系別：會計學系三年級　　　　科目：會　計　學（二）

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可	✓	否	

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一、Multiple Choice (20%)

1、 Moore Company estimates its annual warranty expense as 2% of annual net sales. The following data relate to the calendar year 2004:

Net sales	$1,800,000	
Warranty liability account		
Balance, Dec. 31, 2004	$ 6,000	debit before adjustment
Balance, Dec. 31, 2004	30,000	credit after adjustment

Which one of the following entries was made to record the 2004 estimated warranty expense?

a. Warranty Expense	36,000	
Retained Earnings (prior-period adjustment)		6,000
Warranty Liability		30,000
b. Warranty Expense	30,000	
Retained Earnings (prior-period adjustment)	6,000	
Warranty Liability		36,000
c. Warranty Expense	24,000	
Warranty Liability		24,000
d. Warranty Expense	36,000	
Warranty Liability		36,000

2、 Which of the following methods of determining annual bad debt expense best achieves the matching concept?
a. Percentage of sales
b. Percentage of ending accounts receivable
c. Percentage of average accounts receivable
d. Direct write-off

3、 On August 1, 2004, Witten Corporation purchased a new machine on a deferred payment basis. A down payment of $6,000 was made and 4 annual installments of $9,000 each are to be made beginning on September 1, 2004. The cash equivalent price of the machine was $38,000. Due to an employee strike, Witten could not install the machine immediately, and thus incurred $500 of storage costs. Costs of installation (excluding the storage costs) amounted to $1,200. The amount to be capitalized as the cost of the machine is
a. $38,000.
b. $39,200.
c. $39,700.
d. $42,000.

4、 On February 1, 2004, Larkin Corporation purchased a parcel of land as a factory site for $400,000. An old building on the property was demolished, and construction began on a new building which was completed on November 1, 2004. Costs incurred during this period are listed below:

Demolition of old building	$ 25,000
Architect's fees	35,000
Legal fees for title investigation and purchase contract	5,000
Construction costs	890,000

(Salvaged materials resulting from demolition were sold for $10,000.)

Larkin should record the cost of the land and new building, respectively, as
a. $430,000 and $915,000.
b. $415,000 and $930,000.
c. $415,000 and $925,000.
d. $420,000 and $925,000.

試題須雙面印製

5、 At the beginning of 2003, Finney Company received a three-year zero-interest-bearing $1,000 trade note. The market rate for equivalent notes was 8% at that time. Finney reported this note as a $1,000 trade note receivable on its 2003 year-end statement of financial position and $1,000 as sales revenue for 2003. What effect did this accounting for the note have on Finney's net earnings for 2003, 2004, 2005, and its retained earnings at the end of 2005, respectively?

a. Overstate, overstate, understate, zero
b. Overstate, understate, understate, zero
c. Overstate, overstate, overstate, overstate
d. None of these

二、 (22%)

The following information was taken from the books and records of Simonic, Inc.:

1. Net income(include extraordinary gain $100,000) — $ 940,000

2. Capital structure:
   a. Convertible 6% bonds. Each of the 300, $1,000 bonds is convertible into 50 shares of common stock at the present date and for the next 10 years. — 300,000
   b. $10 par common stock, 400,000 shares issued and outstanding during the entire year. — 4,000,000
   c. Stock warrants outstanding to buy 16,000 shares of common stock at $20 per share.

3. Other information:
   a. Bonds converted during the year — None
   b. Income tax rate — 30%
   c. Convertible debt was outstanding the entire year
   d. Average market price per share of common stock during the year — $32
   e. Warrants were outstanding the entire year
   f. Warrants exercised during the year — None

Instructions
Compute basic and diluted earnings per share.

三、 (20%)

Prepare the necessary journal entries to record the following transactions relating to the long-term issuance of bonds of Titus Co.:

<u>March 1</u>
Issued $800,000 face value Titus Co. second mortgage, 8% bonds for $872,160, including accrued interest. Interest is payable semiannually on December 1 and June 1 with the bonds maturing 10 years from this past December 1. The bonds are callable at 102.

<u>June 1</u>
Paid semiannual interest on Titus Co. bonds. (Use straight-line amortization of any premium or discount.)

<u>December 1</u>
Paid semiannual interest on Titus Co. bonds and purchased $400,000 face value bonds at the call price in accordance with the provisions of the bond indenture.

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四、 (14%)

Pratt Co. has a machine that cost $255,000 on March 20, 2003. This old machine had an estimated life of ten years and a salvage value of $15,000. On December 23, 2007, the old machine is exchanged for a new machine with a market value of $162,000. The exchange lacked commercial substance. Pratt also received $18,000 cash. Assume that the last fiscal period ended on December 31, 2006, and that straight-line depreciation is used.

Instructions

(a) Show the calculation of the amount of gain or loss to be recognized by Pratt Co. from the exchange. (Round to the nearest dollar.)

(b) Prepare all entries that are necessary on December 23, 2007. Show a check of the amount recorded for the new machine.

五、 (24%)

Lopez Company began operations in 2006. Since then, it has reported the following gains and losses for its investments in trading securities on the income statement:

	2006	2007	2008
Gains (losses) from sale of trading securities	$ 15,000	$(20,000)	$ 14,000
Unrealized holding losses on valuation of trading securities	(25,000)	—	(30,000)
Unrealized holding gain on valuation of trading securities	—	10,000	—

At January 1, 2009, Lopez owned the following trading securities:

	Cost
AGH Common (15,000 shares)	$450,000
DEL Preferred (2,000 shares)	210,000
Pratt Convertible bonds (100 bonds)	115,000

During 2009, the following events occurred:
1. Sold 5,000 shares of AGH for $170,000.
2. Acquired 1,000 shares of Norton Common for $40 per share. Brokerage commissions totaled $1,000.

At 12/31/09, the fair values for Lopez's trading securities were:
AGH Common, $28 per share
DEL Preferred, $110 per share
Pratt Bonds, $1,020 per bond
Norton Common, $42 per share

Instructions

(a) Prepare a schedule which shows the balance in the Securities Fair Value Adjustment (Trading) at December 31, 2008 (after the adjusting entry for 2008 is made).

(b) Prepare a schedule which shows the aggregate cost and fair values for Lopez's trading securities portfolio at 12/31/09.

(c) Prepare the 2009 necessary journal entry.