東吳大學 101 學年度碩士班研究生招生考試試題

系級	會計學系碩士班	考試時間	100 分鐘
科目	中級會計學	本科總分	100 分

I、Aston Corporation issues 2,000 convertible bonds at January 1, 2011. The bonds have a three year life, and are issued at par with a face value of $1,000 per bond, giving total proceeds of $2,000,000. Interest is payable annually at 6 percent. Each bond is convertible into 250 ordinary shares (par value of $1). When the bonds are issued, the market rate of interest for similar debt without the conversion option is 8%.

On January 1, 2012, Aston repurchases the bond for $1,940,000. At the date of repurchase, Aston could have issued non-convertible debt with a 2-year term at an effective-interest rate of 9%. The fair value of the embedded conversion option and convertible bonds is as follows:

Fair value	January 1, 2011	December 31, 2011
Embedded conversion option	$120,000	$80,000
Convertible bonds	$2,000,000	$1,940,000

Instructions：(20%)

(a)Use IAS 32(International Accounting Standard 32, Financial Instruments: Presentation) answering the question.

(a)Determine the amount of interest expense to be reported on the books of Aston Corporation in 2011 in relation to the convertible bonds.

(b)Determine the amount of profit or loss to be recognized on the books of Aston Corporation in relation to the repurchase of convertible bonds on January 1, 2012.

(b)IF Aston Corporation issued 2,000 convertible bonds was purchased by Duval Corporation, use IFRS 9 (International Financial Reporting Standard 9, Financial Instruments) determining the total profit or loss to be recognized on the books of Duval Corporation in 2011 in relation to the bonds investment.

(a)If Duval has an active trading strategy for this bonds investment.

(b)If Duval's business model is to hold these bonds to collect contractual cash flows.

Appendix：Present Value of An Ordinary Annuity of 1

Periods	6%	8%	9%	10%	11%	12%
1	0.94340	0.92593	0.91743	0.90909	0.90090	0.89286
2	1.83339	1.78326	1.75911	1.73554	1.71252	1.69005
3	2.67301	2.57710	2.53130	2.48685	2.44371	2.40183
4	3.46511	3.31213	3.23972	3.16986	3.10245	3.03735
5	4.21236	3.99271	3.88965	3.79079	3.69590	3.60478
6	4.91732	4.62288	4.48592	4.35526	4.23054	4.11141
7	5.58238	5.20637	5.03295	4.86842	4.71220	4.56376
8	6.20979	5.74664	5.53482	5.33493	5.14612	4.96764

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II、On January 1, 2011, Ryker Co. leased a building to Wellington Inc. The relevant information related to the lease is as follows.

1. The lease arrangement is for 8 years.
2. The leased building cost $3,600,000 and was purchased for cash on January 1, 2011.
3. The building is depreciated on a straight-line basis. Its estimated economic life is 50 years with no residual value.
4. Lease payments are $220,000 per year and are made at the end of the year.

On January 1, 2011, Wellington sublets the building that leased from Ryker to Stell. The lease arrangement is for 8 years and requires equal rental payments of $270,000 beginning on January 1, 2011. Wellington elects to classify the interest held under the lease as an investment property. Assume the effective interest rate is 12% per year.

Instructions：(10%)

Prepare the journal entries that Wellington should make to reflect the related lease agreement at the end of the year 2011 and 2012, respectively.

III、**For each of the unrelated transactions described below, answer the related question.(30%)**

(1) Mount Co. has the following defined benefit pension plan balances on December 31, 2010.

Defined benefit obligation (Credit)	$(150,000)
Fair value of plan assets (Debit)	135,000
Funded status	(15,000)
Unrecognized past service costs (Debit)	5,000
Pension asset/liability	$ (10,000)

As a result of a discontinued operation on January, 2011, Mount is curtailing some benefits provided in its pension plan. The curtailment results in an $18,000 reduction in the defined benefit obligation (there is no impact on the plan assets). The employees affected comprise 20% of all employees in the plan. Prepare the entry to record the curtailment for Mount.

(2) On December 31, 2011, Michelson Co. sold a machine to Ozaki Co. and simultaneously leased it back for three year. The sales price of the machine was $480,000, the carrying amount is $420,000, and it had an estimated remaining useful life of 12 years. The present value of the rental payments for the three year is $120,000. If the fair value of the machine was $450,000, at December 31, 2011, how should Michelson report the revenue from the sale of the machine?

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(3) Luckier Company decided to cancel an existing lease on properties in one of its divisions, as its operations in this area were no longer profitable. Unfortunately, Luckier has a non-cancelable lease and cannot sublease the property. The present value of future lease payments under the lease is $2,000,000. The penalty to break the lease is $1,450,000. How should Luckier report this cancellation?

(4) Richard Company has a policy of refunding purchases to dissatisfied customers, even though it is under no obligation to do so. However, it has created a valid expectation with its customers to continue this practice. These refunds can range from 4% of sales to 9% of sales, with any amount in between a reasonable possibility. In 2011, Richard has $50,000,000 of sales subject to possible refund. The average cost of any refund item is $10. How should Richard report this information in its financial statements at December 31, 2011?

(5) Wynne Inc. charges an initial franchise fee of $920,000, with $200,000 paid when the agreement is signed and the balance in five annual payments. The present value of the future payments, discounted at 10%, is $545,872. The franchisee has the option to purchase $120,000 of equipment for $96,000. Wynne has substantially provided all initial services required and collectibility of the payments is reasonably assured. How much revenue should Wynne recognize from this franchise fees?

IV、Wilcox Inc. acquired 10% of the 500,000 outstanding common stock of Nestle Inc. on January 2, 2010. The purchase price was $24 per share and Wilcox paid brokerage commissions $60,000. This equity investment is held for purposes other than trading.

On June 15, 2011, Wilcox Inc. sold 20,000 shares of Nestle's common stock at $40 per share and paid brokerage commissions $12,000.

The following information is related to Nestle Inc.

Nestle Inc.	2010	2011
Declared and paid cash dividend on May 5	$200,000	$200,000
Reported net income	300,000	300,000
Fair value of stock per share at December 31	30	28

Wilcox, Inc. reports net income excludes the related investment profit or loss from Nestle Inc. in 2010 of $520,000 and in 2011 of $600,000. The income tax rate is 20%.

Instructions: (10%)

Under the following assumption, prepare a statement of comprehensive income for 2011, starting with net income.

(a)Assuming Wilcox's accounting and reporting for equity investments in accordance with IAS 39 (International Accounting Standard 39, Financial Instruments: Recognition and Measurement).

(b)Assuming Wilcox's accounting and reporting for equity investments in accordance with IFRS 9.

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V、Assume that the following data relative to Kane Company for 2012 is available:

Transactions in Ordinary Shares	Shares
Jan. 1, Beginning number	700,000
Mar. 1, Purchase of treasury shares	60,000
June 1, Share split 2-for-1	
Nov. 1, Issuance of shares	120,000
Dec.1, Convertible bonds were converted	250,000

On November 1 Kane issued 120,000 shares for cash at $5.76 per share. The fair value of Kane's ordinary shares per share immediately before the exercise of rights is $16.96 per share.

8% Convertible Bonds

On January 1, 2012, Kane issued, at par, 75, $100,000, 8% bonds, each convertible into 10,000 ordinary shares (adjusted for split). The liability component of convertible bonds was $95,000 per bond, based on a market rate of interest of 10%.

25 of the 75 bonds were actually converted on December 1, 2012.

Share Options is 60,000 shares outstanding

Exercisable at the option price of $25 per share. Average market price in 2012, $30 (market price and option price adjusted for split).

Kane had revenues of $6,250,000 and expenses other than interest and taxes of $2,520,000 for 2012. (Assume that the income tax rate is 40%.)

Instructions：(10%)

(a)Compute the basic earnings per share for 2012. (Round to the nearest penny.)

(b)Compute the diluted earnings per share for 2012. (Round to the nearest penny.)

VI、**Questions : (20%)**

(1) Tank Company has land that cost $1,500,000. Its fair value on December 31, 2010, is $2,000,000. Tank chooses the revaluation model to report its land.

(a) Explain how the land and its related valuation should be reported.

(b) Why might a company choose not to use revaluation accounting?

(2) Indicate how service revenue should be recognized in the following situations:

(a) unspecified number of identical acts.

(b) specified number of defined but not identical acts.

(c) specified number of similar acts.