

Financial Statement Analysis

共享题干题

【题干】Stereo Warehouse is a US retailer that offers employees a defined benefit pension plan and stock options as part of its compensation package. Stereo Warehouse prepares its financial statements in accordance with US GAAP. Peter Friedland, CFA, is an equity analyst concerned with earnings quality. He is particularly interested in whether the discretionary assumptions the company is making regarding compensation plans are contributing to the recent earnings growth at Stereo Warehouse. He gathers information from the company's regulatory filings regarding the pension plan assumptions in Exhibit 4 and the assumptions related to option valuation in Exhibit 5.

Exhibit 4. Assumptions Used for Stereo Warehouse Defined Benefit Plan

	2009	2008	2007
Expected long-term rate of return on plan assets	6.06%	6.14%	6.21%
Discount rate	4.85	4.94	5.03
Estimated future salary increases	4.00	4.44	4.88
Inflation	3.00	2.72	2.44

Exhibit 5. Option Valuation Assumptions

	2009	2008	2007
Risk-free rate	4.6%	3.8%	2.4%
Expected life	5.0 yrs	4.5 yrs	5.0 yrs
Dividend yield	1.0%	0.0%	0.0%
Expected volatility	29%	31%	35%

1. 【单项选择题】Compared to the 2009 reported financial statements, if Stereo Warehouse had used the same expected long-term rate of return on plan assets assumption in 2009 as it used in 2007, its year-end 2009 pension obligation would most likely have been:

- A. lower.
- B. higher.
- C. the same.

参考答案: C

【莽学解析】The assumed long-term rate of return on plan assets is not a component that is used

in calculating the pension obligation, so there would be no change.

2. 【单项选择题】Compared to the reported 2009 financial statements, if Stereo Warehouse had used the same discount rate as it used in 2007, it would have most likely reported lower:

- A.net income.
- B.total liabilities.
- C.cash flow from operating activities.

参考答案: B

【莽学解析】A higher discount rate (5.38 percent instead of 4.85 percent) will reduce the present value of the pension obligation (liability). In most cases, a higher discount rate will decrease the interest cost component of the net periodic cost because the decrease in the obligation will more than offset the increase in the discount rate (except if the pension obligation is of short duration). Therefore, periodic pension cost would have been lower and reported net income higher. Cash flow from operating activities should not be affected by the change.

3. 【单项选择题】Compared to the assumptions Stereo Warehouse used to compute its periodic pension cost in 2008, earnings in 2009 were most favorably affected by the change in the:

- A.discount rate.
- B.estimated future salary increases.
- C.expected long-term rate of return on plan assets.

参考答案: B

【莽学解析】In 2009, the three relevant assumptions were lower than in 2008. Lower expected salary increases reduce the service cost component of the periodic pension cost. A lower discount rate will increase the defined benefit obligation and increase the interest cost component of the periodic pension cost (the increase in the obligation will, in most cases, more than offset the decrease in the discount rate). Reducing the expected return on plan assets typically increases the periodic pension cost.

4. 【单项选择题】Compared to the pension assumptions Stereo Warehouse used in 2008, which of the following pairs of assumptions used in 2009 is most likely internally inconsistent?

- A.Estimated future salary increases, inflation
- B.Discount rate, estimated future salary increases
- C.Expected long-term rate of return on plan assets, discount rate

参考答案: A

【莽学解析】The company's inflation estimate rose from 2008 to 2009. However, it lowered its estimate of future salary increases. Normally, salary increases will be positively related to inflation.

5. 【单项选择题】Compared to the reported 2009 financial statements, if Stereo Warehouse had used the 2007 expected volatility assumption to value its employee stock options, it would have most likely reported higher:

- A.net income.
- B.compensation expense.
- C.deferred compensation liability.

参考答案: B

【莽学解析】A higher volatility assumption increases the value of the stock option and thus the compensation expense, which, in turn, reduces net income. There is no associated liability for stock options.

6. 【单项选择题】Compared to the assumptions Stereo Warehouse used to value stock options in 2008, earnings in 2009 were most favorably affected by the change in the:

- A. expected life.
- B. risk-free rate.
- C. dividend yield.

参考答案: C

【莽学解析】A higher dividend yield reduces the value of the option and thus option expense. The lower expense results in higher earnings. Higher risk-free rates and expected lives result in higher call option values.

【题干】Percy Byron, CFA, is an equity analyst with a UK-based investment firm. One firm Byron follows is NinMount PLC, a UK-based company. On 31 December 2018, NinMount paid £320 million to purchase a 50 percent stake in Boswell Company. The excess of the purchase price over the fair value of Boswell's net assets was attributable to previously unrecorded licenses. These licenses were estimated to have an economic life of six years. The fair value of Boswell's assets and liabilities other than licenses was equal to their recorded book values. NinMount and Boswell both use the pound sterling as their reporting currency and prepare their financial statements in accordance with IFRS. Byron is concerned whether the investment should affect his "buy" rating on NinMount common stock. He knows NinMount could choose one of several accounting methods to report the results of its investment, but NinMount has not announced which method it will use. Byron forecasts that both companies' 2019 financial results (excluding any merger accounting adjustments) will be identical to those of 2018. NinMount's and Boswell's condensed income statements for the year ended 31 December 2018, and condensed balance sheets at 31 December 2018, are presented in Exhibits 1 and 2, respectively.

Exhibit 1 NinMount PLC and I

Year Ended 31 Dece

Net sales

Cost of goods sold

Selling expenses

Administrative expenses

Depreciation & amortization exper

Interest expense

Income before taxes

Income tax expense

Net income

Exhibit 2 NinMount PLC and December 2018 (£ m)

Cash

Receivables—net

Inventory

 Total current assets

Property, plant, & equipment—net

Investment in Boswell

 Total assets

Current liabilities

Long-term debt

 Total liabilities

7. 【单项选择题】NinMount's current ratio on 31 December 2018 most likely will be highest if the results of the acquisition are reported using:

- A. the equity method.
- B. consolidation with full goodwill.
- C. consolidation with partial goodwill.

参考答案: A

【莽学解析】The current ratio using the equity method of accounting is $\text{Current assets} / \text{Current liabilities} = £250 / £110 = 2.27$. Using consolidation (either full or partial goodwill), the current ratio = $£390 / £200 = 1.95$. Therefore, the current ratio is highest using the equity method.

8. 【单项选择题】NinMount's long-term debt to equity ratio on 31 December 2018 most likely will be lowest if the results of the acquisition are reported using:

- A. the equity method.
- B. consolidation with full goodwill.
- C. consolidation with partial goodwill.

参考答案: A

【莽学解析】Using the equity method, long-term debt to equity = $£600 / £1,430 = 0.42$. Using the consolidation method, long-term debt to equity = long-term debt/equity = $£1,000 / £1,750 = 0.57$. Equity includes the £320 noncontrolling interest under either consolidation. It does not matter if the full or partial goodwill method is used since there is no goodwill.

9. 【单项选择题】Based on Byron's forecast, if NinMount deems it has acquired control of Boswell, NinMount's consolidated 2019 depreciation and amortization expense (in £ Millions) will be closest to:

- A. 102.
- B. 148.
- C. 204.

参考答案: C

【莽学解析】The projected depreciation and amortization expense will include NinMount's reported depreciation and amortization (£102), Boswell's reported depreciation and amortization (£92), and amortization of Boswell's licenses (£10 million). The licenses have a fair value of £60 million. £320 purchase price indicates a fair value of £640 for the net assets of Boswell. The net book (fair) value of the recorded assets is £580. The previously unrecorded licenses have a fair value of £60 million. The licenses have a remaining life of six years; the amortization adjustment for 2008 will be £10 million. Therefore, Projected depreciation and amortization = $£102 + £92 + £10 = £204$ million.

10. 【单项选择题】Based on Byron's forecast, NinMount's net profit margin for 2019 most likely will be highest if the results of the acquisition are reported using:

- A. the equity method.
- B. consolidation with full goodwill.
- C. consolidation with partial goodwill.

参考答案: A

【莽学解析】Net income is the same using any of the methods but under the equity method, net sales are only £950; Boswell's sales are not included in the net sales figure. Therefore, net profit margin is highest using the equity method.

11. 【单项选择题】Based on Byron's forecast, NinMount's 2019 return on beginning equity most likely will be the same under:

- A. either of the consolidations, but different under the equity method.
- B. the equity method, consolidation with full goodwill, and consolidation with partial goodwill.
- C. none of the equity method, consolidation with full goodwill, or consolidation with partial goodwill.

参考答案: A

【莽学解析】Net income is the same using any of the choices. Beginning equity under the equity method is £1,430. Under either of the consolidations, beginning equity is £1,750 since it includes the £320 noncontrolling interest. Return on beginning equity is highest under the equity method.

12. 【单项选择题】Based on Byron's forecast, NinMount's 2019 total asset turnover ratio on beginning assets under the equity method is most likely:

- A. lower than if the results are reported using consolidation.
- B. the same as if the results are reported using consolidation.
- C. higher than if the results are reported using consolidation.

参考答案: A

【莽学解析】Using the equity method, Total asset turnover = Net sales/Beginning total assets = £950/£2,140 = 0.444. Total asset turnover on beginning assets using consolidation = £1,460/£2,950 = 0.495. Under consolidation, Assets = £2,140 - 320 + 1,070 + 60 = £2,950. Therefore, total asset turnover is lowest using the equity method.

【题干】Zimt, AG is a consumer products manufacturer headquartered in Austria. It complies with IFRS. In 2017, Zimt held a 10 percent passive stake in Oxbow Limited that was classified as held for trading securities. During the year, the value of this stake declined by €3 million. In December 2017, Zimt announced that it would be increasing its ownership to 50 percent effective 1 January 2018.

Franz Gelblum, an analyst following both Zimt and Oxbow, is curious how the increased stake will affect Zimt's consolidated financial statements. Because Gelblum is uncertain how the company will account for the increased stake, he uses his existing forecasts for both companies' financial statements to compare various alternative outcomes.

Gelblum gathers abbreviated financial statement data for Zimt (Exhibit 1) and Oxbow (Exhibit 2) for this purpose.

Exhibit 1 Selected Financial S

Year ending 31 December

Revenue

Operating income

Net income

31 December

Total assets

Shareholders' equity

* Estimates made prior to announcement

13. 【单项选择题】 At 31 December 2018, Zimt's total assets balance would most likely be:

- A. highest if Zimt is deemed to have control of Oxbow.
- B. highest if Zimt is deemed to have significant influence over Oxbow.
- C. unaffected by the accounting method used for the investment in Oxbow.

参考答案: A

【莽学解析】 When a company is deemed to have control of another entity, it records all of the other entity's assets on its own consolidated balance sheet.

Exhibit 2 Selected Financial S (€ Millions)

Year ending 31 December

Revenue

Operating income

Net income

Dividends paid

31 December

Total assets

Shareholders' equity

* Estimates made prior to announcement

14. 【单项选择题】Based on Gelblum's estimates, if Zimt is deemed to have significant influence over Oxbow, its 2018 net income (in € Millions) would be closest to:

- A. € 75.
- B. € 109.
- C. € 143.

参考答案: B

【莽学解析】If Zimt is deemed to have significant influence, it would use the equity method to record its ownership. Under the equity method, Zimt's share of Oxbow's net income would be recorded as a single line item. $\text{Net income of Zimt} = 75 + 0.5(68) = 109$.

15. 【单项选择题】Based on Gelblum's estimates, if Zimt is deemed to have joint control of Oxbow, and Zimt uses the proportionate consolidation method, its 31 December 2018 total liabilities (in € Millions) will most likely be closest to:

- A. € 686.
- B. € 975.
- C. € 1,263.

参考答案: B

【莽学解析】Under the proportionate consolidation method, Zimt's balance sheet would show its own total liabilities of $\text{€}1,421 - 735 = \text{€}686$ plus half of Oxbow's liabilities of $\text{€}1,283 - 706 = \text{€}577$. $\text{€}686 + (0.5 \times 577) = \text{€}974.5$.

16. 【单项选择题】Based on Gelblum's estimates, if Zimt is deemed to have control over Oxbow, its 2018 consolidated sales (in € Millions) will be closest to:

- A. € 1,700.
- B. € 2,375.
- C. € 3,050.

参考答案: C

【莽学解析】Under the assumption of control, Zimt would record its own sales plus 100 percent of Oxbow's. $\text{€}1,700 + 1,350 = \text{€}3,050$.

17. 【单项选择题】Based on Gelblum's estimates, Zimt's net income in 2018 will most likely be:

- A. highest if Zimt is deemed to have control of Oxbow.
- B. highest if Zimt is deemed to have significant influence over Oxbow.
- C. independent of the accounting method used for the investment in Oxbow.

参考答案: C

【莽学解析】Net income is not affected by the accounting method used to account for active investments in other companies. "One-line consolidation" and consolidation result in the same impact on net income; it is the disclosure that differs.

【题干】Trio find, Inc. (Trio find), based in the country of Norvolt, provides wireless services to various countries, including Norvolt, Borliand, Abuelio, and Certait. The company's presentation currency is the Norvolt euro (NER), and Trio find complies with IFRS. Trio find has two wholly owned subsidiaries, located in Borliand and Abuelio. The Borliand subsidiary (Trio find-B) was established on 30 June 2016, by Trio find both investing NER1,000,000, which was converted into Borliand dollars (BRD), and borrowing an additional BRD500,000. Marie Janssen, a financial analyst in Trio find's Norvolt headquarters office, translates Trio find-B's financial statements using the temporal method. Non-monetary assets are measured at cost under the lower of cost or market rule. Spot BRD/NER exchange rates are presented in Exhibit 1, and

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the balance sheet for Triofind-B is presented in Exhibit 2.

Exhibit 1.Spot BRD/NER Exchange Rates

Date	BRD per
30 June 2016	1.15
Weighted-average rate when inventory was acquired (2016)	1.19
31 December 2016	1.20
Weighted-average rate when inventory was acquired (2017)	1.18
30 June 2017	1.17

Exhibit 2.Triofind-B Balance Sheet for 2016 and 2017 (BRD)

	31 December 2016	30 June 2017	Liabilities and Stockholders' Equity	31 December 2016	30 June 2017
Assets					
Cash	900,000	1,350,000	Notes payable	500,000	500,000
Inventory	750,000	500,000	Common stock	1,150,000	1,150,000
			Retained earnings		200,000
Total	1,650,000	1,850,000	Total	1,650,000	1,850,000

Janssen next analyzes Triofind's Abuelio subsidiary (Triofind-A), which uses the current rate method to translate its results into Norvolt euros. Triofind-A, which prices its goods in Abuelio pesos (ABP), sells mobile phones to a customer in Certait on 31 May 2017 and receives payment of 1 million Certait rand (CRD) on 31 July 2017. On 31 May 2017, Triofind-A also received NER50,000 from Triofind and used the funds to purchase a new warehouse in Abuelio. Janssen translates the financial statements of Triofind-A as of 31 July 2017 and must determine the appropriate value for the warehouse in Triofind's presentation currency. She observes that the cumulative Abuelio inflation rate exceeded 100% from 2015 to 2017. Spot exchange rates and inflation data are presented in Exhibit 3.

Exhibit 3.Spot Exchange Rates and Inflation Data for Triofind-A

Date	NER per CRD	NER per ABP	Abuelio Monthly Inflation Rate
31 May 2017	0.2667	0.0496	—
30 June 2017	0.2703	0.0388	25
31 July 2017	0.2632	0.0312	22

Janssen gathers corporate tax rate data and company disclosure information to include in

Triofind's annual report. She determines that the corporate tax rates for Abuelio, Norvolt, and Borliand are 35%, 34%, and 0%, respectively, and that Norvolt exempts the non-domestic income of multinationals from taxation. Triofind-B constitutes 25% of Triofind's net income, and Triofind-A constitutes 15%. Janssen also gathers data on components of net sales growth in different countries, presented in Exhibit 4.

Exhibit 4.Components of Net Sales Growth (%) Fiscal Year 2017

Country	Contribution from Volume Growth	Contribution from Price Growth	Foreign Currency Exchange	Net Growth
Abuelio	7	6	-2	
Borliand	4	5	4	
Norvolt	7	3	—	

18. 【单项选择题】Based on Exhibits 1 and 2 and Janssen's translation method, total assets for Triofind-B translated into Triofind's presentation currency as of 31 December 2016 are closest to:

- A. NER1,375,000.
- B. NER1,380,252.
- C. NER1,434,783.

参考答案: B

【莽学解析】Using the temporal method, monetary assets (i.e., cash) are translated using the current exchange rate (as of 31 December 2016) of BRD1.20/NER (or NER0.8333/BRD), and non-monetary assets are translated using the historical exchange rate when acquired. Inventory is translated at its 2016 weighted-average rate of BRD1.19/NER (or NER0.8403/BRD). Therefore, the total assets for Triofind-B translated into Norvolt euros (Triofind's presentation currency) as of 31 December 2016 are calculated as follows:

Assets	31 December 2016 (BRD)	Applicable Exchange Rate (NER/BRD)	Rate Used	
Cash	900,000	0.8333	Current	7
Inventory	750,000	0.8403	Average	6
Total	1,650,000			1,

19. 【单项选择题】Based on Exhibits 1 and 2, the translation adjustment for Triofind-B's liabilities into Triofind's presentation currency for the six months ended 31 December 2016 is:

- A. negative.
- B. zero.
- C. positive.

参考答案: A

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【莽学解析】Temporal method下，Notes payable用期末汇率，2016年6月30借500000，当时的汇率是1.15， $500000/1.15=434783$ ；2016年12月31日， $500000/1.2=416667$ 。负债下降，负调整。

20. 【单项选择题】Based on Exhibits 1 and 2 and Janssen's translation method, retained earnings for Triofind-B translated into Triofind's presentation currency as of 30 June 2017 are closest to:

- A. NER150, 225.
- B. NER170, 940.
- C. NER172, 414.

参考答案: A

【莽学解析】用Temporar method，资产=负债+所有者权益，资产=负债+资本+留存收益Cash应用2017年6月31号汇率，1.17， $1350000/1.17$ Inventory用1.18， $500000/1.18$ 负债用1.17， $500000/1.17$ 普通股用历史汇率，1.15， $1150000/1.15$ 留存收益= $1350000/1.17+500000/1.18-500000/1.17-1150000/1.15=150225$ 。

21. 【单项选择题】The functional currency for Triofind-A's sale of mobile phones to a customer in Certait is the:

- A. Certait real.
- B. Norvolt euro.
- C. Abuelio peso.

参考答案: C

【莽学解析】The functional currency is the currency of the primary economic environment in which an entity operates. Abuelio is Triofind-A's primary economic environment, and its currency is the Abuelio peso (ABP). Another important factor used to determine the functional currency is the currency that mainly influences sales prices for goods and services. The fact that Triofind-A prices its goods in Abuelio pesos supports the case for the ABP to be the functional currency.

22. 【单项选择题】Based on Exhibit 3, the value of the new warehouse in Abuelio on Triofind's balance sheet as of 31 July 2017 is closest to:

- A. NER31, 452.
- B. NER47, 964.
- C. NER50, 000.

参考答案: B

【莽学解析】Triofind complies with IFRS, and Abuelio can be considered a highly inflationary economy because its cumulative inflation rate exceeded 100% from 2015 to 2017. Thus, Triofind-A's financials must be restated to include local inflation rates and then translated using the current exchange rate into Norvolt euros, which is Triofind's presentation currency. This approach reflects both the likely change in the local currency value of the warehouse as well as the actual change in the exchange rate. The original purchase price is ABP1,008,065 (NER50,000/ABP0.0496). The value of the new warehouse in Abuelio as of 31 July 2017 is NER47,964, calculated as follows:

23. 【单项选择题】Relative to its domestic tax rate, Triofind's effective tax rate is most likely:

Date	Abuelio Monthly Inflation Rate (%)	Restated Warehouse Value (ABP)	NER/ABP	Warehouse Value (N)
31 May 2017		1,008,065	0.0496	50,000
30 June 2017	25	1,260,081	0.0388	48,890
31 July 2017	22	1,537,298	0.0312	47,960

- A. lower.
B. the same.
C. higher.

参考答案: A

【莽学解析】Norvolt exempts the non-domestic income of multinationals from taxation. Because Norvolt has a corporate tax rate of 34%, the 0% tax rate in Borliand and the fact that 25% of Triofind's net income comes from Borliand should result in a lower effective tax rate on Triofind's consolidated financial statements compared with Triofind's domestic tax rate. Abuelio's tax rate of 35% is very close to that of Norvolt, and it constitutes only 15% of Triofind's net income, so its effect is unlikely to be significant.

24. 【单项选择题】Based on Exhibit 4, the country with the highest sustainable sales growth is:

- A. Norvolt.
B. Abuelio.
C. Borliand.

参考答案: B

【莽学解析】Although Borliand shows the highest growth in Norvolt euro terms, this result is partially because of currency fluctuations, which cannot be controlled. Abuelio had the highest change in sales resulting from price and volume at 13% (excluding foreign currency exchange). This growth is more sustainable than net sales growth, which includes currency fluctuations, because Triofind's management has more control over growth in sales resulting from greater volume or higher prices.

【题干】Mike Martinez is an equity analyst who has been asked to analyze Stellar, Inc. by his supervisor, Dominic Anderson. Stellar exhibited strong earnings growth last year; however, Anderson is skeptical about the sustainability of the company's earnings. He wants Martinez to focus on Stellar's financial reporting quality and earnings quality. After conducting a thorough review of the company's financial statements, Martinez concludes the following: ● Conclusion 1 Although Stellar's financial statements adhere to generally accepted accounting principles (GAAP), Stellar understates earnings in periods when the company is performing well and overstates earnings in periods when the company is struggling. ● Conclusion 2 Stellar most likely understated the value of amortizable intangibles when recording the acquisition of Solar, Inc. last year. No goodwill impairment charges have been taken since the acquisition. ●

Conclusion 3 Over time, the accruals component of Stellar's earnings is large relative to the cash component. ● Conclusion 4 Stellar reported an unusually sharp decline in accounts receivable in the current year, and an increase in long-term trade receivables.

25. 【单项选择题】Based on Martinez's conclusions, Stellar's financial statements are best categorized as:

A. non-GAAP compliant.

B. GAAP compliant, but with earnings management.

C. GAAP compliant and decision useful, with sustainable and adequate returns.

参考答案: B

【莽学解析】Stellar's financial statements are GAAP compliant (Conclusion 1) but cannot be relied upon to assess earnings quality. There is evidence of earnings management: understating and overstating earnings depending upon the results of the period (Conclusion 1), understated amortizable intangibles (Conclusion 2), and a high accruals component in the company's earnings (Conclusion 3).

26. 【单项选择题】Based on Conclusion 2, after the acquisition of Solar, Stellar's earnings are most likely:

A. understated.

B. fairly stated.

C. overstated.

参考答案: C

【莽学解析】Martinez believes that Stellar most likely understated the value of amortizable intangibles when recording the acquisition of a rival company last year. Impairment charges have not been taken since the acquisition (Conclusion 2). Consequently, the company's earnings are likely to be overstated because amortization expense is understated. This understatement has not been offset by an impairment charge.

27. 【单项选择题】In his follow-up analysis relating to Conclusion 3, Martinez should focus on Stellar's:

A. total accruals.

B. discretionary accruals.

C. non-discretionary accruals.

参考答案: B

【莽学解析】Martinez concluded that the accruals component of Stellar's earnings was large relative to the cash component (Conclusion 3). Earnings with a larger component of accruals are typically less persistent and of lower quality. An important distinction is between accruals that arise from normal transactions in the period (called non-discretionary) and accruals that result from transactions or accounting choices outside the normal (called discretionary accruals). The discretionary accruals are possibly made with the intent to distort reported earnings. Outlier discretionary accruals are an indicator of possibly manipulated—and thus low quality earnings. Thus, Martinez is primarily focused on discretionary accruals, particularly outlier discretionary accruals (referred to as abnormal accruals).

28. 【单项选择题】What will be the impact on Stellar in the current year if Martinez's belief in Conclusion 4 is correct? Compared with the previous year, Stellar's:

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- A. current ratio will increase.
- B. days sales outstanding (DSO) will decrease.
- C. accounts receivable turnover will decrease.

参考答案: B

【莽学解析】Because accounts receivable will be lower than reported in the past, Stellar's DSO $[\text{Accounts receivable}/(\text{Revenues}/365)]$ will decrease. Stellar's accounts receivable turnover $(365/\text{days' sales outstanding})$ will increase with the lower DSO, giving the false impression of a faster turnover. The company's current ratio will decrease (current assets will decrease with no change in current liabilities).

【题干】Consolidated Motors is a US-based corporation that sells mechanical engines and components used by electric utilities. Its Canadian subsidiary, Consol-Can, operates solely in Canada. It was created on 31 December 20X1, and Consolidated Motors determined at that time that it should use the US dollar as its functional currency. Chief Financial Officer Monica Templeton was asked to explain to the board of directors how exchange rates affect the financial statements of both Consol-Can and the consolidated financial statements of Consolidated Motors. For the presentation, Templeton collects Consol-Can's balance sheets for the years ended 20X1 and 20X2 (Exhibit 1), as well as relevant exchange rate information (Exhibit 2).

Exhibit 2. Exchange Rate Information

	US\$
Rate on 31 December 20X1	0.70
Average rate in 20X2	0.75
Weighted-average rate for inventory purchases	0.72
Rate on 31 December 20X2	0.78

Templeton explains that Consol-Can uses the FIFO inventory accounting method and that purchases of C\$300 million and the sell-through of that inventory occurred evenly throughout 20X2. Her presentation includes reporting the translated amounts in US dollars for each item, as well as associated translation-related gains and losses. The board responds with several questions. ● Would there be a reason to change the functional currency to the Canadian dollar? ● Would there be any translation effects for Consolidated Motors if the functional currency for Consol-Can were changed to the Canadian dollar? ● Would a change in the functional currency have any impact on financial statement ratios for the parent company? ● What would be the balance sheet exposure to translation effects if the functional currency were changed?

29. 【单项选择题】After translating Consol-Can's inventory and long-term debt into the parent company's currency (US\$), the amounts reported on Consolidated Motor's financial statements on 31 December 20X2 would be closest to (in millions):

Exhibit 1. Consol-Can Condensed Balance Sheet for Fiscal Years Ending 31 Dec
(CS millions)

Account	20X2	20X1
Cash	135	120
Accounts receivable	98	100
Inventory	77	161
Fixed assets	100	110
Accumulated depreciation	(10)	(15)
Total assets	400	496
Accounts payable	77	80
Long-term debt	175	166
Common stock	100	100
Retained earnings	48	171
Total liabilities and shareholders' equity	400	496

- A. \$71 for inventory and \$161 for long-term debt.
 B. \$71 for inventory and \$166 for long-term debt.
 C. \$73 for inventory and \$166 for long-term debt.

参考答案: B

【莽学解析】When the parent company's currency is used as the functional currency, the temporal method must be used to translate the subsidiary's accounts. Under the temporal method, monetary assets and liabilities (e.g., debt) are translated at the current (year-end) rate, non-monetary assets and liabilities measured at historical cost (e.g., inventory) are translated at historical exchange rates, and non-monetary assets and liabilities measured at current value are translated at the exchange rate at the date when the current value was determined. Because beginning inventory was sold first and sales and purchases were evenly acquired, the average rate is most appropriate for translating inventory and $C\$77 \text{ million} \times 0.92 = \71 million . Long-term debt is translated at the year-end rate of 0.95. $C\$175 \text{ million} \times 0.95 = \166 million .

30. 【单项选择题】After translating Consol-Can's 31 December 20X2 balance sheet into the parent company's currency (US\$), the translated value of retained earnings will be closest to:

- A. \$41 million.

B. \$44 million.

C. \$46 million.

参考答案: B

【莽学解析】 Translating the 20X2 balance sheet using the temporal method, as is required in this instance, results in assets of US\$369 million. The translated liabilities and common stock are equal to US\$325 million, meaning that the value for 20X2 retained earnings is US\$369 million - US\$325 million = US\$44 million.

Temporal Method (20X2)		
Account	CS	Rate
Cash	135	0.95
Accounts receivable	98	0.95
Inventory	77	0.92
Fixed assets	100	0.86
Accumulated depreciation	(10)	0.86
Total assets	400	
Accounts payable	77	0.95
Long-term debt	175	0.95
Common stock	100	0.86
Retained earnings	48	to balance
Total liabilities and shareholders' equity	400	

31. 【单项选择题】 In response to the board's first question, Templeton would most likely reply that such a change would be justified if:

A. the inflation rate in the United States became hyperinflationary.

B. management wanted to flow more of the gains through net income.

C. Consol-Can were making autonomous decisions about operations, investing, and financing.

参考答案: C

【莽学解析】 The Canadian dollar would be the appropriate reporting currency when substantially all operating, financing, and investing decisions are based on the local currency. The parent country's inflation rate is never relevant. Earnings manipulation is not justified, and at any rate changing the functional currency would take the gains off of the income statement.

32. 【单项选择题】 In response to the board's second question, Templeton should reply that if the change is made, the consolidated financial statements for Consolidated Motors would begin to recognize:

- A. realized gains and losses on monetary assets and liabilities.
- B. realized gains and losses on non-monetary assets and liabilities.
- C. unrealized gains and losses on non-monetary assets and liabilities.

参考答案: C

【莽学解析】 If the functional currency were changed from the parent currency (US dollar) to the local currency (Canadian dollar), the current rate method would replace the temporal method. The temporal method ignores unrealized gains and losses on non-monetary assets and liabilities, but the current rate method does not.

33. 【单项选择题】 In response to the board's third question, Templeton should note that the change will most likely affect:

- A. the cash ratio.
- B. fixed asset turnover.
- C. receivables turnover.

参考答案: B

【莽学解析】 如果Functional currency从美元变更为加元, 则Current rate method将取代Temporal method. Cash ratio, Current rate method下分子分母都用期末汇率; Temporal method下分子是货币性资产, 分母是货币性负债, 都用期末汇率. Fixed asset turnover=Sales/Fixed assets, Current rate method下分子用平均汇率, 分母用期末汇率; Temporal method下分子用平均汇率, 分母用历史汇率, 两者不一样. Receivables turnover=Sales/Accounts receivable, Current rate method下分子用平均汇率, 分母用期末汇率; Temporal method下分子用平均汇率, 分母用期末汇率, 两者一致。

34. 【单项选择题】 In response to the board's fourth question, the balance sheet exposure (in C\$ millions) would be closest to:

- A. - 19.
- B. 148.
- C. 400.

参考答案: B

【莽学解析】 如果Functional currency发生变化, 使用Current rate method, 资产负债表折算敞口将等于净资产 (总资产-总负债)。在这种情况下, $400 - 77 - 175 = 148$ 。

【题干】 Emmitt Dodd is a portfolio manager for Upsilon Advisers. Dodd meets with Sonya Webster, the firm's analyst responsible for the machinery industry, to discuss three established companies: BIG Industrial, Construction Supply, and Dynamic Production. Webster provides Dodd with research notes for each company that reflect trends during the last three years: BIG Industrial: Note 1 Operating income has been much lower than operating cash flow (OCF). Note 2 Accounts payable has increased, while accounts receivable and inventory have substantially decreased. Note 3 Although OCF was positive, it was just sufficient to cover capital expenditures, dividends, and debt repayments. Construction Supply: Note 4 Operating margins have been relatively constant. Note 5 The growth rate in revenue has exceeded the growth rate in receivables. Note 6 OCF was stable and positive, close to its reported net income, and just莽学教育官网 www.mangxuejy.com 版权所有

sufficient to cover capital expenditures, dividends, and debt repayments. Dynamic Production: Note 70CF has been more volatile than that of other industry participants. Note 80CF has fallen short of covering capital expenditures, dividends, and debt repayments. Dodd asks Webster about the use of quantitative tools to assess the likelihood of misreporting. Webster tells Dodd she uses the Beneish model, and she presents the estimated M-scores for each company in Exhibit 1.

Exhibit 1. Beneish Model M-scores

Company	2017	2016	Change in M-s
BIG Industrial	-1.54	-1.82	0.28
Construction Supply	-2.60	-2.51	-0.09
Dynamic Production	-1.86	-1.12	-0.74

Webster tells Dodd that Dynamic Production was required to restate its 2016 financial statements as a result of its attempt to inflate sales revenue. Customers of Dynamic Production were encouraged to take excess product in 2016, and they were then allowed to return purchases in the subsequent period, without penalty. Webster's industry analysis leads her to believe that innovations have caused some of the BIG Industrial's inventory to become obsolete. Webster expresses concern to Dodd that although the notes to the financial statements for BIG Industrial are informative about its inventory cost methods, its inventory is overstated. The BIG Industrial income statement reflects a profitable 49% unconsolidated equity investment. Webster calculates the return on sales of BIG Industrial based on the reported income statement. Dodd notes that industry peers consolidate similar investments. Dodd asks Webster to use a comparable method of calculating the return on sales for BIG Industrial.

35. 【单项选择题】Which of Webster's notes about BIG Industrial provides an accounting warning sign of a potential reporting problem?

- A. Only Note 1
- B. Only Note 2
- C. Both Note 1 and Note 2

参考答案: B

【莽学解析】只有Note 2提供了警告标志。应付账款的增加与应收账款和存货的大幅减少相结合,是一个会计警告信号,表明管理层可能夸大了经营活动产生的现金流量。Note 1不一定提供警告标志。营业收入大于营业现金流是潜在报告问题的警告信号。在这种情况下,BIG的营业收入低于其营业现金流。

36. 【单项选择题】Do either of Webster's Notes 4 or 5 about Construction Supply describe an accounting warning sign of potential overstatement or non-sustainability of operating income?

- A. No
- B. Yes, Note 4 provides a warning sign
- C. Yes, Note 5 provides a warning sign

参考答案: A

【莽学解析】Note 4和Note 5均未提供营业收入可能存在多报或不可持续性的会计警告迹象。Note 5说明过去三年,Construction Supply的营业利润率相对稳定。Note 5表明收入的增长超过应收的增长,证明更多的

增长部分是现金流收入带来的。

37. 【单项选择题】Based on Webster's research notes, which company would most likely be described as having high-quality cash flow?

- A. BIG Industrial
- B. Construction Supply
- C. Dynamic Production

参考答案: B

【莽学解析】B公司Note2是警告信号，Note1和Note3不是警告信号；C公司Note4、5、6都不是警告信号；D公司Note7、8都不是警告信号。Note3、6、7、8都是讲经营现金流的问题，其中Note6说明经营现金流稳定且为正，能够支付资本支出，股利和偿还债务；Note3未说明稳定，则C公司好于B公司。Note7和Note8中说明经营现金流比同行其他公司更波动，不能覆盖资本支出等，则C公司好于D公司。

38. 【单项选择题】Based on the Beneish model results for 2017 in Exhibit 1, which company has the highest probability of being an earnings manipulator?

- A. BIG Industrial
- B. Construction Supply
- C. Dynamic Production

参考答案: A

【莽学解析】M-scores越高，说明盈余操纵的可能性越大。2017年M-scores最高的公司是B公司，M得分为-1.54。C得分最低，为-2.60分，D也较低，为-1.86分。B的M分数高于相关的临界值-1.78。

39. 【单项选择题】Based on the information related to its restatement, Dynamic Production reported poor operating cash flow quality in 2016 by understating:

- A. inventories.
- B. net income.
- C. trade receivables.

参考答案: A

【莽学解析】题中说到，D公司被要求restate财报，原因是虚高的销售利润，D公司鼓励客户可以无偿退货。如果是上述这种情况，就是存货减小，净利润增高，贸易应收增高。

40. 【单项选择题】Webster's concern about BIG Industrial's inventory suggests poor reporting quality, most likely resulting from a lack of:

- A. completeness.
- B. clear presentation.
- C. unbiased measurement.

参考答案: C

【莽学解析】W担心，创新已经使一些BIG的库存过期。但公司没有减记，存货偏高。存货余额不反映无偏计量。

41. 【单项选择题】In response to Dodd's request, Webster's recalculated return on sales will most likely:

- A. decrease.

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B. remain the same.

C. increase.

参考答案: A

【莽学解析】Profitable 49% unconsolidated equity investment. 没有合并报表投资, 用Equity method. 其他公司合并报表。权益法或合并报表, 其NI是相同的。但是合并报表后, Sales是升高的。那么如果从不合并报表, 转为合并报表, 导致分子NI不变, 分母Sales增大, 整体减小。

【题干】BetterCare Hospitals, Inc. operates a chain of hospitals throughout the United States. The company has been expanding by acquiring local hospitals. Its largest acquisition, that of Statewide Medical, was made in 2001 under the pooling of interests method. BetterCare complies with US GAAP. BetterCare is currently forming a 50/50 joint venture with Supreme Healthcare under which the companies will share control of several hospitals. BetterCare plans to use the equity method to account for the joint venture. Supreme Healthcare complies with IFRS and will use the proportionate consolidation method to account for the joint venture. Erik Ohalin is an equity analyst who covers both companies. He has estimated the joint venture's financial information for 2018 in order to prepare his estimates of each company's earnings and financial performance. This information is presented in Exhibit 1.

Supreme Healthcare recently announced it had formed a special purpose entity through which it plans to sell up to \$100 million of its accounts receivable. Supreme Healthcare has no voting interest in the SPE, but it is expected to absorb any losses that it may incur. Ohalin wants to estimate the impact this will have on Supreme Healthcare's consolidated financial statements.

42. 【单项选择题】Compared to accounting principles currently in use, the pooling method BetterCare used for its Statewide Medical acquisition has most likely caused its reported:

A. revenue to be higher.

B. total equity to be lower.

C. total assets to be higher.

参考答案: B

【莽学解析】Pooling method是过去允许的, 现在应该用Acquisition method, 此题就是两种方法对比。用Pooling method核算, 所有资产和负债按历史账面价值列报, 采用历史账面价值法的资产超过负债的部分(权益)通常低于采用公允价值法的部分。对收入没有影响。

43. 【单项选择题】Based on Ohalin's estimates, the amount of joint venture revenue (in \$ millions) included on BetterCare's consolidated 2018 financial statements should be closest to:

A. \$0.

B. \$715.

C. \$1,430.

参考答案: A

【莽学解析】Equity method下, BetterCare将其在合资企业NI的投资收益单项记录, 不会逐行显示对收入或费用的贡献。

44. 【单项选择题】Based on Ohalin's estimates, the amount of joint venture net income included on the consolidated financial statements of each venturer will most likely be:

A. higher for BetterCare.

B. higher for Supreme Healthcare.

C. the same for both BetterCare and Supreme Healthcare.

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Exhibit 1 Selected Financial Venture (\$ Millions)

Year ending 31 December

Revenue

Operating income

Net income

31 December

Total assets

Shareholders' equity

参考答案: C

【莽学解析】Net income will be the same under the equity method and proportional consolidation. However, sales, cost of sales, and expenses are different because under the equity method the net effect of sales, cost of sales, and expenses is reflected in a single line.

45. 【单项选择题】Based on Ohalin's estimates, the amount of the joint venture's 31 December 2018 total assets (in \$ millions) that will be included on Supreme Healthcare's consolidated financial statements will be closest to:

A. \$0.

B. \$750.

C. \$1,500.

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参考答案: B

【莽学解析】 Under the proportionate consolidation method, Supreme Healthcare's consolidated financial statements will include its 50 percent share of the joint venture's total assets.

46. 【单项选择题】 Based on Ohalin's estimates, the amount of joint venture shareholders' equity at 31 December 2018 included on the consolidated financial statements of each venturer will most likely be:

A. higher for BetterCare.

B. higher for Supreme Healthcare.

C. the same for both BetterCare and Supreme Healthcare.

参考答案: C

【莽学解析】 The choice of equity method or proportionate consolidation does not affect reported shareholders' equity.

47. 【单项选择题】 If Supreme Healthcare sells its receivables to the SPE, its consolidated financial results will least likely show:

A. a higher revenue for 2018.

B. the same cash balance at 31 December 2018.

C. the same accounts receivable balance at 31 December 2018.

参考答案: A

【莽学解析】 Supreme Healthcare “实质上” 控制SPE并将其合并。在合并资产负债表上, 应收账款余额将相同, 因为出售给SPE的款项将在合并时转回。

【题干】 Adrienne Yu is an analyst with an international bank. She analyzes Ambieu S.A. (“Ambieu”), a multinational corporation, for a client presentation. Ambieu complies with IFRS, and its presentation currency is the Norvoltian krone (NVK). Ambieu's two subsidiaries, Ngcorp and Cendaró, have different functional currencies: Ngcorp uses the Bindiar franc (FB) and Cendaró uses the Crenland guinea (CRG). Yu first analyzes the following three transactions to assess foreign currency transaction exposure: Transaction 1: Cendaró sells goods to a non-domestic customer that pays in dollars on the purchase date. Transaction 2: Ngcorp obtains a loan in Bindiar francs on 1 June 2016 from a European bank with the Norvoltian krone as its presentation currency. Transaction 3: Ambieu imports inventory from Bindiar under 45-day credit terms, and the payment is to be denominated in Bindiar francs. Yu then reviews Transactions 2 and 3. She determines the method that Ambieu would use to translate Transaction 2 into its 31 December 2016 consolidated financial statements. While analyzing Transaction 3, Yu notes that Ambieu purchased inventory on 1 June 2016 for FB27,000/ton. Ambieu pays for the inventory on 15 July 2016. Exhibit 1 presents selected economic data for Bindiar and Crenland.

Prior to reviewing the 2016 and 2017 consolidated financial statements of Ambieu, Yu meets with her supervisor, who asks Yu the following two questions: Question 1 Would a foreign currency translation loss reduce Ambieu's net sales growth? Question 2 According to IFRS, what disclosures should be included relating to Ambieu's treatment of foreign currency translation for Ngcorp? To complete her assignment, Yu analyzes selected information and notes from Ambieu's 2016 and 2017 consolidated financial statements, presented in Exhibit 2.

Exhibit 1.Selected Economic Data for Bindiar and Crenland

Date	Spot FB/NVK Exchange Rate	Bindiar Inflation Rate (%)	Spot CRG/NVK Exchange Rate	Crenland Inflation Rate (%)	Crenland Inflation Rate (%)
2015.12.31	—	—	5.6780	—	10.0
2016.6.1	4.1779	—	—	—	—
2016.7.15	4.1790	—	—	—	—
2016.12.31	4.2374	3.1	8.6702	40.6	14.0
Average 2016	4.3450	—	—	—	—
2017.12.31	4.3729	2.1	14.4810	62.3	20.0
Average 2017	4.3618	—	11.5823	—	10.0

Exhibit 2.Selected Information and Notes from Consolidated Financial Statements

Ambleu S.A. (in NVK millions)

Income Statement	2017	2016	Balance Sheet	2017	2016
Revenue(1)	1,069	1,034	Cash(3)	467	467
Profit before tax	294	269	Intangibles(4)	575	575
Income tax expense(2)	−96	−94		—	—
Net profit	198	175		—	—

Note 1:Cendaro's revenue for 2017 is CRG125.23 million.

Note 2:

Reconciliation of Income Tax Expense	2017 (in NVK millions)	2016 (in NVK millions)
Income tax at Ambleu's domestic tax rate	102	92
Effect of tax rates on non-domestic jurisdictions	−14	−9
Unrecognized current year tax losses	8	11
Income tax expense	96	94

Note 3: The parent company transferred NVK15 million to Cendaró on 1 January 2016 to purchase a patent from a competitor for CRG85.17 million. Note 4: The 2016 consolidated balance sheet includes Ngcorp's total intangible assets of NVK3 million, which were added to Ngcorp's balance sheet on 15 July 2016.

48. 【单项选择题】 Which transaction would generate foreign currency transaction exposure for Ambieu?

- A. Transaction 1
- B. Transaction 2
- C. Transaction 3

参考答案: C

【莽学解析】 In Transaction 3, the payment for the inventory is due in Bindiar francs, a different currency from the Norvoltian krone, which is Ambieu's presentation currency. Because the import purchase (account payable) is under 45-day credit terms, Ambieu has foreign currency transaction exposure. The payment is subject to fluctuations in the FB/NVK exchange rate during the 45-day period between the sale and payment dates. Thus, Ambieu is exposed to potential foreign currency gains if the Bindiar franc weakens against the Norvoltian krone or foreign currency losses if the Bindiar franc strengthens against the Norvoltian krone.

49. 【单项选择题】 Yu's determination regarding Transaction 2 should be based on the currency of the:

- A. loan.
- B. bank.
- C. borrower.

参考答案: C

【莽学解析】 The currency of Ngcorp as the borrowing foreign subsidiary, relative to that of Ambieu, determines Ambieu's choice of translation method for Transaction 2. Because Ngcorp's functional currency is the Bindiar franc and Ambieu's presentation currency is the Norvoltian krone, the current rate method rather than the temporal method should be used. Regardless of the currency in which the loan is denominated, the loan is first recorded in Ngcorp's financial statements. Then, Ngcorp's financial statements, which include the bank loan, are translated into Ambieu's consolidated financial statements.

50. 【单项选择题】 Based on Exhibit 1, what is the foreign exchange gain resulting from Transaction 3 on the 31 December 2016 financial statements?

- A. NVK1.70 per ton
- B. NVK90.75 per ton
- C. NVK248.54 per ton

参考答案: A

【莽学解析】 On Ambieu's balance sheet, the cost included in the inventory account is the translation of FB27,000/ton into Norvoltian krone on the purchase date. Ambieu could have paid this amount on the purchase date but chose to wait 45 days to settle the account. The inventory cost is determined using the FB/NVK exchange rate of 4.1779 on the purchase date of 1 June 2016. $FB27,000 / FB4.1779 / NVK = NVK6,462.58 / \text{ton}$ The cash outflow is the amount exchanged from the Norvoltian krone to the Bindiar franc to pay the FB27,000/ton owed for the inventory 45 days after the transaction date. This payment uses the FB/NVK exchange rate of 4.1790 on the settlement date of 15 July 2016. $FB 27,000 / FB4.1790 \text{ per NVK} = NVK6,460.88 / \text{ton}$ Foreign exchange gain = Inventory cost - Cash payment = $NVK6,462.58 - NVK6,460.88 = NVK1.70 / \text{ton}$ Thus, Ambieu's cash outflow is less than the cost included in the inventory account, and NVK1.70/ton is the realized foreign exchange gain relating to this transaction. By deferring payment for 45 days, and because the Bindiar franc decreased in value during this period, Ambieu pays NVK1.70/ton

less than the inventory cost on the purchase date of 1 June 2016. Thus, Ambieu will report a foreign exchange gain in its 2016 net income.

51. 【单项选择题】What is the best response to Question 1?

A. Yes

B. No, because it would reduce organic sales growth

C. No, because it would reduce net price realization and mix

参考答案: A

【莽学解析】Net sales growth equals organic sales growth plus or minus the effects of acquisitions, divestitures, and foreign exchange. A foreign currency translation loss would reduce net sales growth. Thus the answer to Question 1 is yes.

52. 【单项选择题】Based on Exhibit 1, the best response to Question 2 is that Ambieu should disclose:

A. a restatement for local inflation.

B. that assets carried at historical cost are translated at historical rates.

C. the amount of foreign exchange differences included in net income.

参考答案: C

【莽学解析】A. 通胀率为2%, 3%, 不是恶性通胀, 我们不需要调整, 所以不用restatement; B. 两个子公司用的均为Current method, 不用historical rates; 排除法, 答案选C. C. the amount of foreign exchange difference, 在此指的是Foreign currency transaction G/L, 需要放在利润表中, 而且需要披露。

53. 【单项选择题】Based on Exhibit 1 and Note 1 in Exhibit 2, the amount that Ambieu should include in its 31 December 2017 revenue from Cendaró is closest to:

A. NVK10.60 million.

B. NVK13.25 million.

C. NVK19.73 million.

参考答案: A

【莽学解析】Crenland experienced hyperinflation from 31 December 2015 to 31 December 2017, as shown by the General Price Index, with cumulative inflation of 128.2% during this period. According to IFRS, Cendaró's financial statements must be restated for local inflation, then translated into Norvoltian kroner using the current exchange rate. The 2017 revenue from Cendaró that should be included in Ambieu's income statement is calculated as follows: Revenue in CRG \times (GPI 31 December 2017/GPI average 2017) = Inflation-adjusted revenue in CRG 125.23 million \times (228.2/186.2) = CRG153.48 million Inflation-adjusted revenue in CRG/31 December 2017 exchange rate (CRG/NVK) = Revenue in Norvoltian kroner CRG153.48 million/14.4810 = NVK10.60 million

54. 【单项选择题】Based on Exhibit 2 and Note 2, the change in Ambieu's consolidated income tax rate from 2016 to 2017 most likely resulted from a:

A. decrease in Ambieu's domestic tax rate.

B. more profitable business mix in its subsidiaries.

C. stronger Norvoltian krone relative to the currencies of its subsidiaries.

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参考答案: B

【莽学解析】The consolidated income tax rate is calculated as income tax expense divided by profit before tax. Note 2 shows that Ambieu's consolidated income tax rate decreases by 2.29%, from 34.94% (=94/269) in 2016 to 32.65% (=96/294) in 2017. The largest component of the decrease stems from the 1.42% change in the effect of tax rates in non-domestic jurisdictions, which lowers Ambieu's consolidated income tax rate in 2016 by 3.34% (=9/269) and in 2017 by 4.76% (=14/294). The decrease in 2017 could indicate that Ambieu's business mix shifted to countries with lower marginal tax rates, resulting in a lower consolidated income tax rate and more profit. (The change could also indicate that the marginal tax rates decreased in the countries in which Ambieu earns profits.)

55. 【单项选择题】Based on Exhibit 1 and Note 3 in Exhibit 2, the cumulative translation loss recognized by Ambieu related to the patent purchase on the 31 December 2017 financial statements is closest to:

A. NVK0.39 million.

B. NVK1.58 million

C. NVK9.12 million.

参考答案: B

【莽学解析】IAS 29 indicates that a cumulative inflation rate approaching or exceeding 100% over three years would be an indicator of hyperinflation. Because the cumulative inflation rate for 2016 and 2017 in Crenland was 128.2%, Cendaró's accounts must first be restated for local inflation. Then, the inflation-restated Crenland guinea financial statements can be translated into Ambieu's presentation currency, the Norvoltian krone, using the current exchange rate. Using this approach, the cumulative translation loss on 31 December 2017 for the CRG85.17 million patent purchase is -NVK1.58 million, as shown in the following table.

Date	Inflation Rate (%)	Restated Carrying Value (CRG/MM)	Current Exchange Rate (CRG/NVK)	Translated Amount (NVK MM)	Annual Translation Gain/Loss (NVK MM)	Cumulative Translation Gain (NVK MM)
1 Jan 2016	—	85.17	5.6780	15.00	N/A	N/A
31 Dec 2016	40.6	119.75	8.6702	13.81	-1.19	-1.19
31 Dec 2017	62.3	194.35	14.4810	13.42	-0.39	-1.58

56. 【单项选择题】Based on Exhibit 1 and Note 4 in Exhibit 2, the total intangible assets on Ngcorp's balance sheet as of 31 December 2016 are closest to:

- A. FB12.54 million.
- B. FB12.71 million.
- C. FB13.04 million.

参考答案: B

【莽学解析】Because Ngcorp has a functional currency that is different from Ambieu's presentation currency, the intangible assets are translated into Norvoltian kroner using the current rate method. The current FB/NVK exchange rate is 4.2374 as of 31 December 2016. Thus, the intangible assets on Ngcorp's 2016 balance sheet are NVK3 million \times FB4.2374/NVK = FB12.71 million.

【题干】

Exhibit 1 Confabulated's Investment Portfolio (€ Thousands)

Characteristic	Bugle AG	Cathay Corp	Dumas SA
Classification	FVPL	FVOCI	Amortized cost
Cost*	€25,000	€40,000	€50,000
Market value, 31 December 2017	29,000	38,000	54,000
Market value, 31 December 2018	28,000	37,000	55,000

* All securities were acquired at par value.

In addition, Confabulated's annual report discusses a transaction under which receivables were securitized through a special purpose entity (SPE) for Confabulated's benefit.

57. 【单项选择题】The balance sheet carrying value of Confabulated's investment portfolio (in € thousands) at 31 December 2018 is closest to:

- A. 112,000.
- B. 115,000.
- C. 118,000.

参考答案: B

【莽学解析】Under IFRS 9, FVPL and FVOCI securities are carried at market value, whereas amortized cost securities are carried at historical cost. $€28,000 + 37,000 + 50,000 = €115,000$.

58. 【单项选择题】The balance sheet carrying value of Confabulated's investment portfolio at 31 December 2018 would have been higher if which of the securities had been reclassified as FVPL security?

- A. Bugle.
- B. Cathay.
- C. Dumas.

参考答案: C

【莽学解析】If Dumas had been classified as a FVPL security, its carrying value would have been
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the €55,000 fair value rather than the €50,000 historical cost.

59. 【单项选择题】 Compared to Confabulated' s reported interest income in 2018, if Dumas had been classified as FVPL, the interest income would have been:

- A. lower.
- B. the same.
- C. higher.

参考答案: B

【莽学解析】 The coupon payment is recorded as interest income whether securities are amortized cost or FVPL. No adjustment is required for amortization since the bonds were bought at par.

60. 【单项选择题】 Compared to Confabulated' s reported earnings before taxes in 2018, if Dumas had been classified as a FVPL security, the earnings before taxes (in € thousands) would have been:

- A. the same.
- B. €1,000 lower.
- C. €1,000 higher.

参考答案: C

【莽学解析】 Unrealized gains and losses are included in income when securities are classified as FVPL. During 2018 there was an unrealized gain of €1,000.

61. 【单项选择题】 Confabulated' s reported interest income would be lower if the cost was the same but the par value (in € thousands) of:

- A. Bugle was €28,000.
- B. Cathay was €37,000.
- C. Dumas was €55,000.

参考答案: B

【莽学解析】 The difference between historical cost and par value must be amortized under the effective interest method. If the par value is less than the initial cost (stated interest rate is greater than the effective rate), the interest income would be lower than the interest received because of amortization of the premium.

62. 【单项选择题】 Confabulated' s special purpose entity is most likely to be:

- A. held off-balance sheet.
- B. consolidated on Confabulated' s financial statements.
- C. consolidated on Confabulated' s financial statements only if it is a "qualifying SPE."

参考答案: B

【莽学解析】 Under IFRS, SPEs must be consolidated if they are conducted for the benefit of the sponsoring entity. Further, under IFRS, SPEs cannot be classified as qualifying. Under US GAAP, qualifying SPEs (a classification which has been eliminated) do not have to be consolidated.