國立臺北大學 103 學年度碩士班一般入學考試試題

系（所）組別：會計學系

科　　　　目：中級會計學

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一、(20%) At the beginning of year 20X6, Smith Company has 100,000 common shares and 5% non-convertible 40,000 preferred shares outstanding. The face value of both common share and preferred share is $10. On January 1, 20X6, Smith Company grants its employees 10,000 units of stock option (each unit of stock option is for one common share). The vesting period is three years and the exercise price $20 per unit of stock option. On the grant date the fair value of the stock option is $6 per unit. On October 1, 20X7, Smith Company issues 20,000 units of warrant (each unit of warrant is for one common share), and the exercise of the warrant is $30. The warrants are still outstanding at the end of Year 20X7. The net income of Smith Company for 20X7 is $500,000. The average fair value of Smith's common share is $32 for the whole year of 20X7. The average fair value of Smith's common share from October 1 through December 31, 20X7 is $40.

Required: Compute 20X7 basic EPS and diluted EPS for Smith Company.

二、(30%) The accounting policy of Anderson Company for securities investment is to account for it as available for sale whenever the IFRS allows it. On January 1, 20X1, Anderson Company acquires a convertible bond for $1,257 (face value $1,000, coupon rate is 0%, 2 year maturity). On the day of the acquisition, the fair value of the conversion right for the convertible bond is $350.

On January 2, 20X1, Anderson Company acquires a convertible but non-callable preferred share for $2,500 (face value $2,000, convertible anytime in 5 years). On the day of the acquisition, the fair value of the conversion feature for the convertible preferred share is $600. Without considering its convertible feature, the preferred share itself meets the definition of equity for Anderson Company.

On December 31, 20X1, the following information is available:

- The fair value of the conversion right of the convertible bond is $500, and the fair value of the bond without the conversion right is $940.
- The fair value of the conversion feature of the convertible preferred share is $400, and the fair value of the preferred share without the conversion feature is $1,950.

Required: Prepare all necessary journal entries for both the convertible bond and the convertible preferred share by using interest method to amortize premium or discount (rounding to the nearest dollar) for 20x1.

三、(14%) Collin Company began construction of a new plant on January 1, 2012. To finance the project, Collin borrowed $1,600,000 from the bank on January 1, 2012. The $1,600,000 loan was a 3-year, 12% loan, with interest payment at the end of every year. In addition, Collin had the following debt outstanding that is not directly associated with the construction project.

* 10%, 5-year note payable of $1,000,000, dated January 1, 2015, with interest payable annually on December 31.

* 8%, 10-year bond issue of $4,000,000 sold at par on January 1, 2010, with interest payable annually on December 31.

To complete the construction, Collin paid $1,000,000 to the contractor on January 1, 2012 and $2,000,000 on February 1, 2013. There are usually typhoons in the construction location in fall season. Typhoons may cause damage if there is no activity for prevention. At the beginning of October, 2012, the construction came to a halt for 3 months due to the negligence of workers. The construction resumed on January 1, 2013 and the new plant was completed on December 31, 2013. Collin Company did not issue any other liabilities during the construction period. Unused funds from the specific borrowing were invested in short-term marketable securities which yield an average 10% rate of return.

Required: Determine the interests to be capitalized in 2012 and 2013, respectively: ________, ________. (Round to the nearest dollar.)

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四、(20%)On January 1, 2013, Millay Oil Company purchased equipment to erect an oil platform in the Gulf of Mexico. Millay issued a $28,392,372, 4-year, zero-interesting-bearing note for the new equipment. Millay will pay off the note in four equal installments due at the end of each of the next 4 years. Furthermore, freight costs of $425,000 and installation costs of $500,000 were incurred in completing this transaction and paid in cash by Millay. The useful life of this equipment was expected to be 5 years, with no residual value. Millay uses straight-line method for depreciation. In addition, Millay is legally required to dismantle and remove the platform at the end of its useful life. Millay estimates that dismantling and removal will cost $998,516. At the date of the transaction, the prevailing market rate of interest for obligations of Millay was 10%.

Required: Prepare the entries related to the above events for Millay Oil Company in 2013, including the year-end adjusting entries. (Round to the nearest dollar.)

五、(16%) On December 31, 2010, Morgan National Bank enters into a debt modification agreement with Resorts Development Company, which is experiencing financial difficulties. The bank restructures a $10,500 loan receivable issued at par (interest paid to date) by reducing the principal obligation from $10,500 to $9,000, extending the maturity date from December 31, 2010, to December 31, 2012, and reducing the interest rate from the historical effective rate of 12% to 8%. Before the renegotiation, Morgan National Bank already had $500 allowance for the loan. Given Resorts Development's financial distress, its market-based borrowing rate is 15%.

Required: Prepare the entries on December 31, 2010 for both Morgan National Bank and Resorts Development Company. (Round to the nearest dollar.)