國立中正大學113學年度碩士班招生考試試題

作答須知

- 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. Multiple Choice（單選題）(each 3%, total 45%)

Please choose the best answer.

1. The net sales of Victory Co. in 2023 were $800,000. Before adjusting entries, Victory Co.'s book showed that its Accounts receivable has a debit balance of $120,000, and Allowance for Doubtful Accounts has a credit balance of $1,200. Based on experience, Victory estimates that 2% of its net sales will be uncollectable. The cash realizable value of Accounts Receivables reported on December 31, 2023 would be
(A) $120,000
(B) $104,000
(C) $102,800
(D) $105,200

2. The situation that a parent company combines its financial reporting and accounting activities with its subsidiaries is most related to the
(A) Consistency characteristic.
(B) Comparability characteristic.
(C) Feedback value.
(D) Economic entity assumption.

3. On January 1, 2023, Civil Inc. purchased office supplies for $5,000 and recorded the supplies as assets. A year-end count shows that $2,000 of the office supplies are still on hand. How does the adjusting entry affect Civil Inc.'s December 31, 2023 balance sheet?
(A) Equity increased by $2,000.
(B) Equity decreased by $3,000.
(C) Liabilities increased by $3,000.
(D) Assets decreased by $2,000.

4. Fanny Co. reported the following financial information:

Revenue	$850,000
Income from continuing operations	100,000
Comprehensive income	135,000
Net income	90,000
Income from operations	240,000
Selling and administrative expenses	550,000
Income before income tax	150,000

What is the amount of financing costs for Fanny Co.?
(A) $140,000
(B) $50,000
(C) $90,000
(D) $150,000

5. All of the following is an element of working capital except:

(A) Goodwill
(B) Current portion of long-term debt.
(C) Investment in US treasury bills
(D) Inventory

6. Compared to market value, financial statements prepared based on historical cost provide more ____________ information for general-purpose financial reporting.
(A) relevant
(B) verifiable
(C) conservative
(D) timely

7. Compared to the direct write-off method, the allowance method of accounting for bad debts is preferred because the allowance method
(A) uses estimates.
(B) does not affect cash.
(C) is easier to apply.
(D) follows the matching principle.

8. Harry Inc. adopts a calendar-year end. The following are errors contained in its financial statements for 2023 and 2022:

	2023		2022	
Repair expense	$4,000	understated	$5,000	overstated
Ending inventory	$5,500	overstated	$7,500	overstated

If Harry Inc. has made correcting entries on December 31, 2022, the company's 2023 income before tax will be
(A) $1,500 overstated
(B) $2,500 overstated
(C) $9,500 overstated
(D) $1,500 understated

9. Top Corporation's gross profit margin was 25%. The company's 2023 sales were $480,000, and the cost of goods available for sale was $700,000. What was the amount of the ending inventory at the end of 2023?
(A) $580,000
(B) $360,000
(C) $340,000.
(D) $0.

10. Tangerine Company purchased equipment for $12,500,000 on January 2, 2022. The equipment has a useful life of 10 years with no residual value. The following information is available for impairment testing at the end of 2022 and 2023 when impairment indicators are present:

	12/31/2022	12/31/2023
Value-in-use	$11,000,000	$10,850,000
Fair value (net of costs to sell)	$11,050,000	$10,500,000

The company adopts a straight-line method for depreciation. There is no change in the equipment's residual value or useful life. In the company's 2023 income statement, it will report
(A) Recovery of Impairment Loss: $1,027,778.
(B) Recovery of Impairment Loss: $177,778.
(C) Impairment Loss: $200,000.

(D) No Recovery of Impairment Loss and No Impairment Loss.

11. When bonds are issued at a discount, it implies that
(A) The market rate of interest is higher than the stated interest rate.
(B) The market rate of interest is lower than the stated interest rate.
(C) The market rate of interest is lower than the effective yield.
(D) The market rate of interest is higher than the effective yield.

12. Kaplan Corporation established a share appreciation rights plan for its employees at the end of 2021, allowing them to receive cash on 30,000 rights for the difference between (1) the market price of the company's common shares and (2) a pre-established price of $30. The company stipulates that the employees must serve for two years from January 1, 2022, before they can exercise their rights, and the appreciation rights will expire two years from the exercisable date. The market prices of the common shares at different dates are as follows:

	Price per share
December 31, 2022	$45
December 31, 2023	48
December 31, 2024	42
December 31, 2025	44

What amount should Kaplan record as compensation expenses for the year ended December 31, 2023?
(A) $540,000
(B) $315,000
(C) $1,440,000
(D) $900,000

13. United Inc. reports a rent receivable in its balance sheet at the end of 2023, but this amount is not reported for tax purposes. When rent is collected in 2024,
(A) The company's total income tax expense will be higher than its current tax expense.
(B) The company's taxable income will be lower than its pretax financial income.
(C) The company will report a decrease in its deferred tax liability.
(D) The company will report an increase in its deferred tax assets.

14. The following information is for the pension plan for Wendy Corporation:

Defined benefit obligation, 1/1/2023	$125,000
Plan assets, 1/1/2023	125,000
Service cost	15,500
Actual return on plan assets	5,500
Contributions	10,000
Benefits paid	7,500
Discount rate	10%

What should be the amount of plan assets on 12/31/2023?
(A) A credit balance of $12,500.
(B) A credit balance of $145,500.
(C) A debit balance of $140,500.
(D) A debit balance of $133,000.

15. Victory Inc. paid 2023 property taxes on its land in the first week of 2023 for $320,000. In April 2023, the company paid $1,250,000 for its equipment due to unexpected major repairs. The repairs were expected to benefit the company for the remainder of 2023. Victory's fiscal year ends on December 31. How should Victory Inc. reflect these expenses in its quarterly income statements?

	Three Months Ended			
	3/31/23	6/30/23	9/30/23	12/31/23
(A)	$80,000	$496,667	$496,667	$496,667
(B)	$80,000	$1,330,000	$80,000	$80,000
(C)	$320,000	$416,667	$416,667	$416,667
(D)	$320,000	$1,250,000	$0	$0

II. Calculation (55%)

1. (23%) To meet the demand for factory expansion, Freddy Company purchased a piece of land with an old building from Company A. Freddy plans to tear down the old building and construct a new one. Related expenditures in connection with the purchase are as follows:

Code	Expenditures
(a)	Payment for architect fees
(b)	Cash paid for the land and run-down of the old building
(c)	Payment to remove the old building
(d)	Cash received from the sale of removed parts of the old building
(e)	Surveying site for the new building
(f)	Land title fee
(g)	Excavation for constructing the basement
(h)	Storage charges on construction materials because the old building had not been demolished when the materials were delivered
(i)	Hauling charges to deliver the construction materials from storage to the construction site after event (h)
(j)	Payment for construction of the new building

(1) For the above expenditures, indicate which items should be included as the cost of the new building. (5 points)

(2) Assume that on January 1, 2023, Freddy Company started the construction of its new building. The construction was completed on December 31, 2023. Freddy made the following payments for construction during 2023:

Date	Payment
January 1	$5,000,000
May 1	6,000,000
July 1	7,000,000

Freddy Company does not have any specific borrowings to finance this construction plan. However, it has the following debt outstanding during the whole year of 2023 (interests are paid annually on December 31 each year):

- $4,000,000, 10% bank loan,
- $8,000,000, 7% bonds payable issued at par.

Please calculate the avoidable interest incurred during 2023. (3 points)

(3) What is the total cost of the new building on December 31, 2023? (3 points)

(4) Suppose that other than the option in question (2) (self-construction), Freddy Company could also purchase a new building from Company B at a fair value of $18,500,000 on December 31, 2023. To minimize acquisition costs, which option should Freddy Company choose? Option A (self-construction) or Option B (Purchase)? (3 points)

(5) Following question (4), suppose that for Option B, Freddy Company can acquire the building by signing a two-year non-interest bearing note with a face value of $19,247,400 (instead of paying $18,500,000 cash). Which option should Freddy Company choose? Option A (self-construction) or Option B (Purchase)? (3 points)

(6) Freddy Company has owned an old manufacturing facility for ten years. On January 1, 2024, Freddy moved its operation to the new building and converted the old manufacturing facility into an investment property (measured at fair value). On that day, the manufacturing facility's book and fair values were $890,000 and $1,260,000, respectively. How will this transaction affect Freddy Company's equity account(s)? Specify the account name(s), debit or credit, and amounts to be recorded on January 1, 2024. (6 points)

(a) Account(s)	(b) Amounts ($)	(c) Debit or Credit
（請於答案卷作答）	（請於答案卷作答）	（請於答案卷作答）

2. (18%) On January 1, 2023, Kathy Corporation entered into a noncancelable lease with a lessor, David Corp. The lease agreement allows Kathy to lease equipment for four years. The following are related information for the lease:
   - The lease requires equal rental payments of $250,000 at the beginning of each six months.
   - At the inception of the lease, the fair value of the equipment is $1,850,000, and its estimated useful life is five years.
   - The lease contains no renewal options. The equipment will be reverted to David Corp. at the termination of the lease.
   - David expects to earn a rate of return of 8 percent per year. Kathy is not aware of this fact. Kathy's incremental borrowing rate is 10%.
   - Kathy depreciates its equipment on a straight-line basis.
   - The guaranteed residual value is $180,000, but the actual residual value is expected to be $150,000.

Present value of 1 (present value of a single sum)

Period	4%	5%	8%	10%
4	0.85480	0.82270	0.73503	0.68301
8	0.73069	0.67684	0.54027	0.46651

Present value of an annuity due of 1

Period	4%	5%	8%	10%
4	3.77509	3.72325	3.57710	3.48685
8	7.00205	6.78637	6.20637	5.86842

Answer the following questions. (Round all numbers to the nearest dollar.)

(1) Is this an operating lease or a finance lease to Kathy Corporation? (3 points)

(2) What is the amount of the right-of-use asset on January 1, 2023? (3 points)

(3) Calculate the long-term portion of lease-related liabilities on December 31, 2023. (3 points)

(4) Calculate the current portion of lease-related liabilities on December 31, 2023. (3 points)

(5) Calculate the interest expense for 2023. (3 points)

(6) Calculate the depreciation expense for 2023. (3 points)

3. (14%) In early 2022, Power Company paid $100,000 for a major repair for its equipment for the first time. The repair was mistakenly recorded as maintenance expenses and was discovered on December 31, 2023. After maintenance, the equipment can be used for four years with no residual value. Power Company depreciates its assets on a straight-line basis. Assume that the books have not been closed. Additional information is as follows:

Additional data:
- Retained earnings on December 31, 2022: $200,000.
- Income in 2023 was reported at $370,000.
- Ignore all income tax effects.
- 100,000 common shares were outstanding in 2023.

Please answer the following questions:

(1) What is the correct beginning balance of retained earnings for 2023? (2 points)

(2) What is the correct net income for 2023? (2 points)

(3) If the error was not corrected, please indicate whether the error has caused the following ratios for <u>2022</u> to be understated, overstated, or unaffected. <u>Use "U" for understated, "O" for overstated, and "N" for no effect.</u> (10 points)

(a) Earnings per share

(b) Gross profit ratio

(c) Total asset turnover

(d) Current ratio

(e) Operating cash flows