

國立中央大學八十六學年度碩士班研究生入學試題卷

所別： 財務管理研究所 甲、丁組 科目： 會計學 共 2 頁 第 1 頁



I. The following list of accounts and their balances represents the **unadjusted** trial balance of Berg Company at December 31, 1996:

Cash	\$ 14,108	
Accounts receivable	69,000	
Allowance for doubtful accounts		\$ 630
Inventory	54,720	
Prepaid rent	21,600	
Investment in Arnold Company's bonds (at cost)	90,000	
Plant and equipment	156,000	
Accumulated depreciation		14,740
Accounts payable		11,370
Bonds payable		90,000
Common stock		170,000
Retained earnings (1/1/96)		97,380
Sales		222,000
Purchases	162,000	
Purchase discount		3,400
Transportation-out	11,000	
Transportation-in	4,400	
Salaries and wages expense	32,000	
Interest expense	2,040	
Rent revenue		12,600
Miscellaneous expense	890	
Insurance expense	4,362	
Total	\$622,120	\$622,120

1. Please prepare the 1996 financial statements (*Income Statement, Statement of Changes in Retained Earnings, and Balance Sheet*) in good format for Berg using the above **unadjusted** account balances.
 2. Please (a) prepare the necessary correcting or adjusting entries for the following items, and (b) discuss how would each affect the financial statements you prepared above.
 - (1) The \$4,362 *Insurance Expense* account contains the costs of three policies: Policy 1: remaining cost of \$1,530, 1-year term, started on May 1, 1995; Policy 2: original cost of \$2,052, 3-year term, started on October 1, 1996; Policy 3: original cost of \$780, 1-year term, started on January 1, 1996.
 - (2) On September 30, 1996, Berg received \$12,600 rent from its tenants for an eighteen-month rental beginning on that date.
 - (3) The regular rate of depreciation is 20% of cost per year. For plant and equipment acquired or retired during the year, the depreciation rate is cut in half to 10%. There were no purchases of plant and equipment during 1996. On December 31, 1995, the balance of the plant and equipment account was \$192,000.
 - (4) On December 28, 1996, the bookkeeper incorrectly credited sales for a receipt on account in the amount of \$12,000.
 - (5) At December 31, 1996, salaries accrued but unpaid were \$5,250.
 - (6) Based upon an aging of the accounts, Berg estimates that 10% of the *Accounts Receivable* balance on December 31, 1996, will become uncollectible.
 - (7) On August 1, 1996, Berg purchased, as a temporary investment, \$90,000, 9%, bonds issued by the Arnold Company, at par. Interest payment dates are July 31, and January 31.
 - (8) Physical inventory showed that inventory on hand at December 31, 1996, was \$52,440. Berg uses the periodic inventory system.
 - (9) On April 30, 1996, Berg rented a warehouse for \$1,800 per month, paying \$21,600 in advance.
 - (10) On December 31, 1996, the market value of Berg's investment in Arnold Company's bond dropped to \$70,000.
- (50 points)

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II. Skyline Corporation manufactures and markets homes and recreational vehicles. Its comparative *Statement of Cash Flows* are provided below:

(Dollars in thousands)	For the years ended December 31		
Cash Flows From Operating Activities	1996	1995	1994
Net income (loss):	\$2,111	\$(4,279)	\$(27,150)
Adjustments to reconcile net income (loss) to net cash provided by (used in)			
Depreciation of property, plant, and equipment	1,522	2,225	2,420
Amortization of goodwill	181	27	22
Write-down of waste disposal facility	-	-	17,437
Gain on sale of property, plant, and equipment	(3)	(40)	(5)
(Increase) decrease in accounts receivable	(4,110)	1,507	1,504
(Increase) decrease in inventories	(5,789)	3,466	4,441
Decrease in prepaid expenses	455	912	328
Increase (decrease) in accounts payable	2,260	(1,616)	(696)
Increase in current liabilities, other than accounts payable	577	(1,700)	197
Other, net	125	232	1,454
Net cash provided by (used in) operating activities	\$(2,671)	\$734	\$(48)
Investing activities			
Proceeds from sale of property, plant, and equipment	21	140	126
Payment received on notes receivable	-	-	192
Purchase of property, plant, and equipment	(730)	(349)	(663)
Net cash used in investing activities	(709)	(209)	(345)
Financing activities			
Net payments on debts	(2,580)	(17,100)	(3,437)
Borrowings on debt	5,559	10,732	5,976
Net proceeds from issuance of common stock	-	4,646	-
Net cash provided by (used in) financing activities	2,979	(1,722)	2,539
Increase (decrease) in cash and cash equivalents	(401)	(1,197)	2,146
Cash and cash equivalents at beginning of year	2,340	3,538	1,392
Cash and cash equivalents at end of year	1,939	2,341	3,538

Please use the above statement to answer the following questions. (50 points)

1. Note that Skyline prepared its *Statement of Cash Flows* under the indirect method. Please explain why "Depreciation" is added to *Net Income* in arriving at *Net Cash Provided by Operating Activities*. If Skyline used an alternative (direct) method depicting cash flows from operating activities instead, please describe how would "Depreciation" be handled.
2. Please describe how the alternative direct method would generally differ. Please indicate which method, direct or indirect, you find more useful and why.
3. Suppose Skyline defined funds as working capital and replaced its *Statement of Cash Flows* with a *Statement of Changes in Working Capital*. Please describe how the latter statement would differ from the former statement.
4. Assuming that (1) accounts receivable relate only to sales, (2) accounts payable relate only to inventory purchases, (3) sales under the accrual basis for 1996 amounted to \$81,178, and (4) cost of goods sold under accrual basis for 1996 amounted to \$59,315, please determine the amount of gross profit for 1996 based on the cash basis.
5. You found the following information from Skyline's 1996 comparative balance sheet: (dollars in thousands)

	December 31	
	1996	1995
Property, plant, and equipment	\$42,925	\$41,956
Accumulated depreciation	30,295	28,994

Please reconstruct a plausible journal entry to record the sale of property, plant, and equipment during 1996 for Skyline.

6. Please comment on Skyline's cash position over 1994 to 1996. Do you think Skyline's cash position is getting better or worse? Please explain.