1. On July 1, 2001, Brigham Company purchased Young Company by paying $250,000 cash and issuing a $100,000 note payable to Steve Young. At July 1, 2001, the balance sheet of Young Company was as follows:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$50,000</td>
</tr>
<tr>
<td>Receivables-net</td>
<td>$90,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>$100,000</td>
</tr>
<tr>
<td>Land</td>
<td>$40,000</td>
</tr>
<tr>
<td>Buildings-net</td>
<td>$75,000</td>
</tr>
<tr>
<td>Equipment-net</td>
<td>$70,000</td>
</tr>
<tr>
<td>Trademarks</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$435,000</strong></td>
</tr>
</tbody>
</table>

Cash  Accounts Payable $200,000
Young, Capital  $235,000

The recorded amounts all approximate fair values except for land (worth $60,000), inventory (worth $125,000), and trademarks (worthless).

On December 31, 2001, Brigham Company performed a recoverability test for goodwill. Brigham found that the expected net future cash flows from Young Company are $82,500. The fair value of Young Company’s net assets is estimated to be $75,000, the present value of the expected future net cash flows.

**Required: (25%)**

a. Prepare the July 1, 2001 entry for Brigham Company to record this purchase.

b. According to the U.S. SFAS No. 142, prepare the December 31 entry for Brigham Company to record impairment of goodwill. Compute the carrying value of goodwill on December 31, 2001.

c. 根据财务会计准则公告第1号及第25号之规定，记录商誉之摊销分录（商誉之经济使用期间估计为50年，法定期间为20年）。

2. Olsson Company uses special strapping equipment in its packaging business. The equipment was purchased in January, 2001 for $8,000,000 and had an estimated useful life of 8 years with no salvage value. At December 31, 2002, new technology was introduced that would accelerate the obsolescence of Olsson’s equipment. Olsson’s controller estimates that expected future net cash flows on the equipment will be $5,300,000 and that the fair value of the equipment is $4,400,000. Olsson intends to continue using the equipment, but it is estimated that the remaining useful life is 4 years. Olsson uses straight-line depreciation.

**Required: (25%)**

a. Prepare the journal entry (if any) to record the impairment at December 31, 2002.

b. What should the carrying value of equipment be on December 31, 2002?

c. Prepare any journal entries for the equipment at December 31, 2003. The fair value of the equipment at December 31, 2003, is estimated to be $4,600,000.

d. What should be the carrying value of equipment be on December 31, 2003?
3. On November 1, 2000, the stockholders of Providence Company approve a plan that grants the company's five executives options to purchase 2,000 shares each of the company's $1 par value common stock. The options are granted on January 1, 2001, and may be exercised at any time within the next 10 years. The option price per share is $60, and the market price of the stock at the date of grant is $70 per share. The fair value option pricing model determines total compensation expense to be $220,000.

**Required:** (25%)

a. Using the intrinsic value method, determine the total compensation expenses.

b. In this case, assume that the documents associated with issuance of the options indicate that the expected period of benefit is 2 years, starting with the grant date. Using both the intrinsic value and fair value methods, prepare the journal entries to record the transactions related to this option contract as of the following dates:
   - January 1, 2001
   - December 31, 2001
   - December 31, 2002

c. Assuming 2,000 of the 10,000 options were exercised on June 1, 2004 (3 years and 5 months after date of grant). Using both the intrinsic value and fair value methods, prepare the journal entries to record the transaction as of June 1, 2004.

4. On January 2, 2002, Exxon Mobil purchases a call option for $300 on Merchant common stock. The call option gives Exxon Mobil the option to buy 1,000 shares of Merchant at a strike price of $50 per share. The market price of a Merchant share is $50 on January 2, 2002 (the intrinsic value is therefore $0). On March 31, 2002, the market price for Merchant stock is $53 per share, and the time value of the option is $200.

**Required:** (25%)

a. Prepare the journal entry to record the purchase of the call option on January 2, 2002.

b. Prepare the journal entries to recognize the change in the fair value of the call option as of March 31, 2002.

c. What was the effect on net income of entering into the derivative transaction for the period January 2 to March 31, 2002?

***** 上列四大題請以英文(英文會計科目)作答 *****