國立彰化師範大學 101 學年度第 2 學期學士班轉學生招生考試試題

學系：會計學系
年級：二 年級　　科目：會計學
組別：________組
☆☆請在答案紙上作答☆☆　　

1、KFC, Inc. is a calendar-year corporation. Its financial statements for the years 2012 and 2011 contained errors as follows:

	2012	2011
Ending inventory	$3,000 overstated	$8,000 overstated
Depreciation expense	$2,000 understated	$6,000 overstated

Question : (15%)

(1) Assume that the proper correcting entries were made at December 31, 2011. By how much will 2012 income before taxes be overstated or understated?

(2)Assume that *no* correcting entries were made at December 31, 2011. *Ignoring income taxes*, by how much will retained earnings at December 31, 2012 be overstated or understated?

(3)Assume that *no* correcting entries were made at December 31, 2011, or December 31, 2012 and that *no* additional errors occurred in 2013. *Ignoring income taxes*, by how much will working capital at December 31, 2013 be overstated or understated?

2、Beeman Corporation follows a policy of a 10% depreciation charge per year on all machinery and a 5% depreciation charge per year on buildings. The following transactions occurred in 2012:

June 30, 2012— Negotiations which began in 2011 were completed and a warehouse purchased 1/1/02 (depreciation has been properly charged through December 31, 2011) at a cost of $3,200,000 with a fair value of $2,000,000 was exchanged for a second warehouse which also had a fair value of $2,000,000. The exchange had no commercial substance. Both parcels of land on which the warehouses were located were equal in value, and had a fair value equal to book value.

October 31, 2012—Machinery with a cost of $240,000 and accumulated depreciation through January 1 of $180,000 was exchanged with $150,000 cash for a parcel of land with a fair value of $230,000.The exchange had commercial substance.

Question: (15%)

Prepare all appropriate journal entries for Beeman Corporation for the above dates.

3. The following situations relate to Bing Corp., please answer each question: **(20%)**

(1)Bing Corp. had the following infrequent transactions during 2012:

$150,000 gain from selling its automotive division.

$210,000 gain on the sale of investments.
$70,000 loss on the write-down of inventories.

In its 2012 income statement, what amount should Bing report as other income and expense?

(2) On January 1, 2011, Bing Corp. exchanged equipment for a $400,000 zero-interest-bearing note due on January 1, 2014. The prevailing rate of interest for a note of this type at January 1, 2011 was 10%. The present value of $1 at 10% for three periods is 0.75. What amount of interest revenue should be included in Bing's 2012 income statement?

(3) Bing Corp. had retained earnings of $750,000 at January 1, 2012. During the year the company generated a net income of $150,000 and declared share dividends of $50,000. It was discovered during 2012 that $40,000 of closing costs on a 2011 purchase of land was debited to maintenance expense. The income tax rate is 30%. Determine the retained earnings balance at December 31, 2012.

(4)In preparing its January 31, 2013 bank reconciliation, Bing Corp. has available the following information:

Balance per bank statement, 1/31/13	$21,650
Deposit in transit, 1/31/13	3,900
Return of customer's check for insufficient funds, 8/30/13	600
Outstanding checks, 1/31/13	2,750
Bank service charges for January	100

At January 31, 2011, Bing's correct cash balance is ?

4. The following situations relate to Washburn Company.

(1) Washburn provides a warranty with all its products it sells. It estimates that it will sell 1,200,000 units of its product for the year ended December 31, 2010, and that its total revenue for the product will be $100,000,000. It also estimates that 60% of the product will have no defects, 30% will have major defects, and 10% will have minor defects. The cost of a minor defect is estimated to be $5 for each product sold, and the cost for a major defect cost is $15. The company also estimates that the minimum amount of warranty expense will be $2,500,000 and the maximum will be $12,000,000.

(2) Washburn is involved in a tax dispute with the tax authorities. The most likely outcome of this dispute is that Washburn will lose and have to pay $500,000. The minimum it will lose is $25,000 and the maximum is $3,000,000.

(3) Washburn 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 5% of sales to 9% of sales, with any amount in between a reasonable possibility. In 2010, Washburn has $50,000,000 of sales subject to possible refund. The average cost of any refund item is $12

Question: (12%)

Prepare the journal entry to record provisions, if any, for Washburn at December 31, 2010.

5. Below are three independent situations.

(1) In August, 2010 a worker was injured in the factory in an accident partially the result of his own negligence. The worker has sued Wesley Co. for $800,000. Counsel believes it is possible but not probable that the outcome of the suit will be unfavorable and that the settlement would cost the company from $250,000 to $500,000.

(2) A suit for breach of contract seeking damages of $2,400,000 was filed by an author against Greer Co. on October 4, 2010. Greer's legal counsel believes that an unfavorable outcome is probable. A reasonable estimate of the award to the plaintiff is between $600,000 and $1,800,000. No amount within this range is a better estimate of potential damages than any other amount.

(3) Quinn is involved in a pending court case. Quinn’s lawyers believe it is probable that Quinn will be awarded damages of $1,000,000.

Question: (12%)

Discuss the proper accounting treatment, including any required disclosures, for each situation. Give the rationale for your answers.

6. The net changes in the statement of financial position accounts of Lotus, Inc. for the year 2011 are shown below:

Account	Debit	Credit
Cash	$ 125,600	
Accounts receivable		$ 64,000
Allowance for doubtful accounts		14,000

Inventory	217,200	
Prepaid expenses	20,000	
Long-term investments		144,000
Land	300,000	
Buildings	600,000	
Machinery	100,000	
Office equipment		28,000
Accumulated depreciation:		
Buildings		24,000
Machinery		20,000
Office equipment	12,000	
Accounts payable	183,200	
Accrued liabilities		72,000
Dividends payable		128,000
Bonds payable		832,000
Share capital-Preference ($50 par)	60,000	
Share capital-ordinary ($10 par)		156,000
Share premium-ordinary		223,200
Retained earnings	87,200	
	$1,705,200	$1,705,200

Additional information:

(1) Income Statement Data for Year Ended December 31, 2011

Income before income taxes	$200,000
Income taxes	60,000
Net income	$140,000

(2) Cash dividends of $128,000 were declared December 15, 2011, payable January 15, 2012. A 5% share dividend was issued March 31, 2011, when the fair value was $22.00 per share.

(3) The long-term investments were sold for $140,000.

(4) A building and land which cost $480,000 and had a book value of $300,000 were sold for $400,000. The cost of the land, included in the cost and book value above, was $20,000.

(5) The following entry was made to record an exchange of an old machine for a new one:

Machinery	160,000	
Accumulated Depreciation—Machinery	40,000	
Machinery		60,000
Cash		140,000

(6) A fully depreciated copier machine which cost $28,000 was written off. (7) Preference shares of $60,000 par value was redeemed for $80,000.

(8) The company sold 12,000 shares of its ordinary share ($10 par) on June 15, 2011 for $25 a share. There were 87,600 shares outstanding on December 31, 2011.

(9) Bonds were sold at 104 on December 31, 2011. (10) Land that was condemned due to contamination was sold for $108,000.It had a book value of $240,000.

Question: (20%)

Prepare a statement of cash flows (indirect method). Ignore tax effects.

7. Vasquez Manufacturing Company decided to expand further by purchasing Wasserman Company. The statement of financial position of Wasserman Company as of December 31, 2011 was as follows:

Wasserman Company
Statement of Financial Position
December 31, 2011

Assets		Equity and Liabilities	
Plant assets (net)	$1,025,000	Share capital-ordinary	$ 800,000
Inventory	275,000	Retained earnings	885,000
Receivables	550,000	Accounts payable	375,000
Cash	210,000		
Total assets	$2,060,000	Total equity and liabilities	$2,060,000

An appraisal, agreed to by the parties, indicated that the fair value of the inventory was $350,000 and the fair value of the plant assets was $1,225,000. The fair value of the receivables is equal to the amount reported on the statement of financial position. The agreed purchase price was $2,075,000, and this amount was paid in cash to the previous owners of Wasserman Company.

Questions: (6%)

Determine the amount of goodwill (if any) implied in the purchase price of $2,075,000.