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作答方式: 為維護您的權益, 請依下列規定作答, 未依規定方式作答者, 不予計分。

一、選擇題(40%每題 2%)請於答案卷第一頁依下列方式作答

1	2	3	4	5
6	7	8	9	10
11	12	13	14	15
16	17	18	19	20

二、計算題(60%每題 10%), 一律以橫式書寫方式作答, 並應清楚列示計算式

(Question 1-20) Multiple Choice (40%)

- One of several ratios that reflects solvency includes the:
  - Acid-test ratio.
  - Current ratio.
  - Times interest earned ratio.
  - Total asset turnover.
  - Days' sales in inventory.
- Operating leases differ from capital leases in that
  - For a capital lease the lessee records the lease payments as rent expense, but for an operating lease the lessee reports the lease payments as depreciation expense.
  - For an operating lease the lessee depreciates the asset acquired under lease, but for the capital lease the lessee does not.
  - Operating leases create a long-term liability on the balance sheet, but capital leases do not.
  - Operating leases do not transfer ownership of the asset under the lease, but capital leases often do.
  - Operating lease payments are generally greater than capital lease payments.
- Six months ago, a company purchased an investment in stock for \$65,000. This investment is considered available-for-sale. The current market value of the stock is \$68,500. The company should record a:
  - Debit to Unrealized Loss equity for \$3,500.
  - Credit to Unrealized Gain equity for \$3,500.
  - Debit to Investment Revenue for \$3,500.
  - Credit to Market Adjustment Available-for-Sale for \$3,500.
  - Credit to Investment Revenue for \$3,500.
- If the credit balance of the Allowance for Doubtful Accounts account exceeds the amount of a bad debt being written off, the entry to record the write-off against the allowance account results in:
  - An increase in the expenses of the current period.
  - A reduction in current assets.
  - A reduction in equity.
  - No effect on the expenses of the current period.
  - A reduction in current liabilities.
- Installment notes payable that require periodic payments of accrued interest plus equal amounts of principal result in:
  - Periodic total payments that gradually decrease in amount.
  - Periodic total payments that are equal.
  - Periodic total payments that gradually increase in amount.
  - Increasing amounts of interest each period.
  - Increasing amounts of principal each period.

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6. A change in inventory reporting from LIFO to FIFO is:
- A) An extraordinary item.
  - B) A discontinued item.
  - C) Not allowed once lower of cost or market is applied.
  - D) Allowed if it improves the usefulness of information in the financial statements.
  - E) Not reported, as it is considered a change in accounting estimate.

7. A corporation declared and issued a 15% stock dividend on November 1. The following up-to-date data were available immediately prior to the dividend:

Retained earnings .....	\$750,000
Shares issued and outstanding.....	60,000
Market value per share .....	\$15
Par value per share .....	\$5

The amount that total stockholders' equity will increase (decrease) as a result of recording this stock dividend is:

- A) \$ 45,000.
- B) \$135,000.
- C) \$(90,000).
- D) \$(135,000).
- E) \$0.

8. On November 12, Kera, Inc., a U.S. Company, sold merchandise on credit to Kakura Company of Japan at a price of 1,500,000 yen. The exchange rate was \$0.00837 on the date of sale. On December 31, when Kera prepared its financial statements, the exchange rate was \$0.00843. Kakura Company paid in full on January 12, when the exchange rate was \$0.00861. On January 12, Kera should prepare the following journal entry:

A)	Cash.....	12,915	
	Accounts Receivable – Kakura Company.....		12,555
	Foreign Exchange Gain .....		360
B)	Cash.....	12,555	
	Foreign Exchange Loss.....	360	
	Accounts Receivable – Kakura Company		12,915
C)	Cash.....	12,915	
	Accounts Receivable – Kakura Company.....		12,645
	Foreign Exchange Gain .....		90
D)	Cash.....	12,645	
	Foreign Exchange Loss.....	90	
E)	Cash.....	12,915	
	Foreign Exchange Gain.....		270
	Accounts Receivable – Kakura Company.....		12,645

備 考 試 題 隨 卷 繳 交

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9. When the operating activities section of the statement of cash flows is reported using the direct method, the FASB requires:
- A) The preparation of the statement of cash flows under the indirect method be completed and reported with the statement of cash flows prepared using the direct method.
  - B) A reconciliation of net income to net cash provided or used by operating activities.
  - C) Footnotes to the financial statements disclosing the difference between net income and the cash provided or used by financing activities.
  - D) The income statement to be prepared under the cash basis of accounting.
  - E) Noncash investing and financing activities be included in the statement of cash flows.
10. A company's Inventory balance at 12/31/04 was \$200,000 and was \$188,000 at 12/31/05. Its Accounts Payable balance at 12/31/04 was \$80,000 and was \$84,000 at 12/31/05, and its cost of goods sold for 2005 was \$720,000. The company's total amount of cash payments for merchandise in 2005 equals:
- A) \$704,000.
  - B) \$712,000.
  - C) \$720,000.
  - D) \$728,000.
  - E) \$736,000.
11. Cash flows from selling trading securities are reported in the statement of cash flows as part of:
- A) Operating activities.
  - B) Financing activities.
  - C) Investing activities.
  - D) Noncash activities.
  - E) None of these. This is not reported in the statement of cash flows.
12. After posting is completed, there may be an error if:
- A) The sum of the customer account balances does not equal the total in the sales journal.
  - B) The sum of the accounts receivable ledger does not equal the balance in the Sales account.
  - C) The sum of the customer account balances does not equal the Accounts Receivable controlling account balance.
  - D) The balance in the sales journal does not equal the Accounts Receivable account balance.
  - E) The sum of the accounts receivable ledger does not equal the balance in the sales journal.
13. A company purchased a machine valued at \$66,000. It traded in an old (similar) machine for a \$9,000 trade-in allowance—meaning the company paid \$57,000 cash with the trade-in. The old machine cost \$44,000 and had accumulated depreciation of \$36,000. What is the recorded value of the new machine?
- A) \$ 8,000.
  - B) \$ 9,000.
  - C) \$57,000.
  - D) \$65,000.
  - E) \$66,000.
14. A company purchased \$1,800 of merchandise on December 5. On December 7, it returned \$200 worth of merchandise. On December 8, it paid the balance in full, taking a 2% discount. The amount of the cash paid on December 8 equals:
- A) \$ 200.
  - B) \$1,564.
  - C) \$1,568.
  - D) \$1,600.
  - E) \$1,800.

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15. A company markets a climbing kit and uses the perpetual inventory system to account for its merchandise. The beginning balance of the inventory and its transactions during January were as follows:

January 1: Beginning balance of 18 units at \$13 each  
January 12: Purchased 30 units at \$14 each  
January 19: Sold 24 units at \$30 selling price each  
January 20: Purchased 24 units at \$17 each  
January 27: Sold 27 units at \$30 selling price each

If the ending inventory is reported at \$276, what inventory method was used?

- A) LIFO method.  
B) FIFO method.  
C) Weighted-average method.  
D) Specific identification method.  
E) Retail inventory method.
16. A company had a market price of \$37.50 per share, earnings per share of \$1.25, and dividends per share of \$0.40. Its price-earnings ratio equals:
- A) 3.1.  
B) 30.0.  
C) 93.8.  
D) 32.0.  
E) 3.3.
17. The deferred income tax liability:
- A) Represents income tax payments that are deferred until future years because of temporary differences between GAAP rules and tax accounting rules.  
B) Is a contingent liability.  
C) Can result in a deferred income tax asset.  
D) Is never recorded.  
E) Is recorded whether or not the difference between taxable income and financial accounting income is permanent or temporary.
18. A company sells computers at a selling price of \$1,800 each. Each computer has a 2 year warranty that covers replacement of defective parts. It is estimated that 2% of all computers sold will be returned under the warranty at an average cost of \$150 each. During November, the company sold 30,000 computers, and 400 computers were serviced under the warranty during November at a total cost of \$55,000. The balance in the Estimated Warranty Liability account at November 1 was \$29,000. What is the company's warranty expense for the month of November?
- A) \$26,000  
B) \$45,000  
C) \$55,000  
D) \$60,000  
E) \$90,000

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19. A change in an accounting estimate is:
- A) Reflected in past financial statements.
  - B) Reflected in future financial statements and also requires modification of past statements.
  - C) A change in a calculated amount that is part of financial statements that results from new information or subsequent developments and from better insight or improved judgement.
  - D) Not allowed under current accounting rules.
  - E) Considered an error in the financial statements.
20. A company issued 5-year, 7% bonds with a par value of \$100,000. The company received \$97,947 for the bonds. Using the straight-line method, the amount of interest expense for the first semiannual interest period is:
- A) \$3,294.70.
  - B) \$3,500.00.
  - C) \$3,705.30.
  - D) \$7,000.00.
  - E) \$7,410.60.

(Question 21-26) Essay Question (60%)

21. A company issued 10%, 5-year bonds with a par value of \$2,000,000, on January 1, 2005. Interest is to be paid semiannually each June 30 and December 31. The bonds were sold at \$2,162,290 to yield the buyers an 8% annual return. The company uses the effective interest method of amortization.

(1) Prepare an amortization table for the first two semiannual payment periods using the format shown below.

Semiannual Interest Period	Cash Interest Paid	Bond Interest Expense	Premium Amortization	Unamortized Premium	Carrying Value
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(2) Prepare the journal entry to record the first semiannual interest payment.

22. The City Store reported the following amounts on their financial statements for 2004, 2005, and 2006:

	For the year ended December 31		
	2004	2005	2006
Cost of goods sold	\$75,000	\$87,000	\$77,000
Net income	22,000	25,000	21,000
Total current assets	155,000	165,000	110,000
Equity	287,000	295,000	304,000

It was discovered early in 2007 that the ending inventory on December 31, 2004 was overstated by \$6,000, and the ending inventory on December 31, 2005 was understated by \$2,500. The ending inventory on December 31, 2006 was correct. Ignoring income taxes, determine the correct amounts of cost of goods sold, net income, total current assets, and equity for each of the years 2004, 2005, and 2006.

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23. Mian, Inc.; sells American gourmet foods to merchandisers in Singapore. Prepare the journal entries for Mian to record the following transactions. Include any year-end adjustments.

- Dec 20 Sold items to Solingen, Inc., for 60,000 Singapore dollar. The exchange rate was \$0.476 per Singapore dollar. The purchase terms were n/30.
- Dec 31 The exchange rate was \$0.480 per Singapore dollars.
- Jan 17 Received payment from Solingen for the December 20 sale. The exchange rate was \$0.495 per Singapore dollar.

24. On September 30 of the current year, a company acquired and placed in service a machine at a cost of \$700,000. It has been estimated that the machine has a service life of five years and a salvage value of \$40,000. Using the double-declining-balance method of depreciation, prepare a schedule showing depreciation amounts for the current year and the next 4 years (round answers to the nearest dollar). The company closes its books on December 31 of each year.

25. A company's payroll information for the month of May follows:

Administrative salaries .....	\$2,000
Sales salaries .....	3,500
Shop wages .....	4,000
FICA taxes withheld .....	700
Federal income taxes withheld .....	1,300
Medical insurance premiums withheld .....	415
Union dues withheld .....	205

On May 31 the company issued Check No. 335 payable to the Payroll Bank Account to pay for the May payroll. It issued payroll checks to the employees after depositing the check.

(1) Prepare the journal entry to record (accrue) the employer's payroll for May. (2) Prepare the journal entry to pay for the May payroll. The federal and state unemployment tax rates are 0.8% and 5.4%, respectively, on the first \$7,000 paid to each employee-the wages and salaries subject to these taxes were \$6,000. (3) Prepare the journal entry to record the employer's payroll taxes.

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26. The following information is available for the Arthur Corporation:

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Arthur Corporation Balance Sheets At December 31		
	2005	2004
<b>Assets:</b>		
Cash.....	\$ 24,640	\$ 23,040
Accounts receivable .....	32,180	29,400
Merchandise inventory .....	73,125	61,710
Long-term investments.....	55,900	56,400
Equipment.....	175,500	145,500
Accumulated depreciation .....	<u>(33,550)</u>	<u>(31,200)</u>
Total assets .....	<u>\$327,795</u>	<u>\$284,850</u>
<b>Liabilities:</b>		
Accounts payable .....	\$ 65,000	\$ 40,380
Income taxes payable .....	10,725	10,200
Bonds payable.....	<u>48,750</u>	<u>66,000</u>
Total liabilities .....	\$124,475	\$116,580
<b>Equity:</b>		
Common stock .....	117,000	96,000
Contributed capital in excess of par .....	13,000	9,000
Retained earnings .....	<u>73,320</u>	<u>63,270</u>
Total equity .....	<u>\$203,320</u>	<u>\$168,270</u>
Total liabilities and equity .....	<u>\$327,795</u>	<u>\$284,850</u>

Arthur Corporation Income Statement For Year Ended December 31, 2005		
Sales.....		\$240,000
Cost of goods sold.....	\$80,900	
Depreciation expense.....	29,400	
Other operating expenses.....	48,000	
Interest expense.....	<u>2,000</u>	(160,300)
<b>Other gains (losses):</b>		
Loss on sale of equipment.....		<u>(8,400)</u>
Income before taxes.....		71,300
Income taxes expense .....		<u>(27,650)</u>
Net income.....		<u>\$ 43,650</u>

**Additional Information:**

- (1) There was no gain or loss on the sales of the long-term investments, nor on the bonds retired.
- (2) Old equipment with an original cost of \$37,550 was sold for \$2,100 cash.
- (3) New equipment was purchased for \$67,550 cash.
- (4) Cash dividends of \$33,600 were paid.
- (5) Additional shares of stock were issued for cash.

Prepare a complete statement of cash flows for calendar-year 2005 using the direct method.