

考生作答須知

- 本試題可以用英文或中文作答，同一大題請使用相同語文，如中英交雜則不予計分。
- 本試卷包含四大題，盡量依序作答，務必註明題號，並整齊書寫於答案卷。
- 各大題與其中包含之小題均有標註配分，各題均有不同之答題要求，請謹慎閱讀題目。

1. (31%) You are one of the accounting stalls of S-City, a retail company that checked the inventory records for the whole year, 2016. The following situations relate to inventory accounting:

- a. S-City records purchases at net amounts and uses periodic inventories. Some of the transactions during March are listed below.

3/12	Purchased merchandise on account, \$5,000, terms 2/10, n/30.
3/16	Returned part of March 12 purchase, \$800, and received credit on account.
3/31	Prepared the adjusting entry required for financial statements.

- b. The following information is available from S-City's inventory record for Product P1 during Q2 (April to June).

	Units	Unit Cost
April 1, 2016 (beginning inventory)	1,600	\$18.00
Purchases:		
April 5, 2016	2,600	\$20.00
April 25, 2016	2,400	\$21.00
May 16, 2016	1,000	\$22.00
June 15, 2016	1,800	\$23.00

Note: A physical inventory on June 30, 2016, shows 2,500 units on hand.

- c. S-City Company uses the LCNRV method and an allowance account, on an individual-item basis, in pricing its inventory items. The inventory (Product P1) was \$55,000 at net realizable value on June 30, 2016
- d. When you undertook the preparation of the financial statements for Q4 (October to December) at December 31, 2016, the following data were available:

	Cost	Retail
Inventory, 9/30/2016	\$ 375,000	\$ 550,000
Purchases	1,369,000	2,050,000
Purchase returns	90,000	120,000
Purchase discounts	27,000	-
Gross sales (after employee discounts)	-	2,110,000
Sales returns	-	145,000
Markups	-	180,000
Markup cancellations	-	60,000
Markdowns	-	65,000
Markdown cancellations	-	30,000
Freight-in	63,000	-
Employee discounts granted	-	12,000
Loss from breakage (normal)	-	8,000

【Requirements】 (1) 9%; (2) 6%; (3) 6%; (4) 10%

- (1) Prepare general journal entries to record related events on March.
 - (2) Prepare schedules using the periodic method to compute the ending inventory at June 30, 2016, under each of the following two inventory methods:
 - (2-1) FIFO.
 - (2-2) Weighted-average.
 - (3) The book value of inventory on June 30, 2016 uses the number of item (2-1). Prepare the necessary June 30 entry under (3-1) the cost-of-goods-sold method and (3-2) the loss method.
 - (4) The S-City uses the conventional retail inventory method of estimating inventory. Please compute the cost of its ending inventory at December 31, 2016.
2. (21%) The IFRS Conceptual Framework describes the basic concepts that underlie the preparation and presentation of financial statements for external users. The qualitative characteristics of accounting information that distinguish better information from inferior information for decision-making purpose are as follows.

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

【Requirements】 each, 3%

Identify by number (alphabet) the “best” appropriate qualitative characteristic to be used given the description or question provided below.

- (1) Changing the method of inventory valuation should be reported in the financial statements.
- (2) Decision makers vary widely in the types of decisions they make, the methods of decision making they employ, the information they already possess or can obtain from other sources, and their ability to process information. Consequently, for information to be useful there must be a linkage between these users and the decisions they make. What qualitative characteristic is this link?
- (3) Providing information available to users before it loses its capacity to influence decisions.
- (4) Information about an economic phenomenon that changes past or present expectations based on previous evaluations.
- (5) The annual reports of Apple Inc. are audited by certified public accountants.
- (6) IAK, Corp. is the only company in its industry to depreciate its machines on a straight-line basis. Which qualitative characteristic of accounting information may not be present?
- (7) A tobacco company suppresses information about the numerous lawsuits that have been filed because of tobacco-related health concerns. Which qualitative characteristic of accounting information may not be present?

3. (31%) IFRS 15 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. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018.

【Requirements】 (1) 10%; (2) 6%; (3) 6%; (4) 9%

Respond to the requirements related to the following **independent** items about revenue recognitions.

- (1) Briefly describe the five-step process that is applied to a company's revenue arrangements.
- (2) How are fair value measurement concepts applied in implementation of the five-step process?
- (3) Revenue is recognized for accounting purposes when a performance obligation is satisfied. In some situations, revenue is recognized over time as the fair values of assets and liabilities change. In other situations, however, accountants have developed guidelines for recognizing revenue at the point of sale. Explain and justify why revenue is often recognized at the time of sale.
- (4) High-Tech, Inc. enters into a licensing agreement with Pine-Store Company for an AI-phone under development. High-Tech will receive a payment of \$68,948,700 if the AI-phone receives the National Communications Commission (NCC) approval. Based on prior experience in the AI-phone test process, High-Tech determines it is 95% likely that the AI-phone will gain approval and a 5% chance of denial.
 - (4-1) Determine the transaction price of the arrangement for High-Tech.
 - (4-2) Assuming that the NCC approval was granted on December 25, 2016, and that High-Tech received the payment from Pine-Store on January 19, 2017, prepare the journal entries for High-Tech.

4. (17%) Financial Statements represent a formal record of the financial activities of an entity. These are written reports that quantify the financial strength, performance and liquidity of a company. Financial Statements reflect the financial effects of business transactions and events on the entity. The standard contents of a set of financial statements includes statement of financial position, income statement, cash flow statement, statement of changes in equity and supplementary notes.

【Requirements】 (1) 7%; (2) 4%; (3) 6%

Respond to the requirements related to the following **independent** items on the financial statements.

- (1) Given the following income statement line items:
 - Income from operations
 - Income before income taxes
 - Income from continuing operations
 - Income from discontinued operations
 - Net income
 - (1-1) How many earnings per share (EPS) amounts are required to be disclosed?
 - (1-2) Show the formula for computing EPS when a company's capital structure is simple (no potential ordinary).

- (1-3) Net income is the bottom line of the income statement. Net profit, income, and earnings generally mean the same thing. The quality of earnings is important for investment and credit decisions. A former SEC Chairman said, "Managing may be giving way to manipulation; Integrity may be losing out to illusion." May you make some comments on what he said?
- (2) Assets are main items in the statement of financial position. State the usual basis of valuation of each of the following assets.
- (2-1) Land.
- (2-2) Trading securities (ordinary shares of other companies).
- (2-3) Prepaid expenses.
- (2-4) Trade accounts receivable.
- (3) Pikachu Corporation reports the following information:

Net cash provided by operating activities	\$ 262,500
Average current liabilities	105,000
Average non-current liabilities	82,500
Dividends declared	36,000
Capital expenditures	66,000
Payments of debt	21,000

- (3-1) Compute the Pikachu Corporation's cash debt coverage.
- (3-2) Compute the Pikachu Corporation's free cash flow.
- (3-3) Compute the Pikachu Corporation's current cash debt coverage.