PART I – Multiple Choice (50%)

Please answer all questions based on the current accounting standard and related regulations unless otherwise stated.

1. (5%) Which of the following statements about the presentation of financial statement is TRUE?
(A) Operating activities are not defined in IFRS.
(B) Departures from IFRS are not permitted.
(C) Extraordinary items are allowed to be reported in an income statement prepared under IFRS.
(D) Presentation of discontinued operations in an income statement is not required by IFRS.

2. (5%) Which of the following statements about the fair value measurement in IFRS is FASLE?
(A) IFRS establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value.
(B) Cost approach is one of the valuation techniques for fair value measurement under IFRS.
(C) When there is no observable market price; IFRS requires that a fair value measure shall not assume that a transaction takes place at that date to estimate the price to sell the asset or to transfer the liability.
(D) IFRS defines level 3 inputs as unobservable inputs for the asset or liability.

3. (5%) Which of the following does not apply fair value measurement under IFRS?
(A) Held for trading equity
(B) Biological assets at the point of harvest
(C) Held for trading liabilities
(D) Inventories at the point of sale

4. (5%) A Taiwan listed firm reports NT$300 million for pretax income and NT$600 million for net income. Which of the following items might result in such situation?
(A) Recovery of an impairment loss
(B) Recognition of negative goodwill
(C) Decrease of valuation allowance
(D) Increase of allowance for doubtful accounts

5. (5%) KOP Corporation will invest NT$10,000 every January 1st for the next six years (2014 – 2019). If Linton will earn 12% on the investment, what amount will be in the investment fund on December 31, 2019?
(A) $41,114
(B) $46,048
(C) $90,890
(D) $101,797

6. (5%) Which of the following is a fundamental quality of useful accounting information?
(A) Materiality
(B) Relevance
(C) Verifiability
(D) Consistency

7. (5%) On January 1, 2014, CLV Corporation had 120,000 shares of its $5 par value ordinary shares outstanding. On June 1, the corporation acquired 20,000 shares to be held in the treasury. On December 1, when the market price of the shares was $8, the corporation declared a 10% share dividend to be issued to shareholders of record on December 16, 2014. What was the impact of the 10% share dividend on the balance of the retained earnings account?
(A) $50,000 decrease
(B) $80,000 decrease
(C) $80,000 increase
(D) $88,000 decrease

8. (5%) KDK uses the periodic inventory system. For the current month, the beginning inventory consisted of 1,500 units that cost $12 each. During the month, the company made two purchases: 1,000 units at $15 each and 2,000 units at $17 each. Checkers also sold 2,450 units at $23 each during the month. Using the FIFO method, what is the ending inventory?
(A) $58,420
(B) $33,150
(C) $34,750
(D) $47,150

Use the following information for questions 9 and 10.

Wilcox Corporation reported the following results for its first three years of operation:

2011 income (before income taxes)	$200,000
2012 loss (before income taxes)	(800,000)
2013 income (before income taxes)	2,000,000

There were no permanent or temporary differences during these three years. Assume a corporate tax rate of 30% for 2011 and 2012, and 40% for 2013.

9. (5%) Assuming that Wilcox elects to use the carryback provision, what income (loss) is reported in 2011? (Assume that any deferred tax asset recognized is probable to be realized.)
(A) $(200,000)
(B) $0
(C) $(800,000)
(D) $(500,000)

10. (5%) Assuming that Wilcox elects to use the carryforward provision and not the carryback provision, what income (loss) is reported in 2011?
(A) $(800,000)
(B) $(480,000)
(C) $0
(D) $(840,000)

PART II – Computation (50%)

Please answer the following questions in ENGLISH.

11. (20%) On May 31, 2011, JRC Company paid \$3,600,000 to acquire all of the common stock of ODK Corporation, which became a division of JRC. ODK reported the following statement of financial position at the time of the acquisition:

Non-current assets	\$2,800,000	Equity	\$2,400,000
Current assets	800,000	Non-current liabilities	400,000
		Current liabilities	\$ 800,000
Total assets	\$3,600,000	Total equity and liabilities	\$3,600,000

It was determined at the date of the purchase that the fair value of the identifiable net assets of ODK was \$2,900,000. At December 31, 2011, ODK reports the following statement of financial position information:

Current assets	\$ 700,000
Non-current assets (including goodwill recognized in purchase)	2,500,000
Current liabilities	(600,000)
Non-current liabilities	(600,000)
Net assets	\$2,000,000

It is determined that the recoverable amount value of the ODK division is \$2,200,000.

Instructions (a: 5%, b:5%, c:10%)

(a) Compute the amount of goodwill recognized, if any, on May 31, 2011.

(b) Determine the impairment loss, if any, to be recorded on December 31, 2011.

(c) Assume that the recoverable amount of the ODK division is \$1,800,000 instead of \$2,200,000. Prepare the journal entry to record the impairment loss, if any, on December 31, 2011.

12. (30%) Selected financial statement information and additional data for SPH is presented below. Prepare a statement of cash flows for the year ending December 31, 2012.

	December 31	
	2011	2012
Land	€ 58,800	€ 31,000
Equipment	514,000	789,600
Inventory	158,000	191,600
Accounts receivable (net)	74,000	141,200
Cash	42,000	63,000
TOTAL	€856,800	€1,226,400
Share capital–ordinary	€430,000	€497,200
Retained earnings	77,200	215,800
Notes payable - Long-term	158,000	292,400
Notes payable - Short-term	57,200	19,400
Accounts payable	40,400	76,000
Accumulated depreciation	94,000	125,600
TOTAL	€856,800	€1,226,400

Additional data for 2012:

1. Net income was €245,200.
2. Depreciation was €21,600.
3. Land was sold at its original cost.
4. Dividends of €86,600 were paid.
5. Equipment was purchased for €94,000 cash.
6. A long-term note for €191,600 was used to pay for an equipment purchase.
7. Share capital–ordinary was issued to pay a €67,200 long-term note payable.