系組：會計學系三年級　日期節次：7 月 27 日第 1 節 09:00 ~ 10:20
科目：**會計學(二)**　(38 – 135)

A. Multiple Choice: (40%)

1. What is the objective of financial statements according to the IFRS *Framework*?
   a. To provide information about the financial position, performance, and changes in financial position of an entity that is useful to a wide range of users in making economic decisions.
   b. To prepare and present a balance sheet, an income statement, a cash flow statement, and a statement of changes in equity.
   c. To prepare and present comparable, relevant, reliable, and understandable information to investors and creditors.
   d. To prepare financial statements in accordance with all applicable Standards and Interpretations.
2. Which one of the following is not required to be presented as minimum information on the face of the balance sheet, according to IAS 1?
   a. Investment property.
   b. Investments accounted under the equity method.
   c. Biological assets.
   d. Contingent liability.
3. ABC LLC manufactures and sells paper envelopes. The stock of envelopes was included in the closing inventory as of December 31, 2010, at a cost of $50 each per pack. During the final audit, the auditors noted that the subsequent sale price for the inventory at January 15, 2011, was $40 each per pack. Furthermore, inquiry reveals that during the physical stock take, a water leakage has created damages to the paper and the glue. Accordingly, in the following week, ABC LLC spent a total of $15 per pack for repairing and reapplying glue to the envelopes. The net realizable value and inventory write-down amount to:
   a. $40 and $10 respectively.
   b. $45 and $10 respectively.
   c. $25 and $25 respectively.
   d. $35 and $15 respectively.
4. An entity (other than a financial institution) receives dividends from its investment in shares. How should it disclose the dividends received in the cash flow statement prepared under IAS 7?
   a. Operating cash inflow.
   b. Either as operating cash inflow or as investing cash inflow.
   c. Either as operating inflow or as financing cash inflow.
   d. As an adjustment in the "operating activities" section of the cash flow because it is included in the net income for the year and as a cash inflow in the "financing activities" section of the cash flow statement.
5. International Inc. deals extensively with foreign entities, and its financial statements reflect these foreign currency transactions. Subsequent to the balance sheet date, and before the "date of authorization" of the issuance of the financial statements, there were abnormal fluctuations in

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foreign currency rates. International Inc. should:

a. Adjust the foreign exchange year-end balances to reflect the abnormal adverse fluctuations in foreign exchange rates.
b. Adjust the foreign exchange year-end balances to reflect all the abnormal fluctuations in foreign exchange rates.
c. Disclose the post-balance sheet event in footnotes as nonadjusting event.
d. Ignore the post-balance sheet event.

6. A construction company signed a contract to build a theater over a period of two years, and with this contract also signed a maintenance contract for five years. Both the contracts are negotiated as a single package and are closely interrelated to each other. The two contracts should be:
   a. Combined and treated as a single contract.
   b. Segmented and considered two separate contracts.
   c. Recognized under the completed contracted method.
   d. Treated differently – the building contract under the completed contract method and maintenance contract under the percentage of completion method.
7. An entity is undertaking a re-organization. Under the plan, part of the entity's business will be demerged and will be transferred to a separate entity, Entity Z. This also will involve a transfer of part of the pension obligation to Entity Z. Because of this, Entity Z will have a deductible temporary difference at its year-end of December 31, 2009. It is anticipated that Entity Z will be loss-making for the first four years of its existence, but thereafter it will become a profitable entity. The future forecasted profit is based on estimates of sales to intergroup companies. Should Entity Z recognize the deductible temporary difference as a deferred tax asset?
   a. The entity should recognize a deferred tax asset.
   b. Management should not recognize a deferred tax asset as future profitability is not certain.
   c. The entity should recognize a deferred tax asset if the authenticity of the budgeted profits can be verified.
   d. The entity should recognize a deferred tax asset if the intergroup profit in the budgeted profit is eliminated.
8. An entity is in the entertainment industry and organizes outdoor concerts in four different areas of the world: Europe, North America, Australasia, and Japan. The entity reports to the board of directors on the basis of each of the four regions. The management accounts show the profitability for each of the four regions, with allocations for that expenditure which is difficult to directly charge to a region. The concerts are of two types: popular music and classical music. What is the appropriate basis for segment reporting under IAS 14 in this entity?
   a. The segments should be reported by class or business, that is, popular and classical music.
   b. The segments should be reported by region, so Australasia and Japan would be combined.
   c. The segment information should be reported as North America and the rest of the world.
   d. Segment information should be reported for each of the four different regions.

9. IAS 16 requires that revaluation surplus resulting from initial revaluation of property, plant, and equipment should be treated in one of the following ways. Which of the four options mirrors the requirements of IAS 16?
   a. Credited to retained earnings as this is an unrealized gain.
   b. Released to the income statement and amount equal to the difference between the depreciation calculated on historical cost vis-à-vis revalued amount.
   c. Deducted from current assets and added to the property, plant, and equipment.
   d. Debited to the class of property, plant, and equipment that is being revalued and credited to a reserve captioned "revaluation surplus", which is presented under "equity".
10. Which is the correct accounting treatment for a financial lease in the accounts of a lessor?
   a. Treat as a noncurrent asset equal to net investment in lease. Recognize all finance payments in income statements.
   b. Treat as a receivable equal to gross amount receivable on lease. Recognize finance payments in cash and by reducing debtor.
   c. Treat as a receivable equal to net investment in the lease. Recognize finance payment by reducing debtor and taking interest to income statement.
   d. Treat as a receivable equal to net investment in the lease. Recognize finance payments in cash and by reduction of debtor.
11. Micrium, a computer chip manufacturing company, sells its products to its distributors for onward sales to the ultimate customers. Due to frequent fluctuations in the market prices for these goods, Micrium has a "price protection" clause in the distributor agreement that entities it to raise additional billings in case of upward price movement. Another clause in the distributor's agreement is that Micrium can at any time reduce its inventory by buying back goods at the cost at which it sold the goods to the distributor. Distributors pay for the goods within 60 days from the sale of goods to them. When should Micrium recognize revenue on sale of goods to the distributors?
   a. When the goods are sold to the distributors.
   b. When the distributors pay to Micrium the cost of the goods.
   c. When goods are sold to the distributor provided estimated additional revenue is also booked under the "protection clause" based on past experience.
   d. When the distributor sells goods to the ultimate customers and there is no uncertainty with respect to the "price protection" clause or the buyback of goods.
12. An entity has decided to improve its defined benefit pension scheme. The benefit payable will be determined by reference to 60 years service rather than 80 years service. As a result, the defined benefit pension liability will increase by $10 million. The average remaining service lives of the employees is 10 years. How should the increase in the pension liability by $10 million be treated in the financial statements?
   a. The past service cost should be charged against retained profit.
   b. The past service cost should be charged against profit or loss for the year.

c. The past service cost should be spread over the remaining working lives of the employees.
d. The past service cost should not be recognized.

13. In the case of grants related to an asset, which of these accounting treatments is prescribed by IAS 20?
    a. Record the grant at a nominal value in the first year and write it off in the subsequent year.
    b. Either set up the grant as deferred income or deduct it in arriving at the carrying amount of the asset.
    c. Record the grant at fair value in the first year and take it to income in the subsequent year.
    d. Take it to the income statement and disclose it as an extraordinary gain.
14. Which of the following costs may not be eligible for capitalization as borrowing costs under IAS 23?
    a. Interest on bonds issued to finance the construction of a qualifying asset.
    b. Amortization of discounts or premiums relating to borrowings that qualify for capitalization.
    c. Imputed cost of equity.
    d. Exchange difference arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs pertaining to a qualifying asset.
15. If there have been related-party transactions during the year, an entity needs to make, at a minimum, certain disclosures. Which of the following is not a required minimum disclosure under IAS 24?
    a. The amounts of similar transactions with unrelated parties to establish that comparable related-party transactions have been entered at arm's length.
    b. Provisions for doubtful debts related to the amount of outstanding related-party balances and expense recognized during the year in respect of bad or doubtful debts due from related parties.
    c. The amount of the related-party transactions.
    d. The amount of the outstanding related-party balances and their terms and conditions along with details of guarantees given and received.
16. An investor must apply the requirements of IAS 39 in determining whether it is necessary to recognize any impairment loss in the investment in an associate. How is the impairment test carried out?
    a. The goodwill is separated from the rest of the investment and is impairment tested individually.
    b. The entire carrying amount of the investment is tested for impairment under IAS 36 by comparing its recoverable amount with its carrying amount.
    c. The carrying value of the investment should be compared with its market value.
    d. The recoverable amounts of all investments in associates should be assessed together to determine whether there has been an impairment on all investments.
17. What is the accounting for treasury share transactions?
    a. On repurchase of treasury shares, a gain or loss is recognized equal to the difference between

the amount at which the shares were issued and the repurchase price for the shares.

b. On reissuance of treasury shares, a gain or loss is recognized equal to the difference between the previous repurchase price and the reissuance price.

c. On repurchase or reissuance of previously repurchased own shares, no gain or loss is recognized.

d. Treasury shares are accounted for as financial assets in accordance with IAS 39.

18. Which of the following transfers of financial assets qualifies for derecognition?

a. A sale of a financial asset where the entity retains an option to buy the asset back at its current fair value on the repurchase date.

b. A sale of a financial asset where the entity agrees to repurchase the asset in one year for a fixed price plus interest.

c. A sale of a portfolio of short-term accounts receivables where the entity guarantees to compensate the buyer for any losses in the portfolio.

d. A loan of a security to another entity.

19. If a stock option is converted on March 31, 2010, then:

a. The potential ordinary share are included in diluted EPS up to March 31, 2010, and in basic EPS from the date converted to the year-end.

b. The ordinary shares are not included in the diluted EPS calculation but are included in basic EPS.

c. The ordinary shares are not included in the basic EPS but are included in diluted EPS.

d. The effects of the stock option are included only in previous year's EPS calculation.

20. When can a "provision" be recognized in accordance with IAS 37?

a. When there is a possible obligation arising from a past event, the outflow of resources is probable, and an approximate amount can be set aside toward the obligation.

b. When management decides that it is essential that a provision be made for unforeseen circumstances and keeping in mind this year the profits were enough but next year there may be losses.

c. When there is a legal obligation arising from a past event, the probability of the outflow of resources is more than remote, and a reliable estimate can be made of the amount of the obligation.

d. When there is a constructive obligation as a result of a past event, the outflow of resources is probable, and a reliable estimate can be made of the amount of the obligation.

B. Problems:

1. Hwa-Kang Inc. began business on January 1, 2010. Its pretax financial income for the first 2 years was as follows:

2010	$240,000
2011	560,000

The following items caused the only differences between pretax financial income and taxable income.

(1) In 2010, the company collected $180,000 of rent; of this amount, $60,000 was earned in 2010; the other $120,000 will be earned equally over the 2011–2012 period. The full $180,000 was included in taxable income in 2010.

(2) The company pays $10,000 a year for life insurance on officers.

(3) In 2011, the company terminated a top executive and agreed to $90,000 of severance pay. The amount will be paid $30,000 per year for 2011–2013. The 2011 payment was made. The $90,000 was expensed in 2011. For tax purposes, the severance pay is deductible as it is paid.

The enacted tax rates existing at December 31, 2010 are:

2010	30%	2012	40%
2011	35%	2013	40%

Required:

(a) Determine taxable income for 2010 and 2011. (4%)

(b) Determine the deferred income taxes at the end of 2010, and prepare the journal entry to record income taxes for 2010. (4%)

(c) Prepare a schedule of future taxable and (deductible) amounts at the end of 2011. (2%)

(d) Prepare a schedule of the deferred tax (asset) and liability at the end of 2011. (2%)

(e) Compute the net deferred tax expense (benefit) for 2011. (2%)

(f) Prepare the journal entry to record income taxes for 2011. (2%)

(g) Show how the deferred income taxes should be reported on the balance sheet at December 31, 2011. (4%)

2. The financial statements of Culture Tech Company appear below:

CULTURE TECH COMPANY

Comparative Statement of Financial Position

December 31, 2011

	2011	2010
Assets		
Property, plant, and equipment	€ 50,000	€ 78,000
Accumulated depreciation	(20,000)	(24,000)
Merchandise inventory	30,000	15,000
Accounts receivable	26,000	34,000
Cash	38,000	23,000
Total	€124,000	€126,000

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Equity and Liabilities

Share capital-ordinary	€ 41,000	€ 24,000
Retained earnings	46,000	38,000
Bonds payable	7,000	33,000
Accounts payable	17,000	23,000
Income taxes payable	13,000	8,000
Total	€124,000	€126,000

CULTURE TECH COMPANY
Income Statement
For the Year Ended December 31, 2011

Sales	€400,000
Cost of goods sold	280,000
Gross profit	120,000
Operating expenses	46,000
Income from operations	74,000
Interest expense	4,000
Income before income taxes	70,000
Income tax expense	21,000
Net income	€ 49,000

The following additional data were provided:

(1) Dividends declared and paid were €41,000.

(2) During the year, equipment was sold for €15,000 cash. This equipment cost €28,000 originally and had a book value of €15,000 at the time of sale.

(3) All depreciation expense is in the operating expenses.

(4) All sales and purchases are on account.

(5) Accounts payable pertain to merchandise suppliers.

(6) All operating expenses except for depreciation were paid in cash.

Required: (20%)

Prepare a statement of cash flows for Culture Tech Company using the direct method.

3. Uniqlo Company's condensed income statement is presented below:

Revenues		$1,000,000
Expenses		
Cost of goods sold	$400,000	
Operating and administrative expenses	200,000	
Depreciation expense	40,000	640,000
Income before taxes		360,000
Income tax expenses		108,000
Net income		$ 252,000

Earnings per share (100,000 shares) $2.52

The following data is compiled relative to Uniqlo's operating segments:

	Percent Identified with Segment		
	Hotels	Grains	Candy
Revenues	42%	50%	8%
Cost of goods sold	48	49	3
Operating and administrative expense	35	50	15
Depreciation expense	46	42	12

Included in the amounts allocated to each segment on the above percentages are the following expenses which relate to general corporate activities:

	Operating Segment			
	Hotels	Grains	Candy	Totals
Operating and administrative expense	$12,000	$9,000	$3,000	$24,000
Depreciation expense	3,500	4,000	2,500	10,000

Required: (20%)

(a) Prepare a schedule showing the amounts distributed to each segment. (12%)

(b) Based only on the above information, which segments must be reported and why? (8%)