注意：本試題可以用英文或中文作答，但同一大題需使用相同語文，中英交雜將不予計分。

1. (20%) The Conceptual Framework identifies the qualitative characteristics that make accounting information useful. These characteristics are as follows.

a.	Timeliness	d.	Understandability	g.	Comparability	j.	Verifiability
b.	Relevance	e.	Materiality	h.	Faithful representation	k.	Free from error
c.	Confirmatory value	f.	Predictive value	i.	Neutrality	l.	Completeness

【Requirements】 (each, 2%) Identify by number (alphabet) the appropriate qualitative characteristic(s) to be used given the information provided below.

(1) All payments less than NT$50 are expensed as incurred.
(2) Requires a high degree of consensus among individuals on a given measurement.
(3) Neutrality is a key ingredient of this fundamental quality of accounting information.
(4) Predictive value is an ingredient of this fundamental quality of information.
(5) Ignores the economic consequences of a standard or rule.
(6) Mama Company switches from FIFO to average-cost and then back to FIFO over a 2-year period.
(7) Quality of information that confirms users' earlier expectations.
(8) The company employs the same inventory valuation method from period to period.
(9) Two fundamental qualities that make accounting information useful for decision-making purposes.
(10) Issuance of interim reports is an example of what enhancing ingredient?

2. (32%) Early in 2015, Dad Corporation engaged King Inc. to design and construct a complete modernization of Dad's manufacturing facility. Construction was begun on June 1, 2015 and was completed on December 31, 2015. Dad made the following payments to King Inc. during 2015:

Date	Payment
June 1, 2015	$3,600,000
August 31, 2015	5,400,000
December 31, 2015	4,500,000

In order to help finance the construction, Dad issued the following during 2015:

a. $3,000,000 of 10-year, 9% bonds payable, issued at par on May 31, 2015, with interest payable annually on May 31.
b. 1,000,000 shares of no-par ordinary shares, issued at $10 per share on October 1, 2015.
In addition to the 9% bonds payable, the only debt outstanding during 2015 was a $750,000, 12% note payable dated January 1, 2011 and due January 1, 2021, with interest payable annually on January 1.

【Requirements】 (each, 4%)

(1) Compute the amounts of each of the following (show computations):
(1-1) Weighted-average accumulated expenditures qualifying for capitalization of interest cost.
(1-2) Avoidable interest incurred during 2015.
(1-3) Total amount of interest cost to be capitalized during 2015.
(1-4) The book value of Dad's manufacturing facility on December 31, 2015.

(2) Dad elects to value this class of facility using revaluation accounting. This facility is being depreciated on a straight-line basis over its 6-year useful life (2016 to 2021). There is no residual value at the end of the 6-year period. The appraised value of the facility approximates the carrying amount at December 31, 2015, 2016 and 2018. On December 31, 2017, the fair value of the facility is determined to be $9,500,000.

(2-1) Prepare the journal entries for 2016 related to the facility.

(2-2) Prepare the journal entries for 2017 related to the facility.

(2-3) Determine the amount of depreciation expense that Dad will record on the equipment in 2018.

(2-4) If the fair value of the facility is determined to be $3,950,000 on December 31, 2019, prepare the journal entries for 2019 related to the facility.

3. (32%) The Master Company provides various products and services for its customers, including specialty machines, construction contracts and franchisee agreements.

【Requirements】 ***(1 to 3, 9%; 4, 5%)*** Respond to the requirements related to the following **independent** revenue arrangements for The Master's products and services.

(1) On July 1, 2015, The Master Company entered into a contract to deliver one of its specialty machines to Pooh Construction Co. The contract requires Pooh to pay the contract price of $198,500 in advance on July 15, 2015. Pooh pays The Master on July 15, 2015, and The Master delivers the machine (with cost of $162,600) on July 31, 2015. Prepare the journal entry on July 1, July 15 and July 31, 2015, for The Master.

(2) On February 1, 2015, The Master Company agreed to construct a building at a contract price of $1,160,000. The Master estimated total construction costs would be $800,000 and the project would be finished in 2017. Information relating to the costs and billings for this contract is as follows:

	2015	2016	2017
Total costs incurred to date	300,000	528,000	920,000
Estimated costs to complete	500,000	352,000	0
Customer billings to date	440,000	800,000	1,120,000
Collections to date	400,000	700,000	1,100,000

Fill in the correct amounts on the following schedule. For percentage-of-completion accounting and for cost-recovery accounting, show the gross profit that should be recorded for 2015, 2016, and 2017.

Percentage-of-Completion	Gross Profit	Cost-Recovery	Gross Profit
2015		2015	
2016		2016	
2017		2017	

(3) On June 1, 2015, Larisa Inc. signed an agreement (covering 3 years) to operate as a franchisee of The Master Company for an initial franchise fee of $140,000. Upon the signing of the agreement, a payment of $56,000 is due. Thereafter, three annual payments of $28,000 are required. The credit rating of the franchisee is such that it would have to pay interest at 10% to borrow money. The franchise commences operation on August 1, 2015. Prepare the journal entries in 2015 for The Master under the assumptions that the total franchise fee includes training services (with a value of $4,800) for the period leading up to the franchise opening and for 2 months following opening. (Hint: Round to the nearest dollar; PVF-OA(n=3, i=10%)=2.48685)

(4) The Master's auditor mentioned a new standard about revenue recognition. It's IFRS 15 (Revenue from Contracts with Customers) which was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017. The new standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Please briefly describe the five-step model.

4. (16%) Listed below are various items on the financial statements of Chiling Corporation for 2016.

(1) At the end of 2016, an internal audit revealed that the corporation's allowance for doubtful accounts was too large and should be reduced to 3%. When the internal audit was made in last year, the allowance seemed appropriate.

(2) In 2016, the company changed its method of depreciating plant assets from the sum-of-the-years'-digits method to the straight-line method.

(3) The accountant found that depreciation on a machine, acquired in 2013, was overstated because the useful life had been underestimated. The overstatement had been made in order to show lower net income in 2014 and 2015.

(4) The physical inventory count on December 31, 2015, improperly excluded merchandise costing $32,000 that had been temporarily stored in a public warehouse. The Company uses a periodic inventory system and the books have not been closed for 2016.

(5) The company switched from an average-cost to a FIFO inventory valuation method during the current year.

(6) In the current year, the company decides to change from expensing certain costs to capitalizing these costs, because a new IFRS standard that became effective.

(7) During 2016, a long-term bond with a carrying value of $4,600,000 was retired at a cost of $5,100,000.

(8) The Company issued $300,000 of 10% bonds on January 1, 2016. The bonds are due January 1, 2020, with interest payable each January 1. The bonds are issued at face value. In the year end, the company incurred interest expense of $30,000.

【Requirements】 (each 2%) Indicate how it would be the best description for these items by using the following code letters:

a.	Change in estimate
b.	Prior period adjustment (not due to change in principle)
c.	Retrospective type accounting change with note disclosure
d.	None of the above