change in assessment of asset usage, companies change from straight-line to sum-of-the-years'-digits method for depreciation.
6. Stated nominal rate on the bond instrument is higher than market at the date of bond issuance.
7. Benefits for vested employees plus benefits for non-vested employees, both measured at future salary levels.
8. Rate of returns earned by bondholders.
9. Annual financial reports.
10. Recording depends on the satisfaction of performance obligation.

II. (28%) On January 1, 2019, Green Disposal and A&B Co. signed a non-cancelable lease agreement that grants A&B the right to use Green's equipment. Related information is as follows.

- A&B has an incremental borrowing rate of 6 percent. Green sets its annual rate to earn an 8 percent return per year on its investment, which is not known by A&B.
- The lease term is three years, requiring equal rental payments of $16,168, at the beginning of each year during the lease term.
- At the end of the lease term, there is no renewal or purchase options, and the equipment will be returned to Green for alternative use.
- The cost and fair value of the equipment on January 1, 2019 is $90,000. The estimated useful life is 6 years with no residual value.
- Use straight-line method for depreciation.

- Present value information is as follows:

6%	Present value of 1	Present value of an ordinary annuity of 1	Present value of an annuity due of 1
1	0.94340	0.94340	1.00000
2	0.89000	1.83339	1.94340
3	0.83962	2.67301	2.83339
4	0.79209	3.46511	3.67301
5	0.74726	4.21236	4.46511
6	0.70496	4.91732	5.21236

8%	Present value of 1	Present value of an ordinary annuity of 1	Present value of an annuity due of 1
1	0.92593	0.92593	1.00000
2	0.85734	1.78326	1.92593
3	0.79383	2.57710	2.78326
4	0.73503	3.31213	3.57710
5	0.68058	3.99271	4.31213
6	0.63017	4.62288	4.99271

Instruction

Please answer the following questions based on the *International Financial Reporting Standard (IFRS) 16.*

1. Prepare necessary journal entries for (1) A&B and (2) Green at January 1, 2019. (6%)
2. Show related items presented in (1) A&B's and (2) Green's 2019 Income Statements. (8%)
3. Show related items presented in (1) A&B's and (2) Green's Statements of Financial Position at the end of 2019. (8%)
4. Suppose that on January 1, 2019, A&B Co. continues to use the *International Accounting Standard (IAS) 17* instead of *IFRS 16* for the lease agreement with Green Disposal. Indicate how A&B's (1) debt-to-equity ratio, and (2) operating cash flows will be understated, overstated, or not effected by applying *IAS 17*. Before considering the lease, A&B's debt-to-equity ratio is 0.5 and operating cash flow is $163,890 inflow. (6%)
   (1) Debt-to-equity ratio will be <u>(Understated/ Overstated/ Not affected)</u>.
   (2) Operating cash flows will be <u>(Understated/ Overstated/ Not affected)</u>.

III. (27%) Danny Company performed its first audit at the end of 2019 and had the following findings:

(a) At the end of 2016, inventory on consignment with a cost of $86,000 was not included in Danny's ending inventory.

(b) Danny purchased an equipment on January 1, 2016 for $298,000 cash. The equipment had an estimated residual value of $18,000 and a useful life of seven years. Danny recorded the transaction by expensing the entire amount paid. The company usually applies straight-line method for its equipment.

(c) During 2019, the company decided to change depreciation method for its truck from double-declining balance method to straight-line method. Danny purchased the truck on January 1, 2017 for $400,000. The truck had no residual value and a useful life of five years. The company recorded $48,000 depreciation expense for 2019.

(d) The company forgot to accrue salaries of $45,000 at the end of 2019.

Additional information:

- During 2017-2019, Danny Company reported the following net income:

2019	2018	2017
$760,000	$890,000	$450,000

- The unadjusted retained earnings at the beginning of 2017 are $2,500,000.
- The company did not pay any dividend during 2016-2019.

Instruction

1. Assuming that Danny's books have not been closed for 2019, prepare necessary adjusting entries based on the above findings when necessary. (6%)
2. Calculate correct net income for 2017, 2018, and 2019. (9%)
3. If Danny Company intends to prepare a Comparative Statement of Retained Earnings for 2017-2019, calculate the amount of prior period adjustment as of the beginning of the first year presented. (4%)
4. Prepare in good form a single-period Statement of Retained Earnings (with restatement information) for Danny Company for 2019. (8%)

IV. (25%) The following are financial statements for Patrick Corporation:

Patrick Corporation
Statement of Financial Position
At December 31,

	2018	2017
Cash	$525,000	$688,000
Accounts receivable	373,000	455,000
Allowance for doubtful accounts	(13,000)	(17,000)
Inventory	365,000	337,000
Prepaid expenses	35,000	75,000
Land	3,650,000	3,650,000
Buildings	1,153,000	732,000
Accumulated depreciation	(123,000)	(237,000)
Patents	850,000	800,000
	$6,815,000	$6,483,000
Accounts payable	$265,000	$370,000
Accrued liabilities	221,000	205,000
Bonds payable	2,050,000	1,350,000
Share capital-ordinary	3,608,000	3,608,000
Retained earnings—appropriated	589,000	589,000
Retained earnings—unappropriated	632,000	611,000
Treasury shares, at cost	(550,000)	(250,000)
	$6,815,000	$6,483,000

Patrick Corporation
Income Statement
For the Year Ended December 31, 2018

Sales		$5,287,000
Cost of goods sold		3,403,500
Gross profit		$1,883,500
Operating expenses:		
Depreciation expense	$870,000	
Amortization expense	40,000	
Salaries expense	632,000	
Other expenses	180,000	1,722,000
Operation income		$161,500
Other income (expenses):		
Interest expense		(50,000)
Gain on sale of building		30,000
Net income		$141,500

Additional information:

- The company applies straight-line method for the depreciation/ amortization of its long-term assets.
- In 2018, the company sold a building that was 50% depreciated (no residual value). The company also purchased a new building with cash. There are no other transactions such as impairment related to buildings.
- The company purchased a patent with cash in 2018 and did not dispose any patents.

Instruction

(For ratios, please round the answers to two decimal places.)

1. On average, how long does the company take from (1) purchasing inventory to selling inventory, and (2) selling inventory to collecting cash from customers in 2018? (6%)
2. Prepare the section of Cash Flows from Investing Activities in the statement of cash flows for 2018. (4%)
3. A way to measure the quality of earnings is to calculate the ratio of operating cash flows to net income.
   (1) Calculate the ratio for the company for 2018. (3%)
   (2) Comment on whether the company's quality of earnings for 2018 is good or bad. Please explain your reasons. (3%)
4. Indicate how the following hypothetical transactions may affect Patrick Corporation's 2018 times interest earned, return on assets, and working capital (Increase/ Decrease/ No effect). For example, if a transaction would make the Times interest earned increase, Return on assets decrease, and Working capital not affected, please write "Increase, Decrease, No effect."(9%)
   (1) Paying accounts payable with $100,000 cash.
   (2) Issuing common stock in exchange for an equipment worth $1,000,000.
   (3) Selling a building (net book value $200,000) for $250,000 cash.