

Question 1

Given the following information from an amortization table for December 31, 2017, prepare the journal entry to record the accrual of interest at year end if the fiscal year of the company ends on September 30, assuming the last interest payment occurred on 6/30/2017.

6% Cash

Interest 5% Effective

Interest Premium

Amortization Carrying

Value

\$42,000 \$35,333 \$6,667 \$700,000

A) Journal Entry

	Account	Debit	Credit
September 30	Interest Expense	17,667	
	Premium on Bonds Payable	3334	
	Interest Payable		21,001

B) Journal Entry

	Account	Debit	Credit
September 30	Interest Expense	17,667	
	Discount on Bonds Payable	3334	
	Bonds Payable		21,001

C) Journal Entry

	Account	Debit	Credit
September 30	Interest Expense	17,667	
	Premium on Bonds Payable	3334	
	Cash		21,001

D) Journal Entry

	Account	Debit	Credit
September 30	Interest Expense	17,667	
	Discount on Bonds Payable	3334	
	Cash		21,001

Answer: <https://biology-forums.com/index.php?topic=1859148>

Question 2

The increase in the projected benefit obligation from one additional year of service from employees is referred to as _____.

- A) employer contribution
- B) service cost
- C) expected return on plan assets
- D) prior service cost

Answer: <https://biology-forums.com/index.php?topic=1859610>

Question 3

Leo & Sons, Inc. is authorized to issue 50,000 shares of \$2 par value common stock. Prepare the journal entries for the following transactions (omit explanations):

- a. Issued 15,000 shares at \$30 per share.
- b. Issued 250 shares in exchange for legal services valued at \$9,000.
- c. Issued 5,000 shares at \$40 per share, paying an underwriter \$500 in stock issuance costs.

Answer: <https://biology-forums.com/index.php?topic=1859224>

Question 4

Finance leases include interest payment only when calculating Cash Flows from Operating activities.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859560>

Question 5

If a journal entry has not been posted to the general ledger, the unadjusted trial balance will still balance.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858288>

Question 6

Which of the following is not an approach to determine when to report an expense?

- A) systematic allocation
- B) when incurred
- C) match with revenues
- D) net realizable value

Answer: <https://biology-forums.com/index.php?topic=1858117>

Question 7

The posting reference in the general ledger is the general journal page number.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858280>

Question 8

When determining how to compute the present value of a bond, the buyer computes the _____.

- A) present value of par value at the market rate and the present value of the interest at the stated rate
- B) future value of par value and interest at the stated interest rate
- C) present value of the interest at the market rate and the present value of par value at the stated rate
- D) present value of par value and the present value of the interest at the market interest rate

Answer: <https://biology-forums.com/index.php?topic=1859141>

Question 9

The factor for the present value of an ordinary annuity for 11% and eight periods is less than _____.

- A) the factor for the present value of an ordinary annuity for 8% and eight periods
- B) the factor for the present value of an annuity due for 11% and eight periods
- C) the factor for the present value of an ordinary annuity for 11% and eight periods
- D) the factor for the present value of an ordinary annuity for 11% and ten periods

Answer: <https://biology-forums.com/index.php?topic=1858612>

Question 10

Elements of other comprehensive income are primarily permanent in nature.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858389>

Question 11

Executrain has 50,000, 7%, bonds outstanding for the second half of the year. Each \$1,000 bond, sold July 1 at par, is convertible into 10 shares of common stock. The corporate tax rate is 40%. What is the incremental income per common share?

- A) \$7.00
- B) \$2.10
- C) \$6.00
- D) \$4.20

Answer: <https://biology-forums.com/index.php?topic=1859682>

Question 12

Deferrals occur when a company receives or pays cash before recognizing the revenue or expense in the financial statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858298>

Question 13

When using the direct method of reporting cash flows from operating activities, increases in accounts receivable are subtracted from revenues to arrive at cash receipts from customers.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858529>

Question 14

All of the following are required disclosures of the board members except _____.

- A) name of each board member
- B) home address of each board member
- C) principal business activities of each board member
- D) entities employing board members

Answer: <https://biology-forums.com/index.php?topic=1858525>

Question 15

The portion of the obligation that plan participants are entitled to receive regardless of their continued employment is called the _____.

- A) retiree benefit obligation
- B) projected benefit obligation
- C) accumulated benefit obligation
- D) vested benefit obligation

Answer: <https://biology-forums.com/index.php?topic=1859612>

Question 16

Cash equivalents may include Treasury bills and certificates of deposit.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858775>

Question 17

The accounting cycle describes a process that includes all of the following except _____.

- A) recording business transactions
- B) aggregating business transactions into the financial statements
- C) creating a road map of events
- D) summarizing business transactions into the financial statement

Answer: <https://biology-forums.com/index.php?topic=1858242>

Question 18

_____ is the amount of cash that the firm actually paid to acquire an asset.

- A) Current market value
- B) Current cost
- C) Historical cost
- D) Net realizable value

Answer: <https://biology-forums.com/index.php?topic=1858120>

Question 19

Changes in current liabilities are reflected in the financing activities section of the statement of cash flows.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859818>

Question 20

The operating cycle is the length of time from when a product is sold until the cash is collected.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858831>

Question 21

Based on the above information, what would the present value of the lease payments be if the rental payments doubled?

Answer: <https://biology-forums.com/index.php?topic=1859557>

Question 22

The first financial statement to be prepared from the adjusted trial balance is the statement of net income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858335>

Question 23

Under the concept of _____, capital is regarded in terms of the productive capacity of a company.

- A) physical capital maintenance
- B) fiscal capital maintenance
- C) financial capital maintenance
- D) B or C

Answer: <https://biology-forums.com/index.php?topic=1858096>

Question 24

List and define the elements of the accounting equation.

Answer: <https://biology-forums.com/index.php?topic=1858258>

Question 25

Which of the following statements is true?

- A) The process of accumulating interest on interest is referred to as discounting.
- B) The higher the discount rate, the higher the present value.
- C) If interest is 11% compounded annually, \$1100 due one year from today is equivalent to \$1,000 today.
- D) If interest is 6% compounded annually, \$10,600 due one year from today is equivalent to \$10,000 today.

Answer: <https://biology-forums.com/index.php?topic=1858566>

Question 26

Accounting principle changes are generally handled retrospectively.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859710>

Question 27

Describe a change in reporting entity and discuss its accounting treatment and its required disclosures.

Answer: <https://biology-forums.com/index.php?topic=1859770>

Question 28

Woowee Company manufactures electric motorcycles. On April 1, it purchased a machine for its assembly line at a contract price of \$300,000 with terms of 2/10, n/30. Woowee paid the contract price on April 8 and also incurred installation and transportation costs of \$5,000, sales tax of \$18,000, and testing costs of \$4,000. During testing, the machine was accidentally damaged, so the company had to pay \$2,000 to repair it.

Required:

- (a) What characteristics are necessary for a company to include an asset in the category of property, plant, and equipment?
- (b) What is the capitalizable cost of the machine?

Answer: <https://biology-forums.com/index.php?topic=1858932>

Question 29

Bordelain Company has cash in bank of \$20,000, restricted cash in a separate account of \$7000, and a bank overdraft in an account at another bank of \$3000. Kennison should report cash of _____.

- A) \$17,000
- B) \$20,000
- C) \$24,000
- D) \$27,000

Answer: <https://biology-forums.com/index.php?topic=1858781>

Question 30

Under IFRS, which of the following is considered to be a measure of current cost?

- A) systematic value
- B) direct cost
- C) present value of future cash flows
- D) historical cost

Answer: <https://biology-forums.com/index.php?topic=1858112>

Question 31

Which of the following is the key performance measure reported on the income statement that is typically presented last in sequence?

- A) earnings per share
- B) income from continuing operations
- C) net income
- D) operating income

Answer: <https://biology-forums.com/index.php?topic=1858412>

Question 32

Wilson Corp. issued \$9,000,000 of 4% bonds on April 1 at par value. The bonds were dated January 1. The company pays interest on June 30 and December 31 each year. How much will the buyer need to pay the company in accrued interest at purchase and how much will the buyer receive in interest on June 30?

- A) pay April 1, \$0; receive June 30 \$180,000

- B) pay April 1 \$360,000; receive June 30 \$360,000
C) pay April 1 \$360,000; receive June 30 \$180,000
D) pay April 1 \$90,000; receive June 30 \$180,000

Answer: <https://biology-forums.com/index.php?topic=1859154>

Question 33

Under IFRS income is recognized simultaneously with _____.

- A) increases in assets and increases in liabilities
B) decreases in assets and increases in liabilities
C) increases in assets and decreases in liabilities
D) decreases in assets and decreases in liabilities

Answer: <https://biology-forums.com/index.php?topic=1858116>

Question 34

If a seller receives cash before the appropriate time to recognize revenue, it should treat the consideration as a liability.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858650>

Question 35

Which organization is responsible for promulgating U.S. GAAP?

- A) Financial Accounting Standards Board
B) Public Company Accounting Oversight Board
C) International Accounting Standards Board
D) Securities Exchange Commission

Answer: <https://biology-forums.com/index.php?topic=1858000>

Question 36

IFRS permits capitalization of interest on specific borrowings related to both constructed and purchased assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858920>

Question 37

Small stock dividends are valued at the market price at the date of declaration.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859245>

Question 38

IFRS and U.S. GAAP have the same disclosure requirements regarding the estimates made at the end of the accounting period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858154>

Question 39

Changes in which of the following are included in financing activities?

- A) accounts payable
B) bonds payable
C) accounts receivable
D) property, plant, and equipment

Answer: <https://biology-forums.com/index.php?topic=1859821>

Question 40

When the FASB issues a new pronouncement, it is referred to as an _____.

- A) Accounting Standards Update
B) Accounting Codification Update
C) Accounting Topic Update
D) Accounting Reporting Update

Answer: <https://biology-forums.com/index.php?topic=1858196>

Question 41

When an unearned revenue is initially recorded as a liability, the adjusting entry includes _____.

- A) a credit to a liability
- B) a credit to a revenue
- C) a debit to a revenue
- D) a debit to an expense

Answer: <https://biology-forums.com/index.php?topic=1858315>

Question 42

Lessees capitalize expenditures for leasehold improvements as part of the carrying value of the leased asset.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859480>

Question 43

Cash flows from investing activities include receipts of cash from collection of notes receivable and from the sale of fixed assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859841>

Question 44

Being more confident than your abilities or experience level warrant is an example of _____.

- A) the overconfidence bias
- B) the availability bias
- C) the confirmatory bias
- D) the anchoring bias

Answer: <https://biology-forums.com/index.php?topic=1858176>

Question 45

In the context of constructing a plant asset, the interest that the company would not have paid if it had not borrowed funds to construct the asset is referred to as _____.

- A) avoidable interest
- B) marginal interest
- C) capital interest
- D) financing interest

Answer: <https://biology-forums.com/index.php?topic=1858928>

Question 46

When assessing assets for impairment in asset groups, the firm groups assets at the lowest level of identifiable and independent cash flows.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858999>

Question 47

When allocating proceeds from the issuance of bonds with stock warrants, U.S. GAAP allocates the proceeds between the debt and equity components using the proportional method when detachable stock warrants have a determinable market value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859184>

Question 48

Explain why comparability and consistency are considerations for accounting changes.

Answer: <https://biology-forums.com/index.php?topic=1859717>

Question 49

At December 31, the Selig Company has ending inventory with a historical cost of \$632,000. Assume the company uses the perpetual inventory system. The current replacement cost of the inventory is \$613,000. The net realizable value is \$650,000. The normal profit on this inventory is \$50,000. Before any adjustments at the end of the period, the cost of goods sold account has a balance of \$900,000. Following U.S. GAAP, which journal entry is required on December 31 to adjust the ending balance of inventory if the direct method is used?

- A) Debit Cost of Goods Sold for \$18,000 and credit Inventory for \$18,000.
- B) Debit Inventory for \$18,000 and credit Cost of Goods Sold for \$18,000.
- C) Debit Cost of Goods Sold for \$19,000 and credit Inventory for \$19,000.
- D) Debit Inventory for \$19,000 and credit Cost of Goods Sold for \$19,000.

Answer: <https://biology-forums.com/index.php?topic=1858886>

Question 50

How are expenses similar to losses and how are they different?

Answer: <https://biology-forums.com/index.php?topic=1858406>

Question 51

When making a voluntary accounting change, a firm must explain the justification for the change on the basis that it more accurately portrays its financial position and performance.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859730>

Question 52

If the LIFO Reserve increases during the year, Cost of Goods Sold will higher under LIFO than FIFO.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858903>

Question 53

Changes in methods of depreciation are changes in estimates effected by changes in accounting principles and are handled prospectively.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859747>

Question 54

If the lease term must be greater than or equal to _____, the lessee will record the lease as a capital lease.

- A) 50% of the expected economic life of the leased property
- B) 75% of the expected economic life of the leased property
- C) 80% of the expected economic life of the leased property
- D) 90% of the expected economic life of the leased property

Answer: <https://biology-forums.com/index.php?topic=1859451>

Question 55

The FASB gives the SEC authority to regulate accounting for publicly traded companies.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1857993>

Question 56

The lessee depreciates leasehold improvements over the life of the improvements or the life of the lease, whichever is longer.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859481>

Question 57

The general rule is that the transaction price should be allocated on the relative standalone selling prices unless a discount is _____.

- A) not related to all of the contracts performance obligations
- B) related to all of the contracts performance obligations
- C) part of the variable consideration
- D) not part of the variable consideration

Answer: <https://biology-forums.com/index.php?topic=1858682>

Question 58

IFRS includes all of the following bases of measurement except _____.

- A) present value of future cash flows
- B) historical cost
- C) current market value
- D) net realizable value

Answer: <https://biology-forums.com/index.php?topic=1858115>

Question 59

The IFRS definition of current liabilities differs from the definition of current liabilities under GAAP.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858475>

Question 60

The gross profit method is often used to estimate the cost of ending inventory. The gross profit method should not be used to _____.

- A) determine the cost of ending inventory during an interim period without performing a physical count
- B) determine the cost of ending inventory for an annual financial statement
- C) determine the cost of inventory that has been stolen or destroyed
- D) develop budgets

Answer: <https://biology-forums.com/index.php?topic=1858898>

Question 61

Presented below are activities from Ford Enterprises, Inc.

Activity O, I, or F

Purchase of buildings

Issuance of treasury stock

Payments to vendors

Sale of old equipment

Sales to customers on credit

Repayment of notes to bank

Issuance of bonds payable

Purchase of municipal bonds

Receipt of interest on municipal bonds

Required: Please indicate whether each of these activities is classified as an (O)perating, (I)ntesting, or (F)inancing Activity on the statement of cash flows.

Answer: <https://biology-forums.com/index.php?topic=1858491>

Question 62

Como Company borrowed \$4550 from its bank. Como will repay \$7000 in five years. What is the approximate interest rate that Como will incur on this loan, assuming annual compounding? (Do not round any intermediary calculations, and round your final answer two decimal places, X.XX%.)

- A) 9.00%
- B) 8.35%
- C) 9.65%
- D) 10.77%

Answer: <https://biology-forums.com/index.php?topic=1858575>

Question 63

What types of accounts are typically affected by financing cash flows?

Answer: <https://biology-forums.com/index.php?topic=1859858>

Question 64

How is accounting for loss contingencies different under IFRS as compared to U.S. GAAP?

Answer: <https://biology-forums.com/index.php?topic=1859090>

Question 65

Novella Company sells annual memberships to its auto club. The memberships cost \$200 each. On January 1, Novella sold 6000 passes and received cash. How much revenue should Novella record on January 1?

- A) \$0
- B) \$200
- C) \$2400
- D) \$1,200,000

Answer: <https://biology-forums.com/index.php?topic=1858704>

Question 66

Under U.S. GAAP, bank overdrafts are typically considered to be liabilities.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859790>

Question 67

Deferred expenses may be initially recorded as assets or expenses.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858303>

Question 68

Carbondale Company had the following data available for the last six months:

Beg. inventory 10 units \$55 per unit

Purchase, 3/130 units \$60 per unit

Sale, 4/125 units \$100 per unit

Purchase, 5/125 units \$65 per unit

Sale, 6/120 units \$100 per unit

Operating expenses are \$2,000 per month. The income tax rate is 30%.

Required:

1. Compute Cost of Goods Sold for the six months ending June 30 using:

a. FIFO perpetual

b. LIFO perpetual

2. How much will the company save in income taxes if they use LIFO instead of FIFO?

Answer: <https://biology-forums.com/index.php?topic=1858875>

Question 69

List the three additional indicators that IFRS recognizes individually or in combination that could lead to classifying a lease as a finance lease.

Answer: <https://biology-forums.com/index.php?topic=1859529>

Question 70

When bonds are sold between interest dates, the issuer will pay the bondholder a lower amount of interest on the next interest date.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859150>

Question 71

A markdown is the amount that the firm decreases the selling price below the initial markup.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858889>

Question 72

The risk free rate of return is equal to the rate of return minus the expected inflation rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858635>

Question 73

On August 10, Charles Company purchased 75 refrigerators for \$650 each from Appliances Wholesalers. The purchase was on account with terms of 3/10, n/30. Charles Company paid for 50 of the refrigerators on August 18 and the remaining refrigerators on August 30. Charles Company uses the gross method for purchase discounts and the perpetual inventory system to record the transactions. On August 30, Charles Company recorded _____.

A) a debit to Accounts Payable and a credit to Cash

B) a debit to Cash and a credit to Accounts Payable

C) a debit to Accounts Payable and a credit to Inventory

D) a debit to Cash and a credit to Inventory

Answer: <https://biology-forums.com/index.php?topic=1858857>

Question 74

If a company elects the fair value option for some liabilities, it must use the fair value option for all liabilities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859194>

Question 75

The two types of qualitative characteristics are fundamental characteristics and elective characteristics.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858056>

Question 76

Freewheelers, Inc. has four potentially dilutive securities. Net income for the year is \$5,600,000 and the weighted average common shares outstanding is 1,000,000 shares. Computation of the antidilution sequencing recorded the following:

Security Increase in Income Increase in Common Shares

Convertible Preferred Stock \$50,000 20,000

Stock Warrants \$0 40,000

Stock Options \$0 10,000

Convertible Bonds \$200,000 100,000

Required: Write the basic equation for EPS and compute basic EPS. Determine the order of entry into the EPS computation. Compute final diluted EPS and show all computations to determine your final answer.

Answer: <https://biology-forums.com/index.php?topic=1859693>

Question 77

When a firm sells or abandons an asset, how is the gain or loss to be recognized on the income statement measured?

- A) The difference between cash proceeds received and the carrying value of the asset.
- B) The difference between cash proceeds received and the acquisition value of the asset.
- C) The difference between cash proceeds received and the accumulated depreciation of the asset.
- D) The difference between the book value of the asset and the carrying value of the asset.

Answer: <https://biology-forums.com/index.php?topic=1858949>

Question 78

Cash paid for merchandise is calculated as purchases plus increases in inventory minus decreases in accounts payable for inventory.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859832>

Question 79

With regard to deferred tax items, a company must disclose all of the following except _____.

- A) the amount and expiration of carryforwards for net operating losses and unused tax credits
- B) the amount of the valuation allowance or any change in valuation allowance
- C) the individual components of all significant deferred tax assets and deferred tax liabilities
- D) All of the above must be disclosed.

Answer: <https://biology-forums.com/index.php?topic=1859427>

Question 80

Snowden Company purchased a 2 year insurance policy on March 31 for \$8000 and charged the entire amount to Insurance Expense. The adjusting entry on December 31 will include _____.

- A) a credit to Insurance Expense for \$5000
- B) a credit to Prepaid Insurance for \$5000
- C) a debit to Insurance Expense for \$3000
- D) a credit to Cash for \$3000

Answer: <https://biology-forums.com/index.php?topic=1858362>

Question 81

The U.S. Congress has given the Securities Exchange Commission the power to promulgate accounting standards.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858018>

Question 82

Marston Company has outstanding accounts receivable totaling 2.5 million as of December 31 and sales on credit during the year of 24 million. There is also a credit balance of 12,000 in the allowance for doubtful accounts. After aging its receivables, the company estimates that 8% of its total outstanding receivables will be uncollectible. What will be the amount of bad debt expense recognized for the year?

- A) 12,000
- B) 200,000
- C) 212,000
- D) 188,000

Answer: <https://biology-forums.com/index.php?topic=1858807>

Question 83

The cost of land does not include _____.

- A) costs of removing old buildings
- B) costs of improvements with limited lives

- C) costs of grading and clearing the land
- D) legal fees and closing costs

Answer: <https://biology-forums.com/index.php?topic=1858924>

Question 84

The final step in the revenue recognition process is the allocation of the transaction price to the performance obligation.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858643>

Question 85

When does a company record the transfer of accounts receivable as a sale? As a secured borrowing (a liability)?

Answer: <https://biology-forums.com/index.php?topic=1858822>

Question 86

What is the most common approach to earnings management?

- A) manipulate revenues and gains
- B) manipulation of expenses and losses
- C) exploit business combinations
- D) engage in fraudulent activity

Answer: <https://biology-forums.com/index.php?topic=1858394>

Question 87

Simple interest is computed on just the accumulated interest left on deposit.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858540>

Question 88

Which of the following is not a characteristic of a liability?

- A) obligation always arises from past events
- B) probably requires future sacrifice of resources
- C) requires sacrifice of cash or other current asset
- D) present obligation

Answer: <https://biology-forums.com/index.php?topic=1859063>

Question 89

IFRS element performance refers to _____.

- A) equity
- B) capital maintenance
- C) profit
- D) revenues and gains

Answer: <https://biology-forums.com/index.php?topic=1858092>

Question 90

Purrfect Paws Company issues 1,000 shares of \$50 par preferred stock for \$250,000. The company is not required to buy back the preferred stock. However, the preferred stock includes a redemption feature that gives the holder the option to redeem the shares for cash at specified dates. This would be classified as _____ under U.S. GAAP and _____ under IFRS.

- A) debt; equity
- B) debt; debt
- C) equity; debt
- D) equity; equity

Answer: <https://biology-forums.com/index.php?topic=1859238>

Question 91

Which of the following is an exclusive right to reproduce and sell an original creative work?

- A) copyright
- B) franchise
- C) trademark
- D) patent

Answer: <https://biology-forums.com/index.php?topic=1858967>

Question 92

Sumner leases a copier from Jenks Corporation under an operating lease. Which of the following statements is correct?

- A) Jenks records depreciation and lease revenue.
- B) Jenks records profit at the inception of the lease.
- C) Sumner will receive title at the end of the lease.
- D) Sumner records depreciation and interest expense.

Answer: <https://biology-forums.com/index.php?topic=1859466>

Question 93

What is earnings per share and how is it reported in the financial statements?

Answer: <https://biology-forums.com/index.php?topic=1858452>

Question 94

When costs are increasing, and inventory levels are stable, a company will report _____.

- A) lower cost of goods sold under LIFO than FIFO
- B) lower inventory under FIFO than LIFO
- C) higher net income under LIFO than FIFO
- D) lower net income under LIFO than FIFO

Answer: <https://biology-forums.com/index.php?topic=1858904>

Question 95

The Magic Flute Company paid cash dividends totaling \$330,000 in 2013 and \$195,000 in 2014. In 2015, the company will pay cash dividends of \$965,000. There were no dividends in arrears as of January 1, 2013. There are 26,000 shares of common stock outstanding and 70,000 shares of 6 percent, \$100 par cumulative preferred.

What is the amount of cash dividends payable to common stockholders in 2015?

- A) \$0
- B) \$230,000
- C) \$420,000
- D) \$965,000

Answer: <https://biology-forums.com/index.php?topic=1859253>

Question 96

When must a firm use the treasury stock method for earnings per share calculations?

Answer: <https://biology-forums.com/index.php?topic=1859666>

Question 97

Significant influence is typically gained by an investor company owning more than 50% of the voting shares of the investee company.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859286>

Question 98

Georgio, Inc. decided to move its business from its current location to another larger plant. Management should examine the salvage value of the building in the future and the change in the useful life to see if a change in the depreciation of the current building is warranted.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859746>

Question 99

The IRS is investigating Miller Productions tax returns for 2015 and 2016. Based on the IRS audit procedures, the company accrued a \$46,000 loss additional assessment in 2016 for the 2015 tax year. At the end of 2016, Miller was able to settle with IRS for \$68,000. What entry should Edwards make when it pays the deficiency in December, 2016?

- A)
Account Debit Credit
Income Taxes Payable 46,000
Retained Earnings 22,000
Cash 68,000
- B)
Account Debit Credit
Income Taxes Payable 46,000

Income Tax Expense 22,000
Cash 68,000
C)
Account Debit Credit
Income Taxes Payable 46,000
Retained Earnings 22,000
Cash 24,000

D)
Account Debit Credit
Income Taxes Payable 68,000
Cash 68,000

Answer: <https://biology-forums.com/index.php?topic=1859758>

Question 100

Accounts payable are formal, written promises to pay a certain sum of money on a specified date and typically specify a stated rate of interest.
[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859050>

Question 101

If a company earns interest in June but does not receive it until December, this is referred to as an accrued revenue.
[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858309>

Question 102

In addition to the comments obtained from responses to the exposure drafts and public round tables, the standard setting process relies on the information gathered and opinions from all of the following except _____.

- A) the Public Company Council (PCC)
- B) users
- C) managers
- D) auditors

Answer: <https://biology-forums.com/index.php?topic=1858030>

Question 103

Asset grouping is similar under U.S. GAAP and IFRS.
[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859024>

Question 104

What are the common errors that a trial balance will not reveal?
Answer: <https://biology-forums.com/index.php?topic=1858293>

Question 105

Bach. Co. presents the following information for 2015 and 2016.

2015 information:

Sales on account in the amount of \$645,000

Warranty expense and associated liability in the amount of \$125,000

No other expenses incurred.

2016 information:

Sales on account in the amount of \$225,000

Warranty repairs made in the amount of \$65,000

No expenses incurred.

Prepare the journal entries for 2015 and 2016 to record the sales, warranty, and income tax transactions, assume a 40% tax rate.

Answer: <https://biology-forums.com/index.php?topic=1859384>

Question 106

Prepaid expenses may be initially recorded as liabilities or revenues.
[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858357>

Question 107

If a company fails to to adjust a deferred revenue recorded as a liability, revenues will be overstated on the income statement.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858307>

Question 108

Suppose you borrow money from your parents for college tuition on January 1, 2015. Your parents require four annual payments of \$40,000 each, with the first payment due on January 1, 2019. They are charging you 6% annual interest. What is the cost of the college tuition? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$160,000
- B) \$116,375
- C) \$138,604
- D) \$109,788

Answer: <https://biology-forums.com/index.php?topic=1858630>

Question 109

Stock options and stock warrants affect only the denominator of the diluted EPS calculation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859656>

Question 110

Which of the following is not a component of a minimum lease payment?

- A) an unguaranteed residual value
- B) the minimum rental payments
- C) a bargain purchase option
- D) a penalty for failure to extend or renew the lease

Answer: <https://biology-forums.com/index.php?topic=1859453>

Question 111

The initial direct costs cannot be deferred and the lessor must expense initial direct costs at the lease commencement.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859525>

Question 112

What are the attributes of relevant information?

- A) predictive value, timeliness, free from error
- B) materiality, predictive value, and confirmatory value
- C) comparability, verifiability, and predictive value
- D) complete, neutral, free from error

Answer: <https://biology-forums.com/index.php?topic=1858069>

Question 113

Complete the following table. Provide a brief description of the literature included for each level of the IFRS Literature Hierarchy.

Level|Brief description

Level 1

Level 2

Level 3

Level 4

Answer: <https://biology-forums.com/index.php?topic=1858214>

Question 114

When developing new standards, the standard setters must first determine _____.

- A) which elements of the financial statements are affected by the proposed standard
- B) if the proposed standard possesses the qualitative characteristics that make accounting information useful
- C) if the proposed standard meets the objective of financial reporting
- D) which recognition and measurement concepts are used to support the proposed standard

Answer: <https://biology-forums.com/index.php?topic=1858043>

Question 115

The fixed asset turnover ratio is computed as average net fixed assets divided by total revenues.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858991>

Question 116

Realistic Rentals collected \$10,000 in payment of advance rent for 6 months. This an example of _____.

- A) an accrued receivable
- B) a prepaid expense
- C) an unearned revenue
- D) an accrued liability

Answer: <https://biology-forums.com/index.php?topic=1858275>

Question 117

Bonds sold with nondetachable stock warrants do not recognize the value of the stock warrants.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859183>

Question 118

GAAP and IFRS both allow a company to report service revenue using the percentage of completion method.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858749>

Question 119

Step 3 in the financial accounting research process involves _____.

- A) searching the authoritative literature
- B) establishing the fact pattern associated with the transaction
- C) reading the authoritative literature
- D) deciding the best financial reporting treatment for the transaction

Answer: <https://biology-forums.com/index.php?topic=1858228>

Question 120

A lessor reports rental revenue if it classifies the leased asset as inventory and reports a gain on leased asset if it classifies the leased asset as property, plant, and equipment.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859464>

Question 121

For securities classified as trading, companies disclose the maturity value of those securities in the notes to its financial statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859336>

Question 122

Teague Corporation permits any of its employees to buy shares directly from the company through payroll deduction. There are no brokerage fees and shares can be purchased at a 10% discount. During July, employees purchased 37,000 shares at a time when the established market price was \$30 per share. Teague will record compensation expense associated with July purchases of _____.

- A) \$0
- B) \$111,000
- C) \$999,000
- D) \$1,110,000

Answer: <https://biology-forums.com/index.php?topic=1859593>

Question 123

Christian Company uses the gross method of recording purchase discounts on inventory and the perpetual inventory system. When Christian Company makes payment for the inventory within the discount period, the bookkeeper will _____.

- A) debit Accounts Payable, credit Inventory and credit Cash
- B) debit Accounts Payable and credit Inventory
- C) debit Inventory and credit Cash

D) debit Accounts Payable and credit Purchases

Answer: <https://biology-forums.com/index.php?topic=1858851>

Question 124

Details about the composition of intangible assets are located in the summary of significant accounting Policies.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858511>

Question 125

If the asset has a finite useful life, the company must include in their financial statement disclosures the useful life or the amortization rates used.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858990>

Question 126

Summarize the the financial disclosure requirements for investments accounted for under the equity method.

Answer: <https://biology-forums.com/index.php?topic=1859345>

Question 127

Interest payments are classified as cash flows from financing activities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859114>

Question 128

The first step of the impairment test is assessing asset recoverability.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859003>

Question 129

Which of the following is true if a lease includes both a bargain purchase option and a residual value?

- A) The bargain purchase option takes precedence in all computations.
- B) The lessee will depreciate the property over the life of the lease without considering the bargain purchase option.
- C) The lessee adds the present value of the residual value to the amount recorded for the lease.
- D) The lessee subtracts the present value of the bargain purchase option from the present value of the minimum lease payments.

Answer: <https://biology-forums.com/index.php?topic=1859496>

Question 130

Leberland Corporation deposits \$150,000 every year in a savings accounting (beginning at the end of the current year) for the next ten years so that it can purchase a new piece of machinery at the end of ten years. The interest rate is 6%. How much money will Leberland Corporation have at the end of five years?

- A) \$1,977,119
- B) \$2,095,746
- C) \$845,564
- D) \$2,172,984

Answer: <https://biology-forums.com/index.php?topic=1858598>

Question 131

The first step in the accounting cycle is recording transactions in the general journal.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858240>

Question 132

When issuing common stock for noncash consideration, how does a company determine the value of the shares issued?

- A) management judgment
- B) the fair value of the stock issued
- C) the fair value of the consideration received
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1859216>

Question 133

Ozarka Products reported \$9,500,000 in net income for the current year. The company had \$5,000,000 of 7% cumulative, preferred stock outstanding all year, along with, \$10,000,000 of 6% bonds. Each bond had 4 detachable stock warrants and each warrant allowed the warrant holders to buy a share of stock for \$60. The average share price for the year was \$80. Common shares outstanding at the beginning of the year was 4,000,000, but on June 15, the company declared a 10% stock dividend. Compute both basic and diluted EPS when the tax rate is 40%.

Answer: <https://biology-forums.com/index.php?topic=1859669>

Question 134

Formally recording the transaction in the accounting system is an example of _____.

- A) Posting
- B) Journalizing
- C) Preparing
- D) Closing

Answer: <https://biology-forums.com/index.php?topic=1858276>

Question 135

Securitization of receivables involves taking many separate receivables and bundling them into a single investment pool.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858815>

Question 136

The footnote outlining the portfolio of accounting choices is one of the first footnotes in the financial statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858152>

Question 137

A firm is under no legal obligation to distribute a _____ dividend, even after declaring one.

- A) cash
- B) stock
- C) wealth
- D) both A & B

Answer: <https://biology-forums.com/index.php?topic=1859251>

Question 138

When using the indirect method to report cash flows from operating activities, depreciation expense is subtracted from net income to arrive at cash flows from operating activities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858528>

Question 139

How is an unguaranteed residual value accounted for by the lessee when computing minimum lease payments?

- A) The present value of the guaranteed residual value is added in to determine the minimum lease payments.
- B) It is ignored.
- C) The future value of the guaranteed residual value is added in to determine the minimum lease payments.
- D) The excess of guaranteed residual value over estimated residual value is added in by the lessee to determine the minimum lease payments.

Answer: <https://biology-forums.com/index.php?topic=1859497>

Question 140

Prior service cost is recognized as pension expense over a period of several years under IFRS.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859609>

Question 141

Pemco Enterprises sells annual memberships to its shooting lodge. The memberships cost \$240 each. On January 1, Pemco sold 1000 memberships and received cash. Refer to Pemco Enterprises. How much revenue should Pemco recognize each month? (Round your final answer to the nearest whole number.)

- A) \$0
- B) \$10,000

C) \$20,000

D) \$24,000

Answer: <https://biology-forums.com/index.php?topic=1858697>

Question 142

Firms assess assets for impairment _____.

A) as individual assets only

B) in asset groups only

C) as either individual assets or in asset groups

D) as both individual assets and in asset groups

Answer: <https://biology-forums.com/index.php?topic=1859007>

Question 143

Basis for Conclusions are considered to be authoritative.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858190>

Question 144

If the total of all debit entries equals the total of all credit entries on the unadjusted trial balance, all transactions have been correctly recorded.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858287>

Question 145

A good or service must be explicitly identified in a contract.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858656>

Question 146

Zeng Jewelers purchased 18,000,000 of the outstanding 60,000,000 shares of Angel & Associates. Zeng has significant influence over Angel, so Zeng will account for this investment using the equity method. On the purchase date, Angel had net assets with a book value of \$7,300,000 and a fair value of \$7,500,000. The difference in fair value is a result of the higher fair value of equipment than its book value. The remaining useful life of this equipment is 25 years. Assuming this investment was purchased on 1/1, how will Zeng record the difference in net assets for this investment on 12/31?

A) The higher fair value will allow Zeng to increase the Investment account and Income from Investment by \$8,000 each year.

B) The additional depreciation expense will decrease the Income from Investment as well as the Investment account by \$2,400.

C) The higher fair value will allow JayBird to increase the Investment account and Income from Investment by \$2,400 each year.

D) The additional depreciation expense will decrease the Income from Investment as well as the Investment account by \$8,000.

Answer: <https://biology-forums.com/index.php?topic=1859306>

Question 147

Reducto Co. pays a weekly payroll of \$100,000 that includes federal taxes withheld of \$12,400 FICA taxes withheld of \$7250, and retirement withholdings of \$6,000. What is the effect of assets and liabilities from this transaction?

A) Assets decrease \$100,000 and liabilities decrease \$74,350.

B) Assets decrease \$100,000 and liabilities increase \$100,000.

C) Assets decrease \$74,350 and liabilities decrease \$25,650.

D) Assets decrease \$74,350 and liabilities increase \$25,650.

Answer: <https://biology-forums.com/index.php?topic=1859064>

Question 148

In the Accounting Standards Codification, the section numbers under each subtopic are uniform throughout the Codification.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858187>

Question 149

Asset accounts are temporary accounts.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858343>

Question 150

Crush Enterprises purchased 100,000 of the 200,000 outstanding shares of Carly Casualties for \$4,500,000 on 1/1/16. On the date of the investment, Carly had net assets with a book value of \$9,500,000 and fair value of \$10,000,000. This difference is the result of equipment (remaining 10 year life) with a higher fair value than book value. Crush has significant influence over Carly and will account for this investment using the equity method. During the year, Carly declared dividends of \$125,000 and reported Net Income of \$1,200,000. What is the balance in the Investment in Carly account at year end?

- A) \$5,037,500
- B) \$5,075,000
- C) \$5,012,500
- D) \$5,062,500

Answer: <https://biology-forums.com/index.php?topic=1859308>

Question 151

Financial accounting can change or influence its environment by providing feedback information.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1857997>

Question 152

A firm recognizing an impairment loss must disclose both the asset or asset group impaired and the method used to estimate its fair value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859037>

Question 153

Under the conventional retail inventory method net markups and net markdowns are both used to determine the cost to retail percentage.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858890>

Question 154

Whenever the probability of occurrence of a gain contingency is more likely than not, companies typically disclose that contingency in the footnotes.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859093>

Question 155

Which one of the following might be affected by a change in revenue recognition requiring a prospective change?

- A) retained earnings
- B) management compensation
- C) unearned revenue
- D) deferred taxes

Answer: <https://biology-forums.com/index.php?topic=1859737>

Question 156

BillyBob Corporation deposits \$60,000 at the beginning of every quarter in a savings account for the next six years so that it can purchase a new piece of machinery at the end of six years. The interest rate is 12%. How much money will BillyBob Corporation have at the end of six years?

- A) \$2,065,588
- B) \$399,748
- C) \$545,341
- D) \$2,127,556

Answer: <https://biology-forums.com/index.php?topic=1858599>

Question 157

Under the equity method, the investor decreases the value of the investment when it receives cash dividends.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859303>

Question 158

Typically, the lessee will pay for executory costs, expensing them as incurred.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859482>

Question 159

Under the equity method of accounting for investments, dividends received from the investee are credited to Dividend Revenue for the investor.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859302>

Question 160

The Basis for Conclusions found in accounting pronouncements are found in the Codification for U.S. GAAP.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858185>

Question 161

The fourth step in the financial accounting research process may require you to _____.

- A) cross reference information in the Codification
- B) change or refine your research question
- C) work down the levels of the hierarchy to identify a similar transaction
- D) draft a memo

Answer: <https://biology-forums.com/index.php?topic=1858229>

Question 162

The lessee computes interest expense on the lease obligation using the effective interest rate method. The lessee allocates lease payments first to cover the interest and then to reduce the lease obligation. Each period of the lease, what components does the lessee record as part of lease expense?

Answer: <https://biology-forums.com/index.php?topic=1859539>

Question 163

The _____ is generally one of the first notes to the financial statements.

- A) accounting policies footnote
- B) contingencies footnote
- C) employee benefits footnote
- D) intangibles explanation footnote

Answer: <https://biology-forums.com/index.php?topic=1858161>

Question 164

Cash flows from investing activities should include _____.

- A) the factoring of accounts receivable
- B) the receipt of stock dividends
- C) the issuance of common stock in exchange for land
- D) the major repair of a fixed asset

Answer: <https://biology-forums.com/index.php?topic=1859812>

Question 165

Which one of the following changes is not an accounting change?

- A) principle
- B) estimate
- C) error
- D) entity

Answer: <https://biology-forums.com/index.php?topic=1859713>

Question 166

The amount of income that a company reports on its tax return is know as _____.

- A) refundable income
- B) taxable income
- C) deductible income
- D) net income

Answer: <https://biology-forums.com/index.php?topic=1859350>

Question 167

Nondetachable stock warrants may be sold in the capital markets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859182>

Question 168

An example of a deferred annuity is payments for _____.

- A) pension benefits
- B) loan obligations
- C) preferred dividends
- D) insurance premiums

Answer: <https://biology-forums.com/index.php?topic=1858631>

Question 169

Firms capitalize interest costs from the time of the initial expenditure until the asset is actually put into service.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858919>

Question 170

Why should shareholders pay attention to the diluted EPS?

Answer: <https://biology-forums.com/index.php?topic=1859705>

Question 171

In its first year of operations, Badonna Corp. reported Income Tax Expense of \$53,000 and Income Tax Payable of \$11,000. At the end of the year, Badonna reported a current Deferred Tax Asset of \$18,000 and a noncurrent Deferred Tax Liability of \$5,000. What is the amount of cash paid for income taxes during the year?

- A) \$55,000
- B) \$47,000
- C) \$23,000
- D) \$13,000

Answer: <https://biology-forums.com/index.php?topic=1859865>

Question 172

Cash payments of the principal portion of promissory notes are classified as financing activities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859804>

Question 173

Companies can elect to switch to the fair value option for reporting assets at any point during the assets life.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859322>

Question 174

Companies should evaluate indefinite life intangible assets at least annually for _____.

- A) amortization
- B) derecognition
- C) recoverability
- D) impairment

Answer: <https://biology-forums.com/index.php?topic=1859015>

Question 175

Where are changes in fair value for trading securities reported?

- A) as operating income or loss on the income statement
- B) as income or loss from peripheral activities on the income statement
- C) as a component of accumulated other comprehensive income on the balance sheet
- D) as a prior period adjustment to retained earnings on the balance sheet

Answer: <https://biology-forums.com/index.php?topic=1859282>

Question 176

The normal balance of an account is the side on which an increase in the account balance is recorded.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858259>

Question 177

The two methods of accounting for treasury stock are the cost method and the fair value method.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859226>

Question 178

Each quarter for the next 10 years, Carmen Lector will deposit \$1,000 into an investment fund that pays 8% compounded quarterly.

- What is the present value of those investment payments if the first of 40 deposits are made at the end of each quarter?
- What is the present value of those investment payments if the first of 40 deposits are made at the beginning of each quarter?

Answer: <https://biology-forums.com/index.php?topic=1858621>

Question 179

The _____ justifies the use of accrual accounting.

- historical cost concept
- going concern concept
- monetary unit assumption
- business entity concept

Answer: <https://biology-forums.com/index.php?topic=1858138>

Question 180

Griffin buys and sells securities and typically classifies them as available for sale. On December 15, Griffin purchased \$814,000 of Baker Corporation shares and elected the fair value option to account for the investment. As of December 31, the shares in Baker Corporation had a fair value of \$862,000. In its December 31 financial statements, Griffin will report _____.

- investment income of \$48,000 in its income statement
- other comprehensive income of \$48,000
- Investment in Baker Corporation of \$814,000
- accumulated other comprehensive income of \$862,000

Answer: <https://biology-forums.com/index.php?topic=1859325>

Question 181

Ballyhigh Company purchased equipment for \$10,000. Sales tax on the purchase was \$750. Other costs incurred were freight charges of \$500, repairs of \$250 for damage during installation, and installation costs of \$550. What is the capitalizable cost of the equipment?

- \$10,750
- \$11,000
- \$11,800
- \$12,050

Answer: <https://biology-forums.com/index.php?topic=1858929>

Question 182

Both realized and unrealized gains and losses for trading equity securities are classified as other income on the income statement.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859290>

Question 183

Muckingjay Inc. opened in 2015. The company reported sales revenue of \$486,000 and expenses of \$574,000. The revenue is on account, and no cash has been received or paid out for expenses. There are no permanent or temporary differences, so the book loss and taxable loss will be the same. Muckingjay plans on carrying forward the net operating loss (NOL). The company has a 38% tax rate, and a valuation allowance is not required. Prepare the following for 2015:

- The necessary journal entry to record the NOL carryforward.
- A partial income statement beginning with sales revenue.

Answer: <https://biology-forums.com/index.php?topic=1859412>

Question 184

Companies should not provide information to users about warranties and related obligations.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858733>

Question 185

Woods Company reports income before taxes in the amount of \$935,000. The current tax expense is \$365,375 and the effective tax rate is 37%. What is the conservatism ratio for Woods Company?

- A) 0.95
- B) 0.27
- C) 0.61
- D) 0.39

Answer: <https://biology-forums.com/index.php?topic=1859428>

Question 186

Which of the following is not an advantage of leasing an asset for the lessee?

- A) lower overall costs
- B) risk of obsolescence is reduced
- C) potential tax benefits
- D) improved cash flows

Answer: <https://biology-forums.com/index.php?topic=1859433>

Question 187

Explain how to determine the converted factor for any deferred annuity by using only the table for factors of the present value of an ordinary annuity.

Answer: <https://biology-forums.com/index.php?topic=1858633>

Question 188

A high fixed asset turnover ratio indicates a company is generating a large amount of revenue for each dollar invested in fixed assets.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858992>

Question 189

After assessing qualitative factors to determine whether it is necessary to perform the quantitative impairment test, the firm will proceed with determining fair value if impairment is deemed reasonably possible.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859014>

Question 190

Shady Equipment sells a truck to Fred for \$130,000 on January 1, 2016. Payment of \$130,000 is received two years later and interest is paid at the end of two years. The truck is delivered two years later. The market rate of interest is 10%. Refer to Shady Equipment. How much sales revenue will Shady report on January 1, 2016?

- A) \$0.00
- B) \$130,000
- C) \$117,000
- D) \$65,000

Answer: <https://biology-forums.com/index.php?topic=1858675>

Question 191

In order to be a cash equivalent, an investment must have a maturity date of three months or less.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858472>

Question 192

Gordon Company has the following data available:

Transaction	Units Purchased	Unit Cost	Units Sold
-------------	-----------------	-----------	------------

Beginning Inventory	300	\$20	
---------------------	-----	------	--

March 1 Purchase	200	\$12	
------------------	-----	------	--

April 25 Sale			340
---------------	--	--	-----

June 10 Purchase	360	\$14	
------------------	-----	------	--

July 20 Sale			250
--------------	--	--	-----

October 30 Purchase	250	\$11	
---------------------	-----	------	--

December 15 Sale			340
------------------	--	--	-----

If Gordon Company uses a perpetual FIFO inventory system, the cost of ending inventory on December 31 is _____.

- A) \$18,600
- B) \$10,230
- C) \$1980

D) \$3600

Answer: <https://biology-forums.com/index.php?topic=1858861>

Question 193

Accountants must often use judgment when deciding when to recognize revenue.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858142>

Question 194

What disclosures are required concerning accounts receivable?

Answer: <https://biology-forums.com/index.php?topic=1858837>

Question 195

When must a company generally elect the fair value option for reporting assets?

- A) A company can elect the fair value option at any point in the assets life, but can not then revert back to accounting for those assets at cost.
- B) A company must typically elect the fair value option at acquisition.
- C) A company can typically choose the cost or fair value for each asset each year at the balance sheet date.
- D) Companies may not account for assets at fair value. GAAP requires these be recorded at cost.

Answer: <https://biology-forums.com/index.php?topic=1859326>

Question 196

Coyote Company reacquired 25,000 shares of its common stock for \$15 per share on June 1. On July 1 they sold 10,000 shares for \$20 per share. On August 1 they sold 5,000 shares for \$12 per share. Prepare the necessary journal entries (omit explanations).

Answer: <https://biology-forums.com/index.php?topic=1859233>

Question 197

A company reporting under IFRS may list its assets in either increasing or decreasing order of liquidity.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858480>

Question 198

Walker Corporation has three potentially dilutive securities. Net income for the year is \$500,000 and the weighted average common shares outstanding is 200,000 shares. Computation of the antidilution sequencing recorded the following:

Security Increase in Income Increase in Common Shares

Convertible Preferred Stock \$30,000 10,000

Stock Warrants \$0 5,000

Convertible Bonds \$15,000 20,000

Required: Write the basic equation for EPS and compute basic EPS. Determine the order of entry into the EPS computation. Compute final diluted EPS and show all computations to determine your final answer.

Answer: <https://biology-forums.com/index.php?topic=1859692>

Question 199

When a stock split or stock dividend occurs during the year, it is retroactive to the beginning of the year.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859636>

Question 200

Zenith Corporation reports its investments in debt securities at cost. This method of accounting is consistent with the qualitative characteristic of _____ from the conceptual framework.

- A) faithful representation
- B) relevance
- C) both faithful representation and relevance
- D) neither representation nor relevance

Answer: <https://biology-forums.com/index.php?topic=1859269>

Question 201

There is a noncontrolling interest when _____.

- A) a company uses the equity method to account for ownership of another company
- B) a company controls another company, but owns less than 100% of voting shares.

C) a company controls another company but owns less than 100% of that other company

D) a company is owned by others outside the company

Answer: <https://biology-forums.com/index.php?topic=1858443>

Question 202

Which of the following best characterizes the current situation concerning revisions to the conceptual framework?

A) The FASB is considering revisions to their conceptual framework but IASB is not.

B) The IASB is considering revisions to the conceptual framework but FASB is not.

C) The FASB and the IASB are working independently on their conceptual frameworks.

D) The FASB and the IASB are working cooperatively on a single conceptual framework.

Answer: <https://biology-forums.com/index.php?topic=1858045>

Question 203

Income available to common shareholders is net income minus dividends paid during the year to preferred shareholders.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859634>

Question 204

Under IFRS, firms report a reversal of an impairment loss as other comprehensive income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859027>

Question 205

Identify the level of the U.S. GAAP Literature Hierarchy that each item belongs to.

Authoritative LiteratureLevel

The Codification

Industry practice

AICPA Issue Papers

Answer: <https://biology-forums.com/index.php?topic=1858216>

Question 206

Before computing the gain or loss on the early extinguishment, the company must amortize any discount, premium, or bond issue costs up to the retirement date.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859163>

Question 207

U.S. GAAP requires companies to reconcile the historical cost and accumulated depreciation at the beginning of the period with amounts at the end of the period.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858957>

Question 208

Which of the following is a current asset?

A) treasury bill maturing in 2 months

B) land held for investment

C) equipment

D) goodwill

Answer: <https://biology-forums.com/index.php?topic=1858476>

Question 209

One example of an impairment indicator is a significant adverse change in legal factors that affect the value of an asset or asset group.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859002>

Question 210

A deferred tax liability is created when _____.

A) the book basis of assets is greater than the tax basis of assets

B) the book basis of liabilities is greater than the tax basis of liabilities

C) the book basis of assets is equal to the tax basis of assets
D) the book basis of assets is less than the tax basis of liabilities
Answer: <https://biology-forums.com/index.php?topic=1859374>

Question 211

When preparing the operating activities section of the statement of cash flows under the indirect method, depreciation expense is subtracted from net income.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858494>

Question 212

Parrish Industries has bonds outstanding (originally sold for \$4,400,000) in the amount of \$4,600,000 with a current bond discount of \$200,000. The bonds were selling at 104 on the market at its year end. At what value should it report these bonds on its balance sheet at year end?

- A) \$4,600,000
- B) \$4,800,000
- C) \$4,400,000
- D) \$4,784,000

Answer: <https://biology-forums.com/index.php?topic=1859199>

Question 213

Briefly describe the accounting for the acquisition and use of equipment and indicate which accounts are involved in accounting for equipment and what types of accounts are these?

Answer: <https://biology-forums.com/index.php?topic=1858943>

Question 214

Define the term subsequent event, explain the two types of subsequent events and provide an example of each.

Answer: <https://biology-forums.com/index.php?topic=1858517>

Question 215

A seller recognizes the right to return sales as a/an _____.

- A) liability
- B) asset
- C) revenue
- D) expense

Answer: <https://biology-forums.com/index.php?topic=1858724>

Question 216

The direct method of reporting cash flows from operating activities begins with net income from the income statement.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858527>

Question 217

The two acceptable approaches to recording sales discounts are _____.

- A) the net method and the aging method
- B) the allowance method and the aging method
- C) the net method and the gross method
- D) the allowance method and the gross method

Answer: <https://biology-forums.com/index.php?topic=1858788>

Question 218

When a company adjusts the balance of a deferred tax account to reflect changes in their tax rate, this impacts _____.

- A) income tax expense
- B) income tax payable
- C) effective tax rate
- D) both A and C

Answer: <https://biology-forums.com/index.php?topic=1859393>

Question 219

Accounting changes detract from which one of the following enhancing qualitative characteristics of accounting?

- A) comparability
- B) consistency
- C) representational faithfulness
- D) materiality

Answer: <https://biology-forums.com/index.php?topic=1859714>

Question 220

In determining net cash flow from operating activities, a decrease in accounts payable during a period _____.

- A) does not require an adjustment under the indirect method
- B) does not require an adjustment under the direct method
- C) requires a subtraction adjustment to net income under the indirect method
- D) requires a subtraction adjustment to payments to suppliers under the direct method

Answer: <https://biology-forums.com/index.php?topic=1859836>

Question 221

On October 1, 2016, Super Soup Corp. began offering customers a Super Soup Spoon in return for 20 soup can labels. This offer expires on March 31, 2017. The cost of each soup spoon is \$1.50. Based on past experience, the company estimates that only 40% of the labels will be redeemed. During 2016, the company purchased 13,000 soup spoons. In 2016, it sold 600,000 cans of soup at \$1.20 per can (the company uses the periodic inventory method). From these sales, 180,000 labels were returned for redemption in 2016.

- a. Prepare the journal entry to record the purchase of 12,000 soup spoons.
- b. Prepare the journal entry to record the sale of 600,000 cans of soup.
- c. Prepare the journal entry to estimate the premium expense for 2016.
- d. Prepare the journal entry to record the redemption of 180,000 labels.

Answer: <https://biology-forums.com/index.php?topic=1859101>

Question 222

Accretion expense required by U.S. GAAP is referred to as interest expense by IFRS.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859071>

Question 223

Firms conduct an impairment test whenever impairment indicators indicate that an asset may be impaired.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859000>

Question 224

When bonds are sold at a discount between interest dates, the buyer _____.

- A) pays no interest to the issuer
- B) pays the issuer interest from the date of the bonds to the purchase date
- C) receives interest from the issuer from the date of the bonds to the purchase date
- D) receives a discount from the issuer for the loss of the interest before purchase

Answer: <https://biology-forums.com/index.php?topic=1859155>

Question 225

Prior service cost is recognized as pension expense over a period of several years under US GAAP.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859608>

Question 226

Accountants in the United States do not need to learn international accounting standards.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858013>

Question 227

Why are trade discounts not recorded in the accounts like sales discounts?

Answer: <https://biology-forums.com/index.php?topic=1858795>

Question 228

Provisions for contingent losses are accrued because the likelihood of an unfavorable outcome is _____.

- A) virtually certain
- B) more likely than not
- C) reasonably possible
- D) more than remote

Answer: <https://biology-forums.com/index.php?topic=1859085>

Question 229

Intangible assets are assets without physical substance or economic value.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858961>

Question 230

Which of the following is an adjusting entry?

- A) Allowance for Uncollectible Accounts
Accounts Receivable
- B) Depletion Expense
Intangible Asset
- C) Cash
Unearned Revenue
- D) Interest Expense
Cash

Answer: <https://biology-forums.com/index.php?topic=1858312>

Question 231

Both U.S. GAAP and IFRS require that an entity disclose its policy regarding cash equivalents.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859872>

Question 232

There are four types of accounting changes principles, estimates, entities and errors.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859707>

Question 233

Accounting requirements for AROs under IFRS are the same as U.S. GAAP requirements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859070>

Question 234

Bookworm Booksellers reported sales revenue of \$380,000 for the fiscal year ended July 31. The accounts receivable balance at the beginning of the year was \$27,000 and \$32,000 at the end of the year. On the statement of cash flows, what amount of cash would be shown as collected from customers?

- A) \$353,000
- B) \$375,000
- C) \$380,000
- D) \$385,000

Answer: <https://biology-forums.com/index.php?topic=1858505>

Question 235

Financial statements are prepared using data from the unadjusted trial balance.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858286>

Question 236

Punjab Company borrowed \$114,000 from its bank. Punjab will repay \$140,000 in 7 years. What is the approximate interest rate that Punjab will incur on this loan, assuming annual compounding? (Do not round any intermediary calculations, and round your final answer two decimal places, X.XX%.)

- A) 2.16%
- B) 2.98%
- C) 81.43%

D) 3.79%

Answer: <https://biology-forums.com/index.php?topic=1858576>

Question 237

Onopea Inc. considered two contingencies at the end of 2016:

** a probable loss in the range of \$100,000 to \$700,000

** a reasonably possible loss of \$150,000

Under IFRS, what is the balance for contingent liabilities at the end of 2016?

A) \$100,000

B) \$400,000

C) \$250,000

D) \$850,000

Answer: <https://biology-forums.com/index.php?topic=1859088>

Question 238

If a company does not adjust a prepaid expense initially recorded as an asset, assets will be understated.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858301>

Question 239

The sales tax liability account is debited when the seller collects sales taxes from customers.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859054>

Question 240

Which of the following is a characteristic of the accumulated benefit obligation measurement?

A) It considers only vested employees.

B) It does not use projected future salary levels.

C) It is required by GAAP for measurement of the pension obligation.

D) It considers only current employees.

Answer: <https://biology-forums.com/index.php?topic=1859604>

Question 241

Identify the three main approaches to expense recognition under U.S. GAAP provide examples of each. How does IFRS expense recognition principles differ?

Answer: <https://biology-forums.com/index.php?topic=1858126>

Question 242

Which of the following is not a characteristic of relevance?

A) confirmatory value

B) materiality

C) free from error

D) predictive value

Answer: <https://biology-forums.com/index.php?topic=1858070>

Question 243

For any discount rate and number of periods, the present value of an annuity due factor is always greater than the corresponding present value of an ordinary annuity factor.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858608>

Question 244

If the company writes down the asset in one period and still holds the asset in the next period, then the company cannot report an increase in value in the subsequent period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859046>

Question 245

If the sum of standalone selling prices is greater than the transaction price, then any discount to the separate performance obligations should be

allocated based on relative _____.

- A) market values
- B) standalone prices
- C) book values
- D) net present values

Answer: <https://biology-forums.com/index.php?topic=1858683>

Question 246

Parrish Industries has bonds outstanding (originally sold for \$5,400,000) in the amount of \$5,900,000 with a current bond discount of \$200,000. The bonds were selling at 104 on the market at its year end. What should be the balance of the Fair Value Adjustment on Bonds Payable?

- A) \$436,000 debit balance
- B) \$200,000 debit balance
- C) \$200,000 credit balance
- D) \$436,000 credit balance

Answer: <https://biology-forums.com/index.php?topic=1859200>

Question 247

Maria Gonzales is considering two investment options for a \$2,500 gift she received for graduation. Both investments have the same annual interest rates but one offers quarterly compounding while the other compounds on a monthly basis. Which investment should she choose? Why?

Answer: <https://biology-forums.com/index.php?topic=1858580>

Question 248

Bad debt expense represents the amount of _____.

- A) gross sales that is written off during the current period
- B) current period sales that is expected to be uncollectible
- C) gross receivables that is expected to be uncollectible
- D) net receivables that is written off during the current period

Answer: <https://biology-forums.com/index.php?topic=1858800>

Question 249

Bay Meadows Real Estate collected rentals of \$600,000 during the year. The beginning balance in its rent receivable account was \$70,000 and its ending balance was \$41,000. The beginning balance in unearned rent revenue was \$22,000, and the ending balance was \$13,000. What was total rent revenue for the year?

- A) \$587,000
- B) \$571,000
- C) \$629,000
- D) \$638,000

Answer: <https://biology-forums.com/index.php?topic=1858324>

Question 250

Derecognition of debt occurs when all of the following occur except, when the _____.

- A) bonds mature
- B) bonds are revalued to fair market value
- C) bonds are called by the bond holders
- D) bondholders elect to convert the bonds to common stock

Answer: <https://biology-forums.com/index.php?topic=1859165>

Question 251

On June 1, Addison Company purchased \$8000 of inventory on account from Garrison Company. Garrison offers a 4% discount if payment is received within 15 days. Addison records the purchase using the gross method and the perpetual inventory system. The journal entry on June 1 by Addison Company includes _____.

- A) a debit to Inventory for \$7680
- B) a credit to Accounts Payable for \$7680
- C) a debit to Inventory for \$8000
- D) a credit to Cash for \$8000

Answer: <https://biology-forums.com/index.php?topic=1858853>

Question 252

U.S. GAAP and IFRS accounting is the same with regard to the lessor accounting for capital leases.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859477>

Question 253

Which of the following income statement elements is an economic inflow that occurs from primary operations?

- A) revenue
- B) comprehensive income
- C) gain
- D) net income

Answer: <https://biology-forums.com/index.php?topic=1858401>

Question 254

Bonds are priced such that their yield will be the same as the stated rate of interest.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859265>

Question 255

Explain how gains or losses on impaired assets should be reported in income.

Answer: <https://biology-forums.com/index.php?topic=1859013>

Question 256

How are the direct method and the indirect method alike?

Answer: <https://biology-forums.com/index.php?topic=1859839>

Question 257

Which regulatory body sets auditing standards and oversees the audits of public companies in the United States?

- A) Public Accounting Oversight Board (PCAOB)
- B) Financial Accounting Standards Board (FASB)
- C) American Institute of Certified Public Accountants (AICPA)
- D) Securities and Exchange Commission (SEC)

Answer: <https://biology-forums.com/index.php?topic=1858006>

Question 258

Liabilities represent claims of third parties against the assets of a business.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858246>

Question 259

IFRS requires companies to report specific items on the income statement including finance costs.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858409>

Question 260

When there is a unguaranteed residual value, the lessor includes the present value of the unguaranteed residual value in the lease receivable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859490>

Question 261

Both financial and governmental accounting standards are under the auspices of the Financial Accounting Foundation.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858022>

Question 262

Muir, Ltd. measures its trading securities at fair value. It has liabilities that it also measures using the fair value option. Muir has bonds outstanding (originally sold for \$2,640,000) in the amount of \$2,200,000 with a current bond premium of \$374,000. The bonds were selling at 101 on the market at its year end. At what value should it report these bonds on its balance sheet at year end?

- A) \$2,200,000
- B) \$2,420,000
- C) \$2,574,000

D) \$2,640,000

Answer: <https://biology-forums.com/index.php?topic=1859198>

Question 263

The following information is available for the month of June for a retail store:

Sales \$79,000

Sales Returns \$1,000

Markups \$10,000

Markup cancellations \$1,000

Markdowns \$9,300

Purchases (at cost) \$40,000

Purchases (at retail) \$107,000

Purchase returns (at cost) \$1,200

Purchase returns (at retail) \$2,000

Beginning inventory (at cost) \$30,000

Beginning inventory (at retail) \$46,000

Required:

Calculate the ending inventory at cost using the conventional retail method. Round ratios to four decimal places. (For example, 0.40127 = 0.4013)

Answer: <https://biology-forums.com/index.php?topic=1858892>

Question 264

Interest cost will _____.

A) increase pension expense and reduce plan assets

B) increase the PBO and reduce plan assets

C) increase the PBO and increase pension expense

D) increase pension expense and reduce the return on plan assets

Answer: <https://biology-forums.com/index.php?topic=1859614>

Question 265

If a company initially records a deferred revenue as a liability, an adjusting entry must be made at the end of the period to increase the revenue account.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858306>

Question 266

List the sequence in which financial statements are prepared from the adjusted trial balance.

Answer: <https://biology-forums.com/index.php?topic=1858340>

Question 267

Restricted stock plans are less dilutive than stock option plans.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859588>

Question 268

In a statement of cash flows, the cash flows from investing activities section should report _____.

A) the factoring of accounts receivable

B) a major overhaul of equipment

C) stock dividends received

D) the issuance of common stock in exchange for a factory building

Answer: <https://biology-forums.com/index.php?topic=1859846>

Question 269

Under U.S. GAAP, if a firm writes down inventory for obsolescence, which of the following is created?

A) a deferred tax asset

B) a deferred tax liability

C) a book basis of assets that is greater than the tax basis

D) a book basis of liabilities that is less than the tax basis

Answer: <https://biology-forums.com/index.php?topic=1859375>

Question 270

Currently the FASB and IASB have two separate conceptual frameworks which are partially converged.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858039>

Question 271

What is breakage and how does it relate to the accounting for sales of gift cards? Describe two methods for estimating the amount of breakage.

Answer: <https://biology-forums.com/index.php?topic=1859067>

Question 272

Another name for channel stuffing is _____.

- A) trade stuffing
- B) trade loading
- C) channel loading
- D) trade disclosure

Answer: <https://biology-forums.com/index.php?topic=1858726>

Question 273

Regina Woods, CPA is unsure about the presentation of one of the financial statements. In which topic grouping should she begin her research?

- A) 1XX
- B) 2XX
- C) 3XX
- D) 4XX

Answer: <https://biology-forums.com/index.php?topic=1858199>

Question 274

When an impairment occurs, the firm recognizes a loss on the income statement.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858996>

Question 275

When preparing the statement of cash flows using the indirect method, which of the following is added to net income to determine cash flows from operations?

- A) payments to suppliers
- B) receipts from customers
- C) bond premium amortization
- D) unrealized losses from trading securities

Answer: <https://biology-forums.com/index.php?topic=1859863>

Question 276

The IFRS element capital maintenance is identical to the GAAP element comprehensive income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858084>

Question 277

Purchase returns and purchase discounts are added to purchases to calculate net purchases.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858848>

Question 278

What factors are considered when determining either the percentage of sales or the percentage of aged receivables used in determining the adjustment for bad debt expense?

Answer: <https://biology-forums.com/index.php?topic=1858809>

Question 279

Weighting one piece of information more heavily than others is an example of _____.

- A) the overconfidence bias

- B) the anchoring bias
- C) the availability bias
- D) the groupthink bias

Answer: <https://biology-forums.com/index.php?topic=1858175>

Question 280

The primary purpose of the conceptual framework is to provide guidance to _____.

- A) preparers of financial statements
- B) auditors
- C) standard setters
- D) CEOs

Answer: <https://biology-forums.com/index.php?topic=1858050>

Question 281

The PV (present value) function in a Microsoft Excel spreadsheet requires inputting all of the following variables except _____.

- A) length of compounding period
- B) number of compounding periods
- C) interest rate per compounding period
- D) type based on timing of payment at the beginning or end of the compounding period

Answer: <https://biology-forums.com/index.php?topic=1858567>

Question 282

Ferret Company uses the LIFO retail inventory method for inventory costing. Ferret Company has beginning inventory with a cost of \$10,000 and a retail value of \$40,000. During the year, the company purchases goods with a cost basis of \$80,000 and a retail basis of \$100,000. It has net markups of \$5,000 and net markdowns of \$5,000. Sales are \$50,000 at retail.

Required:

What is the cost of the ending inventory using the LIFO retail inventory method? Round all ratios to four decimal places. Round all numbers to two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1858910>

Question 283

Standard setters develop accounting standards based on natural economic laws.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858010>

Question 284

Where are changes in fair value for available for sale securities reported?

- A) as operating income or loss on the income statement
- B) as income or loss from peripheral activities on the income statement
- C) as a component of accumulated other comprehensive income on the balance sheet
- D) as a prior period adjustment to retained earnings on the balance sheet

Answer: <https://biology-forums.com/index.php?topic=1859283>

Question 285

A separate fair value adjustment account is typically used to reflect the difference between the fair value and the cost of the investment so as to avoid excessive changes in the investment account itself.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859277>

Question 286

PipCo financial statements included the following amounts for the current year:

- Retired preferred stock \$52,000
- Loaned cash to key supplier 17,000
- Dividends paid 29,000
- Sold used delivery truck 44,000
- Issued new bonds 76,000

Based on this information, what is the amount of net cash flows from financing activities?

- A) \$93,000 net inflow
- B) \$5,000 net inflow
- C) \$5,000 net outflow

D) \$24,000 net outflow

Answer: <https://biology-forums.com/index.php?topic=1859857>

Question 287

Under the equity method, cash dividends received by the investor from the investee should be treated as _____.

- A) an adjustment to other comprehensive income
- B) a reduction in the investment account
- C) an increase in the investment account
- D) dividend income

Answer: <https://biology-forums.com/index.php?topic=1859304>

Question 288

Which of the following adjustments to net income is incorrect when using the indirect method for computing cash flows from operating activities?

- A) Deduct depreciation expense from net income.
- B) Add a decrease in inventory to net income.
- C) Deduct an increase in prepaid expenses from net income.
- D) Add an increase in accounts payable to net income.

Answer: <https://biology-forums.com/index.php?topic=1858531>

Question 289

When an income statement error that does not affect the balance sheet is not found until after the books are closed, an entry _____.

- A) must be made to correct the error during the next year
- B) must be made to correct the error by reopening the books
- C) is not necessary, but financial statements must be recalled immediately
- D) is not necessary, but the income statement must be corrected before issue

Answer: <https://biology-forums.com/index.php?topic=1859783>

Question 290

For which of the following does U.S. GAAP permit recognition of recovery of impairment?

- A) patents held for sale
- B) patents held for use
- C) goodwill
- D) none of these

Answer: <https://biology-forums.com/index.php?topic=1859016>

Question 291

The following data include all the elements from Cambridge Company income statement:

Administrative Expense \$873
Cost of Goods Sold 3614
Gain on Sale of Securities 623
Income Tax Expense 1,234
Loss on Discontinued Operations 1,229
Loss on Disposal of Equipment 237
Revenue 8765
Selling Expense 1,425

What is the amount of income from continuing operations for Cambridge Company?

- A) \$3239
- B) \$2616
- C) \$2005
- D) \$3476

Answer: <https://biology-forums.com/index.php?topic=1858427>

Question 292

A bond issuer incurs a technical default when it _____.

- A) fails to pay interest when due
- B) declines to repay the principal when specified
- C) fails to meet required ratios at year end
- D) pays interest before it is due for payment

Answer: <https://biology-forums.com/index.php?topic=1859132>

Question 293

A change in reporting entity must be treated retrospectively for all years presented in the financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859765>

Question 294

Determine the type of Bonds that match the following bond descriptions:

Bond Descriptions	Type of Bonds
Bonds that holders can exchange for stock.	
Bonds without specific security.	
Bonds with options to purchase stock.	
Bonds with collateral.	
Bonds with multiple maturity dates.	
Bonds that the debtor can recall.	

Answer: <https://biology-forums.com/index.php?topic=1859134>

Question 295

Which one of the following is not a change in a reporting entity?

- A) the purchase of a new subsidiary
- B) presenting a consolidated statement for the first time
- C) changing the specific subsidiaries that make up the group of entities presented in the financial statements
- D) changing the entities in combined financial statements

Answer: <https://biology-forums.com/index.php?topic=1859767>

Question 296

Explain how treatment of gains and losses on deferred tax assets and liabilities differ between the indirect and direct methods.

Answer: <https://biology-forums.com/index.php?topic=1859868>

Question 297

Revenue recognition deals with the issues of timing and measurement.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858642>

Question 298

How are debt and equity investments classified when the company does not exercise significant influence?

Answer: <https://biology-forums.com/index.php?topic=1859274>

Question 299

New York Enterprises provides advertising services to travel agencies. The company bills annually and receives payments in advance. All advertising is earned equally each month. In January, the company received \$120,000; in February, it received \$144,000. The fiscal year ends on February 28.

Required:

1. How much revenue should be recognized from these contracts on February 28?
2. What adjusting entry will be required on February 28?

Answer: <https://biology-forums.com/index.php?topic=1858365>

Question 300

Greene Co. has pretax book income for the year ended December 31, 2015 in the amount of \$265,000 and has a tax rate of 20%. Depreciation for tax purposes exceeded book depreciation by \$13,500.

What should Greene Co. record as its federal income tax liability for 2015?

- A) \$53,000
- B) \$99,250
- C) \$50,300
- D) \$55,700

Answer: <https://biology-forums.com/index.php?topic=1859378>

Question 301

Fair value of an asset is the amount at which the asset could be bought in a current transaction between willing parties.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858031>

Question 302

An increase in the LIFO reserve is recorded as _____.

- A) a credit to Cost of Goods Sold
- B) a debit to Cost of Goods Sold
- C) debit to the LIFO Reserve
- D) credit to the Inventory account

Answer: <https://biology-forums.com/index.php?topic=1858905>

Question 303

The confirmatory bias is the tendency to use the data that is most readily available or most easily recalled to make a decision.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858169>

Question 304

Hornet Motors reported \$535,000 net income for the current year. Beginning common shares outstanding were 160,000. Hudson also had 10,000, 6% nonconvertible, cumulative, \$100 par value preferred shares outstanding for the entire year. No cash dividends were declared but Hornet did declare and distribute a 10% stock dividend on common shares on July 1. Compute basic earnings per share. (Round your answer to the nearest cent.)

- A) \$3.38
- B) \$3.04
- C) \$2.97
- D) \$2.70

Answer: <https://biology-forums.com/index.php?topic=1859644>

Question 305

It is sometimes necessary to recognize revenue before delivery to maintain the predictive value of financial information.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858759>

Question 306

Caesar & Company is planning a major expansion, and is in negotiations with their bank for a loan. The bank requested that Caesar & Co provide them with financial statements as soon as possible after the end of the year. Caesar & Co has several suppliers that are slow to submit invoices, so they are considering making estimates for the amounts associated with those liabilities in order to expedite the preparation of the financial statements for the bank. Discuss the qualitative characteristics that they need to consider.

Answer: <https://biology-forums.com/index.php?topic=1858080>

Question 307

If a capital lease has a guaranteed residual value, how should the lessee account for it at the inception of the lease?

- A) The initial asset and liability should be increased by the present value of the residual value.
- B) The initial asset and liability should be increased by the amount of the residual value.
- C) The initial asset and liability should be decreased by the present value of the residual value.
- D) The initial asset and liability should be decreased by the amount of the residual value.

Answer: <https://biology-forums.com/index.php?topic=1859498>

Question 308

At December 31, the Wendy Company has ending inventory with a historical cost of \$632,000. Assume the company uses the perpetual inventory system. The current replacement cost of the inventory is \$618,000. The net realizable value is \$650,000. The normal profit on this inventory is \$50,000. Before any adjustments at the end of the period, the cost of goods sold account has a balance of \$900,000. Following U.S. GAAP, which journal entry is required on December 31 to adjust the ending balance of inventory if the indirect method is used?

- A) Debit Cost of Goods Sold for \$18,000 and credit Inventory for \$18,000.
- B) Debit Inventory for \$18,000 and credit Cost of Goods Sold for \$18,000.
- C) Debit Cost of Goods Sold for \$14,000 and credit Inventory for \$14,000.
- D) Debit Loss on Inventory Writedown for \$14,000 and credit Allowance to Reduce Inventory to Market for \$14,000.

Answer: <https://biology-forums.com/index.php?topic=1858887>

Question 309

Changes in the fair value of trading debt securities are reported in other comprehensive income.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859275>

Question 310

Disclosures for convertible debt include _____.

- A) brief explanation of hybrid securities equity and debt components of debt
- B) the detailed information about the conversion terms
- C) fair value disclosures even if fair value is not used for valuation
- D) only cash interest paid and effective interest amounts

Answer: <https://biology-forums.com/index.php?topic=1859208>

Question 311

Pledged receivables are collateral for a financing arrangement.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858810>

Question 312

The treasury stock method is used when the organizational structure includes _____.

- A) convertible preferred stock
- B) convertible bonds
- C) only stock options
- D) stock options or warrants

Answer: <https://biology-forums.com/index.php?topic=1859665>

Question 313

The Codification is divided into _____.

- A) chapters, topics, sections, and paragraphs
- B) topics, subtopics, sections, and paragraphs
- C) chapters, sections, subsections, and paragraphs
- D) topics, sections, subsections, and paragraphs

Answer: <https://biology-forums.com/index.php?topic=1858197>

Question 314

A future value is always less than the corresponding present value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858560>

Question 315

The four income statement elements are gains, losses, revenues, and expenses.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858400>

Question 316

Which of the following is a financial disclosure that a lessee must make on its financial statements?

- A) the amount of actual interest expense for capital leases
- B) a specific description for each lease contract
- C) future minimum lease payments for the next ten years
- D) the leased assets included in property, plant, and equipment

Answer: <https://biology-forums.com/index.php?topic=1859506>

Question 317

Which of the following items would be reported in the financing activities section of the statement of cash flows?

- A) payment of dividends
- B) receipt of dividends
- C) lending cash to a customer
- D) receipt of cash from note receivable

Answer: <https://biology-forums.com/index.php?topic=1859853>

Question 318

Which of the following statements regarding IFRS disclosures for defined benefit pension plans is incorrect?

- A) Most IFRS reporters classify the service cost component of pension cost in operating income.
- B) IFRS reporters must report interest costs and return on plan assets as a part of operating income.
- C) IFRS disclosures and reporting for defined benefit pension plans are similar to those for US GAAP.
- D) Under IFRS, a defined benefit pension plan may be viewed as borrowing from employees.

Answer: <https://biology-forums.com/index.php?topic=1859631>

Question 319

Present value of lease payments + Present value of guaranteed or unguaranteed residual asset = Fair value of leased asset + Deferred initial direct costs.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859524>

Question 320

A numerical listing of account names and numbers is called the _____.

- A) chart of accounts
- B) general journal
- C) general ledger
- D) chart of journals

Answer: <https://biology-forums.com/index.php?topic=1858277>

Question 321

1. What is the LIFO conformity rule?
2. Why is LIFO used by so many companies?
3. What is the disadvantage of LIFO?

Answer: <https://biology-forums.com/index.php?topic=1858874>

Question 322

The process by which an accountant reaches a decision in situations with multiple alternatives is referred to as _____.

- A) earnings management
- B) GAAP
- C) judgment
- D) financial reporting

Answer: <https://biology-forums.com/index.php?topic=1858144>

Question 323

What is the primary difference between an ordinary annuity and an annuity due?

- A) the interest rate
- B) annuity due only relates to future values
- C) ordinary annuity only relates to future values
- D) the timing of the periodic payment

Answer: <https://biology-forums.com/index.php?topic=1858591>

Question 324

The only difference between the statement of cash flows under the indirect method and the direct method is in the reporting of cash flows from operating activities.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858492>

Question 325

Secured bonds are also referred to as debenture bonds.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859122>

Question 326

With an operating lease, _____.

- A) the lessee records rent expense and the lessor records rent revenue
- B) the lessee records interest expense and the lessor records interest revenue
- C) the lessee records rent expense and the lessor records interest revenue
- D) the lessee records depreciation expense and the lessor records rent revenue

Answer: <https://biology-forums.com/index.php?topic=1859449>

Question 327

The two components of return on equity are return on assets and financial leverage.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858536>

Question 328

TLR Productions reported income before taxes of \$175,000 for the years 2013, 2014, and 2015. In 2016 they experienced a loss of \$400,000. TLR had a tax rate of 35% in 2013 and 2014, and a rate of 45% in 2015 and 2016. Assuming the company uses the carryback provisions for the net operating loss, what amount should be reported as Income Tax Refund Receivable in 2016?

- A) \$61,250
- B) \$140,000
- C) \$162,500
- D) \$180,000

Answer: <https://biology-forums.com/index.php?topic=1859404>

Question 329

Potash Corporation financed the purchase of a building by making semiannual payments of \$32,000 for the next twenty years, with the first payment due six months from today. The purchase cost of the building is considered to be the present value of those payments. What was the purchase cost of the building to Potash assuming an annual interest rate of 10%? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$576,545
- B) \$549,091
- C) \$640,000
- D) \$181,818

Answer: <https://biology-forums.com/index.php?topic=1858617>

Question 330

A change in stated value does not require shareholder approval and filings with the state.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859211>

Question 331

Which of the following is not a situation in which employee compensation is classified as a liability?

- A) The option is granted for the acquisition of securities classified as equity securities.
- B) The option is granted for the acquisition of securities classified as liabilities, such as redeemable preferred stock
- C) The employee can sell back the acquired shares to the employer corporation at the exercise price within a reasonable period of time.
- D) The compensation is in the form of stock appreciation rights.

Answer: <https://biology-forums.com/index.php?topic=1859582>

Question 332

Under the corridor approach, a company only amortizes the net accumulated gain or loss when the beginning accumulated unamortized balance of the net gain or loss exceeds the corridor.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859607>

Question 333

Mozart & Company issued 2000 shares of 5%, \$60 par value, preferred stock for \$200,000. The board of directors declared dividends on December 30, to be paid in January. What journal entry is necessary to record the declaration of dividends?

- A)
Dividends 10,000
 Cash 10,000
- B)
Dividends preferred 10,000
 Dividends payable preferred 10,000
- C)
Dividends 6000
 Cash 6000
- D)

Dividends preferred 6000

Dividends payable preferred 6000

Answer: <https://biology-forums.com/index.php?topic=1859240>

Question 334

Carrollton, Inc. has four potentially dilutive securities. Computation of the antidilution sequencing recorded the following:

Security	Increase in Income	Increase in Common Shares
Convertible Preferred Stock	\$32,000	10,000
Stock Warrants	\$0	5,000
Stock Options	\$0	(7,000)
Convertible Bonds	\$19,000	9,000

What is the correct order of entry into the EPS computation? (Round any calculations to the nearest cent.)

A) convertible preferred stock, stock warrants, convertible bonds

B) stock warrants, convertible preferred stock, convertible bonds

C) convertible bonds, convertible preferred stock, stock warrants

D) stock warrants, convertible bonds, convertible preferred stock

Answer: <https://biology-forums.com/index.php?topic=1859685>

Question 335

In 2010, TallyHo Farms acquired production machinery at a cost of 410,000. In 2013 when accumulated depreciation was 160,000, Bambang reported an impairment loss of Now, in 2017 the machinery has a book value of The recoverable amount of the machinery is and its value in use is During impairment testing, Bambang recognized the possibility of a reversal of the previous impairment loss. What amount, if any, should Bambang recognize as a reversal of impairment loss?

A) 169,000

B) 78,000

C) 71,000

D) 98,000

Answer: <https://biology-forums.com/index.php?topic=1859029>

Question 336

Wasup Corp. is thinking of borrowing \$120,000 from its bank at 8% annual interest rate. The amount that will be repaid is \$175,000. Assume annual compounding. In approximately how many years will Wasup Corp. need to repay the loan?

A) 5 years

B) 7 years

C) 10 years

D) 15 years

Answer: <https://biology-forums.com/index.php?topic=1858578>

Question 337

Which of the following is not a major characteristic of a fixed asset?

A) acquired for resale

B) tangible in nature

C) expected to be used for more than one year

D) used in the production and sale of other assets

Answer: <https://biology-forums.com/index.php?topic=1858922>

Question 338

Information is relevant if it reliably depicts the substance of an economic event.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858059>

Question 339

Information that is reported free from error _____.

A) contains no mistakes or omissions in the description of an event or in the process used to produce financial information

B) is accurate in all respects

C) does not include estimates

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1858067>

Question 340

Smythe, Inc. has four potentially dilutive securities. Computation of the antidilution sequencing recorded the following:

Security	Increase in Income	Increase in Common Shares
----------	--------------------	---------------------------

Convertible Preferred Stock	\$30,000	8,000
-----------------------------	----------	-------

Stock Warrants	\$0	7,000
----------------	-----	-------

Stock Options	\$0	13,000
---------------	-----	--------

Convertible Bonds	\$14,000	5,000
-------------------	----------	-------

What is the correct order of entry into the EPS computation? (Round any calculations to the nearest cent.)

- A) convertible preferred stock, stock warrants, convertible bonds, stock options
- B) stock options, stock warrants, convertible bonds, convertible preferred stock
- C) convertible bonds, convertible preferred stock, stock warrants
- D) stock options, convertible bonds, convertible preferred stock, stock warrants

Answer: <https://biology-forums.com/index.php?topic=1859686>

Question 341

Financial statement users rely on accounting policies footnote information to compare a company to other firms in the same industry.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858155>

Question 342

Which of the following income statement elements is an economic outflow that occurs from primary operations?

- A) loss
- B) expense
- C) revenue
- D) deficit

Answer: <https://biology-forums.com/index.php?topic=1858402>

Question 343

Cash paid to employees is calculated as salary and wage expense minus increases in salaries and wages payable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859833>

Question 344

Which of the following terms refers to gift card sales that are never redeemed?

- A) spoilage
- B) breakage
- C) roughage
- D) liftage

Answer: <https://biology-forums.com/index.php?topic=1859061>

Question 345

U.S. GAAP requires companies to reconcile the federal statutory income tax rate to the effective tax rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859353>

Question 346

A sinking fund is cash or other assets held in a separate bank account used to retire debt at maturity.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859202>

Question 347

On January 1, 2013, Moulin Company issued 1,200 shares of \$60 par callable preferred shares for \$180,000. According to the preferred share agreement, Moulin can call these preferred shares on January 1, 2015, for \$150 per share. On January 1, 2015, Moulin calls the shares.

- a. What is the journal entry to record the issuance of the preferred shares?
- b. What is the journal entry when Moulin calls the preferred shares?

Answer: <https://biology-forums.com/index.php?topic=1859243>

Question 348

IFRS refers to generally accepted accounting standards that apply globally.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858009>

Question 349

Compare and contrast the major types of leases from the point of view of the lessee under GAAP.

Answer: <https://biology-forums.com/index.php?topic=1859458>

Question 350

The accounting policies footnote would be a good place to look if you want to know _____.

- A) the inventory costing method used by a company
- B) the depreciation method used by a company
- C) the lives a company uses to depreciate plant assets
- D) both A & B
- E) all of the above

Answer: <https://biology-forums.com/index.php?topic=1858162>

Question 351

In the present value of an annuity table, the factors _____.

- A) increase as the interest rates increase
- B) increase as the periods increase
- C) increase as the periods decrease
- D) decrease as the interest rates increase

Answer: <https://biology-forums.com/index.php?topic=1858613>

Question 352

Aztec Company contracted with the Kirk Company to review their revenue recognition policies for recording sales. The contract will pay Aztec \$700,000 in the form of a fixed fee. Aztec will also receive \$150,000 additionally if Kirk achieves \$200,000 in additional revenues. Aztec estimates a 60% chance that Kirk will achieve \$200,000 in additional revenues. Refer to Aztec Company. Assuming Aztec estimates that the transaction price is the most likely value. The transaction price is _____.

- A) \$700,000
- B) \$790,000
- C) \$420,000
- D) \$850,000

Answer: <https://biology-forums.com/index.php?topic=1858671>

Question 353

The IFRS element expenses encompasses which U.S. GAAP elements?

- A) revenues and expenses
- B) losses and expenses
- C) gains and expenses
- D) expenses only

Answer: <https://biology-forums.com/index.php?topic=1858094>

Question 354

List the conditions in which employee compensation is classified as a liability under liability classified awards.

Answer: <https://biology-forums.com/index.php?topic=1859584>

Question 355

A simple capital structure contains no potentially dilutive securities.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859650>

Question 356

The following data include all the elements from Tuche Millinery income statement:

Administrative Expense \$227
Cost of Goods Sold 256
Gain on Sale of Securities 44
Income Tax Expense 56
Loss on Discontinued Operations 38
Loss on Disposal of Equipment 86

Revenue 880

Selling Expense 124

What is the amount of gross profit for Tuche Millinery?

- A) \$273
- B) \$500
- C) \$624
- D) \$397

Answer: <https://biology-forums.com/index.php?topic=1858422>

Question 357

Financial statements should provide all financial information that is relevant and faithfully representative within the limitations of the _____ constraint.

- A) benefit
- B) materiality
- C) usefulness
- D) cost

Answer: <https://biology-forums.com/index.php?topic=1858076>

Question 358

Based on the above information, calculate the present value of the guaranteed residual value.

Answer: <https://biology-forums.com/index.php?topic=1859556>

Question 359

At the end of a lease, if the actual residual value exceeds the residual value guaranteed by the lessee, _____.

- A) the lessor must compensate the lessee for the difference
- B) the lessee must compensate the lessor for the difference
- C) the lessor has no obligation to compensate the lessee for the excess
- D) the lessee will record miscellaneous income

Answer: <https://biology-forums.com/index.php?topic=1859501>

Question 360

Which of the following statements is not true about distributions to owners?

- A) Distributions to owners represent a decrease in equity.
- B) Distributions to owners result from incurring liabilities.
- C) Distributions to owners are included in other comprehensive income.
- D) Distributions to owners result from rendering services.

Answer: <https://biology-forums.com/index.php?topic=1858090>

Question 361

Horton Industries reported net income of \$150,000 for the current year. The balances in its accounts receivable and allowance for bad debts accounts are shown below:

Account 12/31/2017 1/1/2017

Accounts Receivable 52,000 45,000

Allowance for Uncollectible Accounts 10,000 7,000

In addition, the company recorded \$11,000 of bad debt expense and wrote off \$5,500 of uncollectible accounts. There are no other relevant transactions or account balances. Prepare the operating section of the cash flow statement.

Answer: <https://biology-forums.com/index.php?topic=1859870>

Question 362

A company has a probable loss that can only be reasonably estimated within a range of outcomes. No single amount within the range is a better estimate than any other amount. Under IFRS, what amount of loss contingency should be accrued?

- A) the maximum amount of the range
- B) the midpoint amount of the range
- C) the minimum amount of the range
- D) zero

Answer: <https://biology-forums.com/index.php?topic=1859096>

Question 363

The length of time it takes a company to generate cash from its operations is called the _____.

- A) operating cycle
- B) cash cycle
- C) financing cycle
- D) receivable cycle

Answer: <https://biology-forums.com/index.php?topic=1858835>

Question 364

Like U.S. GAAP, IFRS directly addresses the going concern concept.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858129>

Question 365

Presented below are performance measure data from the income statement of Barton Company.

Gross Profit 524,000

Operating Income 293,000

Income from Continuing Operations before Taxes 305,000

Income from Continuing Operations 232,000

Net Income 205,000

Barton has 100,000 shares of common stock outstanding. Prepare the summary schedule of earnings per share required by U.S. GAAP.

Answer: <https://biology-forums.com/index.php?topic=1858449>

Question 366

How does IFRS accounting for asset retirement obligations differ from U.S. GAAP accounting?

Answer: <https://biology-forums.com/index.php?topic=1859075>

Question 367

List the five primary variables of an annuity and explain the difference between an ordinary annuity and an annuity due.

Answer: <https://biology-forums.com/index.php?topic=1858602>

Question 368

List four impairment indicators.

Answer: <https://biology-forums.com/index.php?topic=1859012>

Question 369

Beginning inventory + Net Purchases = Cost of Goods Sold.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858840>

Question 370

The value of a bond is equal to the present value of the interest payments plus the present value of the maturity value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858636>

Question 371

Which of the following is false?

- A) To calculate the present value of a deferred annuity, determine the present value of an ordinary annuity of 1 for the entire period and subtract the present value of the payments which were not received during the deferral period.
- B) The future value of a deferred annuity is greater than the future value of an annuity not deferred.
- C) If the first payment is received at the end of the fifth period, it means the ordinary annuity is deferred for five periods.
- D) The present value of a deferred annuity is greater than the present value of an annuity not deferred.

Answer: <https://biology-forums.com/index.php?topic=1858627>

Question 372

The final step in preparing a worksheet is to compute net income or loss.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858368>

Question 373

Retrospective changes require all but which of the following?

- A) restatement of all prior years presented
- B) adjustment to assets and liabilities for the first period presented
- C) detailed numerical comparisons of all prior periods to restated statements
- D) retained earnings restated for the adjustments of the current period

Answer: <https://biology-forums.com/index.php?topic=1859716>

Question 374

Judgments are important in determining which type of estimates used by accountants?

- A) bad debt expense
- B) earnings per share
- C) net income
- D) computation of gains and losses

Answer: <https://biology-forums.com/index.php?topic=1859752>

Question 375

All fixed assets with a useful life of more than one year must be capitalized and depreciated.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858933>

Question 376

Fair value option for reporting some liabilities is normally chosen _____.

- A) at the time of borrowing and is irrevocable
- B) on the first balance sheet and is revocable
- C) at the end of each year and is revocable
- D) at the time of borrowing and is revocable

Answer: <https://biology-forums.com/index.php?topic=1859197>

Question 377

Discounting a note receivable is most similar to _____.

- A) factoring an account receivable
- B) pledging an account receivable
- C) securitizing an account receivable
- D) assigning an account receivable

Answer: <https://biology-forums.com/index.php?topic=1858829>

Question 378

In which of the following instances would a company most likely choose the carryforward option for a net operating loss?

- A) The company expects lower tax rates in the future compared to the past.
- B) The company expects higher tax rates in the future compared to the past.
- C) The company expects lower earnings in the future compared to the past.
- D) The company expects higher losses in the future compared to the past.

Answer: <https://biology-forums.com/index.php?topic=1859400>

Question 379

_____ receive dividend distributions after the company has paid all other providers of capital their return on investment.

- A) Contributing shareholders
- B) Common shareholders
- C) Preferred shareholders
- D) Primary shareholders

Answer: <https://biology-forums.com/index.php?topic=1859210>

Question 380

Permanent accounts do not include _____.

- A) Rent Expense
- B) Taxes Payable
- C) Prepaid Insurance
- D) Interest Receivable

Answer: <https://biology-forums.com/index.php?topic=1858346>

Question 381

Donaldson Corporation uses a periodic inventory system. On January 1, inventory is \$253,000. On April 5, Donaldson sells inventory with a selling price of \$75,000 on account. The cost of the inventory sold is \$50,000. The journal entry (entries) to record the sale is (are) _____.

- A) debit Cash and credit Sales Revenue
- B) debit Accounts Receivable and credit Sales Revenue; debit Cost of Goods Sold and credit Inventory
- C) debit Cash and Cost of Goods Sold and credit Sales Revenue and Inventory
- D) debit Accounts Receivable and credit Sales Revenue

Answer: <https://biology-forums.com/index.php?topic=1858843>

Question 382

When a firm has a change in reporting entity, it must disclose _____.

- A) the individual financial statements for each component entity
- B) the effect of the change on net income and EPS for each year presented
- C) the reasons that the company chose to purchase a new business unit
- D) the reasons for the lack of comparability to prior financial statements

Answer: <https://biology-forums.com/index.php?topic=1859768>

Question 383

Which of the following is not included in the operating activities section of the cash flow statement?

- A) payments of income taxes
- B) payments of dividends
- C) payments of interest
- D) payments of executive salaries

Answer: <https://biology-forums.com/index.php?topic=1859810>

Question 384

The FASB and the IFRS have been working together to converge U.S. and international standards to eliminate differences.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858011>

Question 385

Cash receipts of dividends are classified as operating activities.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859802>

Question 386

Red Lantern Corp. reported a net deferred tax asset balance of \$247,000 resulting from an estimated warranty expense accrual for book purposes.

The enacted statutory tax rate related to this balance changed from 38% to 32%, effective immediately. Prepare the necessary journal entry to account for this change in tax rates.

Answer: <https://biology-forums.com/index.php?topic=1859397>

Question 387

The compensation associated with a share of stock under a restricted stock plan is computed as _____.

- A) the market price of a share of a similar security
- B) the book value of an unrestricted share of the same stock
- C) the market price of an unrestricted share of the same stock
- D) the book value of a share of similar stock

Answer: <https://biology-forums.com/index.php?topic=1859590>

Question 388

Which of the following is not an element of pension cost that must be disclosed?

- A) actual return on plan assets
- B) service cost
- C) interest cost
- D) amortization of prior service cost

Answer: <https://biology-forums.com/index.php?topic=1859630>

Question 389

Aucutt Incorporated deposits \$125,000 every January 1st and July 1st in a savings account for the next five years so that it can purchase a new piece of machinery at the end of five years. The interest rate is 6%. How much money will Aucutt Incorporated have at the end of five years?

- A) \$1,475,974
- B) \$1,432,985
- C) \$683,551
- D) \$746,915

Answer: <https://biology-forums.com/index.php?topic=1858600>

Question 390

Companies presenting comprehensive income in two statements will include the statement of comprehensive income in the notes somewhere after the statement of net income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858453>

Question 391

HdG, Inc. accepts a \$600,000, 5% note from Aberdeen Unlimited on April 1, 2016, and lends money to Aberdeen. Aberdeen agrees to pay 5 equal annual payments on this note beginning March 31, 2017. The market rate at the date of issuance of this note was 5%. What is the annual payment that HdG will receive for this note?

- A) \$30,000
- B) \$138,585
- C) \$0
- D) \$7,500

Answer: <https://biology-forums.com/index.php?topic=1859317>

Question 392

Which of the following accounts is a permanent account?

- A) Interest Expense
- B) Gain on Sale of Equipment
- C) Patents
- D) Bad Debt Expense

Answer: <https://biology-forums.com/index.php?topic=1858347>

Question 393

An example of a judgment in accounting for product warranties is _____.

- A) the items sold that are subject to warranty coverage
- B) whether a product warranty should be for one year or two years
- C) the cost of a specific replacement part
- D) the amount of warranty expense to be accrued as a percent of sales

Answer: <https://biology-forums.com/index.php?topic=1858146>

Question 394

If the valuation allowance is decreased, there is a(n) _____ to income tax expense and a(n) _____ to income tax benefit.

- A) decrease; increase
- B) increase; increase
- C) increase; decrease
- D) decrease; decrease

Answer: <https://biology-forums.com/index.php?topic=1859388>

Question 395

The useful life of a patent is 20 years or less.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858962>

Question 396

When the present value of an annuity is calculated as of two or more periods before the payment of the first cash flow, the annuity is _____.

- A) an ordinary annuity
- B) a future annuity
- C) an annuity due
- D) a deferred annuity

Answer: <https://biology-forums.com/index.php?topic=1858625>

Question 397

During 2015, a \$50,000 loss on the sale of machinery was incorrectly recorded as a factory equipment repair. The error was not discovered until the books were closed and financial statement were issued for 2016. What adjustment is necessary?

- A) No adjustment is necessary to books or financials.
- B) Record a correction to the books for 2015 and 2016 and recall prior financial statements.
- C) Since only income statement accounts are affected, make no entry to the books but recall the 2015 income statement.
- D) Make no entry, but if \$50,000 is a material amount, retrospectively adjust the 2015 comparative income statement.

Answer: <https://biology-forums.com/index.php?topic=1859785>

Question 398

All companies capitalize bond issue costs which are amortized over the life of the bond issue.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859157>

Question 399

Which of the following is not a major condition for revenue recognition under IFRS?

- A) Persuasive evidence of an arrangement.
- B) Risks and rewards have transferred to the buyer.
- C) Revenues and costs can be reliably measured.
- D) Probable that economic benefits will flow to the seller.

Answer: <https://biology-forums.com/index.php?topic=1858745>

Question 400

How do standards associated with classification of investments related to the conceptual framework and the qualitative characteristics of relevance and faithful representation?

Answer: <https://biology-forums.com/index.php?topic=1859273>

Question 401

When companies release EPS information, it does not influence stock prices.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859632>

Question 402

A company may carry back a tax loss for _____ years and carry forward a tax loss for _____ years.

- A) 20; 2
- B) 1; 15
- C) 2; 20
- D) 15; 1

Answer: <https://biology-forums.com/index.php?topic=1859402>

Question 403

When there are several assets as part of the lease, only some must be separately identified.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859519>

Question 404

When a firm decides to change an accounting principle, but does not have sufficient information to use the retrospective approach, it may _____.

- A) estimate the numbers to do so
- B) declare the change to be impractical
- C) be forced to abandon the change
- D) use the prospective approach

Answer: <https://biology-forums.com/index.php?topic=1859738>

Question 405

Asset retirement obligations must be legal obligations under both U.S. GAAP and IFRS.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859072>

Question 406

The FASB and IASB are working together on the conceptual framework.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858036>

Question 407

The final step in the accounting research process is to develop conclusions.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858223>

Question 408

Jackson Company sold land that had been held for future plant expansion for more than its carrying value. This transaction is a(n) _____.

- A) revenue
- B) expense
- C) gain
- D) loss

Answer: <https://biology-forums.com/index.php?topic=1858256>

Question 409

A lessee normally computes the liability on a lease as the _____.

- A) present value of minimum lease payments
- B) fair market value of the leased asset
- C) future value of the minimum lease payments
- D) sum of the cash payments over the term of the lease

Answer: <https://biology-forums.com/index.php?topic=1859473>

Question 410

All of the following are conditions for an annuity due except _____.

- A) the interest rate is constant for each time period
- B) interest is compounded at the end of each time period
- C) the time periods between the cash flows are the same length
- D) periodic cash flows must be equal in amount

Answer: <https://biology-forums.com/index.php?topic=1858594>

Question 411

Accumulated other comprehensive income is included in retained earnings.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858248>

Question 412

Discuss the economic advantages and disadvantages of leasing assets.

Answer: <https://biology-forums.com/index.php?topic=1859434>

Question 413

Tarleton Company discovered ending inventory errors in 2015 and 2016. The 2015 ending inventory was overstated by \$215,000 whereas the 2016 ending inventory was understated by \$85,000. Ignoring income tax effects, by what amount should the beginning retained earnings be adjusted on January 1, 2017?

- A) \$85,000 debit
- B) \$85,000 credit
- C) \$130,000 debit
- D) \$215,000 credit

Answer: <https://biology-forums.com/index.php?topic=1859787>

Question 414

All of the following accounts are temporary accounts except _____.

- A) Gain on Sale of Equipment
- B) Sales Revenue
- C) Dividends Payable

D) Interest Expense

Answer: <https://biology-forums.com/index.php?topic=1858350>

Question 415

Able sells a piece of equipment to Smythe for \$2900 on August 1. The equipment cost \$1100. The equipment is picked up by Smythe on August 10. How is this transaction accounted for under a periodic system of inventory?

A)

Sales Revenue1100

 Accounts Receivable1100

B)

Accounts Receivable2900

 Sales Revenue2900

C)

Sales Revenue2900

 Accounts Receivable2900

D)

Accounts Receivable1100

 Sales Revenue1100

Answer: <https://biology-forums.com/index.php?topic=1858647>

Question 416

Lorna Company has the following data available:

Beginning inventory\$200,000

Net purchases\$400,000

Net sales\$850,000

Gross profit percentage40%

The estimated cost of the ending inventory using the gross profit method is _____.

A) \$90,000

B) \$340,000

C) \$510,000

D) \$600,000

Answer: <https://biology-forums.com/index.php?topic=1858899>

Question 417

Louise paints seascapes and landscapes. In 2017 she placed nine of her most prized paintings with the Wainwright Studio Gallery. The paintings each carried a price of \$1000, and Louise made a deal with the Gallery to pay them a 40% commission on all paintings sold. At the end of the year three paintings had been sold. How much revenue will Louise recognize on the consignment sales?

A) \$1000

B) \$600

C) \$400

D) \$0

Answer: <https://biology-forums.com/index.php?topic=1858727>

Question 418

When a bond sells at 102, this means the bondholder has paid \$102 to acquire the bond.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859128>

Question 419

Skywalker Limited purchased shares of Jedi Jewelers during 2015 for \$124,000. Skywalker elected the fair value option for accounting for this investment. At year end 2015, 2016, and 2017, this investment had a fair value of \$120,000, \$130,000, and \$135,000, respectively. Record the journal entries for the purchase of this investment and the adjustment to fair value for each of the three year listed.

Answer: <https://biology-forums.com/index.php?topic=1859331>

Question 420

Which of the following is not an underlying principle of accrual accounting?

A) measurement

B) monetary unit

C) revenue and expense recognition

D) general recognition

Answer: <https://biology-forums.com/index.php?topic=1858110>

Question 421

Which of the following is not an adjusting entry?

- A) Depreciation Expense
Accumulated Depreciation
- B) Unearned Service Revenue
Service Revenue
- C) Cash
Unearned Rent Revenue
- D) Insurance Expense
Prepaid Insurance

Answer: <https://biology-forums.com/index.php?topic=1858313>

Question 422

Companies using fair value disclosures must disclose the valuation methods used and assumptions made to arrive at the fair value of the liabilities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859204>

Question 423

For companies with equity investments, IFRS requires disclosure of summarized financial information of the investee, including the amounts of total assets, total liabilities, revenues, and net income (loss).

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859338>

Question 424

Each of the following accounts has a normal credit balance except _____.

- A) Sales Revenue
- B) Accumulated Depreciation
- C) Investments
- D) Accounts Payable

Answer: <https://biology-forums.com/index.php?topic=1858264>

Question 425

When using the multiplier approach to lease capitalization, which of the following is not a factor that must be estimated?

- A) depreciation expense
- B) interest expense
- C) rent expense
- D) fair value of the leased asset

Answer: <https://biology-forums.com/index.php?topic=1859507>

Question 426

A periodic inventory system is used by most companies today due to the proliferation of computers.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858839>

Question 427

The stated interest rate is also referred to as the yield rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859125>

Question 428

The obligation for compensated absences includes amounts payable for future holidays.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859057>

Question 429

One disadvantage of leasing an asset is that the lessee bears the risk of obsolescence.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859431>

Question 430

Edwards Corporation has three potentially dilutive securities. Computation of the antidilution sequencing recorded the following:

Security Increase in Income Increase in Common Shares

Convertible Preferred Stock \$30,000 8,000

Stock Warrants \$08,000

Convertible Bonds \$16,000 4,000

What is the correct order of entry into the EPS computation? (Round any calculations to the nearest cent.)

- A) convertible preferred stock, stock warrants, convertible bonds
- B) stock warrants, convertible preferred stock, convertible bonds
- C) convertible bonds, convertible preferred stock, stock warrants
- D) stock warrants, convertible bonds, convertible preferred stock

Answer: <https://biology-forums.com/index.php?topic=1859684>

Question 431

Smith Corporation purchased \$75,000 of merchandise on credit. The company uses the perpetual method of recording inventory purchases. What would be the correct journal entry to record the purchase?

- A)
Merchandise Inventory 75,000
 Accounts Payable 75,000
- B)
Purchases 75,000
 Accounts Payable 75,000
- C)
Merchandise Inventory 75,000
 Cash 75,000
- D)
Purchases 75,000
 Interest Payable 75,000

Answer: <https://biology-forums.com/index.php?topic=1858270>

Question 432

If a \$6000 bond is issued with a conversion feature that is convertible into 20 shares of common stock, what is the implied exercise price of the shares?

- A) \$0
- B) \$6000
- C) \$300
- D) \$20

Answer: <https://biology-forums.com/index.php?topic=1859178>

Question 433

A company with convertible bonds outstanding will need to adjust the denominator of the EPS equation. The adjustment will consist of the _____.

- A) number of bonds in the the debt issue
- B) conversion ratio times the number of bonds outstanding net of taxes
- C) conversion ratio times the number of bonds outstanding
- D) number of bonds issued during the current year

Answer: <https://biology-forums.com/index.php?topic=1859660>

Question 434

Present value factors are determined by two characteristics: the interest rate and the length of the compounding periods.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858562>

Question 435

The lessee computes interest expense on the lease obligation using the effective interest rate method. The lessee allocates lease payments first to cover the interest and then to reduce the lease obligation. What is included for each period of the lease, the lessee records a lease expense?

Answer: <https://biology-forums.com/index.php?topic=1859538>

Question 436

_____ are systematic deviations from rationality which can impact judgment on a daily basis.

- A) Cognitive biases
- B) Relational biases
- C) Emotional biases
- D) Subjective biases

Answer: <https://biology-forums.com/index.php?topic=1858173>

Question 437

If a company has elected the fair value option, where are gains and losses resulting from adjusting these accounts to fair value reported?

- A) Unrealized Gains are reported as part of Other Comprehensive Income while Unrealized losses are reported as part of Net Income.
- B) Unrealized Gains are reported as part of Net Income, while Unrealized Losses are reported as part of Other Comprehensive Income.
- C) Unrealized Gains and Losses are both reported as part of Net Income.
- D) Unrealized Gains and Losses are both reported as part of Other Comprehensive Income.

Answer: <https://biology-forums.com/index.php?topic=1859327>

Question 438

Notes receivable are classified as current or noncurrent on the balance sheet based on the expected collection date.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858824>

Question 439

The attribute _____ relates to information that is relevant.

- A) comparative value
- B) predictive value
- C) neutrality
- D) verifiability

Answer: <https://biology-forums.com/index.php?topic=1858073>

Question 440

An intangible asset with an estimated useful life of 30 years was acquired on January 1, 2006, for \$540,000. On January 1, 2016, a review was made of intangible assets and their expected service lives. It was determined that this asset had an estimated useful life of 30 more years from the date of the review. What is the amount of amortization for this intangible in 2016?

Answer: <https://biology-forums.com/index.php?topic=1858988>

Question 441

Very few amounts reported on the financial statements are based upon assumptions.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858151>

Question 442

A extended warranty exists if the customer has the option to purchase the warranty separately.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859102>

Question 443

In step five of the financial accounting research process, the accountant will _____.

- A) communicate the results of their research
- B) document their conclusions
- C) decide on the best financial reporting treatment
- D) obtain additional facts as needed

Answer: <https://biology-forums.com/index.php?topic=1858230>

Question 444

Betz Corporation entered into a capital lease on January 1 of the current year. The lease is for 8 years and calls for the first payment to be made at the inception. The first annual minimum lease payment will contain which of the following components?

- A) Interest Expense Lease Liability
- Yes Yes
- B)

Interest ExpenseLease Liability

NoNo

C)

Interest ExpenseLease Liability

NoYes

D)

Interest ExpenseLease Liability

YesNo

Answer: <https://biology-forums.com/index.php?topic=1859474>

Question 445

Construction costs for fences and driveways are reported on the statement of financial position as _____.

A) current assets

B) intangible assets

C) land

D) land improvements

Answer: <https://biology-forums.com/index.php?topic=1858926>

Question 446

Under both U.S. GAAP and IFRS, bank overdrafts are netted against the other positive balances included in cash and cash equivalents.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859789>

Question 447

On January 1, Yumati Electric borrows \$400,000 at an interest rate of 6% today and will repay this amount by making 16 semiannual payments beginning May 31. What is the approximate amount of the payments that Yumati will need to make? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

A) \$24,000

B) \$25,000

C) \$31,844

D) \$39,581

Answer: <https://biology-forums.com/index.php?topic=1858618>

Question 448

On January 2, 2016, Rushmore, Inc. issued 8,000 bonds at \$1,080 each. Each bond contains 40 stock warrants, each of which gives the owner the right to purchase one share of Rushmore \$10 par value common stock at \$50. The current selling price of common stock is \$40 per share. Rushmore bonds without stock warrants are currently selling for \$1,025.

Required:

1. Prepare the journal entry to record the sale of the bonds if the warrants are nondetachable.

2. Prepare the journal entry to record the sale of the bonds if the warrants are detachable using the incremental method.

3. Prepare the journal entry to record the exercise of all warrants on October 5, 2020, when the market price of the stock was \$60, using the incremental method.

Answer: <https://biology-forums.com/index.php?topic=1859189>

Question 449

The effective interest rate method computes interest expense by multiplying the stated interest rate by the beginning balance of the debt.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859138>

Question 450

In a noncontributory pension plan, employees must fund some or all pension benefits.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859597>

Question 451

The Peggy Ahlers Company uses the perpetual inventory system and the FIFO method. At the end of the fiscal year, December 31, 2015, the company conducted a physical count of the inventory on hand at all warehouses and stores. The FIFO cost of the physical count is \$1,005,400. According to the records, ending inventory using FIFO is \$1,122,000. Which journal entry is required at December 31, 2015?

A) No journal entry is required.

B) Debit Inventory \$116,600 and credit Allowance to Reduce Inventory \$116,600.

C) Debit Cost of Goods Sold \$116,600 and credit Allowance to Reduce Inventory \$116,600.

D) Debit Loss on Inventory Shortage \$116,600 and credit Inventory \$116,600.

Answer: <https://biology-forums.com/index.php?topic=1858845>

Question 452

When using the indirect method of preparing the statement of cash flows, an increase in accounts payable should be treated as _____.

A) a cash outflow

B) inflow and outflow of cash

C) an addition to net income

D) a deduction from net income

Answer: <https://biology-forums.com/index.php?topic=1858532>

Question 453

Amortizing a net gain for pensions will _____.

A) increase retained earnings and increase accumulated other comprehensive income

B) increase retained earnings and decrease accumulated other comprehensive income

C) decrease retained earnings and decrease accumulated other comprehensive income

D) decrease retained earnings and increase accumulated other comprehensive income

Answer: <https://biology-forums.com/index.php?topic=1859621>

Question 454

When using the fair value valuation for liabilities, a company must disclose both the issue price and the fair value of the debt.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859205>

Question 455

Many errors are due to misapplication of accounting policies.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859773>

Question 456

A company uses the gross method to account for cash discounts offered to its customers. If payment is made before the discount period expires, which of the following is correct?

A) Sales discounts is debited for the amount of discounts taken by customers.

B) Sales discounts is credited for the amount of discounts taken by customers.

C) Accounts receivable is debited for the gross amount of cash received from customers.

D) Accounts receivable is credited for the net amount of cash received from customers.

Answer: <https://biology-forums.com/index.php?topic=1858789>

Question 457

How is interest cost calculated for a defined benefit pension plan?

A) Multiply the PBO by the discount rate.

B) Multiply the ABO by the discount rate.

C) Multiply the PBO by the expected return on the plan assets.

D) Multiply the ABO by the expected return on the plan assets.

Answer: <https://biology-forums.com/index.php?topic=1859617>

Question 458

On September 1, Dondra purchased \$9100 of inventory items on credit with the terms 1/15, net 30, FOB destination. Freight charges were \$600. Payment for the purchase was made on September 18. Assuming Dondra uses the perpetual inventory system and the net method of accounting for purchase discounts, what amount is recorded on September 1 as accounts payable from this purchase?

A) \$9700

B) \$9609

C) \$9100

D) \$9009

Answer: <https://biology-forums.com/index.php?topic=1859065>

Question 459

Comprehensive income is the residual interest in the assets of an entity that remains after deducting its liabilities.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858082>

Question 460

Financial statements are prepared after the temporary accounts are closed.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858241>

Question 461

Sampe Company has the following data available:

Transaction	Units Purchased	Unit Cost	Units Sold
-------------	-----------------	-----------	------------

Beginning Inventory	400	\$10	
---------------------	-----	------	--

March 1 Purchase	200	\$13	
------------------	-----	------	--

April 25 Sale	350		
---------------	-----	--	--

June 10 Purchase	300	\$14	
------------------	-----	------	--

July 20 Sale	250		
--------------	-----	--	--

October 30 Purchase	350	\$17	
---------------------	-----	------	--

December 15 Sale	400		
------------------	-----	--	--

If Sampe Company uses a perpetual FIFO inventory system, the cost of goods sold for the year is _____.

A) \$13,550

B) \$12,350

C) \$12,500

D) \$10,000

Answer: <https://biology-forums.com/index.php?topic=1858862>

Question 462

John Pickens writes mystery novels. His publisher pays him royalties for books sold each year. He is paid royalties for the first half of the year on September 30 and the second half of the year on March 31 of the following year. He received \$42,000 in September, 2016. The publisher estimated that his royalties for the second half of the year would be \$53,000. On March 31, 2017, he received \$57,500. Assuming that he recorded \$53,000 at December 31, 2016, what kind of change does this represent?

A) not a change

B) change in estimate

C) prior period error correction

D) change from accrual to cash method

Answer: <https://biology-forums.com/index.php?topic=1859754>

Question 463

A firm does not recognize internally generated intangible assets because their value cannot be measured reliably.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858971>

Question 464

Which of the following statements correctly identifies accounting standard setters?

A) The AICPA promulgates accounting standards in the U.S. and the IFRS issues international accounting standards.

B) The AICPA promulgates accounting standards in the U.S. and the IASB issues international accounting standards.

C) The FASB promulgates accounting standards in the U.S. and the IFRS issues international accounting standards.

D) The FASB promulgates accounting standards in the U.S. and the IASB issues international accounting standards.

Answer: <https://biology-forums.com/index.php?topic=1858016>

Question 465

Popper Enterprises factors \$500,000 of its accounts receivables to Third Bank with recourse for a finance charge of 3%. The finance company retains an amount equal to 7% of the accounts receivable for possible adjustments. Third Bank will return the hold back to Popper when it collects the receivables. In addition, the fair value of the recourse liability is estimated at \$20,000. What amount of cash would Popper receive as a result of this transaction?

A) \$500,000

B) \$480,000

C) \$450,000

D) \$475,000

Answer: <https://biology-forums.com/index.php?topic=1858821>

Question 466

When more than one different type of asset is acquired in one purchase transaction, the total purchase price is allocated among the assets in proportion to their fair values.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858916>

Question 467

When is a potentially dilutive antidilutive?

Answer: <https://biology-forums.com/index.php?topic=1859689>

Question 468

If a pension plan is overfunded, it means that the _____.

- A) ABO exceeds plan assets
- B) PBO is less than plan assets
- C) ABO is less than plan assets
- D) PBO exceeds plan assets

Answer: <https://biology-forums.com/index.php?topic=1859622>

Question 469

If a corporation wishes to change the par value on its common stock, it must amend its articles of incorporation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859212>

Question 470

A liability for a contingent loss will be accrued and reported on the balance sheet if the occurrence of the obligation is at least reasonably possible.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859078>

Question 471

Based on the above information, what is the Journal Entry Leewin made to the lessor prior to the lease commencement date?

Answer: <https://biology-forums.com/index.php?topic=1859534>

Question 472

Alpha Company has three components in their lease agreement: the building, the equipment and the maintenance service. Total consideration in the contract is \$575,000 per year. Alpha Company has identified the following standalone prices:

Component Standalone Price

Building \$400,000

Equipment 100,000

Maintenance/Service 50,000

Total \$550,000

Calculate the percentage and allocate the consideration for each component.

Answer: <https://biology-forums.com/index.php?topic=1859523>

Question 473

Earnings per share is presented for gross profit, continuing operations, discontinued operations, and net income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858442>

Question 474

Kramerica Corporation is in the research and development stage with a new product. Their accountant is unsure how to account for these costs. In which topic grouping would he find more information about R&D?

- A) 6XX
- B) 7XX
- C) 8XX
- D) 9XX

Answer: <https://biology-forums.com/index.php?topic=1858201>

Question 475

List five ways that the statement of cash flows assists the users of financial statements?

Answer: <https://biology-forums.com/index.php?topic=1859795>

Question 476

Revenue for a direct financing lease is calculated as _____.

- A) the lower of (1) the fair value of the leased asset or (2) the sum of the lease receivable and any lease payments paid before the lease commencement date
- B) the higher of (1) the fair value of the leased asset or (2) the sum of the lease receivable and any lease payments paid before the lease commencement date
- C) the lower of (1) the residual value of the asset or (2) the sum of the lease receivable and any lease payments paid before the lease commencement date
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=1859548>

Question 477

On January 1, Teague Company leased office equipment from Sprague Corporation. The lease qualifies as an operating lease. The term is three years and calls for semiannual payments of \$25,000 each, payable on June 30 and December 31 of each year. Sprague acquired the machines at a cost of \$150,000 on January 1 of the current year. The expected life is five years with no residual value expected. What journal entry should Montgomery make on January 1 of the current year?

Answer: <https://biology-forums.com/index.php?topic=1859470>

Question 478

Companies report securities based on a fair value hierarchy in which Level 3 is the most reliable estimates of inputs used and Level 1 fair value input estimates require the most judgment.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859339>

Question 479

Distinguish between convertible bonds and bonds issued with stock warrants.

Answer: <https://biology-forums.com/index.php?topic=1859188>

Question 480

The direct method of formatting the statement of cash flow is also referred to as the reconciliation format.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859826>

Question 481

Accounting standards require separate disclosure for cash and cash equivalents that are restricted from use in operations.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858778>

Question 482

Which organization is responsible for the oversight, financing, and administration of all accounting standard setting organizations in the United States?

- A) American Institute of Certified Public Accountants (AICPA)
- B) Financial Accounting Foundation (FAF)
- C) Securities Exchange Commission (SEC)
- D) Financial Accounting Standards Advisory Council (FASAC)

Answer: <https://biology-forums.com/index.php?topic=1858028>

Question 483

An increase in accounts receivable generally results in an increase in cash.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859817>

Question 484

In early 2015, Plattsville Plastics recently decided to dispose of an extrusion machine. The original cost was \$490,000 and accumulated depreciation

was \$320,000. At that time, the machine was retired from operations, the book value of the machine approximated its fair value. On December 31, 2016, the fair value of the machine was determined to be \$110,000. Which of the following would be included in a related adjusting entry on December 31, 2016.

- A) debit Loss on Machine Held for Disposal for \$170,000
- B) debit Loss on Machine Held for Disposal for \$60,000
- C) credit Loss on Machine Held for Disposal for \$170,000
- D) credit Loss on Machine Held for Disposal for \$60,000

Answer: <https://biology-forums.com/index.php?topic=1859047>

Question 485

When the bonds are converted, the fair value of the equity issued is not taken into consideration.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859174>

Question 486

Closing revenue accounts results in a credit to income summary.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858345>

Question 487

Under a capital lease, the lessee reports rent expense on the income statement.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859436>

Question 488

Net book value is equal to the original cost of an asset minus accumulated depreciation for that asset.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858938>

Question 489

Which of the following statements is true?

- A) Standard setters encourage the use of the direct method over the indirect method.
- B) The direct method is known as the reconciliation method.
- C) The indirect method starts with income before income taxes.
- D) All of these statements are true.

Answer: <https://biology-forums.com/index.php?topic=1859838>

Question 490

Callable bonds can be paid off and retired at the option of the issuing company at specified dates.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859123>

Question 491

Goods and services are transferred over time if the customer controls the asset as the seller creates it or enhances it over time.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858692>

Question 492

Flynn Company uses LIFO for tax purposes and external reporting purposes. For internal reporting purposes, Flynn Company uses FIFO.

Required:

List a few reasons why a company uses different inventory costing methods for different purposes.

Answer: <https://biology-forums.com/index.php?topic=1858873>

Question 493

Bach, Inc. issued 1300 shares of 8%, \$120 par value, preferred stock for \$90,000. The board of directors declared dividends on December 30, to be paid in January. What journal entry is necessary to record the payment of dividends?

A)

Dividendspreferred12,480

Dividends payablepreferred12,480

- B)
Dividends payable preferred 12,480
Cash 12,480
- C)
Dividends preferred 7200
Dividends payable preferred 7200
- D)
Dividends payable preferred 7200
Cash 7200

Answer: <https://biology-forums.com/index.php?topic=1859241>

Question 494

Yankee Company uses the net method of recording purchase discounts on inventory and the perpetual inventory system. Yankee Company records a payment within the discount period. Which journal entry is prepared?

- A) Debit Accounts Payable and credit Cash for the gross amount of the purchase.
B) Debit Accounts Payable and credit Cash for the net amount of the purchase.
C) Debit Accounts Payable, credit Cash and credit Inventory.
D) Debit Accounts Payable, credit Cash and credit Interest Revenue.

Answer: <https://biology-forums.com/index.php?topic=1858852>

Question 495

A fire destroyed the inventory of Zabo Company. The following information is available:

Beginning inventory \$30,000
Purchases \$140,000
Net Sales Revenue \$200,000
Gross Profit Percentage 50%

Required:

1. Prepare a schedule to compute the amount of inventory lost in the fire using the gross profit method.
2. Prepare the required journal entry after the fire.

Answer: <https://biology-forums.com/index.php?topic=1858901>

Question 496

Nantucket Corporation has the following income statement for the year ended December 31.

Sales \$750,000 Rent Expense \$105,000
Salaries Expense 425,000 Utilities Expense 11,000
Dividend Revenue 4,500 Depreciation Expense 16,500
Interest Expense 9,500 Income Tax Expense 38,000
Gain on Sale of Equipment 6,000 Insurance Expense 23,000

Required: Prepare the necessary closing entries for December 31.

Answer: <https://biology-forums.com/index.php?topic=1858355>

Question 497

The calculation of cash flows from investing activities begins with net income.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859843>

Question 498

According to the expense recognition principle, firms recognize expenses when an asset has a reduced future benefit or when a liability is incurred or increased without an associated economic benefit.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858105>

Question 499

When is a potentially dilutive security dilutive?

Answer: <https://biology-forums.com/index.php?topic=1859688>

Question 500

Fixed asset turnover ratio is computed as total sales revenue divided by _____.

- A) average net fixed assets
B) ending net fixed assets

C) average gross fixed assets

D) ending gross fixed assets

Answer: <https://biology-forums.com/index.php?topic=1858994>

Question 501

The Exclusive Company uses the perpetual inventory system. The Exclusive Company has the following data available for the month of January:

Date Transaction Units Unit Cost

Jan. 1 Beginning inventory 400 \$1.00

Jan. 9 Purchase 300 \$1.10

Jan. 10 Sale 400

Jan. 15 Purchase 400 \$1.16

Jan. 18 Sale 300

Jan. 24 Purchase 400 \$1.26

What is the cost of ending inventory on January 31 using LIFO?

A) \$846

B) \$968

C) \$920

D) \$730

Answer: <https://biology-forums.com/index.php?topic=1858869>

Question 502

IFRS does not require persuasive evidence of an arrangement in order for revenue to be recognized.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858743>

Question 503

Which of the following is considered to be cash (not a cash equivalent)?

A) treasury bill

B) money market fund

C) certificate of deposit

D) money order

Answer: <https://biology-forums.com/index.php?topic=1858779>

Question 504

To ensure that all economic events are properly reflected in the financial statements _____.

A) companies record adjusting entries

B) companies only record deferrals

C) companies only record accruals

D) companies use the cash basis of accounting

Answer: <https://biology-forums.com/index.php?topic=1858330>

Question 505

Income tax rate reconciliation under IFRS begins with the U.S. statutory income tax rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859425>

Question 506

List three active phases in the FASB conceptual framework project.

Answer: <https://biology-forums.com/index.php?topic=1858054>

Question 507

When convertible bonds are converted to equity, the company records a gain on conversion when the bond carrying value is greater than the par value of the equity.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859170>

Question 508

In what ways is management motivated to engage in earnings management?

Answer: <https://biology-forums.com/index.php?topic=1858397>

Question 509

How are equity method investment disclosures different for IFRS companies than for U.S. GAAP companies?

- A) IFRS requires additional disclosure related to fair value measurement used when the fair value option was elected.
- B) IFRS require all fair values to be reported, while GAAP only requires disclosures of fair value if the fair value option was elected.
- C) IFRS requires additional disclosures for summarized financial information of the investee, including total assets, liabilities, income and loss.
- D) IFRS requires more detailed disclosures explaining the areas where significant influence was exerted over the investee during the reporting period.

Answer: <https://biology-forums.com/index.php?topic=1859341>

Question 510

Explain the IFRS limitations on reversal of previously recognized impairment losses.

Answer: <https://biology-forums.com/index.php?topic=1859031>

Question 511

Contingent gains are generally not recognized in the financial statements due to conservatism.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859077>

Question 512

The amount of income a company reports in its financial statements is known as _____.

- A) book income
- B) net operable income
- C) taxable income
- D) revenue income

Answer: <https://biology-forums.com/index.php?topic=1859349>

Question 513

Which of the following questions would not be answered by the annual cash flow statement?

- A) What was cash used for during the year?
- B) What was the change in the cash balance during the year?
- C) Where did cash come from during the year?
- D) How did cash expenditures benefit the firm during the year?

Answer: <https://biology-forums.com/index.php?topic=1859792>

Question 514

The tendency to agree to an answer or choice based on an attempt to avoid conflict represents the overconfidence bias.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858168>

Question 515

The two parts that compose comprehensive income are operating income and net income.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858379>

Question 516

Companies may choose the method used to disaggregate revenues.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858732>

Question 517

What is a deferred annuity?

Answer: <https://biology-forums.com/index.php?topic=1858632>

Question 518

The debit for a sales tax paid on the purchase of machinery would be a charge to _____.

- A) accumulated depreciation for machinery
- B) a deferred liability account
- C) the machinery account

D) miscellaneous tax expense

Answer: <https://biology-forums.com/index.php?topic=1858925>

Question 519

When a company has a net loss from continuing operations, it should include _____.

- A) all potentially dilutive securities in diluted EPS
- B) no potentially dilutive securities in diluted EPS
- C) only in the money warrants and options in diluted EPS
- D) only convertible issues in diluted EPS

Answer: <https://biology-forums.com/index.php?topic=1859679>

Question 520

Lessee accounting for a capital lease records lease expense and amortization expense.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859471>

Question 521

Firms using the periodic inventory system record purchases of inventory with a _____.

- A) credit to Purchases
- B) debit to Purchases
- C) debit to Inventory
- D) credit to Inventory

Answer: <https://biology-forums.com/index.php?topic=1858841>

Question 522

Explain the difference between the basic retail method and the conventional retail method.

Answer: <https://biology-forums.com/index.php?topic=1858891>

Question 523

Companies generally provide both qualitative and quantitative disclosures of investing assets in the annual report.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859332>

Question 524

To compute the selling price of the bond, calculate the present value of par value using the present value of \$1 _____.

- A) and the interest payments using the present value of an ordinary annuity, at the market interest rate for both
- B) at the stated rate and the interest payments using the present value of an ordinary annuity at the market rate
- C) and the interest payments using the present value of an ordinary annuity, at the stated rate for both
- D) at the market rate and the interest payments using the present value of an ordinary annuity at the stated rate

Answer: <https://biology-forums.com/index.php?topic=1859142>

Question 525

The accounting for assets held for sale or disposal under U.S. GAAP and IFRS is substantially identical.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859044>

Question 526

What is a consignment sale?

Answer: <https://biology-forums.com/index.php?topic=1858730>

Question 527

After an impairment loss is recorded for goodwill, what is the basis for the impaired asset?

- A) the recoverable amount
- B) the fair value
- C) undiscounted expected cash flows
- D) discounted expected cash flows

Answer: <https://biology-forums.com/index.php?topic=1859019>

Question 528

A company can choose the fair value option for reporting some assets, while choosing to report other assets at cost.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859321>

Question 529

Actual default by a bond issuer occurs when the debtor _____.

- A) violates one of the debt covenants
- B) fails to meet working capital ratio requirement
- C) fails to make interest payments
- D) allows the retained earnings balance to fall below required levels

Answer: <https://biology-forums.com/index.php?topic=1859131>

Question 530

Hora Corporation has three potentially dilutive securities. Net income for the year is \$500,000 and the weighted average common shares outstanding is 200,000 shares. Computation of the antidilution sequencing recorded the following:

Security Increase in Income Increase in Common Shares

Convertible Preferred Stock \$30,000 10,000

Stock Warrants \$0 5,000

Convertible Bonds \$15,000 20,000

Required: Write the basic equation for EPS and compute basic EPS. Determine the order of entry into the diluted EPS computation. Compute diluted EPS and show all computations to determine your final answer. Prepare all required disclosures for the income statement.

Answer: <https://biology-forums.com/index.php?topic=1859706>

Question 531

Define the Dupont Analysis model and explain the relationship between its components.

Answer: <https://biology-forums.com/index.php?topic=1858539>

Question 532

The statement of comprehensive income is the first financial statement prepared.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858509>

Question 533

For investments accounted for under the equity method, companies disclose the fair value for those investments.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859337>

Question 534

Under the indirect method, which of the following would be subtracted from net income when determining net cash flows from operations?

- A) gain on the sale of a used truck
- B) amortization expense
- C) decrease in prepaid rent
- D) increase in salaries payable

Answer: <https://biology-forums.com/index.php?topic=1859835>

Question 535

The bargain purchase option is not included in the minimum lease payments for either the lessee or the lessor.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859484>

Question 536

U.S. GAAP allows a firm to record a half year of depreciation expense for any asset acquired at any time during the year.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858939>

Question 537

Changes in current assets are reflected in the operating activities section of the statement of cash flows.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859819>

Question 538

Dr. Flu uses the cash basis to keep his accounting records. During 2014, he collected \$357,000 from clients. At December 31, 2013 he had accounts receivable of \$104,000. At December 31, 2014 he had accounts receivable of \$129,000 and unearned revenue of \$35,000. What did Dr. Flu earn in service revenue for 2014 using the accrual basis of accounting?

- A) \$218,000
- B) \$297,000
- C) \$332,000
- D) \$347,000

Answer: <https://biology-forums.com/index.php?topic=1858125>

Question 539

Rouge Corp. has 75,000 shares of \$2 par common stock and 30,000 shares of \$14 par fully participating 8% cumulative preferred stock. The company declares cash dividends of \$60,000 during the current year and there are \$8,000 dividends in arrears. What will be the total dividend payment to common and preferred shareholders?

Answer: <https://biology-forums.com/index.php?topic=1859255>

Question 540

Companies are required to disclose the intrinsic values of outstanding stock and options granted.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859596>

Question 541

A present value is always less than the corresponding future value.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858559>

Question 542

To close out the income summary _____.

- A) debit income summary, credit retained earnings for the amount of net income
- B) credit income summary and debit retained earnings for the amount of the net loss
- C) Both A and B
- D) Neither A nor B

Answer: <https://biology-forums.com/index.php?topic=1858352>

Question 543

Net realizable value is calculated as _____.

- A) net receivables plus sales discounts forfeited
- B) gross receivables minus sales discounts taken
- C) gross receivables minus sales discounts forfeited
- D) gross receivables minus allowance for uncollectible accounts

Answer: <https://biology-forums.com/index.php?topic=1858799>

Question 544

Big Bear Sporting Goods opened in 2015. They reported sales revenue of \$385,000 and expenses of \$470,000. There are no permanent or temporary differences, so the book loss and taxable loss will be the same. Big Bear plans on carrying forward the net operating loss (NOL). Assuming a 22% tax rate, what is the necessary journal entry in 2015 to record the NOL carryforward?

- A)
Income Tax Refund Receivable 84,700
 Income Tax Benefit 84,700
- B)
Deferred Tax Asset 84,700
 Income Tax Benefit 84,700
- C)
Income Tax Refund Receivable 18,700
 Income Tax Benefit 18,700
- D)

Deferred Tax Asset 18,700

Income Tax Benefit 18,700

Answer: <https://biology-forums.com/index.php?topic=1859406>

Question 545

Mattox Corporation had a unadjusted balance of \$6000 in Supplies. The actual balance was \$190. The accountant failed to make the adjusting entry. What is the effect on the current year financial statements?

- A) Net income is understated by \$5810.
- B) Current assets are overstated by \$5810.
- C) Current assets are understated by \$6000.
- D) Retained Earnings is overstated by \$6000.

Answer: <https://biology-forums.com/index.php?topic=1858327>

Question 546

Why are the objectives of the allowance method of accounting for uncollectible receivables?

Answer: <https://biology-forums.com/index.php?topic=1858803>

Question 547

Under U.S. GAAP, what is a condition for revenue to be realized or realizable?

- A) Cash or fixed claims to cash are received.
- B) Contracts are written as per negotiations.
- C) The company receives the right to bill with expectation of payment.
- D) Both A & C

Answer: <https://biology-forums.com/index.php?topic=1858113>

Question 548

Which of the following would not be considered a user of the Codification?

- A) SEC staff
- B) accounting students
- C) investors
- D) All of the above would be considered users.

Answer: <https://biology-forums.com/index.php?topic=1858207>

Question 549

What key questions must be addressed when accounting for investments in debt and equity securities?

Answer: <https://biology-forums.com/index.php?topic=1859272>

Question 550

What are the issues to consider when determining the transaction price?

Answer: <https://biology-forums.com/index.php?topic=1858678>

Question 551

Under what circumstances, if any, may R&D costs be capitalized instead of expensed?

Answer: <https://biology-forums.com/index.php?topic=1858981>

Question 552

Why are results from discontinued operations separated from results from continuing operations on an income statement?

Answer: <https://biology-forums.com/index.php?topic=1858438>

Question 553

The compensation associated with equity classified awards is _____.

- A) the estimated book value of the options
- B) the estimated fair value of the options
- C) allocated to compensation expense until the options expire
- D) recorded as compensation expense when the options are granted

Answer: <https://biology-forums.com/index.php?topic=1859575>

Question 554

A Discount on Notes Receivable results from a stated rate of interest that is lower than the prevailing market rate of interest.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859313>

Question 555

A firm may choose to apply indirect effects of an accounting principle change either prospectively or retrospectively.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859735>

Question 556

Eurobake Inc. made a \$80,000 sale on account with terms: of 1/15, n/30. If the company uses the net method, which of the following will be included in the journal entry to record the sale on account?

- A) debit Accounts Receivable \$80,000
- B) debit Accounts Receivable \$79,200
- C) debit Sales Discount Forfeited \$800
- D) credit Sales Discount Forfeited \$800

Answer: <https://biology-forums.com/index.php?topic=1858792>

Question 557

Notes payable are formal credit arrangements that require the payment of a specified face amount of principal at a fixed maturity date.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859111>

Question 558

_____ are paid from capital surplus instead of retained earnings.

- A) Liquidating dividends
- B) Property dividends
- C) Stock dividends
- D) Fund dividends

Answer: <https://biology-forums.com/index.php?topic=1859249>

Question 559

Under IFRS, the impairment loss on a significant asset is the difference between the carrying value of the asset and _____.

- A) the recoverable amount of the asset
- B) the fair value of the asset
- C) the value in use of the asset
- D) the lesser of the fair value of the asset and its value in use

Answer: <https://biology-forums.com/index.php?topic=1859028>

Question 560

Which of the following information is not used to determine current period depreciation expense associated with a specific asset?

- A) acquisition cost of the asset
- B) useful life of the asset
- C) residual value of the asset
- D) current carrying value of the asset

Answer: <https://biology-forums.com/index.php?topic=1858941>

Question 561

What are the conditions that must be met in order for the seller to recognize revenue?

Answer: <https://biology-forums.com/index.php?topic=1858710>

Question 562

The method of converting a future dollar amount into its present dollar value by removing the time value of money is called _____.

- A) devaluing
- B) amortizing
- C) compounding
- D) discounting

Answer: <https://biology-forums.com/index.php?topic=1858550>

Question 563

Prepare a classified balance sheet using the account format for San Pedro Industries.

Answer: <https://biology-forums.com/index.php?topic=1858482>

Question 564

Netting deferred tax assets and liabilities is permitted as long as the right to offset exists.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859420>

Question 565

What disclosures must a lessor include on its financial statements for all leases to which it has entered?

Answer: <https://biology-forums.com/index.php?topic=1859511>

Question 566

When the lessor pays executory costs then shifts the costs to the lessor through higher rental payments, the executory costs are not included in the calculation of minimum rental payments.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859483>

Question 567

Which of the following statements concerning the statement of cash flows is true?

- A) When pension expense exceeds cash funding, the difference is deducted from investing activities on the statement of cash flows.
- B) IFRS requires companies to classify all income taxes paid as operating cash outflows.
- C) Companies may report the cash flows from purchases and sales of trading investments as cash flows from operating activities.
- D) Under IFRS, the purchase of land by issuing ordinary shares will be shown as a cash outflow under investing activities and a cash inflow under financing activities.

Answer: <https://biology-forums.com/index.php?topic=1859864>

Question 568

A perpetual inventory system always provides current information about inventory levels.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858838>

Question 569

For any specific number of periods, the present value factor decreases as the discount rate increases.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858563>

Question 570

Aztec Company contracted with the Kirk Company to review their revenue recognition policies for recording sales. The contract will pay Aztec \$800,000 in the form of a fixed fee. Aztec will also receive \$150,000 additionally if Kirk achieves \$200,000 in additional revenues. Aztec estimates a 67% chance that Kirk will achieve \$200,000 in additional revenues. Refer to Aztec Company. Assuming Aztec estimates that the transaction price is the probability weighted amount of expected consideration. The transaction price is _____.

- A) \$900,500
- B) \$800,000
- C) \$536,000
- D) \$264,000

Answer: <https://biology-forums.com/index.php?topic=1858670>

Question 571

Accounting changes are only permitted when _____.

- A) the effect is material
- B) adequate disclosures are made
- C) the method used is prospective
- D) the company has not made prior changes

Answer: <https://biology-forums.com/index.php?topic=1859715>

Question 572

Hepner Products enters into a contract with Tullis to sell three different products. Each of the products is a separate performance obligation. Based on the information presented in the table, what is the standalone price of product Z using the residual approach?

PriceStandalone Price

Transaction Price\$425,000

X\$150,000

Y\$125,000

ZNot Available

A) \$300,000

B) \$155,000

C) \$150,000

D) \$305,000

Answer: <https://biology-forums.com/index.php?topic=1858685>

Question 573

The following data include all the elements from Cambridge Company income statement:

Administrative Expense \$867

Cost of Goods Sold 3622

Gain on Sale of Securities 623

Income Tax Expense 1,234

Loss on Discontinued Operations 1,229

Loss on Disposal of Equipment 237

Revenue 8744

Selling Expense 1,425

What is the amount of operating income for Cambridge Company?

A) \$2830

B) \$5122

C) \$3216

D) \$3453

Answer: <https://biology-forums.com/index.php?topic=1858426>

Question 574

Potentially dilutive securities should not be included in dilutive EPS computations when net income from continuing operations is negative.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859674>

Question 575

Current cost is the amount of cash received in exchange for an asset less the direct costs of disposal.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858106>

Question 576

The Siempre Store has the following data for inventory:

Cost Retail

Inventory, March 1\$220,000\$360,000

Purchases for March370,0001,000,000

Sales for March494,000

The store uses the LIFO retail method. Round all ratios to four decimal places. What is the cost of the ending inventory at March 31? (Round your final answer to the nearest dollar.)

A) \$506,000

B) \$866,000

C) \$187,220

D) \$407,220

Answer: <https://biology-forums.com/index.php?topic=1858909>

Question 577

When land is purchased and landscaping improvements are made, the total purchase price plus the improvement cost is the total capitalized value of the land.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858915>

Question 578

The amount of capitalizable interest for a constructed asset is the lesser of actual interest incurred and avoidable interest.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858917>

Question 579

The Basis for Conclusions are found in the Statements of Financial Accounting Standards.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858191>

Question 580

The relationship between a future value and its corresponding present value is determined by the discount rate and _____.

- A) number of compounding periods
- B) length of compounding periods
- C) principal balance
- D) time of year

Answer: <https://biology-forums.com/index.php?topic=1858565>

Question 581

The Hudson Company borrowed \$150,000 to purchase machinery and agreed to pay 6% interest for six years on an installment note. Each note payment is \$30,504. How much interest is Hudson paying over the life of the loan? (Do not round intermediary calculations. Only round your final answer to the nearest dollar.)

- A) \$45,000
- B) \$33,024
- C) \$15,252
- D) \$54,000

Answer: <https://biology-forums.com/index.php?topic=1859118>

Question 582

U.S. GAAP requires significant disclosures for goodwill, including all of the following except _____.

- A) goodwill acquired
- B) goodwill included in the disposal of a business unit
- C) goodwill amortization
- D) goodwill impaired

Answer: <https://biology-forums.com/index.php?topic=1858993>

Question 583

A financing component exists in a sales contract if delivery occurs in advance of payment or payment occurs in advance of delivery by more than _____.

- A) six months
- B) one year
- C) two years
- D) three years

Answer: <https://biology-forums.com/index.php?topic=1858668>

Question 584

A cost that is recorded as an asset is _____.

- A) an operating expenditure
- B) a tangible expenditure
- C) an intangible expenditure
- D) a capital expenditure

Answer: <https://biology-forums.com/index.php?topic=1858923>

Question 585

Under IFRS, the firm may base impairment test for an asset group called a reporting unit.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859025>

Question 586

Companies disclose a detailed listing and description of each significant debt issue, including the names of significant creditors.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859201>

Question 587

Which one of the following is not an indicator of the transfer of control to the buyer?

- A) Seller has present right to payment for the asset.
- B) Seller has legal title to the asset.
- C) Seller has transferred physical possession of property.
- D) Customer has accepted the asset.

Answer: <https://biology-forums.com/index.php?topic=1858695>

Question 588

Factored receivables sold without recourse are classified as a liability.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858812>

Question 589

Amortizing a net loss for pensions will _____.

- A) increase retained earnings and increase accumulated other comprehensive income
- B) increase retained earnings and decrease accumulated other comprehensive income
- C) decrease retained earnings and decrease accumulated other comprehensive income
- D) decrease retained earnings and increase accumulated other comprehensive income

Answer: <https://biology-forums.com/index.php?topic=1859620>

Question 590

Antidilutive securities are excluded from the diluted EPS equation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859670>

Question 591

Danielsen Inc. had salaries payable of \$80,000 as of January 1 and \$30,000 as of December 31. During the year, Danielsen showed \$550,000 in salaries expense on the income statement. Cash outflows for salaries for the year were _____.

- A) \$500,000
- B) \$550,000
- C) \$600,000
- D) \$630,000

Answer: <https://biology-forums.com/index.php?topic=1858504>

Question 592

In determining whether the promise to deliver goods and services is separate from other promises the accountant must often rely on _____.

- A) professional skepticism
- B) professional judgment
- C) professional standards
- D) standards of conduct

Answer: <https://biology-forums.com/index.php?topic=1858661>

Question 593

U.S. GAAP always allocates proceeds from issuing convertible bonds between a debt component and an equity component.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859173>

Question 594

The process of transferring information into individual ledger accounts is called _____.

- A) ledgering
- B) transferring
- C) journalizing

D) posting

Answer: <https://biology-forums.com/index.php?topic=1858281>

Question 595

Dana Zorowski has recently started her accounting career and her 25th birthday is coming soon. She has been told that now is the ideal time to begin to prepare for retirement. She has determined that she would like to retire with a pension that will pay \$50,000 per year in retirement benefits after she retires with the expectation that the retirement fund should last for 20 years. To meet her pension retirement benefit goals, how much should she deposit annually for the next 40 years in a retirement investment fund that earns 8%? Assume all retirement deposits and benefit payments occur at the end of each year.

Answer: <https://biology-forums.com/index.php?topic=1858639>

Question 596

IT Technology enters into a contract with the federal government to create a system for the price of \$16 million. IT receives \$10 million when the contract is signed and the other \$6 million upon completion of the project. The government maintains control of the system during the creation process. IT estimates that 32,000 labor hours will be required to complete the product. During the current year 17,000 labor hours are used and during the following year, the remaining 15,000 hours were used. What will be included in the journal entry at the end of the current year?

- A) Debit to Service Revenue for \$8,500,000
- B) Credit to Unearned Revenue for \$10,000,000
- C) Credit to Service Revenue for \$7,500,000
- D) Debit to Unearned revenue for \$10,000,000

Answer: <https://biology-forums.com/index.php?topic=1858709>

Question 597

If there is concern that a company might not continue in existence, but the auditor has concluded that the financial statements are fairly presented, the opinion that will be issued is a(n) _____.

- A) disclaimer of opinion
- B) unqualified opinion
- C) adverse opinion
- D) qualified opinion

Answer: <https://biology-forums.com/index.php?topic=1858522>

Question 598

Which of the following is considered to be a characteristic of the usefulness of income statements?

- A) Income statements require judgment.
- B) Income statements evaluate past performance.
- C) Income statements depend on the accounting methods selected.
- D) Income statements exclude unreliable information.

Answer: <https://biology-forums.com/index.php?topic=1858384>

Question 599

U.S. GAAP sets a higher threshold for the assessment of collectibility than IFRS.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858651>

Question 600

A firm is not required to reconcile the federal statutory tax rate to its effective tax rate.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859424>

Question 601

Which of the following is classified as an investing activity on a statement of cash flows?

- A) purchase of land
- B) issuance of serial bonds
- C) purchase of insurance policy
- D) purchase of treasury stock

Answer: <https://biology-forums.com/index.php?topic=1858489>

Question 602

A stock option plan is generally revalued whenever there is a change in the estimated percentage of options that will be forfeited.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859574>

Question 603

Under U.S. GAAP, a lease is classified as a capital lease if the leased asset is of such a specialized nature that only the lessee can use it.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859445>

Question 604

When there are multiple dilutive securities in a firm, the test for the sequence should be from _____.

- A) most dilutive to least dilutive
- B) least dilutive to most dilutive
- C) convertibles first and warrants last
- D) convertibles debt first and options last

Answer: <https://biology-forums.com/index.php?topic=1859680>

Question 605

Normally dilutive securities will become antidilutive if income from continuing operations is a net loss.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859675>

Question 606

What disclosures must a lessee include on its financial statements for all leases to which it has entered?

Answer: <https://biology-forums.com/index.php?topic=1859510>

Question 607

The LIFO reserve is disclosed in the footnotes to the financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858877>

Question 608

After transactions are recorded in the general journal, the next step in the accounting cycle is to _____.

- A) prepare adjusting journal entries
- B) prepare an adjusted trial balance
- C) prepare financial statements
- D) post transactions to the general ledger

Answer: <https://biology-forums.com/index.php?topic=1858243>

Question 609

A company reports unrealized gains or losses from trading debt securities in other comprehensive income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859276>

Question 610

Unrealized gains and losses on trading securities are included in other comprehensive income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859258>

Question 611

When accounting for a convertible bond issue using IFRS, any equity component is _____.

- A) ignored
- B) the present value of the future cash flows
- C) measured the same as GAAP
- D) the selling price minus the debt component

Answer: <https://biology-forums.com/index.php?topic=1859179>

Question 612

You are provided with two time value of money tables. One is a present value table and one is a future value table. How can you tell which table is

which type?

Answer: <https://biology-forums.com/index.php?topic=1858579>

Question 613

Information exhibits the characteristic of faithful representation if it is complete, neutral, and free from error.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858058>

Question 614

Assume that Constance Industries leases equipment for 3 years with fixed rentals of \$10,000 per year. The agreement also requires that Constance purchase consumables such as drive belts, etc. directly from the lessor and must spend a minimum of \$1,500 per year over the lease term. What are the lease payments to be used to classify the lease?

Answer: <https://biology-forums.com/index.php?topic=1859554>

Question 615

Standard setters require that firms provide basic EPS in the Notes to Financial Statements for at least ten years.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859695>

Question 616

The Dark Chocolate Shoppe collected cash for amounts owed to the company. As a result, it will _____.

- A) increase revenue and increase cash
- B) increase revenue and decrease accounts receivable
- C) increase accounts receivable and decrease revenue
- D) increase cash and decrease accounts receivable

Answer: <https://biology-forums.com/index.php?topic=1858257>

Question 617

Which of the following is the main difference between U.S. GAAP and IFRS in accounting for equity investments?

- A) IFRS requires all equity securities to reported at cost, allowing companies to report gains and losses only when those securities are sold.
- B) For equity securities without quoted prices in the active market, IFRS allows companies to determine a fair value for these securities based on market comparables or a discounted cash flow methodology.
- C) For trading equity securities, IFRS includes unrealized gains and losses are reported as part of other comprehensive income instead of net income.
- D) IFRS requires companies to report all equity securities into one investment classification, instead of the three investment classifications allowed under U.S. GAAP.

Answer: <https://biology-forums.com/index.php?topic=1859292>

Question 618

Changes in amortization, depletion, and depreciation effected by a change in accounting principle are are handled prospectively.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859743>

Question 619

In a contributory pension plan, employees must fund some or all of their pension costs.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859598>

Question 620

The income tax provision includes all income taxes from every source and every cause.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858417>

Question 621

Investments in securities of other companies are classified as either debt securities or equity securities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859264>

Question 622

_____ is the systematic investigation into an issue.

- A) Interpretation
- B) Judgment
- C) Research
- D) Analysis

Answer: <https://biology-forums.com/index.php?topic=1858192>

Question 623

Which of the following is the proper way to report a probable contingent asset?

- A) as a disclosure only
- B) as a deferred revenue
- C) as an accrued revenue
- D) as an increase to receivables

Answer: <https://biology-forums.com/index.php?topic=1859084>

Question 624

A company using LIFO for tax purposes _____.

- A) can use either LIFO or FIFO for financial reporting
- B) must use LIFO for financial reporting
- C) will have more taxes to pay with LIFO than FIFO in a period of rising inventory costs and stable inventory levels
- D) will report higher net income with LIFO than FIFO in a period of rising inventory costs and stable inventory levels

Answer: <https://biology-forums.com/index.php?topic=1858858>

Question 625

Prepare a classified balance sheet using the report format for San Pedro Industries.

Answer: <https://biology-forums.com/index.php?topic=1858483>

Question 626

Recording online sales transactions in bitcoin currency is a violation of _____.

- A) the business entity concept
- B) common sense
- C) the monetary unit assumption
- D) the going concern concept

Answer: <https://biology-forums.com/index.php?topic=1858141>

Question 627

Under U.S. GAAP, which of the following may be included in the financing activities section of the cash flow statement?

- A) receipt of dividends
- B) payment of dividends
- C) receipt of interest
- D) payment of interest

Answer: <https://biology-forums.com/index.php?topic=1859811>

Question 628

Which inventory costing method most closely approximates current cost for each of the following line items on the financial statements?

- A)
Ending InventoryCost of Goods Sold
FIFOFIFO
- B)
Ending InventoryCost of Goods Sold
LIFOLIFO
- C)
Ending InventoryCost of Goods Sold
FIFOLIFO
- D)
Ending InventoryCost of Goods Sold
LIFOFIFO

Answer: <https://biology-forums.com/index.php?topic=1858870>

Question 629

Stock options and warrants differ from convertible debt and preferred stock in that they generally provide cash to the issuing entity.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859657>

Question 630

A compensating cash balance held as support of a credit agreement is not classified as cash on the balance sheet.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858777>

Question 631

Accounting standard setting began in the United States with the 1934 Securities Exchange Act.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858019>

Question 632

Scrap value is also referred to as depreciable value.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858937>

Question 633

On January 1, Year 1, Axis Corporation granted employee stock options for 50,000 shares of \$2 par value common stock. The exercise price on the date of issue was equal to the market price of \$24. There is a two year vesting period and the options expire in four years. Employees have the right to sell back the shares to the corporation within six months of exercise. The fair value of the rights has been estimated to be \$38 per share and the company does not expect any forfeitures of the options. What is the amount of compensation expense for Year 1?

- A) \$950,000
- B) \$0
- C) \$1,900,000
- D) \$1,200,000

Answer: <https://biology-forums.com/index.php?topic=1859583>

Question 634

A specific present value of an ordinary annuity factor for a given number of periods and a specific discount rate is equal to the cumulative sum of the present value of a single sum factors over all the discount rates for that specific number of periods.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858607>

Question 635

Under principles of accrual accounting, revenues are considered earned when a company exchanges a good or service for cash or claims for cash.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858104>

Question 636

When testing assets for impairment, a firm must assess them as individual assets.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858998>

Question 637

Based on the above information, what is the Present Value of the lease?

Answer: <https://biology-forums.com/index.php?topic=1859552>

Question 638

An example of a judgment in accounting for Accounts Receivable is _____.

- A) the percentage of credit sales that may be uncollectible
- B) the amount a customer paid during the previous month
- C) the decision whether to extend credit to a new customer
- D) the percentage that may be deducted to calculate a sales discount

Answer: <https://biology-forums.com/index.php?topic=1858145>

Question 639

Typically when convertible bonds are issued using GAAP, the journal entry to record the issue contain _____.

- A) the value for the conversion feature in equity
- B) no premium or discount due to the conversion feature
- C) the fair value of the potential gain on conversion in an equity account
- D) no valuation for the conversion feature

Answer: <https://biology-forums.com/index.php?topic=1859175>

Question 640

Over what period of time should a copyright be amortized?

- A) life of the creator plus 70 years
- B) its useful economic life
- C) life of the creator plus 70 years or its useful economic life, whichever is shorter
- D) Copyrights are never amortized.

Answer: <https://biology-forums.com/index.php?topic=1858985>

Question 641

The adjusted trial balance is used to prepare the financial statements for an organization.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858331>

Question 642

An annuity due is a series of equal periodic payments made at the beginning of each period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858584>

Question 643

Lessees often incur costs related to the ownership of the leased asset. These costs, referred to as, _____ include items such as property tax, insurance, and maintenance.

- A) expenses
- B) executory costs
- C) overhead costs
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=1859551>

Question 644

Cash collected from customers is calculated as net sales revenue minus increases in accounts receivable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859831>

Question 645

An exception to the general rule is that the transaction price should be allocated based on the relative standalone selling prices occurs when the contract includes variable consideration.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858681>

Question 646

The cost constraint means that an item is not recognized in the financial statements unless its omission would significantly influence the judgment of an informed user.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858102>

Question 647

Accounting standards allow financial statement preparers to use judgement in a manner that best represents _____.

- A) earnings management
- B) estimated reality
- C) a firms financial position
- D) economic reality

Answer: <https://biology-forums.com/index.php?topic=1858148>

Question 648

How does a bargain purchase option differ from a guaranteed residual value when considering depreciation?

Answer: <https://biology-forums.com/index.php?topic=1859503>

Question 649

Key performance measures on the statement of net income include gross profit and net assets, among others.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858407>

Question 650

What is the proper treatment of pension expense when computing net cash from operating activities using the indirect method?

- A) net income is increased by the excess of the expense over the cash used to fund the plan
- B) net income is increased by the sum of the expense plus the cash used to fund the plan
- C) net income is increased by pension expense
- D) net income is decreased by the cash used to fund the plan

Answer: <https://biology-forums.com/index.php?topic=1859867>

Question 651

When computing diluted EPS, only the denominator is affected by _____.

- A) warrants and options
- B) convertible preferred stock
- C) preferred stock
- D) convertible bonds

Answer: <https://biology-forums.com/index.php?topic=1859678>

Question 652

The period of time for which interest is to be capitalized ends when _____.

- A) no additional interest cost is actually being incurred on direct financing for the acquisition of the asset
- B) a constructed is substantially complete and put into use
- C) a constructed asset is substantially complete and ready for its intended use
- D) an acquired asset is received and ready for its intended use

Answer: <https://biology-forums.com/index.php?topic=1858927>

Question 653

Jamison Company sells goods to Matthews Company. When Jamison ships goods to Matthews with terms f.o.b. shipping point, _____.

- A) Jamison Company reports the goods in its inventory when the goods are in transit to Matthews Company
- B) the title passes from Jamison Company to Matthews Company when the goods are received by Matthews Company
- C) the title passes from Jamison Company to Matthews Company when the goods leave Jamison Company
- D) Matthews Company does not include the goods in its inventory while the goods are in transit

Answer: <https://biology-forums.com/index.php?topic=1858850>

Question 654

When preparing the operating section of the statement of cash flows using the indirect method, which of the following items are added to net income?

- A) decrease in accounts payable
- B) unrealized gains on trading securities
- C) loss on sale of equipment
- D) increase in merchandise inventory

Answer: <https://biology-forums.com/index.php?topic=1858498>

Question 655

Explain the conflicting incentives that relate to reporting of taxes. What might the related strategies signal to investors?

Answer: <https://biology-forums.com/index.php?topic=1859429>

Question 656

What is the cost basis of an asset acquired under a capital lease?

- A) the sum of the gross minimum lease payments
- B) the present value of the minimum lease payments plus executory costs

C) the present value of the minimum lease payments less the present value of executory costs

D) the present value of the minimum lease payments excluding executory costs

Answer: <https://biology-forums.com/index.php?topic=1859493>

Question 657

Auditors should exercise _____ to minimize management bias.

A) common sense

B) ratio analysis

C) professional skepticism

D) interrogation techniques

Answer: <https://biology-forums.com/index.php?topic=1858171>

Question 658

Jones Company has the following data available:

Transaction	Units Purchased	Unit Cost	Units Sold
-------------	-----------------	-----------	------------

Beginning Inventory	850	\$30	
---------------------	-----	------	--

Oct. 1 Purchase	325		32
-----------------	-----	--	----

Oct. 10 Sale	425		
--------------	-----	--	--

Oct. 14 Purchase	450		36
------------------	-----	--	----

Oct. 20 Sale	600		
--------------	-----	--	--

Oct. 22 Purchase	400		37
------------------	-----	--	----

Oct. 29 Sale	500		
--------------	-----	--	--

If Jones Company uses a perpetual LIFO inventory system, the cost of ending inventory on October 31 is _____.

A) \$14,800

B) \$18,500

C) \$15,000

D) \$66,900

Answer: <https://biology-forums.com/index.php?topic=1858866>

Question 659

Comprehensive income may be reported in the financial statements in either of two formats.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858382>

Question 660

If a prepaid expense is recorded as an expense and, and the adjusting entry is not made at the end of the period, assets on the balance sheet will be overstated.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858358>

Question 661

When a company sells the extended warranty contract, it records a liability for unearned revenue.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859105>

Question 662

The noncontrolling interest line item on the income statement represents the income attributable to the portion of a subsidiary owned by others.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858439>

Question 663

In order for substitution rights to exist, which of the following conditions must be met?

A) The lessor of an asset only has one asset available to fulfill the contract terms and the contract includes an embedded aspect.

B) The lessor has the practical ability at inception of the contract to substitute alternative assets and the lessor will benefit economically from the exercise of its right to substitute the asset.

C) The lessee has the practical ability at inception of the contract to substitute alternative assets and the lessor will benefit economically from the exercise of its right to substitute the asset.

D) The lessee will benefit economically from the substitution if the benefits exceed the costs of substitution.

Answer: <https://biology-forums.com/index.php?topic=1859517>

Question 664

On January 1 of the current year, Stephens Corporation leased machinery from Montgomery Company. The machine originally cost Montgomery \$277,000. The lease agreement is an operating lease, the terms of which call for five annual payments of \$34,000. The first payment is due at the inception of the lease; the other four payments are due on January 1 of subsequent years. What journal entry should Stephens make on January 1 of the current year?

- A)
Rent Expense 34,000
 Cash 34,000
- B)
Prepaid Rent 34,000
 Cash 34,000
- C)
Rent Expense 55,400
 Cash 55,400
- D)
Prepaid Rent 55,400
 Cash 55,400

Answer: <https://biology-forums.com/index.php?topic=1859468>

Question 665

The conceptual framework defines the objective of financial reporting as providing financial information that is useful to existing and potential investors, lenders, and other creditors in making decisions.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858048>

Question 666

Accounting for product warranty costs under an base warranty _____.

- A) is required for income tax purposes
- B) charges an expense account when the seller performs in compliance with the warranty
- C) is frequently justified on the basis of expediency when warranty costs are immaterial
- D) should be used whenever the warranty is an integral and inseparable part of the sale

Answer: <https://biology-forums.com/index.php?topic=1859107>

Question 667

Greenwell Farm Equipment sells a tractor to Farmer for \$50,000 on January 1, 2016. The tractor is delivered that day. Greenwell agrees that the Farmer may delay the payment for 2 years. The market rate of interest is 8%. Refer to Greenwell Farms. How much interest revenue will Greenwell report on January 1, 2016?

- A) \$54,000
- B) \$46,000
- C) \$0.00
- D) \$4000

Answer: <https://biology-forums.com/index.php?topic=1858673>

Question 668

Revenues and gains will increase retained earnings.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858251>

Question 669

Over the life of a bond, the interest expense is the _____.

- A) total cash interest payments to the bondholders
- B) difference between the selling price and the amount repaid plus interest payments
- C) difference between the selling price and the amount repaid less interest payments
- D) total cash paid to the bondholders over the life of the bonds

Answer: <https://biology-forums.com/index.php?topic=1859143>

Question 670

List the techniques accountants can use to mitigate cognitive biases.

Answer: <https://biology-forums.com/index.php?topic=1858182>

Question 671

If the warranty is required by law, it is more likely to be an base warranty.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859104>

Question 672

If a company chooses to carryback a net operating loss (NOL), but is not able to fully offset the loss, they will _____.

- A) forgo the carryback option and carryforward the entire NOL
- B) forfeit the unused amount
- C) carry forward the remaining balance
- D) both A & C are viable options

Answer: <https://biology-forums.com/index.php?topic=1859401>

Question 673

Why is it important for accountants to understand the structure of the Codification?

Answer: <https://biology-forums.com/index.php?topic=1858236>

Question 674

Colselo has 200,000 common shares outstanding for the year and net income of \$400,000. It has issued options to acquire 20,000 shares of common stock and has 20,000 shares of \$100, 6% cumulative preferred stock, both of which were outstanding for the entire year. Compute basic and diluted EPS.

- A) basic EPS \$2.00; diluted EPS \$1.82
- B) basic EPS \$2.00; diluted EPS \$1.27
- C) basic EPS \$1.40; diluted EPS \$1.27
- D) basic EPS \$1.40; diluted EPS \$1.82

Answer: <https://biology-forums.com/index.php?topic=1859687>

Question 675

Expenses and losses will decrease liabilities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858252>

Question 676

Factored receivables have been sold to another company.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858811>

Question 677

The purpose of the conceptual framework is to assist standard setters in developing and revising accounting standards.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858034>

Question 678

What is the Codification topic number and the International Accounting Standards number in which you would begin your research into a question about revenue recognition?

Answer: <https://biology-forums.com/index.php?topic=1858239>

Question 679

A series of equal periodic payments that starts more than one period after the agreement is called _____.

- A) an ordinary annuity
- B) an annuity due
- C) a deferred annuity
- D) a delayed annuity

Answer: <https://biology-forums.com/index.php?topic=1858626>

Question 680

Under the net method of recording accounts receivable, a company assumes that the customer will take the sales discount.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858786>

Question 681

Sikich Company has the following data available:

Transaction	Units Purchased	Unit Cost	Units Sold
-------------	-----------------	-----------	------------

Beginning Inventory	650	\$20	
---------------------	-----	------	--

Oct. 1 Purchase	325	31	
-----------------	-----	----	--

Oct. 10 Sale	425		
--------------	-----	--	--

Oct. 14 Purchase	450	36	
------------------	-----	----	--

Oct. 20 Sale	600		
--------------	-----	--	--

Oct. 22 Purchase	400	37	
------------------	-----	----	--

Oct. 29 Sale	525		
--------------	-----	--	--

If Sikich Company uses a perpetual FIFO inventory system, the cost of goods sold for the month is _____.

A) \$57,350

B) \$9900

C) \$43,900

D) \$10,175

Answer: <https://biology-forums.com/index.php?topic=1858865>

Question 682

Macro Tech enters a contract on January 1, 2017 to produce software for a customer for \$5,000,000. Macro Tech receives \$2,000,000 from the customer upon contract signing and the balance at the completion of the contract. According to the contract, the customer controls the system during the creation of the program. Macro Tech estimates that it will take two years to complete the project and uses the number of labor hours to estimate the rate of completion. Macro Tech spends 30,000 hours in the first year of the contract and another 20,000 hours the second year.

Required:

Prepare the entries recorded by Macro Tech over the life of this contract. Assume that all payments are complete by the end of 2018.

Answer: <https://biology-forums.com/index.php?topic=1858713>

Question 683

What are three limitations associated with the balance sheet?

Answer: <https://biology-forums.com/index.php?topic=1858469>

Question 684

On January 2, 2017, Edmond, Inc. issued 8,000 bonds at \$1,040 each. Each bond contains 20 detachable stock warrants, each of which gives the owner the right to purchase one share of Weston \$1 par value common stock at \$35. The current selling price of common stock is \$25 per share. Edmond bonds without stock warrants are currently selling for \$1,025 and it has additional warrants on the market selling for \$15.

Required:

1. Prepare the journal entry to record the sale of the bonds using the proportional method.

2. Prepare the journal entry to record the exercise of all warrants on March 19, 2019, when the market price of the stock was \$50.

Answer: <https://biology-forums.com/index.php?topic=1859191>

Question 685

A company recognizes a loss on the income statement whenever it sells a fixed asset for less than its original cost.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858945>

Question 686

Inventory disclosures require information about any inventory financing arrangements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858902>

Question 687

Why do companies issue condensed income statements?

Answer: <https://biology-forums.com/index.php?topic=1858414>

Question 688

Which of the following is not part of the U.S. GAAP definition of a component of an entity?

- A) A subsidiary acquired exclusively with a view to resale.
- B) Comprising operations and cash flows.
- C) A portion of the entity.
- D) Clearly distinguished, operationally, and for financial reporting purposes from the rest of the entity.

Answer: <https://biology-forums.com/index.php?topic=1858437>

Question 689

Which of the following organizations is responsible for setting accounting standards for state and local governments?

- A) Government Issues Task Force (GITF)
- B) Government Accounting Standards Board (GASB)
- C) Securities Exchange Commission (SEC)
- D) Government Accounting Standards Advisory Council (GASAC)

Answer: <https://biology-forums.com/index.php?topic=1858029>

Question 690

Firms report cash flows from investing activities using the _____.

- A) gross method
- B) net method
- C) indirect method
- D) direct method

Answer: <https://biology-forums.com/index.php?topic=1859847>

Question 691

Goodwill is recognized only when the purchase price of a company is greater than the fair value of the assets of that company.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858965>

Question 692

By recording a contingent gain, a company recognizes revenue when it is realized.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859076>

Question 693

The highest Standard and Poor credit rating is a AAA rating.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859120>

Question 694

Moose Company has a high conservatism ratio. This could indicate that the company will have to pay higher taxes in the future relative to the present.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859426>

Question 695

Johnston Controls began operations in 2014 using FIFO inventory methods. In 2015, management decided they should have chosen to use LIFO, as it more accurately reflects income. The beginning 2015 inventory using FIFO was \$100,000. Under the LIFO method the beginning inventory would have been \$120,000.

Required: Prepare the journal entry to record the change in accounting principle and discuss the required disclosures.

Answer: <https://biology-forums.com/index.php?topic=1859742>

Question 696

The amount of consideration that an entity expects to be entitled to as a result of providing goods or services to a customer is the _____.

- A) performance obligation
- B) expected value
- C) transaction price
- D) variable consideration

Answer: <https://biology-forums.com/index.php?topic=1858667>

Question 697

A security is antidilutive if decreases the diluted EPS below basic EPS.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859671>

Question 698

Accruals occur when a company receives or pays cash before recognizing the revenue or expense in the financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858297>

Question 699

When preparing the operating activities section of the statement of cash flows under the indirect method, gains on sale of equipment are subtracted from net income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858495>

Question 700

Changes in retained earnings are always reflected in the operating activities section of the statement of cash flows.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859820>

Question 701

All of the following are enhancing characteristics except _____.

- A) understandability
- B) verifiability
- C) consistency
- D) comparability

Answer: <https://biology-forums.com/index.php?topic=1858074>

Question 702

Amortization of a Discount on Notes Receivable results in receiving less in Cash interest payments than earned Interest Revenue.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859314>

Question 703

Price Enterprises invested in the bonds of Greater Gloucester on January 1, 2015. These 50 year, \$500,000 bonds pay interest of 3% every June 30 and December 31. The effective rate of interest for similar bonds on January 1 was 4%. What is the purchase price of these bonds?

- A) \$500,000
- B) \$485,000
- C) \$520,000
- D) \$392,254

Answer: <https://biology-forums.com/index.php?topic=1859279>

Question 704

Compound interest is computed on both the principal and on the accumulated interest.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858541>

Question 705

When a company depreciates a fixed asset at a faster rate for tax purposes than book purposes, this creates a _____.

- A) deferred tax asset
- B) higher tax basis than book basis of assets in the early years
- C) deferred tax liability
- D) lower tax basis than book basis of liabilities in the early years

Answer: <https://biology-forums.com/index.php?topic=1859376>

Question 706

While completing the adjusting entries for 2017 in early 2018, the internal auditor discovered that a trademark, with an estimated eight year life that was registered in January, 2017 had not been amortized. The trademark cost \$400,000. (The income tax rate is 40%.)

Required: Describe the steps to correct the error.

Answer: <https://biology-forums.com/index.php?topic=1859788>

Question 707

After deciding to record a business event, accountants use assumptions and estimates for what purpose?

Answer: <https://biology-forums.com/index.php?topic=1858165>

Question 708

Under U.S. GAAP, the lessor disclosure requirements include total future minimum lease payments for all operating leases.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859504>

Question 709

Assume inventory costs are increasing over time and inventory levels are stable. Which inventory method results in a higher net income and a higher ending inventory?

- A) FIFO
- B) average cost
- C) LIFO
- D) conventional retail

Answer: <https://biology-forums.com/index.php?topic=1858872>

Question 710

If a capital lease contains a bargain purchase option, the depreciation period that is used by the lessee for the asset is _____.

- A) the useful life to the lessee
- B) the same period used by the lessor
- C) the lease term
- D) the statutory life for all assets in that class

Answer: <https://biology-forums.com/index.php?topic=1859500>

Question 711

Under U.S. GAAP revenues are considered _____ when the seller has accomplished what it must do to be entitled to the revenues.

- A) recognized
- B) earned
- C) realized
- D) entitled

Answer: <https://biology-forums.com/index.php?topic=1858114>

Question 712

Which of the following is not an indicator to determine when control transfers?

- A) Seller has present right to payment or the asset.
- B) Customer has significant risk and rewards of ownership of the asset
- C) Seller has legal title to asset
- D) Seller has transferred physical possession of the asset.

Answer: <https://biology-forums.com/index.php?topic=1858705>

Question 713

To mitigate cognitive biases, accountants must be as _____ as possible.

- A) intelligent
- B) clever
- C) objective
- D) subjective

Answer: <https://biology-forums.com/index.php?topic=1858178>

Question 714

Johnston Controls began operation in 2014 using FIFO inventory methods. In 2015, management decided they should have chosen LIFO to more accurately portray financial position and performance. The beginning 2015 inventory using FIFO was \$200,000. Under the LIFO method the beginning inventory would have been \$240,000. The adjustment to inventory for the accounting principle change for 2014 would be _____.

- A) \$0
- B) \$20,000 debit
- C) \$40,000 credit
- D) \$40,000 debit

Answer: <https://biology-forums.com/index.php?topic=1859740>

Question 715

Alzparker Company constructed a building at a total actual cost of \$28,000,000. Average accumulated expenditures during the construction period amounted to \$21,000,000. As a result of financing arrangements, actual interest was \$2,120,000, and avoidable interest was \$1,800,000. What is the capitalizable cost of the equipment?

- A) \$23,120,000
- B) \$29,800,000
- C) \$30,120,000
- D) \$31,920,000

Answer: <https://biology-forums.com/index.php?topic=1858930>

Question 716

Which of the following terms describe probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events?

- A) performance
- B) income
- C) equity
- D) asset

Answer: <https://biology-forums.com/index.php?topic=1858088>

Question 717

Earnings per share is presented for continuing operations, discontinued operations, and net income.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858441>

Question 718

A series of equal periodic payments in which the first payment is made one compounding period after the date of the contract is _____.

- A) an ordinary annuity
- B) an annuity due
- C) a deferred annuity
- D) a compound annuity

Answer: <https://biology-forums.com/index.php?topic=1858590>

Question 719

Complete the following table. Give a definition and example of each of the cognitive biases listed (be original).

Cognitive Bias Definition and Example

anchoring bias

overconfidence bias

confirmatory bias

availability bias

groupthink bias

Answer: <https://biology-forums.com/index.php?topic=1858183>

Question 720

The two fundamental characteristics of financial information are _____.

- A) comparability and understandability
- B) relevance and timeliness
- C) reliability and faithful representation
- D) faithful representation and relevance

Answer: <https://biology-forums.com/index.php?topic=1858066>

Question 721

Which of the following costs are excluded from a minimum lease payment?

- A) a guaranteed residual value
- B) a bargain purchase option
- C) executory costs
- D) a penalty for failure to renew the lease

Answer: <https://biology-forums.com/index.php?topic=1859454>

Question 722

A company that collects revenues in advance over an extended time period should disclose all the following information except _____.

- A) unearned revenue
- B) amount of revenue recognized in earnings
- C) amount of cash received from customers
- D) estimated uncollectible revenues

Answer: <https://biology-forums.com/index.php?topic=1858768>

Question 723

Which of the following is not a cash flow disclosure required by IFRS?

- A) a reconciliation of net income to net cash provided by operations
- B) any cash balances that are held but not available for use
- C) policy regarding cash equivalents
- D) all significant noncash investing and financing activities

Answer: <https://biology-forums.com/index.php?topic=1859878>

Question 724

Even if the firm uses the indirect method, it must disclose the total amounts of income taxes paid during the period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859873>

Question 725

What are IFRS disclosure requirements for intangible assets?

Answer: <https://biology-forums.com/index.php?topic=1858995>

Question 726

Which of the following is also referred to as deferred credits?

- A) late fees
- B) gift cards
- C) unearned revenues
- D) accrued revenues

Answer: <https://biology-forums.com/index.php?topic=1859060>

Question 727

An ordinary annuity is a series of equal periodic payments made at the beginning of each period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858583>

Question 728

Costs and profits in excess of billings are carried on the balance sheet as a/an _____.

- A) asset
- B) liability
- C) equity
- D) revenue

Answer: <https://biology-forums.com/index.php?topic=1858720>

Question 729

Direct effects of changes in an accounting principle are those necessary to implement the change and are applied retrospectively.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859733>

Question 730

When a company has unusually high or low net income, the _____ is not the most useful valuation ratio.

- A) Current Ratio
- B) Price to Earnings Ratio
- C) Quick Ratio
- D) Price to Book Ratio

Answer: <https://biology-forums.com/index.php?topic=1859261>

Question 731

What is the effective interest rate for an investment fund that pays 4% interest compounded semiannually? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer two decimal places, X.XX%.)

- A) 4.33%
- B) 4.04%
- C) 4.00%
- D) 4.07%

Answer: <https://biology-forums.com/index.php?topic=1858555>

Question 732

_____ means that a group of reasonably informed financial statement users are able to reach a consensus decision that reported information is a faithful representation of an underlying economic event.

- A) Comparability
- B) Verifiability
- C) Understandability
- D) Freedom from error

Answer: <https://biology-forums.com/index.php?topic=1859884>

Question 733

Which of the following is not a cash flow measure?

- A) profitability
- B) solvency
- C) liquidity
- D) financial flexibility

Answer: <https://biology-forums.com/index.php?topic=1858465>

Question 734

The balance sheet reflects the financial position of an entity over a period of time.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858462>

Question 735

Mingle, Inc., a manufacturer of cleaning products, is preparing annual financial statements at December 31, 2016. Because of a recently proven health hazard in one of its cleaning products, the U.S. government has clearly indicated its intention of having Mingle recall all bottles of that product sold in the last six months. The management of Mingle estimates that this recall would cost \$830,000. What accounting recognition, if any, should be accorded this situation?

- A) expense and equity restriction of \$830,000
- B) expense and liability of \$830,000
- C) note disclosure only
- D) no recognition

Answer: <https://biology-forums.com/index.php?topic=1859098>

Question 736

The retroactive assumption for stock splits and stock dividends assumes that all splits and stock dividends occur at the beginning of the year and is retroactive to _____.

- A) the prior year
- B) all prior years
- C) all years reported in the current annual report
- D) the past five years reported in the current annual report

Answer: <https://biology-forums.com/index.php?topic=1859639>

Question 737

Which one of the following would not be affected by a change in revenue recognition requiring a retrospective change?

- A) cash
- B) revenue
- C) unearned revenue
- D) deferred taxes

Answer: <https://biology-forums.com/index.php?topic=1859736>

Question 738

Describe how managers can manipulate EPS to increase their compensation and give at least three examples.

Answer: <https://biology-forums.com/index.php?topic=1859647>

Question 739

Treasury shares are considered to be _____.

- A) unauthorized shares
- B) retired shares
- C) issued shares
- D) outstanding shares

Answer: <https://biology-forums.com/index.php?topic=1859229>

Question 740

What factors should be considered when deciding whether an investor has significant influence over an investee?

Answer: <https://biology-forums.com/index.php?topic=1859311>

Question 741

Each period of the lease, the lessee records a lease expense that includes which of the following?

- A) Interest expense on the lease liability, using the effective interest rate method and the discount rate it used to compute the present value of the liability at the lease commencement date; variable lease payments not included in the lease liability in the period in which the obligation for the variable payments is incurred.
- B) Interest expense on the lease liability, using the effective interest rate method and the discount rate it used to compute the present value of the liability at the lease commencement date; variable lease payments not included in the lease liability in the period in which the obligation for the variable payments is incurred; and changes in variable lease payments that depend on an index or rate.
- C) Neither A nor B is correct.
- D) Both A and B are correct.

Answer: <https://biology-forums.com/index.php?topic=1859536>

Question 742

Ming Company assigns \$5,000,000 of its accounts receivables for a finance charge of 5%. The finance company retains an amount equal to 8% of the accounts receivable for possible adjustments. What amount of cash would Ming receive as a result of this initial transaction?

- A) \$4,750,000
- B) \$4,600,000
- C) \$4,350,000
- D) \$5,000,000

Answer: <https://biology-forums.com/index.php?topic=1858820>

Question 743

Complete the table. Identify the steps in the applied financial accounting research process.

Step in research process Description

- Step 1
- Step 2
- Step 3
- Step 4
- Step 5
- Step 6

Answer: <https://biology-forums.com/index.php?topic=1858237>

Question 744

The purchase of treasury stock is a source of cash from financing activities.

True or False

Answer: <https://biology-forums.com/index.php?topic=1859851>

Question 745

Documenting the rationale for decisions made can help mitigate cognitive biases.

True or False

Answer: <https://biology-forums.com/index.php?topic=1858167>

Question 746

Discuss how stock is valued when issued in exchange for noncash consideration.

Answer: <https://biology-forums.com/index.php?topic=1859223>

Question 747

The normal balance of a liability account is a debit.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858260>

Question 748

Who are the primary users of financial information? Discuss how FASB and IASB take them into account.

Answer: <https://biology-forums.com/index.php?topic=1858051>

Question 749

What affect do unrealized holding gains and losses on available for sale securities have on net income?

- A)
GainsLosses
No changeIncrease
- B)
GainsLosses
No changeDecrease
- C)
GainsLosses
No changeNo change
- D)
GainsLosses
IncreaseDecrease

Answer: <https://biology-forums.com/index.php?topic=1859295>

Question 750

When assessing realizability of deferred tax assets, management must consider positive and negative evidence. Which of the following would be considered negative evidence?

- A) existing contracts or firm sales backlog
- B) a carryback or carryforward period that is so brief it could limit realization of tax benefits
- C) taxable income in prior carryback year(s) if carryback is permitted under the tax law
- D) a strong earnings history exclusive of the loss that created the future deductible amount

Answer: <https://biology-forums.com/index.php?topic=1859387>

Question 751

Which of the following statements is true about assessing recoverability of an asset?

- A) If the sum of the undiscounted cash flows exceeds the carrying value of the asset, then the asset is impaired.
- B) If the sum of the discounted cash flows exceeds the carrying value of the asset, then the asset is impaired.
- C) If the sum of the undiscounted cash flows exceeds the carrying value of the asset, then the asset is not impaired.
- D) If the sum of the discounted cash flows exceeds the carrying value of the asset, then the asset is not impaired.

Answer: <https://biology-forums.com/index.php?topic=1859009>

Question 752

The FASB is a subcommittee of the AICPA .

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858023>

Question 753

What is a major difference between GAAP and IFRS with regard to recognition of revenue?

- A) Under IFRS, the seller does not have to transfer risks and rewards of ownership to the buyer.
- B) IFRS does not require delivery of goods for revenue to be recognized.
- C) Under IFRS, the price of the goods does not have to be fixed or determinable.
- D) Under IFRS, the seller may retain managerial involvement over the goods after sale.

Answer: <https://biology-forums.com/index.php?topic=1858744>

Question 754

Companies classify some cash flows relating to investing or financing activities as operating activities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859799>

Question 755

How do accounting standards for bank overdrafts differ under U.S. GAAP and IFRS?

Answer: <https://biology-forums.com/index.php?topic=1858782>

Question 756

For lessors, cost of goods sold is the carrying value of the leased asset.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859541>

Question 757

Greene Co. has pretax book income for the year ended December 31, 2015 in the amount of \$275,000 and has a tax rate of 40%. Depreciation for tax purposes exceeded book depreciation by \$13,500.

What should Greene Co. record as its deferred tax liability for 2015?

- A) \$0
- B) \$5,400
- C) \$104,600
- D) \$110,000

Answer: <https://biology-forums.com/index.php?topic=1859379>

Question 758

Which party involved in the financial reporting process provides assurance that financial statements prepared by management fairly present the financial position and performance of the company?

- A) standard setters
- B) regulators
- C) accounting preparers
- D) auditors

Answer: <https://biology-forums.com/index.php?topic=1858005>

Question 759

Lithotech, Inc had net sales in 2016 of \$600,000. At December 31, 2016, before adjusting entries, the balances in selected accounts were: accounts receivable \$129,000 debit, and allowance for doubtful accounts \$2000 credit. Lithotech estimates that 5% of its net sales will prove to be uncollectible. What is the cash realizable value of the receivables reported on the statement of financial position at December 31, 2016?

- A) \$97,000
- B) \$99,000
- C) \$129,000
- D) \$127,000

Answer: <https://biology-forums.com/index.php?topic=1858805>

Question 760

The order for antidilutive sequencing is ranking the least dilutive security first, ascending to the most dilutive security last.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859673>

Question 761

When computing cash interest paid under the direct method, firms subtract the sum of bond discount amortization increase in interest payable from interest expense.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859861>

Question 762

IFRS requires a company to disclose information that enables users to assess its objectives, policies, and processes for managing capital.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859260>

Question 763

A body that oversees the activities of the company is known as _____.

- A) auditors
- B) the audit committee
- C) the board of directors
- D) management

Answer: <https://biology-forums.com/index.php?topic=1858524>

Question 764

While the payment on an installment loan is the same each period, the amount applied to principal decreases each period.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859115>

Question 765

Tandoor Inc. financial statements included the following amounts for the current year:

- Retired bonds \$73,000
- Proceeds from collection of note receivable 33,000
- Dividends received 45,000
- Acquired production machinery 51,000
- Sold treasury stock 37,000

Based on this information, what is the amount of net cash flows from investing activities?

- A) \$84,000 net inflow
- B) \$22,000 net inflow
- C) \$18,000 net outflow
- D) \$36,000 net outflow

Answer: <https://biology-forums.com/index.php?topic=1859848>

Question 766

The Security Exchange Commission (SEC) regulates financial reporting for publicly traded companies.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1857992>

Question 767

Rhoads purchased common shares of Company A and B for \$10,000 and \$9,000, respectively on 12/15. Rhoads intends to sell these securities within 30 days. At 12/31, Investments in Company A & B had a fair value of \$9,000 and \$17,000, respectively. Assuming this is the first trading investment for Rhoads, what is the unrealized gain or loss for these securities and how is it reported?

- A) Unrealized Loss of \$7,000, Unrealized Gain of \$3,000, both reported as part of Net Income.
- B) Unrealized Gain of \$7,000, reported as part of Other Comprehensive Income.
- C) Unrealized Loss of \$7,000, Unrealized Gain of \$3,000, both reported as part of Other Comprehensive Income.
- D) Unrealized Gain of \$7,000, reported as part of Net Income.

Answer: <https://biology-forums.com/index.php?topic=1859294>

Question 768

Convertible preferred shares are often accounted for as a liability under both GAAP and IFRS.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859236>

Question 769

When recording an impairment loss, the firm eliminates the balance in the accumulated depreciation or accumulated amortization account, and then reduces the asset account.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859026>

Question 770

When a large corporation purchases a new business which is included in consolidated statements for the year, it is not a change in a reporting entity, and it is handled prospectively.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859764>

Question 771

The final financial statement prepared from the adjusted trial balance is the _____.

- A) balance sheet
- B) statement of net income
- C) statement of cash flows
- D) statement of retained earnings

Answer: <https://biology-forums.com/index.php?topic=1858339>

Question 772

Which of the following is typically included in the determination of operating income?

- A) other comprehensive income
- B) provision for income tax
- C) gross profit
- D) restructuring charges

Answer: <https://biology-forums.com/index.php?topic=1858419>

Question 773

The balance in the common stock account is increased by a credit.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858262>

Question 774

TLR Studio reported earnings per share of \$2.11. This surpassed the average analyst forecast of \$2.06. This information has _____ to users of financial information.

- A) confirmatory value
- B) comparable value
- C) consistent value
- D) both A & C

Answer: <https://biology-forums.com/index.php?topic=1858078>

Question 775

When a company remeasures the value of a discontinued operation, a value adjustment is made to recognize _____.

- A) a loss, but not a gain, for the difference between book value of the net assets and their fair value.
- B) a loss, but not a gain, for the difference between book value of the net assets and their fair value net of selling costs.
- C) the gain or loss for the difference between book value of the net assets and their fair value.
- D) the gain or loss for the difference between book value of the net assets and their fair value net of selling costs.

Answer: <https://biology-forums.com/index.php?topic=1858434>

Question 776

What are the requirements for a performance obligation to be distinct?

Answer: <https://biology-forums.com/index.php?topic=1858664>

Question 777

Which organization prepares and grades the Uniform CPA Examination?

- A) Financial Accounting Standards Board
- B) Public Company Accounting Oversight Board
- C) American Institute of Certified Public Accountants
- D) International Accounting Standards Board

Answer: <https://biology-forums.com/index.php?topic=1858002>

Question 778

Harlan Corporation deposits \$150,000 every June 30th and December 31st in a savings account (beginning in the current year) for the next five years so that it can purchase a new piece of machinery at the end of five years. The interest rate is 4%. How much money will Harlan Corporation have at the end of five years?

- A) \$1,642,458
- B) \$1,675,307
- C) \$1,800,916
- D) \$812,448

Answer: <https://biology-forums.com/index.php?topic=1858597>

Question 779

Recognition is the process of reporting an economic event in the financial statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858101>

Question 780

On January 2, 2016, Weston, Inc. issued 5,000 bonds at \$1,060 each. Each bond contains 20 detachable stock warrants, each of which gives the owner the right to purchase one share of Weston \$5 par value common stock at \$40. The current selling price of common stock is \$30 per share. Weston bonds without stock warrants are currently selling for \$1,025 and it has additional warrants on the market selling for \$20.

Required:

1. Prepare the journal entry to record the sale of the bonds using the proportional method.
2. Prepare the journal entry to record the exercise of all warrants on October 8, 2019, when the market price of the stock was \$50.

Answer: <https://biology-forums.com/index.php?topic=1859190>

Question 781

List and briefly describe the various sections of the statement of cash flows.

Answer: <https://biology-forums.com/index.php?topic=1859813>

Question 782

Which term is described as the building blocks of the financial statements?

- A) fundamental characteristics
- B) enhancing characteristics
- C) elements
- D) assets

Answer: <https://biology-forums.com/index.php?topic=1858087>

Question 783

A contingency is deemed to be probable if it is considered to be likely to occur.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859080>

Question 784

Argus sells auto parts. On August 1, a customer purchases parts for \$3,900 cash. The parts cost Argus \$1,300. Argus uses the perpetual inventory method.

Required: Prepare the necessary entries to record the sale.

Answer: <https://biology-forums.com/index.php?topic=1858714>

Question 785

IFRS uses a two step process in recording the realizability of deferred tax assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859385>

Question 786

If a mandatory accounting change requires too much work for a firm to use the retrospective approach, then the firm can choose to use the prospective approach.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859732>

Question 787

Sweet Treats is considering a change in its inventory valuation method. Sweet Treats currently uses the FIFO method and is considering a change to the LIFO method. Sweet Treats started the year on January 1 with inventory at a FIFO cost of \$34,000 and a LIFO cost of \$26,750. The ending inventory on December 31 is \$29,920 at FIFO cost and \$25,900 at LIFO cost. Cost of goods sold under the LIFO basis is \$74,600 for the current year.

The LIFO effect is _____.

- A) \$7250
- B) \$4020
- C) \$11,270

D) \$3230

Answer: <https://biology-forums.com/index.php?topic=1858880>

Question 788

The Management Discussion and Analysis section of the annual report is a part of the audited financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858519>

Question 789

The obligation for compensated absences represents services to be performed by the employee in the future.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859056>

Question 790

Companies provide information in one major area with regard to revenues and that is information about its contracts with customers.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858731>

Question 791

The going concern concept justifies accounting practices such as depreciation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858130>

Question 792

How is the effective interest rate determined?

Answer: <https://biology-forums.com/index.php?topic=1858558>

Question 793

All of the following accounts are permanent accounts except _____.

- A) Accounts Payable
- B) Goodwill
- C) Dividends
- D) Marketable Securities

Answer: <https://biology-forums.com/index.php?topic=1858348>

Question 794

Which of the following accounts has a normal credit balance?

- A) Accounts Receivable
- B) Taxes Payable
- C) Patents
- D) Equipment

Answer: <https://biology-forums.com/index.php?topic=1858265>

Question 795

An employee working at or auditing an international firm in the United States will likely see financial statements prepared in accordance with IFRS.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858015>

Question 796

What is the time value of money?

Answer: <https://biology-forums.com/index.php?topic=1858556>

Question 797

Heartland Corporation records all insurance premiums as prepaid insurance. Additional information for the current year is presented below:

Prepaid Insurance, January 1 \$61,000

Insurance expense for year \$150,000

Prepaid Insurance, December 31 \$78,000

What were the total amount of insurance premiums paid during the year?

- A) \$228,000
- B) \$167,000
- C) \$139,000
- D) \$150,000

Answer: <https://biology-forums.com/index.php?topic=1858322>

Question 798

The first step in preparing a worksheet is to record the adjusting journal entries.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858367>

Question 799

Mega Corporation leases machinery on January 1, 2016. The lease is for a period of 10 years, which is the useful life of the machinery. The implicit rate of interest is 7% and the Obligation under Capital Lease is recorded at \$75,152. The lease requires annual payments of \$10,000, with the first payment due at the inception of the lease. How much interest expense should be accrued on December 31, 2016?

- A) \$5,261
- B) \$0
- C) \$10,000
- D) \$5,439

Answer: <https://biology-forums.com/index.php?topic=1859491>

Question 800

How will a change in statutory tax rates affect prior period financial statements and current year income tax expense?

- A) Changes in statutory tax rates affect current year income tax expense but do not affect prior period financial statements.
- B) Changes in statutory tax rates affect both current year income tax expense and prior period financial statements.
- C) Changes in statutory tax rates do not affect both current year income tax expense or prior period financial statements.
- D) Changes in statutory tax rates do not affect current year income tax expense but do affect prior period financial statements.

Answer: <https://biology-forums.com/index.php?topic=1859394>

Question 801

TLR Consulting keep their accounting records using the cash basis. During 2014, they collected \$435,000 from clients. On December 31, 2013 they had accounts receivable of \$55,000 and on December 31, 2014 they had accounts receivable of \$40,000. Additionally, they had unearned revenues of \$8000. Using the accrual basis of accounting, what did TLR Consulting earn in service fees for 2014?

- A) \$412,000
- B) \$428,000
- C) \$442,000
- D) \$458,000

Answer: <https://biology-forums.com/index.php?topic=1858124>

Question 802

Based on the above information, record the Journal Entry for when the lessee also paid initial direct costs.

Answer: <https://biology-forums.com/index.php?topic=1859535>

Question 803

When preparing the operating activities section of the statement of cash flows, both FASB and IASB prefer the direct method over the indirect method.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859824>

Question 804

Bad debt expense represents the amount of receivables written off during the period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858797>

Question 805

A liability for a contingent loss of a known amount will be disclosed in a footnote if the occurrence of the obligation is deemed to be probable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859079>

Question 806

What are the required disclosures concerning significant judgments?

Answer: <https://biology-forums.com/index.php?topic=1858738>

Question 807

Which of the following is not a cash equivalent?

- A) commercial paper maturing in 75 days
- B) bond sinking fund
- C) money market funds
- D) treasury bill maturing in 30 days

Answer: <https://biology-forums.com/index.php?topic=1858477>

Question 808

If an entity can borrow funds to meet an unexpected financial crisis, it exhibits high _____.

- A) liquidity
- B) solvency
- C) stability
- D) financial flexibility

Answer: <https://biology-forums.com/index.php?topic=1858466>

Question 809

The periodicity assumption stipulates that the entity will continue to operate for an indefinite period of time.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858132>

Question 810

Accounting entity changes are handled prospectively.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859712>

Question 811

Which of the following is a disclosure that a lessee must make within its financial statements?

- A) aggregated lease payments on both capital and operating leases for the next five years
- B) the original amounts of debt associated with each lease
- C) rent expense for the three year period covered by the income statement
- D) the original cost of assets leased under operating leases

Answer: <https://biology-forums.com/index.php?topic=1859509>

Question 812

The conceptual framework assists with _____.

- A) the development of a set of standards which provide absolute answers for accounting questions
- B) the development of a set of standards for auditors to use when looking for material misstatements or fraud
- C) the development of a set of standards which ensure that accounting standards are coherent and uniform.
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=1858041>

Question 813

Cash flows from financing activities include receipts of cash from issuing bonds and capital stock.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859850>

Question 814

Which of the following is a reduction of a catalog price whenever a company sells to a reseller in the same industry?

- A) trade discount
- B) sales discount
- C) net discount
- D) gross discount

Answer: <https://biology-forums.com/index.php?topic=1858787>

Question 815

The _____ is used to rank the authoritative support for its various accounting standards.

- A) IFRS hierarchy
- B) GAAP hierarchy
- C) Both A & B
- D) Neither A nor B

Answer: <https://biology-forums.com/index.php?topic=1858204>

Question 816

Excluding potentially taxable income from a tax return is an example of an uncertain tax position.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859415>

Question 817

The IASB and FASB share the goal that standards will be based on an agreed set of fundamental _____.

- A) practices
- B) constraints
- C) standards
- D) concepts

Answer: <https://biology-forums.com/index.php?topic=1858047>

Question 818

Visdant Company provided the following information:

Fair value of Visdant, including goodwill \$2,100,000

Value in use of Visdant, \$2,000,000

Book value of Visdant net assets, excluding goodwill \$3,000,000

Add: Carrying value of goodwill 600,000

Carrying value of Visdant, including goodwill \$2,400,000

The qualitative assessment of goodwill is completed and it is more likely than not that goodwill is impaired. Describe the process for determining if Visdant needs to record a goodwill impairment loss and prepare any required journal entries.

Answer: <https://biology-forums.com/index.php?topic=1859035>

Question 819

The conceptual framework indicates that the primary users of financial information are investors, lenders, and other creditors who cannot demand information from the entity.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858049>

Question 820

What are the three levels of influence that an investor can have over an investee company? What is the appropriate accounting treatment for each level of influence?

Answer: <https://biology-forums.com/index.php?topic=1859301>

Question 821

Refer to Walker Corporation. Make the journal entries to record the granting of the options and the compensation for Year 1.

Answer: <https://biology-forums.com/index.php?topic=1859580>

Question 822

Merciful Industries has a beginning PBO balance of \$500,000 and a settlement rate of 8%. As a result of an amendment to the current union contract, there are prior service costs of \$60,000. What is the journal entry to record interest expense on the pension obligation?

- A) Pension Expense 44,800
Projected Benefit Obligation 44,800
- B) Pension Expense 40,000
Other Comprehensive Income 40,000
- C) Pension Expense 100,200
Projected Benefit Obligation 100,200
- D) Pension Expense 56,000
Other Comprehensive Income 56,000

Answer: <https://biology-forums.com/index.php?topic=1859619>

Question 823

Interurban Company began operations on the first day of the year. On that day they issued 90,000 shares. On March 1 they issued 60,000 shares and on July 1, another 20,000 shares. On December 1, Interurban repurchased 6000 shares of outstanding shares. Compute basic EPS for the first year of operation if net income was \$100,000. (Round number of shares to the nearest whole number, and your final answer to the nearest cent.)

- A) \$1.11
- B) \$0.67
- C) \$1.67
- D) \$0.80

Answer: <https://biology-forums.com/index.php?topic=1859645>

Question 824

In 2015, the MoosePants Corporation reported income from continuing operations before taxes of \$865,500 and income from discontinued operations of \$213,000. MoosePants also reported \$82,000 of unrealized gains from fair value accounting adjustments recorded as other comprehensive income. The company is subject to a 34% tax rate and reports no permanent differences.

Prepare a partial income statement including comprehensive income.

Answer: <https://biology-forums.com/index.php?topic=1859423>

Question 825

All of the following accounts has a normal debit balance except _____.

- A) Dividends
- B) Loss on Sale of Land
- C) Additional Paid in Capital
- D) Land

Answer: <https://biology-forums.com/index.php?topic=1858266>

Question 826

What is the protocol to determine if multiple potentially dilutive securities are actually dilutive or antidilutive?

Answer: <https://biology-forums.com/index.php?topic=1859690>

Question 827

Presented below are performance measure data from the income statement of Wheezer Company.

Gross Profit 2,345,000
Operating Income 1,987,000
Income from Continuing Operations before Taxes 1,776,000
Income from Continuing Operations 1,234,000
Net Income 1,486,000

Wheezer has 200,000 shares of common stock outstanding. Prepare the summary schedule of earnings per share required by U.S. GAAP.

Answer: <https://biology-forums.com/index.php?topic=1858450>

Question 828

ABC Company enters into a contract with Edmond Library to help them streamline their purchasing process. The contract specifies that Edmond Library will pay ABC \$70,000 in the form of a fixed fee plus an additional \$10,000 if the library achieves \$200,000 in cost savings. ABC estimates a 55% chance that the library will achieve a \$200,000 savings. Assuming ABC estimates that the transaction price is the expected value transaction price. The transaction price is recorded as _____.

- A) \$70,000
- B) \$75,500
- C) \$80,000
- D) \$64,500

Answer: <https://biology-forums.com/index.php?topic=1858669>

Question 829

List the steps required to close temporary accounts.

Answer: <https://biology-forums.com/index.php?topic=1858354>

Question 830

Violet, Inc. recorded a deferred tax asset of \$42,000 due to a basis difference in warranty liabilities. Management has assessed that it is more likely than not that the firm will not realize 45% of the deferred tax asset. What is the necessary journal entry to record the valuation allowance?

- A)

Income Tax Expense 18,900
Valuation Allowance for Deferred Asset 18,900
B)
Deferred Tax Asset 18,900
Valuation Allowance for Deferred Asset 18,900
C)
Income Tax Expense 42,000
Valuation Allowance for Deferred Asset 42,000
D)
Deferred Tax Asset 42,000
Valuation Allowance for Deferred Asset 42,000
Answer: <https://biology-forums.com/index.php?topic=1859390>

Question 831

The formula for the current ratio is _____.

A) current assets divided by noncurrent assets
B) current assets divided by total assets
C) current assets divided by current liabilities
D) current assets divided by total liabilities
Answer: <https://biology-forums.com/index.php?topic=1858538>

Question 832

Lithotech, Inc had net sales in 2016 of \$900,000. At December 31, 2016, before adjusting entries, the balances in selected accounts were: accounts receivable \$126,000 debit, and allowance for doubtful accounts \$1500 debit. Lithotech estimates that 1% of its net sales will prove to be uncollectible. What is the cash realizable value of the receivables reported on the statement of financial position at December 31, 2016?

A) \$118,500
B) \$117,000
C) \$126,000
D) \$124,500
Answer: <https://biology-forums.com/index.php?topic=1858806>

Question 833

Mozart & Company paid cash dividends totaling \$150,000 in 2013 and \$75,000 in 2014. In 2015, the company will pay cash dividends of \$810,000. There were no dividends in arrears as of January 1, 2013. There are 25,000 shares of common stock outstanding and 100,000 shares of 6 percent, \$50 par cumulative preferred. What is the amount of cash dividends payable to common stockholders in 2015?

A) \$135,000
B) \$150,000
C) \$375,000
D) \$810,000
Answer: <https://biology-forums.com/index.php?topic=1859252>

Question 834

The first step in the accounting research process is to establish and understand the facts.
[b][True or False][/b]
Answer: <https://biology-forums.com/index.php?topic=1858221>

Question 835

After identifying a lease, both the lessee and the lessor are required to separate the various lease and nonlease components and allocate consideration to these components.
[b][True or False][/b]
Answer: <https://biology-forums.com/index.php?topic=1859518>

Question 836

Which of the following is not a cash inflow from financing activities?

A) issuance of stock
B) purchase of treasury stock
C) purchase of bonds
D) payment of dividends
Answer: <https://biology-forums.com/index.php?topic=1859855>

Question 837

The party acquiring the use of a leased asset is the lessor.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859430>

Question 838

If, at the lease commencement date, it is likely that the lessee will exercise the purchase option, then the amount of the purchase option is included in the computation of the lease payments.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859550>

Question 839

Which of the following disclosure requirement applies to IFRS but not to U.S. GAAP?

- A) The events and circumstances that led to the recognition of the impairment.
- B) Whether the recoverable amount was fair value less costs to sell or value in use.
- C) The amount of any impairment loss if not separately disclosed in the income statement.
- D) The asset that was impaired.

Answer: <https://biology-forums.com/index.php?topic=1859041>

Question 840

_____ preferred shares contain a provision requiring that preferred shareholders share ratably in distributions with common shareholders.

- A) Cumulative
- B) Participating
- C) Convertible
- D) Redeemable

Answer: <https://biology-forums.com/index.php?topic=1859237>

Question 841

The difference between pension plan assets and the PBO is equal to the funded status of the plan.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859605>

Question 842

When a company pays taxes that were previously recorded as a deferred tax liability, the temporary difference _____.

- A) originates
- B) reverses
- C) increases
- D) decreases

Answer: <https://biology-forums.com/index.php?topic=1859377>

Question 843

Accrued expenses are paid before they are incurred.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858311>

Question 844

The statement of cash flows is divided into three sections under U.S. GAAP and four sections under IFRS.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859797>

Question 845

In 2015, its first year of operations, Moulin & Company experienced a \$326,000 net operating loss and recorded a deferred tax asset of \$117,360. Moulin decides that it is more likely than not that it will only be able to generate \$250,000 of taxable income during the carryforward period. As a result, without generating additional future taxable income it will not be able to fully realize the NOL carryforward benefit.

Prepare the necessary journal entry to record the net deferred tax asset in 2015.

Answer: <https://biology-forums.com/index.php?topic=1859414>

Question 846

You have discovered an investment opportunity that earns a 10% rate of interest compounded semiannually. What amount should you deposit today to have \$5000 in three years? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$3757
- B) \$3718
- C) \$3731
- D) \$3500

Answer: <https://biology-forums.com/index.php?topic=1858573>

Question 847

A substitution right is when a lessor has the ability to replace the identified asset. If the lessor has a substantive right to substitution, then an identified asset does not exist.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859514>

Question 848

_____ indicates whether financial information depicts an economic event in a way that is complete, neutral, and free from error.

- A) Relevance
- B) Faithful representation
- C) Verifiability
- D) Truthfulness

Answer: <https://biology-forums.com/index.php?topic=1858071>

Question 849

The employees of Lucid Laboratories are paid every two weeks on Friday for a Monday through Friday work week. Total payroll is \$1200 and covers 10 workdays. The end of the current month falls on the second Tuesday of the pay period. What is the adjusting journal entry to accrue payroll at the end of the month?

- A)
Salaries Expense 840
 Salaries Payable 360
- B)
Prepaid Salaries 360
 Salaries Payable 360
- C)
Salaries Expense 840
Prepaid Salaries 360
 Salaries Payable 1200
- D)
Salaries Expense 840
 Salaries Payable 840

Answer: <https://biology-forums.com/index.php?topic=1858317>

Question 850

The following data include all the elements from Cambridge Company income statement:

Administrative Expense \$873
Cost of Goods Sold 3629
Gain on Sale of Securities 623
Income Tax Expense 1,234
Loss on Discontinued Operations 1,229
Loss on Disposal of Equipment 237
Revenue 8757
Selling Expense 1,425

What is the amount of gross profit for Cambridge Company?

- A) \$3894
- B) \$1596
- C) \$4517
- D) \$5128

Answer: <https://biology-forums.com/index.php?topic=1858425>

Question 851

The cost of individually acquired intangible assets is charged as an expense of the period in which the costs are incurred.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858972>

Question 852

Permanent accounts include all balance sheet accounts.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858341>

Question 853

Prospective changes require changes be made to the current year and all future years affected.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859709>

Question 854

The inventory turnover ratio equals _____.

- A) cost of goods sold divided by average inventory
- B) sales revenue divided by average inventory
- C) sales revenue divided by cost of goods sold
- D) 365 divided by average inventory

Answer: <https://biology-forums.com/index.php?topic=1858908>

Question 855

The IFRS element income relates to which U.S. GAAP element?

- A) comprehensive income
- B) capital maintenance
- C) revenues and expenses
- D) revenues and gains

Answer: <https://biology-forums.com/index.php?topic=1858093>

Question 856

How does accounting help in the capital allocation process?

Answer: <https://biology-forums.com/index.php?topic=1858007>

Question 857

The first step in measuring compensation expense from granting employee stock options is to determine the fair value on the date of grant.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859567>

Question 858

How does a firm determine the appropriate period of time over which an intangible asset should be amortized?

Answer: <https://biology-forums.com/index.php?topic=1858987>

Question 859

A deferred tax asset exists when _____.

- A) the book basis of assets is greater than the tax basis of assets
- B) the book basis of liabilities is greater than the tax basis of liabilities
- C) the book basis of assets is equal to the tax basis of assets
- D) the book basis of liabilities is less than the tax basis of liabilities

Answer: <https://biology-forums.com/index.php?topic=1859373>

Question 860

Which of the following is not an underlying assumption in financial reporting?

- A) economic entity concept
- B) monetary unit assumption
- C) reliability concept

D) periodicity assumption

Answer: <https://biology-forums.com/index.php?topic=1858134>

Question 861

Riley Watson, lead salesperson for Bowman Industries, begins customer negotiations by proposing an unusually high price. Riley is hoping her customer will exhibit which cognitive bias in the negotiations?

- A) arrogance bias
- B) overconfidence bias
- C) anchoring bias
- D) confirmatory bias

Answer: <https://biology-forums.com/index.php?topic=1858181>

Question 862

IFRS requires that firms must expense all R&D costs as incurred.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858974>

Question 863

What types of gains and losses resulting from the change in the value of investments must companies report?

Answer: <https://biology-forums.com/index.php?topic=1859284>

Question 864

Group I criteria provide guidance to operationalize the concept of ownership and control of an asset. To meet the Group I criteria, a transaction only needs to meet one of the five criterion. List those five criterion.

Answer: <https://biology-forums.com/index.php?topic=1859528>

Question 865

The FASB is currently working on objectives of financial reporting and presentation.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858037>

Question 866

Cash flows from investing activities include receipts of cash from the sale of investments and from issuing bonds.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859842>

Question 867

Schmidt Electronics offered an incentive stock plan to its employees. On January 1, Year 1, options were granted for 110,000 \$1 par common shares. The exercise price equals the \$6 market price of the common stock on the grant date. The options cannot be exercised before January 1, Year 4, and expire on December 31, Year 5. Each option has a value of \$4 based upon an option pricing model.

What is the amount debited to Deferred Compensation?

- A) \$110,000
- B) \$330,000
- C) \$440,000
- D) \$660,000

Answer: <https://biology-forums.com/index.php?topic=1859578>

Question 868

Pennock Inc. has convertible preferred stock outstanding. To compute the diluted EPS, it must adjust _____.

- A) only the numerator
- B) only the denominator
- C) both the numerator and denominator
- D) neither the numerator nor the denominator

Answer: <https://biology-forums.com/index.php?topic=1859661>

Question 869

List the five conditions specified by IFRS for revenue recognition from the sale of goods.

Answer: <https://biology-forums.com/index.php?topic=1858747>

Question 870

Which of the following is the key performance measure reported on the income statement that is typically presented first in sequence?

- A) sales revenue
- B) income from continuing operations
- C) gross profit
- D) operating income

Answer: <https://biology-forums.com/index.php?topic=1858411>

Question 871

On the statement of cash flows, the total lease payment reduces cash flow from operating activities for the operating lease. Only the _____ reduces operating cash flows under the _____ lease. Therefore, cash flows from operating activities are _____ under the finance lease each year and in total.

- A) liability portion; finance; lower
- B) interest portion; finance; higher
- C) liability portion; operating; lower
- D) interest portion; operating; higher

Answer: <https://biology-forums.com/index.php?topic=1859562>

Question 872

What is securitization of receivables? What are advantages and disadvantages of securitization?

Answer: <https://biology-forums.com/index.php?topic=1858823>

Question 873

Under the indirect method, subtract any bond discount amortization from net income to arrive at operating cash flows.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859862>

Question 874

According to U.S. GAAP, checks written in excess of the balance of a bank account are deducted from the cash account on the balance sheet.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858776>

Question 875

The major difference between cash and accrual accounting is the timing of revenue and expense recognition.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858103>

Question 876

_____ are identical under U.S. GAAP and IFRS.

- A) Elements and Recognition
- B) Presentation and Disclosure
- C) Objective and Qualitative Characteristics
- D) Subjective and Quantitative Characteristics

Answer: <https://biology-forums.com/index.php?topic=1858042>

Question 877

Under IFRS, the operating activities section may begin with something other than net income when using the indirect method.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859829>

Question 878

Bank overdrafts are considered to be a reduction of cash under IFRS, but not under U.S. GAAP.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859791>

Question 879

Sumner Industries began the year with 140,000 shares of common stock and 10,000 shares of 6%, \$100 par value, cumulative, nonconvertible

preferred stock. On April 1 it declared a 10% stock dividend on common shares. On June 1, it purchased 15,000 shares of treasury stock. On December 1, Sumner declared a 2 for 1 stock split. Net income for the year was \$570,000. Compute weighted average shares of common stock for the year and basic EPS.

Instructions: Write the EPS formula. Show all computations used in your solution.

Answer: <https://biology-forums.com/index.php?topic=1859649>

Question 880

IFRS standards include all of the following except _____.

- A) Standing Interpretations Committee Interpretations
- B) IFRS Interpretations Committee Interpretations
- C) Standing Accounting Standards
- D) International Accounting Standards

Answer: <https://biology-forums.com/index.php?topic=1858203>

Question 881

Darouich Industries decided to retire an \$80,000,000 bond issue before its due date. The bonds were callable by the company at 102. At the same time, the bonds were selling at 101 on the open market. The company was able to buy \$40,000,00 of the bonds at 101 and called the remaining bonds. At that time, there was \$2,000,000 in the Bond Discount account and \$8,000,000 in the Unamortized Bond Issue Costs accounts. Compute the gain or loss on the early extinguishment of the bonds.

- A) \$3,200,000 gain
- B) \$9,200,000 loss
- C) \$11,200,000 gain
- D) \$11,200,000 loss

Answer: <https://biology-forums.com/index.php?topic=1859168>

Question 882

IFRS requires an impairment test for goodwill at least annually.

True or False

Answer: <https://biology-forums.com/index.php?topic=1859032>

Question 883

The adjusted trial balance includes only permanent accounts.

True or False

Answer: <https://biology-forums.com/index.php?topic=1858333>

Question 884

Firms associate goodwill with the group of net assets at the level of the operating segment or one level below the operating segment.

True or False

Answer: <https://biology-forums.com/index.php?topic=1859017>

Question 885

Which of the following statements best describes the effective tax rate?

- A) It is the legally imposed rate in a given taxing jurisdiction.
- B) It can be calculated by dividing income tax expense by book income before taxes.
- C) It changes annually based on provisions from Congress.
- D) It is calculated as book income divided by taxable income.

Answer: <https://biology-forums.com/index.php?topic=1859367>

Question 886

Compare and contrast the differences between accounting for leases under GAAP and IFRS.

Answer: <https://biology-forums.com/index.php?topic=1859459>

Question 887

The contract between a corporation and its bondholders is a _____.

- A) bond indenture
- B) bond covenant
- C) restriction for compensating balances
- D) secured bond

Answer: <https://biology-forums.com/index.php?topic=1859129>

Question 888

Zambrano Corp. decided to go into the market to repurchase bonds before their due date. The following are the balances of the accounts on the date of the retirement:

Bonds Payable \$5,000,000

Bond Discount \$30,000

Unamortized Bond Issue Cost \$49,000

Cash Paid for Bonds \$4,898,000

What is the gain or loss on the early extinguishment of the bonds?

- A) \$83,000 loss
- B) \$79,000 loss
- C) \$23,000 gain
- D) No gain or loss is recognized.

Answer: <https://biology-forums.com/index.php?topic=1859167>

Question 889

Which of the following is a classification of expenses using the nature approach?

- A) cost of goods sold
- B) payroll costs
- C) sales expense
- D) administration expense

Answer: <https://biology-forums.com/index.php?topic=1858403>

Question 890

Which of the following is most likely based on assumptions?

- A) Revenue
- B) Depreciation expense
- C) Rent expense
- D) All of the above are based on assumptions

Answer: <https://biology-forums.com/index.php?topic=1858157>

Question 891

When a company decides to discontinue an operation, it values the assets and liabilities of that operation at _____ if this amount is lower than the carrying value.

- A) gross book value (historical cost)
- B) net book value (historical cost less accumulated depreciation)
- C) gross current value (fair value)
- D) net current cost (fair value less selling costs)

Answer: <https://biology-forums.com/index.php?topic=1858433>

Question 892

A firm recognizing an impairment loss must separately disclose the amount of loss in the income statement.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859036>

Question 893

On the income statement, the line item that comes before income tax expense is called income from continuing operations.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858418>

Question 894

Cash receipts of dividends are classified as investing activities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859801>

Question 895

IFRS requires disclosure of whether the recoverable amount of an impaired asset was net fair value or value in use.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859039>

Question 896

Disclosures are required for all accounting estimates made in normal operations.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859750>

Question 897

When computing diluted EPS, both the numerator and denominator are affected by _____.

- A) stock options
- B) stock warrants
- C) preferred stock
- D) convertible bonds

Answer: <https://biology-forums.com/index.php?topic=1859677>

Question 898

A complex capital would include only convertible debt and convertible preferred stock.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859651>

Question 899

Explain comprehensive income in terms of other elements of the financial statements.

Answer: <https://biology-forums.com/index.php?topic=1858099>

Question 900

If a contract includes non cash consideration, how should the transaction be measured?

Answer: <https://biology-forums.com/index.php?topic=1858679>

Question 901

A large company uses a perpetual inventory system and a sophisticated computerized system to account for its inventory over time. At the end of the accounting period, the company performs a physical count of the inventory on hand and hires hundreds of workers to carry out this task.

Required:

1. Why does the company perform a physical count of inventory?
2. After the physical count of inventory is completed, describe the required journal entry and provide an example.

Answer: <https://biology-forums.com/index.php?topic=1858846>

Question 902

Under U.S. GAAP, bond issue costs are capitalized and amortized over the life of the bonds.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859158>

Question 903

Which of the following recording errors will be revealed by the unadjusted trial balance?

- A) incorrectly posting a debit for Supplies Expense to Salaries Expense
- B) inadvertently omitting an entry recording the purchase of small tools from posting
- C) posting a journal entry to record rent expense twice
- D) posting a \$50,000 entry to Accounts Receivable as \$5,000 while correctly recording the corresponding revenue correctly

Answer: <https://biology-forums.com/index.php?topic=1858291>

Question 904

Cameron Diaz Corporation purchased a computer system for \$17,000. The company paid \$4000 cash and issued a \$13,000 note payable for the entire balance. The journal entry to record this transaction includes a(n) _____.

- A) debit to Equipment for \$17,000
- B) credit to Accounts Payable for \$13,000
- C) debit to Expense for \$17,000
- D) credit to Cash for \$17,000

Answer: <https://biology-forums.com/index.php?topic=1858268>

Question 905

What are the most common approaches management uses to manipulate earnings?

Answer: <https://biology-forums.com/index.php?topic=1858396>

Question 906

The fair value option improves financial reporting by enabling entities to offset volatility in reported earnings. How is this accomplished?

Answer: <https://biology-forums.com/index.php?topic=1859329>

Question 907

If the lease contract allows the lessee to exercise the bargain purchase option prior to the lease termination, all accounting computations must be based on the shorter period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859485>

Question 908

Centurion, Inc. has four potentially dilutive securities. Net income for the year is \$900,000 and the weighted average common shares outstanding is 600,000 shares. Computation of the antidilution sequencing recorded the following:

Security/Increase in Income/Increase in Common Shares

Convertible Preferred Stock/\$30,000/12,000

Stock Warrants \$0 7,000

Stock Options \$0 (8,000)

Convertible Bonds/\$95,000/14,000

Required: Write the basic equation for EPS and compute basic EPS. Determine the order of entry into the EPS computation. Compute final diluted EPS and show all computations to determine your final answer.

Answer: <https://biology-forums.com/index.php?topic=1859691>

Question 909

HdG, Inc. accepts a \$100,000, 5% note from Aberdeen Unlimited on April 1, 2016, and lends money to Aberdeen. Aberdeen agrees to pay 5 equal annual payments on this note beginning March 31, 2017. The market rate at the date of issuance of this note was 5%. How much Interest Revenue will HdG record on December 31, 2016, the end of its fiscal year?

A) HdG will not record Interest Revenue until it receives the first installment payment on this note on March 31, 2017.

B) \$2,500

C) \$5,000

D) \$3,750

Answer: <https://biology-forums.com/index.php?topic=1859318>

Question 910

The role of qualitative characteristics in the conceptual framework is to increase the decision usefulness of financial information.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858057>

Question 911

To be recognized as a sale under IFRS, companies must give up effective control of factored receivables.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858813>

Question 912

The cash operating cycle is equal to (1) days accounts payable outstanding minus (2) days sales outstanding minus (3) days inventory on hand.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858833>

Question 913

One example of an impairment indicator is a significant increase in the market price of an asset or asset group.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859001>

Question 914

A higher than expected return on plan assets increases pension costs.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859627>

Question 915

When accountants use judgment to interpret standards, it often detracts from the usefulness of the financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858143>

Question 916

If an unexpected forfeiture of options occurs under a stock option plan, the change in compensation is treated as _____.

- A) a change in estimate
- B) an adjustment to additional paid in capital
- C) an adjustment to deferred compensation
- D) a change in other comprehensive income

Answer: <https://biology-forums.com/index.php?topic=1859576>

Question 917

Companies report earnings per share for all of the following except _____.

- A) operating income
- B) net income
- C) continuing operations
- D) discontinued operations

Answer: <https://biology-forums.com/index.php?topic=1858448>

Question 918

Accretion expense functions in the same way as interest expense.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859069>

Question 919

Which one of the following is not an indicator of a consignment arrangement?

- A) Consignor controls product until a specific event occurs.
- B) Consignor can require the goods be returned.
- C) Consignee does not have an unconditional obligation to pay.
- D) Consignor cannot require goods to be returned.

Answer: <https://biology-forums.com/index.php?topic=1858725>

Question 920

Which of the following accounts is a temporary account?

- A) Supplies
- B) Interest Expense
- C) Patents
- D) Insurance

Answer: <https://biology-forums.com/index.php?topic=1858349>

Question 921

Which organization is responsible for setting auditing standards and oversees the audits of public companies in the United States?

- A) Financial Accounting Standards Board
- B) Public Company Accounting Oversight Board
- C) American Institute of Certified Public Accountants
- D) Securities Exchange Commission

Answer: <https://biology-forums.com/index.php?topic=1858001>

Question 922

The income statement requires presentation of basic and diluted earnings per share for each year presented, plus additional information to be disclosed in the notes to the financial statements for all years presented.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859698>

Question 923

On the Balance Sheet, the lease obligation for operating leases is _____.

- A) amortized by straight line
- B) reduced to present value
- C) amortized less early on
- D) not included

Answer: <https://biology-forums.com/index.php?topic=1859561>

Question 924

Louise paints seascapes and landscapes. In 2017 she placed nine of her most prized paintings with the Wainwright Studio Gallery. The paintings each carried a price of \$10,000, and Louise made a deal with the Gallery to pay them a 40% commission on all paintings sold. At the end of the year three paintings had been sold. How much revenue will Louise recognize on the consignment sales?

- A) \$30,000
- B) \$18,000
- C) \$12,000
- D) \$0

Answer: <https://biology-forums.com/index.php?topic=1858755>

Question 925

Refer to Walker Corporation. Assuming that all compensation expense has been recorded, record the journal entry to reflect the expiration of 3,000 options that were never exercised.

Answer: <https://biology-forums.com/index.php?topic=1859581>

Question 926

Best practice suggests that accountants should commit the accounting standards to memory.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858224>

Question 927

For securities classified as trading, what do companies disclose in the notes to the financial statements?

Answer: <https://biology-forums.com/index.php?topic=1859344>

Question 928

Which of the following errors will not be revealed by the unadjusted trial balance?

- A) incorrectly posting a debit for Salaries Expense to Supplies Expense
- B) failing to post one side of a journal entry
- C) posting a \$50,000 debit to Accounts Receivable as \$5,000 while recording the credit to revenue as \$50,000
- D) posting a credit to cash for \$5,400 as \$4,500 while posting the debit to expense as \$5,400

Answer: <https://biology-forums.com/index.php?topic=1858292>

Question 929

Identify the level of the IFRS Literature Hierarchy that each item belongs to.

Authoritative LiteratureLevel

Industry practice

The Conceptual Framework recognition criteria related to income

Authoritative rules from IFRS for similar and related transactions

Answer: <https://biology-forums.com/index.php?topic=1858218>

Question 930

Energy, Inc began operations in 2015 using LIFO inventory methods. In 2016, management decided they should have chosen FIFO. The beginning inventory for 2016 using LIFO was \$128,000. Under the FIFO method, the beginning inventory would have been \$157,000. The adjustment to inventory for the change in accounting principle for 2016 would be _____.

- A) \$0
- B) \$29,000 debit
- C) \$29,000 credit
- D) \$58,000 debit

Answer: <https://biology-forums.com/index.php?topic=1859741>

Question 931

Identify the measurement base described in each definition, then indicate whether it applies to U.S. GAAP, IFRS, or both.

DefinitionMeasurement BaseU.S. GAAP or IFRS or both

The amount of cash (or equivalent) to be received in exchange for an asset, less the direct costs of disposal. In the case of a liability, it is the amount of cash (or equivalent) expected to be paid to liquidate the obligation, including any direct costs of liquidation.

The amount of cash (or equivalent) that the firm would receive by selling the asset in an orderly liquidation.

The amount of cash (or equivalent) that the firm paid to acquire the asset. In the case of a liability, this is the amount that the firm received when it incurred the obligation.

The amount of cash (or equivalent) that would be required if the firm acquired the asset currently.

Answer: <https://biology-forums.com/index.php?topic=1858128>

Question 932

The cost of land includes the purchase price and land improvement costs.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858913>

Question 933

Pemco Enterprises sells annual memberships to its shooting lodge. The memberships cost \$310 each. On January 1, Pemco sold 2,800 memberships and received cash. What journal entry should Pemco Enterprises make on January 31st if adjusting entries are completed monthly.

- A) Debit Unearned Revenue; Credit Cash
- B) Debit Sales Revenue; Credit Unearned Revenue
- C) Debit Unearned Revenue; Credit Sales Revenue
- D) Debit Cash; Credit Sales Revenue

Answer: <https://biology-forums.com/index.php?topic=1858699>

Question 934

Discuss the relationship between temporary differences, the statutory and effective tax rate.

Answer: <https://biology-forums.com/index.php?topic=1859381>

Question 935

On January 1, 2016, Bubert Corporation issues 10,000 shares of \$5 par restricted stock to its key executives. The market value of these shares on the date of issue is \$25 and there is a four year vesting period. What is the amount of compensation expense recorded on December 31, 2016?

- A) \$62,500
- B) \$50,000
- C) \$250,000
- D) \$10,000

Answer: <https://biology-forums.com/index.php?topic=1859592>

Question 936

Pepper Company owns 40% of the common stock and exercises significant influence over Salt Company. Pepper Company _____.

- A) would decrease its investment account when Salt Company declares dividends
- B) would record 40% of the net income of Salt Company as investment income each year
- C) would record dividends received from Salt Company as investment revenue
- D) would file a consolidated financial statement with Salt Company

Answer: <https://biology-forums.com/index.php?topic=1859305>

Question 937

A financial statement can provide a faithful representation even if it is not perfectly accurate as long as the process used to produce the information is selected and applied with no errors and the description of the transaction is free from error.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859774>

Question 938

If the present value of the minimum lease payments is be greater than or equal to _____, the lessee will record the lease as a capital lease.

- A) 75% of the cost of the asset
- B) 75% of the fair market value of the asset
- C) 90% of the cost of the asset
- D) 90% of the fair market value of the asset

Answer: <https://biology-forums.com/index.php?topic=1859450>

Question 939

When bonds are issued at a discount, interest expense will be less than interest paid.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859136>

Question 940

Operating leases have lower lease costs than finance leases that include amortization expense plus interest expense.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859559>

Question 941

IFRS requires disclosure of the amount of revenue earned from interest and dividends.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858766>

Question 942

To be recognized as a sale under IFRS, factored receivables do not have to be isolated.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858814>

Question 943

Fanagi Corp. borrowed \$59,000 from its bank at a 6% annual interest rate and will repay \$270,000. Assume annual compounding. In approximately how many years will Fanagi repay the loan? (Do not round any intermediary calculations, and round your final answer to the nearest year.)

- A) 22 years
- B) 31 years
- C) 24 years
- D) 26 years

Answer: <https://biology-forums.com/index.php?topic=1858577>

Question 944

Yield is the actual return investors receive on investments in bonds.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859263>

Question 945

Based on the above information, the present value of the lease payments is different for the lessor and lessee.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859558>

Question 946

The indirect method of formatting the statement of cash flow is also referred to as the income statement format.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859825>

Question 947

When working with bonds issued between interest dates, the accountant must _____.

- A) reevaluate the actual interest rate for the entire amortization table
- B) assume that the bonds were issued on the intended issue date
- C) adjust the first period of the amortization table
- D) omit the first interest period from the amortization table

Answer: <https://biology-forums.com/index.php?topic=1859156>

Question 948

The following data include all the elements from Tuche Millinery income statement:

Administrative Expense \$228
Cost of Goods Sold 262
Gain on Sale of Securities 49
Income Tax Expense 56
Loss on Discontinued Operations 38
Loss on Disposal of Equipment 86
Revenue 879

Selling Expense 124

What is the amount of operating income for Tuche Millinery?

- A) \$617
- B) \$389
- C) \$265
- D) \$208

Answer: <https://biology-forums.com/index.php?topic=1858423>

Question 949

What is the effective interest rate for an investment fund that pays 8% interest compounded monthly? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer two decimal places, X.XX%.)

- A) 8.67%
- B) 8.00%
- C) 8.30%
- D) 8.16%

Answer: <https://biology-forums.com/index.php?topic=1858554>

Question 950

Currently, under U.S. GAAP, what are the four items of other comprehensive income? Why should these items not flow through net income?

Answer: <https://biology-forums.com/index.php?topic=1858460>

Question 951

Under IFRS, companies are required to disclose information about the assumptions and estimates made _____.

- A) at the end of the reporting period
- B) throughout the reporting period
- C) at the beginning of the reporting period
- D) Unlike U.S. GAAP, IFRS does not require disclosures of assumptions and estimates.

Answer: <https://biology-forums.com/index.php?topic=1858514>

Question 952

_____ are restatements or revaluations of reported amounts of assets and liabilities that companies usually report in comprehensive income.

- A) Financial maintenance entries
- B) Capital maintenance adjustments
- C) Physical maintenance entries
- D) Comprehensive maintenance adjustments

Answer: <https://biology-forums.com/index.php?topic=1858095>

Question 953

Retained earnings are amounts invested by the equity holders of the company.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859244>

Question 954

US GAAP assumes that all potential shares in diluted earnings per share computations use the treasury stock method.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859658>

Question 955

The Note Receivable account is always debited for the face value of a note.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858827>

Question 956

Jones Company sold merchandise on account for \$90,000. This merchandise cost \$58,000. The company uses the perpetual method of accounting for inventory. What would be the correct journal entry to record the transaction?

- A)
Accounts Receivable 90,000
 Sales 90,000
- B)

Accounts Receivable 90,000
Sales 90,000
Cost of Goods Sold 58,000
Merchandise Inventory 58,000

C)

Accounts Receivable 90,000
Merchandise Inventory 58,000
Gain on Sale 32,000

D)

Accounts Receivable 32,000
Cost of Goods Sold 58,000
Sales 90,000

Answer: <https://biology-forums.com/index.php?topic=1858271>

Question 957

The final step in the accounting research process is to communicate the results.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858222>

Question 958

The length of a period is determined by the frequency of interest compounding.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858546>

Question 959

Firms account for material error corrections _____.

- A) with the retrospective method
- B) using the prospective method
- C) only after they self correct
- D) only when both the income statement and balance sheet are affected

Answer: <https://biology-forums.com/index.php?topic=1859776>

Question 960

Convertible bonds are one type of hybrid security.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859171>

Question 961

Gains from equity method adjustments must be added to net income to determine cash flows from operations.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859860>

Question 962

The demand for financial information is based on market factors.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1857989>

Question 963

The Basis for Conclusions for pronouncements under U.S. GAAP are _____.

- A) authoritative in nature
- B) not included in the Codification
- C) both A & B
- D) neither A nor B

Answer: <https://biology-forums.com/index.php?topic=1858206>

Question 964

A specific present value of an ordinary annuity factor for a given number of periods and a specific discount rate is equal to the cumulative sum of the present value of a single sum factors over the number of periods for that discount rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858606>

Question 965

When a pension plan is amended to recognize previous service of currently enrolled employees, what component of pension expense is created?

- A) transition costs
- B) amendment costs
- C) past service costs
- D) prior service costs

Answer: <https://biology-forums.com/index.php?topic=1859616>

Question 966

A change in reporting entity must be treated retrospectively for a maximum of two prior years.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859766>

Question 967

Which of the following is added to net income when computing net cash from operating activities under the indirect method?

- A) increase in income tax payable
- B) increase in deferred tax asset
- C) decrease in deferred tax liability
- D) increase in income tax expense

Answer: <https://biology-forums.com/index.php?topic=1859866>

Question 968

Which one of the following is not a required disclosure for a change in reporting entity?

- A) the nature of the change and the reason for the change
- B) the effect of the change on income from continuing operations
- C) the effect of the change on operating expenses
- D) the effect of the change on other comprehensive income

Answer: <https://biology-forums.com/index.php?topic=1859769>

Question 969

Which fundamental characteristic makes explicit the assumption of the full disclosure principle?

- A) relevance
- B) materiality
- C) verifiability
- D) completeness

Answer: <https://biology-forums.com/index.php?topic=1858140>

Question 970

Fraud is a type of accounting error.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859771>

Question 971

Refer to Thompson Industries. Assume that Thompson Industries uses the installment sales method. The buyer of the land defaulted on the sales agreement after making the down payment and the first installment. At the time of repossession, the land was worth \$700,000.

Required:

Prepare the journal entry to record the repossession.

Answer: <https://biology-forums.com/index.php?topic=1858774>

Question 972

Which of the following is not a consideration for a company in determining whether to disclose more detail by security type?

- A) geographic concentration
- B) economic characteristic
- C) business sector
- D) total return on investment to date

Answer: <https://biology-forums.com/index.php?topic=1859342>

Question 973

On November 1, Fisher and Sons Music Center loaned a customer \$17,000 at a 6% annual interest rate for six months. What is the interest receivable on the note at December 31? (Do not round intermediary calculations. Only round your final answer to the nearest dollar.)

- A) \$85
- B) \$170
- C) \$340
- D) \$1020

Answer: <https://biology-forums.com/index.php?topic=1858319>

Question 974

The additional cash received when bonds are issued at a premium is accounted for as an increase of future interest expense.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859139>

Question 975

Sales discounts are reductions granted to customers to encourage quick invoice payment.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858784>

Question 976

Which of the following situations always results in a loss on derecognition of an asset?

- A) The asset is abandoned.
- B) The cash proceeds from the sale are less than the book value of the asset.
- C) The carrying value of the asset is less than its book value at the time of derecognition.
- D) The cash proceeds from the sale (if any) are less than the acquisition cost of the asset.

Answer: <https://biology-forums.com/index.php?topic=1858951>

Question 977

Fitzgerald Corporation has 59,000 shares authorized, 43,000 issued, and 9000 shares of treasury stock. _____ shares are outstanding, and _____ shares are unissued.

- A) 50,000; 9000
- B) 34,000; 16,000
- C) 9000; 50,000
- D) 16,000; 34,000

Answer: <https://biology-forums.com/index.php?topic=1859218>

Question 978

Which of the following is not a component of annual pension expense?

- A) service cost
- B) prior service costs
- C) actual return on plan assets
- D) interest on the projected benefit obligation

Answer: <https://biology-forums.com/index.php?topic=1859623>

Question 979

The future amount of an annuity due is determined _____.

- A) one period after the last cash payment in the series
- B) one period before the last cash payment in the series
- C) at the same time as the first cash payment in the series
- D) at the same time as the last cash payment in the series

Answer: <https://biology-forums.com/index.php?topic=1858595>

Question 980

What is the normal journal entry for recording bad debt expense?

- A) debit Bad Debt Expense, credit Allowance for Uncollectible Accounts
- B) debit Allowance for Uncollectible Accounts, credit Bad Debt Expense
- C) debit Bad Debt Expense, credit Accounts Receivable
- D) debit Accounts Receivable, credit Bad Debt Expense

Answer: <https://biology-forums.com/index.php?topic=1858802>

Question 981

Cost of promotional premiums offered to customers are accrued as part of Cost of Goods Sold in the period in which related sales revenue is recognized.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859091>

Question 982

IFRS allows recoveries of impairment losses. What related disclosures are required and at what organizational level are they required?

Answer: <https://biology-forums.com/index.php?topic=1859043>

Question 983

StatMed Corporation leases medical equipment under a five year capital lease. The terms of the lease call for five equal payments of \$21,000, with the first payment due at the inception. The interest rate implicit in the lease is 10%. At what value is the leased equipment recorded at the inception of the lease?

- A) \$21,000
- B) \$105,000
- C) \$87,567
- D) \$79,607

Answer: <https://biology-forums.com/index.php?topic=1859475>

Question 984

An ordinary annuity is a series of equal periodic payments and an annuity due is a series of unequal periodic payments.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858585>

Question 985

Deferred expenses may be initially recorded as assets or revenues.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858304>

Question 986

Financial capital maintenance refers to the concept that capital is viewed in terms of _____.

- A) the comprehensive net income
- B) the changes in equity for the period
- C) the monetary investment in the company
- D) the closing cash account

Answer: <https://biology-forums.com/index.php?topic=1858097>

Question 987

Contingencies should not be accrued, but should be disclosed if they are either (1) probable, but not estimable, or (2) reasonably possible.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859092>

Question 988

Bangin Inc. financed the purchase of a machine by making ten annual payments of \$28,000 with the first payment due today. The purchase cost of the machine is considered to be the present value of those payments. What was the purchase cost of the machine to Bangin assuming a discount rate of 9%? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$118,275
- B) \$280,000
- C) \$179,694
- D) \$195,867

Answer: <https://biology-forums.com/index.php?topic=1858616>

Question 989

Credit ratings have a direct impact on the interest rate demanded by lenders, because it is a measure of risk to the lender.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859206>

Question 990

When a contract fails to meet the collectibility criteria the seller should record any advance payment as a/an _____.

- A) asset
- B) revenue
- C) liability
- D) expense

Answer: <https://biology-forums.com/index.php?topic=1858652>

Question 991

When a company carries forward a net operating loss (NOL), the income tax expense will be reduced in future years, but not income tax payable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859399>

Question 992

You have discovered an investment opportunity that earns a 5% rate of interest compounded annually. What amount should you deposit today to have \$9000 in two years? (Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$8154
- B) \$8163
- C) \$8182
- D) \$8550

Answer: <https://biology-forums.com/index.php?topic=1858572>

Question 993

Companies account for guaranteed residual values in the same way they account for bargain purchase options.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859487>

Question 994

Larry Smith, CPA does not know how to account for a deferred revenue transaction. In which topic grouping should he begin his research?

- A) 2XX
- B) 3XX
- C) 4XX
- D) 5XX

Answer: <https://biology-forums.com/index.php?topic=1858200>

Question 995

Cash receipts from collection notes receivable are classified as investing activities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859803>

Question 996

According to the FASB, when a seller has collected cash, the earnings process is complete.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858741>

Question 997

Which element of financial accounting involves identifying users who employ accounting information to make economic decisions for the benefit of others?

- A) financial information
- B) economic entity
- C) user groups
- D) legal, economic, political, and social environment.

Answer: <https://biology-forums.com/index.php?topic=1857999>

Question 998

Hepner Products enters into a contract with Tullis to sell three different products. The total price is \$350,000 Each of the products is a separate performance obligation. Based on the information presented in the table, what is the allocated transaction price of product Z using the adjusted market

assessment approach? (Round intermediary percentages to the nearest hundredth percent, and round your final answer to the nearest whole number.)

	Product	Standalone Price	Market Price
X	\$150,000	\$130,000	
Y	\$125,000	\$135,000	
Z	Not Available	\$100,000	

- A) \$95,900
- B) \$350,000
- C) \$116,667
- D) \$120,000

Answer: <https://biology-forums.com/index.php?topic=1858684>

Question 999

Bay City Corporation received \$27,000 for 12 months rent in advance. What entry is used to record this transaction?

- A)
Cash 27,000
 Prepaid Rent 27,000
- B)
Rent Expense 27,000
 Cash 27,000
- C)
Cash 27,000
 Unearned Revenue 27,000
- D)
Unearned Revenue 27,000
 Rent Revenue 27,000

Answer: <https://biology-forums.com/index.php?topic=1858269>

Question 1000

Relevance is an enhancing characteristic of financial information.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858063>

Question 1001

Fancy Gardens sells an annual magazine subscriptions for \$50. On January 1, 2017, Fancy Gardens sells 2,000 annual subscriptions to its magazine. The magazine is issued monthly.

Required: Prepare the journal entry to record the initial sale of the subscriptions and the adjusting entry at January 31.

Answer: <https://biology-forums.com/index.php?topic=1858711>

Question 1002

Derby Company sells season passes to its entertainment center. The passes sell for \$125 each and are good for one year. On January 1, Derby sells 4,800 passes and received cash. What journal entry should Derby Company make on January 31st assuming adjusting entries are made monthly?

- A) Debit Unearned Revenue; Credit Sales Revenue
- B) Debit Sales Revenue; Credit Unearned Revenue
- C) Debit Cash; Credit Unearned Revenue
- D) Debit Unearned Revenue; Credit Cash

Answer: <https://biology-forums.com/index.php?topic=1858702>

Question 1003

The going concern concept is explicitly stated in the IFRS conceptual framework but not in the U.S. GAAP conceptual framework.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858131>

Question 1004

Typically, _____ use the applied financial accounting research process.

- A) auditors
- B) investors
- C) financial statement preparers
- D) both A & C

Answer: <https://biology-forums.com/index.php?topic=1858234>

Question 1005

Complete the following table. Provide a brief description of the literature included for each level of the U.S. GAAP Literature Hierarchy.

Level

Brief description

Level 1

Level 2

Level 3

Answer: <https://biology-forums.com/index.php?topic=1858209>

Question 1006

The FASB promulgates accounting standards in the U.S. and the IFRS issues international accounting standards.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858012>

Question 1007

Inferno Inc. is embroiled in a lawsuit. In 2015, they recognize that a loss of \$65,000 is probable. Given a tax rate of 30%, how will this be treated in the accounting records?

- A) deferred tax asset of \$19,500
- B) deferred tax liability of \$19,500
- C) deferred tax asset of \$65,000
- D) deferred tax liability of \$65,000

Answer: <https://biology-forums.com/index.php?topic=1859380>

Question 1008

When preparing the operating activities section of the statement of cash flows under the direct method, an increase in accounts receivable is subtracted from sales.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858496>

Question 1009

Hawks, Inc. has 67,000 shares authorized, 52,000 issued, and 12,000 shares of treasury stock. _____ shares are outstanding, and _____ shares are unissued.

- A) 40,000; 15,000
- B) 55,000; 12,000
- C) 15,000; 40,000
- D) 12,000; 55,000

Answer: <https://biology-forums.com/index.php?topic=1859217>

Question 1010

A company may show EPS information either on the Income Statement or in the Notes to Financial Statements, whichever it prefers.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859633>

Question 1011

Financial accounting standards influence the behavior of managers and other internal users.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1857995>

Question 1012

A specific future value of an ordinary annuity factor for a given number of periods and a specific discount rate is equal to the cumulative sum of the future value of a single sum factors over the number of periods for that discount rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858587>

Question 1013

Changes in depreciation methods are changes in accounting principles handled retrospectively.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859744>

Question 1014

In general, the costs of the asset over the life of the lease are lower than if the lessee purchased the asset.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859512>

Question 1015

If a company initially records a deferred revenue as a liability, an adjusting entry must be made at the end of the period to increase the liability account.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858305>

Question 1016

Which of the following includes cash flows that relate to the production and delivery of goods and services?

- A) financing activities section
- B) operating activities section
- C) funding activities section
- D) investing activities section

Answer: <https://biology-forums.com/index.php?topic=1859809>

Question 1017

Is it possible to know where management applied judgment in the financial statements?

- A) No, this information is only available to company accountants.
- B) Yes, upon written request to the company.
- C) No, although auditors are provided with a supplement explaining accounting policies.
- D) Yes, the accounting policies footnote in the disclosures will provide some of this information.

Answer: <https://biology-forums.com/index.php?topic=1858159>

Question 1018

An impairment loss for goodwill is calculated as the difference between _____.

- A) the implied fair value of goodwill and its book value
- B) the fair value of the reporting unit (including goodwill) and the fair value of its net assets (without goodwill)
- C) the book value of the reporting unit (including goodwill) and the book value of its net assets (without goodwill)
- D) the fair value of the reporting unit (including goodwill) and the book value of the reporting unit (without goodwill)

Answer: <https://biology-forums.com/index.php?topic=1859020>

Question 1019

Jenner Corporation paid its annual dividend. This transaction represents a(n) _____.

- A) liability
- B) distribution to shareholders
- C) loss
- D) expense

Answer: <https://biology-forums.com/index.php?topic=1858254>

Question 1020

The December 31 financial statements of Jagger Company included the effects of the following transactions:

- a. Wages of \$6,800 were recorded. These wages will be paid on January 2.
- b. Interest expense of \$750 that will be paid on February 1 was recorded.
- c. Interest revenue of \$300 that will be paid on March 1 was recorded.

Required: Prepare the reversing entries for these transactions.

Answer: <https://biology-forums.com/index.php?topic=1858378>

Question 1021

IFRS does not allow the LIFO inventory method because _____.

- A) of the increased taxes owed under the LIFO method
- B) the majority of companies do not actually sell the oldest items first
- C) it is viewed as unrealistic and lacks representational faithfulness of inventory flows
- D) the FIFO method more accurately reflects the cost of inventory

Answer: <https://biology-forums.com/index.php?topic=1858859>

Question 1022

Premium amortization reduces the carrying value of the bonds.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859137>

Question 1023

An automotive magazine charges an annual subscription fee of \$300, with customers prepaying the fee. Subscribers receive 50 issues for the annual fee. The publisher provides the new subscribers with a discount coupon good for a 30 percent discount on a race car ride at a major track. The list price of the ride along experience is \$200. The company estimates that 35% of the coupons will be utilized. What is the number of performance obligations?

- A) 1
- B) 2
- C) 3
- D) 4

Answer: <https://biology-forums.com/index.php?topic=1858662>

Question 1024

In an extended warranty, warranty revenue is _____.

- A) not recognized
- B) recognized equally over the warranty period
- C) recognized only in the last year of the warranty period
- D) recognized in the year of sale

Answer: <https://biology-forums.com/index.php?topic=1859109>

Question 1025

Which one of the following does not require the computation of diluted earnings per share?

- A) convertible bonds
- B) stock warrants
- C) preferred stock
- D) stock options

Answer: <https://biology-forums.com/index.php?topic=1859659>

Question 1026

Under the direct method, items included in the operating activities cash flow calculations include cash collected from customers and cash collected from the sale of operating assets.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859830>

Question 1027

Violet Corporation reported a loss in 2015 of \$700,000. The company reported taxable income of \$280,000 in 2013 and \$205,000 in 2014. It has no permanent or temporary differences and its tax rate is 40%.

Refer to Violet Corporation. What is the necessary journal entry for 2015?

- A)
Income Tax Refund Receivable 280,000
 Income Tax Payable 194,000
 Deferred Tax Asset 86,000
- B)
Income Tax Refund Receivable 194,000
Deferred Tax Asset 86,000
 Income Tax Benefit 280,000
- C)
Income Tax Refund Receivable 194,000
 Deferred Tax Asset 194,000
- D)
Deferred Tax Asset 280,000
 Income Tax Benefit 280,000

Answer: <https://biology-forums.com/index.php?topic=1859407>

Question 1028

Official U.S. GAAP consist of the bulletins, opinions, and statements issued by the CAP, the APB, and the FASB.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858020>

Question 1029

What is the term that describes the process of identifying, measuring, and communicating financial information about an economic entity to various user groups?

- A) financial reporting
- B) accounting standard setting
- C) financial statement
- D) financial accounting

Answer: <https://biology-forums.com/index.php?topic=1857998>

Question 1030

The economic entity concept stipulates that an entity will measure and report economic activities in monetary units.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858133>

Question 1031

When an asset is impaired, the firm will determine a new carrying amount based upon its expectation of future economic benefits.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858997>

Question 1032

Purrfect Pets, Inc. provides animal daycare for \$29 per day. Customers buy three month packages, which provide 18 days of care per month. In January they received cash payments from 14 customers. For the month of January, they will recognize _____ of revenue under the cash basis, and _____ of revenue under the accrual basis.

- A) \$522; \$1566
- B) \$21,924; \$21,924
- C) \$21,924; \$7308
- D) \$7308; \$7308

Answer: <https://biology-forums.com/index.php?topic=1858122>

Question 1033

U.S. GAAP requires firms to classify revenues and expenses using the functional approach.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858399>

Question 1034

Given the following information from an amortization table, compute the effective interest expense, discount amortization, and the carrying value for the next line of the table:

6% Cash

Interest7% Effective

InterestDiscount

AmortizationCarrying

Value

\$42,000\$47,340\$5340\$681,630

- A) Effective Interest \$47,340; Discount Amortization \$5340; Carrying Value \$676,290
- B) Effective Interest \$47,714; Discount Amortization \$5714; Carrying Value \$687,344
- C) Effective Interest \$47,714; Discount Amortization \$5340; Carrying Value \$676,290
- D) Effective Interest \$47,340; Discount Amortization \$5340; Carrying Value \$681,630

Answer: <https://biology-forums.com/index.php?topic=1859146>

Question 1035

Purchase returns and purchase discounts are subtracted from purchases to calculate net purchases.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858849>

Question 1036

What is the purpose of the conceptual framework?

Answer: <https://biology-forums.com/index.php?topic=1858052>

Question 1037

In order to measure the value of investments in bonds, which of the following time value of money concepts is used?

- A) the present value of an ordinary annuity
- B) the future value of \$1
- C) the future value of an ordinary annuity
- D) all of these

Answer: <https://biology-forums.com/index.php?topic=1858638>

Question 1038

Which of the following statements regarding a bargain purchase option is true?

- A) The bargain purchase option is included in the minimum lease payments for the lessee but not the lessor.
- B) The lessee subtracts the present value of the bargain purchase option from the present value of the minimum rental payments to determine the lease obligation.
- C) A bargain purchase option reduces the amount of the investment that the lessor must recover from the minimum lease payments.
- D) The lessor subtracts the present value of the bargain purchase option from the present value of the rental payments to determine the lease receivable.

Answer: <https://biology-forums.com/index.php?topic=1859494>

Question 1039

The LIFO effect is _____.

- A) the change from the LIFO inventory value to the FIFO inventory value
- B) the difference between the ending inventory measured using LIFO and FIFO
- C) the change in the LIFO reserve account during the year and the impact on cost of goods sold
- D) the difference between the beginning inventory measured using LIFO and FIFO

Answer: <https://biology-forums.com/index.php?topic=1858878>

Question 1040

The residual approach of determining a standalone price focuses on internal factors by forecasting costs and adding an appropriate profit margin.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858680>

Question 1041

The most popular method of accounting for treasury stock is the _____ method.

- A) par value
- B) cost
- C) fair value
- D) A and B are utilized equally

Answer: <https://biology-forums.com/index.php?topic=1859231>

Question 1042

Companies are required to disclose the amount of depreciation expense for each major class of fixed assets.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858954>

Question 1043

What is goodwill and how is it accounted for?

Answer: <https://biology-forums.com/index.php?topic=1858969>

Question 1044

When accountants discover material errors, they must be corrected.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859772>

Question 1045

Under U.S. GAAP, comprehensive income includes which of the following?

- A)

Investments by Owners Operating Income

No Yes

B)

Investments by Owners Operating Income

Yes No

C)

Investments by Owners Operating Income

No No

D)

Investments by Owners Operating Income

Yes Yes

Answer: <https://biology-forums.com/index.php?topic=1858086>

Question 1046

Under U.S. GAAP, bank overdraft should generally be reported as _____.

A) a decrease in the balance of Cash and Cash Equivalents

B) a decrease in other current assets

C) an increase in operating expenses

D) an increase in current liabilities

Answer: <https://biology-forums.com/index.php?topic=1858780>

Question 1047

Identify the level of the U.S. GAAP Literature Hierarchy that each item belongs to.

Authoritative Literature Level

Authoritative rules and principles from U.S. GAAP for similar transactions

FASB Concept Statements

International Financial Reporting Standards

Answer: <https://biology-forums.com/index.php?topic=1858217>

Question 1048

If a company is facing bankruptcy, which underlying assumption would not be valid?

A) periodicity assumption

B) economic entity concept

C) monetary unit assumption

D) going concern concept

Answer: <https://biology-forums.com/index.php?topic=1858137>

Question 1049

In completing the adjusting entries for 2017 in early 2018, the internal auditor discovered that a patent, with an estimated eight year life that was registered in January, 2017 had not been amortized. The patent cost \$370,000. The income tax rate is 30%. What is the journal entry to correct the error?

A)

Account Debit Credit

Amortization Expense 46,250

Retained Earnings 46,250

B)

Account Debit Credit

Patent 46,250

Income Taxes Receivable 13,875

Retained Earnings 60,125

C)

Account Debit Credit

Amortization Expense 46,250

Income Taxes Payable 13,875

Retained Earnings 32,375

D)

Account Debit Credit

Amortization Expense 46,250

Patent 46,250

Answer: <https://biology-forums.com/index.php?topic=1859786>

Question 1050

Dombrose Company uses a perpetual inventory system. On January 1, inventory is \$253,000. On April 5, Dombrose sells inventory with a selling price of \$75,000 on account. The cost of the inventory sold is \$50,000. The journal entry (entries) to record the sale is (are) _____.

- A) debit Cash and Cost of Goods Sold and credit Sales Revenue and Inventory
- B) debit Accounts Receivable and credit Sales Revenue; debit Cost of Goods Sold and credit Inventory
- C) debit Accounts Receivable and credit Sales Revenue
- D) debit Cash and credit Sales Revenue

Answer: <https://biology-forums.com/index.php?topic=1858844>

Question 1051

Failing to consider all relevant data, and just using the information most readily available or easily recalled is known as _____.

- A) the groupthink bias
- B) the anchoring bias
- C) the availability bias
- D) the confirmatory bias

Answer: <https://biology-forums.com/index.php?topic=1858174>

Question 1052

Describe the two methods for reporting accounting changes and how they differ.

Answer: <https://biology-forums.com/index.php?topic=1859728>

Question 1053

If a subsequent event relates to a condition that existed at the balance sheet date, then the financial statements should be adjusted.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858512>

Question 1054

In transferring information to the general ledger, the reference column contains the _____.

- A) chronological order of the entry
- B) general journal page number
- C) account abbreviation
- D) general ledger page number

Answer: <https://biology-forums.com/index.php?topic=1858282>

Question 1055

Which statement is true about the computation of net income and comprehensive income?

- A) They are the same under either reporting alternative.
- B) The one statement format provides a higher net income than the two consecutive statements format.
- C) The two consecutive statements format provides a higher net income than the one statement format.
- D) Net income always equals comprehensive income under the one statement format.

Answer: <https://biology-forums.com/index.php?topic=1858385>

Question 1056

Bonds are priced in the market so that their _____ is the same as the market rate of interest.

- A) yield
- B) stated rate
- C) par value
- D) discount

Answer: <https://biology-forums.com/index.php?topic=1859268>

Question 1057

Callable obligations are liabilities for which the creditor can require immediate payment when specified conditions exist.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859192>

Question 1058

According to the FASB, revenue is recognized when it is realized or realizable and has been earned.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858740>

Question 1059

List the three primary components of the conceptual framework for financial reporting and the two subcomponents of each component.

Answer: <https://biology-forums.com/index.php?topic=1858055>

Question 1060

Accounts are presented in the general ledger in the same order as they are presented in the financial statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858279>

Question 1061

If title does not pass from the lessor to the lessee under the terms of a lease, _____.

- A) the present value of the residual amount will be deducted by the lessor before computing the amount to be recovered through periodic lease payments
- B) the present value of the residual amount will be added by the lessor before computing the amount to be recovered through periodic lease payments
- C) the lessor will increase the basis of the asset by the residual value
- D) the residual value will be ignored

Answer: <https://biology-forums.com/index.php?topic=1859499>

Question 1062

Schmidt Electronics offered an incentive stock plan to its employees. On January 1, Year 1, options were granted for 80,000 \$1 par common shares. The exercise price equals the \$6 market price of the common stock on the grant date. The options cannot be exercised before January 1, Year 4, and expire on December 31, Year 5. Each option has a value of \$3 based upon an option pricing model.

What is the entry to record the expiration of 15% of the options on December 31, Year 5?

- A)
APIC Stock Options 36,000
 APIC Expired Stock Options 36,000
- B)
APIC Stock Options 36,000
 Retained Earnings 36,000
- C)
APIC Stock Options 36,000
 Compensation Expense 36,000
- D)
Stock Options Receivable 60,000
 Common Stock 20,000
 APIC 40,000

Answer: <https://biology-forums.com/index.php?topic=1859579>

Question 1063

The capitalizable value of goodwill is always measured as a residual value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858973>

Question 1064

True North Real Estate Management failed to adjust its Unearned Rent Revenue account for the \$25,000 that had been earned during the current year. What effect does this omission have on the current year financial statements?

- A) Assets are understated by \$25,000.
- B) Revenues are overstated by \$25,000.
- C) Expenses are understated by \$25,000.
- D) Liabilities are overstated by \$25,000.

Answer: <https://biology-forums.com/index.php?topic=1858328>

Question 1065

Both U.S. GAAP and IFRS require a reconciliation of net income to net cash provided by operations.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859874>

Question 1066

Adjusting journal entries are normally not necessary when cash based accounting is used.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858295>

Question 1067

What is the primary purpose of the conceptual framework?

- A) To override accounting standards.
- B) To assist standard setters in developing and revising accounting standards.
- C) To revise the objective of financial reporting.
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=1858040>

Question 1068

Atlas Corporation sold a used machine for less than its carrying value. This transaction is a(n) _____.

- A) revenue
- B) expense
- C) gain
- D) loss

Answer: <https://biology-forums.com/index.php?topic=1858255>

Question 1069

Unrealized gains and losses from fair value adjustments for trading equity investments are reported as part of other comprehensive income, while gains and losses from the sale of trading equity investments is reported in net income.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859287>

Question 1070

Which of the following user groups consists of individuals that provide guidance to others in making investment and credit decisions?

- A) financial analysts
- B) equity investors
- C) creditors
- D) suppliers

Answer: <https://biology-forums.com/index.php?topic=1858003>

Question 1071

Under IFRS, the terms of a lease imply a finance lease if the lessee may extend the lease with a bargain renewal option.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859446>

Question 1072

The first step in the revenue recognition process is to determine the transaction price.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858641>

Question 1073

The FASB and IASB are converged in general recognition principles.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858100>

Question 1074

Large stock dividends are valued at the market price at the date of declaration.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859247>

Question 1075

Darko Inc. made a \$50,000 sale on account with terms: of 1/15, n/30. If the company uses the gross method, which of the following will be included in

the journal entry to record the sale on account?

- A) credit Accounts Receivable \$50,000
- B) debit Sales Discount \$500
- C) credit Sales Revenue \$50,000
- D) debit Cash \$50,000

Answer: <https://biology-forums.com/index.php?topic=1858791>

Question 1076

Annual impairment tests for goodwill of all applicable business units must be for approximately the same measurement date.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859033>

Question 1077

Danzig Inc. factors \$6,000,000 of its accounts receivables without recourse for a finance charge of 4%. The finance company retains an amount equal to 10% of the accounts receivable for possible adjustments. What would be recorded by Danzig as a gain (loss) on the transfer of receivables?

- A) gain of \$240,000
- B) loss of \$240,000
- C) loss of \$600,000
- D) loss of \$840,000

Answer: <https://biology-forums.com/index.php?topic=1858819>

Question 1078

Onopea Inc. considered two contingencies at the end of 2016:

** a probable loss in the range of \$300,000 to \$500,000

** a reasonably possible loss of \$180,000

Under U.S. GAAP, what is the balance for contingent liabilities at the end of 2016?

- A) \$300,000
- B) \$400,000
- C) \$480,000
- D) \$580,000

Answer: <https://biology-forums.com/index.php?topic=1859087>

Question 1079

Edmond Biometrics experienced net income of \$700,000 for both last year and the current year. The shares outstanding for the prior year was 100,000 shares for the whole year. On December 1 of the current year, Edmond declared a two for one stock split. There were no other stock transactions in either year. Compute the EPS that would be shown on a comparative income statement for Years 1 and 2. (Round your answer to the nearest cent.)

- A) Year 1 \$7.00; Year 2 \$3.50
- B) Year 1 \$3.50; Year 2 \$3.50
- C) Year 1 \$7.00; Year 2 \$1.08
- D) Year 1 \$7.00; Year 2 \$0.93

Answer: <https://biology-forums.com/index.php?topic=1859642>

Question 1080

Recording depreciation expense is necessary to allocate the cost of an asset over its expected useful life.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858300>

Question 1081

Cox Corporation invested in the bonds of Latif Industries on January 1, 2015. These 10 year, \$100,000 bonds pay interest of 3% every June 30 and December 31. The effective rate of interest for similar bonds on January 1 was 4%. What is the purchase price of these bonds?

- A) \$100,000
- B) \$97,000
- C) \$104,000
- D) \$91,824

Answer: <https://biology-forums.com/index.php?topic=1859280>

Question 1082

A performance obligation is a promise to transfer a good or service that is distinct.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858655>

Question 1083

The first footnote in a set of financial statements is usually a summary of significant accounting policies.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858510>

Question 1084

Materiality cannot always be expressed quantitatively but sometimes requires judgment.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858065>

Question 1085

Which of the following is not a required disclosure requirement under both U.S. GAAP and IFRS?

- A) The events and circumstances that led to the recognition of the impairment.
- B) The method used to estimate the fair value of the asset.
- C) The amount of any impairment loss reversal if not separately disclosed in the income statement.
- D) The asset that was impaired.

Answer: <https://biology-forums.com/index.php?topic=1859040>

Question 1086

McManus Inc. reported net earnings of \$200,000 for the year. McManus has 200,000 shares of common stock outstanding all year. On March 31, the company granted 40,000 stock options that allow employees to purchase shares for \$15 each. The company stock has averaged \$20 in the market during the year. Compute the basic and diluted EPS.

- A) basic EPS \$1.00; diluted EPS \$0.95
- B) basic EPS \$1.00; diluted EPS \$1.00
- C) basic EPS \$1.00; diluted EPS \$0.96
- D) basic EPS\$0.96; diluted EPS \$0.96

Answer: <https://biology-forums.com/index.php?topic=1859664>

Question 1087

On January 1, the Thunderball Hockey Association sold 1100 season passes for \$120 each. The season lasts from February through May. If the amount received was credited to unearned revenue, what adjusting entry will be made on February 28?

- A)
Prepaid Subscription Revenue33,000
 Subscription Revenue 33,000
- B)
Subscription Revenue66,000
 Subscriptions Payable66,000
- C)
Unearned Subscription Revenue33,000
 Subscription Revenue33,000
- D)
Unearned Subscription Revenue66,000
 Subscription Revenue66,000

Answer: <https://biology-forums.com/index.php?topic=1858318>

Question 1088

The first step in the accounting research process is to identify the issue.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858220>

Question 1089

Which of the following income statement items is considered to be permanent?

- A) gains on disposal of equipment
- B) impairment losses
- C) interest expense
- D) discontinued operations

Answer: <https://biology-forums.com/index.php?topic=1858390>

Question 1090

Changes in reporting entities are handled prospectively.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859762>

Question 1091

The future value of an annuity due for any given interest rate and number of periods is always less than the future value of an annuity due for the same interest rate and number of periods.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858589>

Question 1092

Capitalization is the process of recording an expenditure as an asset.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858912>

Question 1093

A provision for a contingent loss is considered to be probable if the probability of its occurrence is _____.

- A) slight
- B) more likely than not
- C) virtually certain
- D) reasonably possible

Answer: <https://biology-forums.com/index.php?topic=1859086>

Question 1094

To close out an expense account _____.

- A) credit the income summary and debit expense and loss accounts
- B) debit the income summary and credit expense and loss accounts
- C) debit the income summary and credit revenue and expense accounts
- D) credit the income summary and debit revenue and expense accounts

Answer: <https://biology-forums.com/index.php?topic=1858351>

Question 1095

The cost of internally developed intangible assets is charged as an expense of the period in which the costs are incurred.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858970>

Question 1096

An example of a good transferred over time is a _____.

- A) refrigerator
- B) soft drink
- C) magazine subscription
- D) suit

Answer: <https://biology-forums.com/index.php?topic=1858694>

Question 1097

Discuss how standard setters use the conceptual framework in developing new standards.

Answer: <https://biology-forums.com/index.php?topic=1858053>

Question 1098

What two alternatives does a company have for reporting its comprehensive income under U.S. GAAP and IFRS?

Answer: <https://biology-forums.com/index.php?topic=1858459>

Question 1099

Which of the following is not an operating liability?

- A) bonds payable
- B) unearned revenue

- C) customer deposits
- D) compensated absences

Answer: <https://biology-forums.com/index.php?topic=1859059>

Question 1100

Refer to Kramer Iron Works. Allocate the transaction price using the standalone approach.

Answer: <https://biology-forums.com/index.php?topic=1858688>

Question 1101

On January 1, Year 1, Gallagher Corporation issued stock options for 600,000 shares to a division manager. The options have an estimated fair value of \$10 each. These options are not exercisable unless division revenue increases by 8% in four years. Gallagher estimates that it is probable that the goal will be achieved. What is pretax compensation expense for year 1?

- A) \$0
- B) \$1,500,000
- C) \$2,000,000
- D) \$6,000,000

Answer: <https://biology-forums.com/index.php?topic=1859577>

Question 1102

The Private Company Council has authority to make the final decision about changing U.S. GAAP for private companies.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858024>

Question 1103

Describe how to account for warranty costs if the warranty is determined to be a extended warranty? A base warranty?

Answer: <https://biology-forums.com/index.php?topic=1859110>

Question 1104

If a prepaid expense is recorded as an expense, and the adjusting entry is not made at the end of the period, expenses on the income statement will be overstated.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858359>

Question 1105

In December, 2016, Shooger Candy Company began including one coupon in each package of candy and offered customers a Stuffed Shooger Bear in exchange for \$5 and five coupons. The stuffed bears cost Shooger \$5.30 each. Eventually, it is expected that 35% of the coupons will be redeemed. During December, Shooger sold 250,000 packages of candy and no coupons were redeemed. In its December 31, 2016 balance sheet, what amount should Shooger report as estimated liability for the coupons?

- A) \$87,500
- B) \$92,750
- C) \$17,500
- D) \$5250

Answer: <https://biology-forums.com/index.php?topic=1859099>

Question 1106

The first step in the accounting cycle is to _____.

- A) journalize transactions
- B) analyze transactions
- C) post transactions to the general ledger
- D) prepare a worksheet

Answer: <https://biology-forums.com/index.php?topic=1858244>

Question 1107

The total number of shares that a firm can legally issue are called _____.

- A) allocated shares
- B) authorized shares
- C) outstanding shares
- D) common shares

Answer: <https://biology-forums.com/index.php?topic=1859215>

Question 1108

Approval of a contract by the parties must be in writing.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858649>

Question 1109

Based on the above information, compute the present value of the lease payments in order to determine if the lease meets the fourth Group I criterion.

Calculate the present value of each payment individually.

Answer: <https://biology-forums.com/index.php?topic=1859532>

Question 1110

During its first year of operation, Dovere Company incurred \$305,000 of research costs undertaken with the prospect of gaining new technical understanding about a new nanotechnology procedure. An additional \$515,000 was incurred to develop a production process to use that new technology to produce a new lubricant product. Under IFRS, which of the following is the appropriate accounting for these costs?

- A) capitalize \$820,000 as an intangible asset
- B) expense \$305,000 and capitalize \$515,000 as an intangible asset
- C) expense \$515,000 and capitalize \$305,000 as an intangible asset
- D) Any of these options can be appropriate under IFRS.

Answer: <https://biology-forums.com/index.php?topic=1858977>

Question 1111

When preparing the operating activities section of the statement of cash flows under the indirect method, losses on sales of equipment are omitted.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858497>

Question 1112

The effective interest rate is the same as the stated interest rate.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858543>

Question 1113

Which of the following is not considered an investing activity when preparing the statement of cash flows?

- A) a purchase of equipment
- B) a sale of investments
- C) payment of dividends
- D) payments on notes receivable

Answer: <https://biology-forums.com/index.php?topic=1858501>

Question 1114

On July 1, Madrid Corporation received \$10,200 from New Iberia Company for six months rent on a factory building and recorded it as a revenue.

What adjusting entry will Madrid make on August 31?

- A)
Prepaid Rent 6800
 Rent Revenue 6800
- B)
Rent Revenue 6800
 Unearned Rent 6800
- C)
Unearned Rent 3400
 Rent Revenue 3400
- D)
Rent Revenue 3400
 Unearned Rent 3400

Answer: <https://biology-forums.com/index.php?topic=1858364>

Question 1115

Explain the additional footnote disclosures to financial statements that are required by IFRS.

Answer: <https://biology-forums.com/index.php?topic=1858516>

Question 1116

A beneficial conversion option for bonds payable is _____.

- A) a conversion option that is in the money on the issue date
- B) any conversion option with a bond
- C) a conversion option that becomes in the money after the issue date
- D) a conversion option that is eventually profitable to the bondholder

Answer: <https://biology-forums.com/index.php?topic=1859177>

Question 1117

- a. What is the distinction between a capital and an operating expenditure? Give two examples of each.
- b. Distinguish between ordinary repairs and maintenance and major repairs. How should a company account for each?

Answer: <https://biology-forums.com/index.php?topic=1858942>

Question 1118

A company recognizes a gain on the income statement whenever it sells a fixed asset for more than the net book value of the asset.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858946>

Question 1119

When there is a bargain purchase option, the leased asset will be depreciated over the life of the lease instead of the life of the asset.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859486>

Question 1120

Olympic Equipment borrowed \$200,000 on November 1. The note matures in one year and the interest rate is 9%. What amount of interest expense will be accrued on December 31? (Do not round intermediary calculations. Only round your final answer to the nearest dollar.)

- A) \$9000
- B) \$36,000
- C) \$3000
- D) \$18,000

Answer: <https://biology-forums.com/index.php?topic=1858325>

Question 1121

A deferred annuity is an annuity for which payments are delayed until the end of each period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858622>

Question 1122

A firm that responds quickly to unexpected circumstances exhibits a high level of financial flexibility.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858463>

Question 1123

Accumulated other comprehensive income is reported on the statement of comprehensive income.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858508>

Question 1124

IFRS does not permit the use of the fair value option.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859196>

Question 1125

Which of the following would not be disclosed for trading securities?

- A) aggregate fair value
- B) gross realized gains and losses
- C) amortized cost basis

D) any impairment loss and where reported

Answer: <https://biology-forums.com/index.php?topic=1859340>

Question 1126

Lessees generally depreciate leased assets over the lease term unless the lease includes a transfer of ownership or a bargain purchase option.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859472>

Question 1127

Based on the above information and the Group I criteria, Leewin should classify the lease as a/n _____ lease.

- A) direct
- B) capital
- C) indirect
- D) operating

Answer: <https://biology-forums.com/index.php?topic=1859533>

Question 1128

On the income statement, _____ is gross profit less all operating expenses.

- A) retained earnings
- B) net income
- C) income from continuing operations
- D) operating income

Answer: <https://biology-forums.com/index.php?topic=1858420>

Question 1129

Able sells a piece of equipment to Smythe for \$1700 on August 1. The equipment cost \$1300. The equipment is picked up by Smythe on August 10. How is this transaction accounted for under a perpetual system of inventory?

- A)
Sales 1300
 Accounts Receivable 1300
Cost of Goods Sold 1300
 Inventory 1300
- B)
Accounts Receivable 1700
 Sales 1700
Cost of Goods Sold 1300
 Inventory 1300
- C)
Sales 1700
 Accounts Receivable 1700
Cost of Goods Sold 1700
 Inventory 1700
- D)
Accounts Receivable 1700
 Sales 1700

Answer: <https://biology-forums.com/index.php?topic=1858750>

Question 1130

IFRS allows companies to use the fair value option for all assets except investments being accounted for using the equity method.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859323>

Question 1131

Which of the following statements about pension plan disclosures is true?

- A) The difference between the projected benefit obligation and the plan assets at fair value represents the unfunded status of the plan reported on the balance sheet.
- B) The footnote must provide information about the amortized net actuarial gain or loss.
- C) The footnote must disclose assumptions used for discount rates and expected return on assets on an weighted average basis.
- D) Nonpublic entities must separately disclose the components of net pension benefit cost.

Answer: <https://biology-forums.com/index.php?topic=1859629>

Question 1132

Recognition of revenue as each performance obligation is satisfied is which step in the recognition process?

- A) 1st
- B) 3rd
- C) 5th
- D) 4th

Answer: <https://biology-forums.com/index.php?topic=1858645>

Question 1133

Under the direct method, calculating cash paid for merchandise includes _____.

- A) adding an increase in Accounts Payable
- B) subtracting and increase in Accounts Payable
- C) adding a decrease in Inventory
- D) subtracting and increase in Inventory

Answer: <https://biology-forums.com/index.php?topic=1858535>

Question 1134

When pension plan assets exceed pension plan obligations, the pension plan is overfunded.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859626>

Question 1135

The general journal presents transactions _____.

- A) by account
- B) chronologically
- C) by normal balance
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=1858278>

Question 1136

The effective tax rate is the legally imposed rate in a given taxing jurisdiction.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859351>

Question 1137

When merchandise sold under the installment sale method is repossessed, a gain may be recognized.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858771>

Question 1138

On March 1 of the current year, Hill Corporation leased sound equipment from McEntire Company. The equipment has a life of 8 years. There is no bargain purchase option or passage of title. For the lease to be considered a capital lease, it must have a term of at least _____.

- A) 5 years
- B) 6 years
- C) 3 years
- D) 8 years

Answer: <https://biology-forums.com/index.php?topic=1859456>

Question 1139

For any discount rate and number of periods, the present value of an annuity due factor is always greater than the corresponding the present value of an ordinary annuity factor.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858609>

Question 1140

How is derecognition of an asset recognized in the financial statements?

Answer: <https://biology-forums.com/index.php?topic=1858953>

Question 1141

If a company writes down the net assets of a discontinued operation from original carrying value to a remeasurement of fair value in one year, then in the next year the fair value changes _____.

- A) the company will recognize any subsequent loss or gain for the difference between new fair value and prior year remeasured fair value
- B) the company will recognize any subsequent loss but limited gains up to the original carrying value before remeasurement
- C) the company will recognize any subsequent loss but no gains for the difference between new fair value and prior year remeasured fair value
- D) the company cannot recognize any subsequent loss or gain

Answer: <https://biology-forums.com/index.php?topic=1858435>

Question 1142

The transaction price is the amount of consideration the entity expects to be entitled to as a result of providing goods or services to the customer.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858665>

Question 1143

What is equity and how does it change during a period of time?

Answer: <https://biology-forums.com/index.php?topic=1858098>

Question 1144

Verifiability is a characteristic of faithful representation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858062>

Question 1145

Each year for the next 10 years, Carmen Lector will deposit \$4,000 into an investment fund that pays 8% compounded annually.

- a. What is the present value of those investment payments if the first of 40 deposits are made at the end of each year?
- b. What is the present value of those investment payments if the first of 40 deposits are made at the beginning of each year?

Answer: <https://biology-forums.com/index.php?topic=1858620>

Question 1146

Nonpublic entities are not required to separately disclose the components of net periodic benefit cost.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859628>

Question 1147

Which of the following transactions would best use the present value of an annuity due table?

- A) Bengatti, Inc. leases a truck for 4 years with annual lease payments of \$20,000 to be made at the beginning of each year.
- B) Turkel Co. leases a warehouse for 7 years with annual lease payments of \$140,000 to be made at the end of each year.
- C) Ponzi, Inc. borrows \$60,000 and has agreed to pay back the principal plus interest in three years.
- D) Skool, Inc. wants to deposit a lump sum to accumulate \$90,000 for the construction of a new parking lot in 4 years.

Answer: <https://biology-forums.com/index.php?topic=1858611>

Question 1148

Adjusting journal entries are made to ensure that all revenues and/or expenses are recognized in the period in which they are incurred.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858296>

Question 1149

Gabraile Company acquired Itsy Inc. for a price that was substantially less than the fair value of the identifiable asset acquired. The difference between the fair value of the assets and the bargain purchase price is _____.

- A) recorded as negative goodwill
- B) reported as a gain that increases income from continuing operations
- C) allocated to reduce carrying value for each purchased asset
- D) reported as a gain that increases other comprehensive income

Answer: <https://biology-forums.com/index.php?topic=1858975>

Question 1150

Jackson Company records all insurance premiums as prepaid insurance. Additional information for the current year is presented below:

Prepaid Insurance, January 1 \$60,000

Insurance premiums paid \$210,000

Prepaid Insurance, December 31 \$85,000

What was the total amount of insurance expense incurred during the year?

- A) \$295,000
- B) \$185,000
- C) \$235,000
- D) \$270,000

Answer: <https://biology-forums.com/index.php?topic=1858326>

Question 1151

Purrfect Pets, Inc. provides animal daycare for \$27 per day. Customers buy three month packages, which provide 18 days of care per month. In January, they received cash payments from 12 customers. For the month of February, they will recognize _____ of revenue under the cash basis, and _____ of revenue under the accrual basis.

- A) \$0; \$324
- B) \$5832; \$5832
- C) \$324; \$324
- D) \$0; \$5832

Answer: <https://biology-forums.com/index.php?topic=1858123>

Question 1152

What is a requirement for lease disclosures under IFRS?

- A) IFRS requires disclosure of the fair value of all leased assets.
- B) IFRS requires disclosure of future lease payments for each of the next five years.
- C) IFRS requires that lessee companies disclose future lease payments for the first year, the total of years two through five, and the remaining aggregate payments.
- D) IFRS requires disclosure of rent expense for the five year period.

Answer: <https://biology-forums.com/index.php?topic=1859508>

Question 1153

_____ is the amount at which a liability could be incurred or settled in a current transaction between willing parties.

- A) Income value
- B) Settlement value
- C) Current value
- D) Fair value

Answer: <https://biology-forums.com/index.php?topic=1858032>

Question 1154

Which of the following user groups consists of individuals who expect to receive a return on their investment?

- A) employees
- B) equity investors
- C) creditors
- D) suppliers and customers

Answer: <https://biology-forums.com/index.php?topic=1858004>

Question 1155

Explain the importance of the summary of significant accounting policies and list five facts that are generally included in this note.

Answer: <https://biology-forums.com/index.php?topic=1858515>

Question 1156

The income taxes saved by using LIFO instead of FIFO are equal to _____.

- A) the tax rate times the change in the ending inventory from last year to the current year
- B) the tax rate times the cost to retail ratio
- C) the tax rate times the LIFO reserve
- D) the tax rate times the change in the LIFO reserve

Answer: <https://biology-forums.com/index.php?topic=1858906>

Question 1157

With an annuity due, a payment is made or received on the date the agreement begins.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858586>

Question 1158

Judgment may be involved in the determination of whether the promise to deliver the good or service is separate from other promises.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858657>

Question 1159

An improvement made to a machine increased its fair value and its production capacity. The cost of the improvement should be debited to _____.

- A) expense
- B) accumulated depreciation
- C) equipment
- D) intangible assets

Answer: <https://biology-forums.com/index.php?topic=1858940>

Question 1160

Which of the following is not among the criteria used by a lessee to classify a lease as a capital lease?

- A) The present value of the minimum lease payments is greater than or equal to 75% of the fair market value of the asset.
- B) The noncancellable lease term is greater than or equal to 75% of the estimated economic life of the asset.
- C) The lease specifies that ownership of the asset transfers to the lessee.
- D) The lease contains a bargain purchase option.

Answer: <https://biology-forums.com/index.php?topic=1859452>

Question 1161

The value of stock options expected to be forfeited reduce compensation expense.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859569>

Question 1162

Changes in specific subsidiaries that make up the group of entities are changes in a reporting entity.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859763>

Question 1163

Merciful Industries has a beginning PBO balance of \$500,000 and a settlement rate of 8%. What is the journal entry to record interest expense on the pension obligation?

- A) Pension Expense 40,000
Projected Benefit Obligation 40,000
- B) Pension Expense 40,000
Other Comprehensive Income 40,000
- C) Pension Expense 500,000
Projected Benefit Obligation 500,000
- D) Pension Expense 500,000
Other Comprehensive Income 500,000

Answer: <https://biology-forums.com/index.php?topic=1859618>

Question 1164

U.S. GAAP includes all of the following except _____.

- A) Statements of Financial Accounting Standards
- B) Accounting Research Bulletins
- C) Accounting Principles Board Opinions
- D) All of the above are authoritative literature on U.S. GAAP

Answer: <https://biology-forums.com/index.php?topic=1858194>

Question 1165

What criteria does a company use to decide whether to include an expenditure in the cost of property, plant, and equipment rather than expensing it? Provide an example of a type of expenditure included in the cost of property, plant, and equipment as a result of applying these criteria.

Answer: <https://biology-forums.com/index.php?topic=1858931>

Question 1166

Key performance measures on the statement of net income include operating income and income from continuing operations, among others.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858408>

Question 1167

Preferred shares are generally voting and pay a fixed dividend.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859234>

Question 1168

What is the proper treatment of prior service costs?

- A) Prior service costs are included in other comprehensive income and amortized over future periods.
- B) Prior service costs are included in other comprehensive income and amortized retroactively over the most recent three periods.
- C) Prior service costs are included in net income and expensed in the current year.
- D) Prior service costs are included in net income and amortized over future periods.

Answer: <https://biology-forums.com/index.php?topic=1859613>

Question 1169

Lyon Corp reported income from continuing operations before taxes of \$774,000 and income from discontinued operations of \$198,000. Lyon also reported \$77,000 of unrealized gains from fair value accounting adjustments recorded as other comprehensive income. The company is subject to a 35% tax rate and reports no permanent differences.

Prepare a partial income statement including comprehensive income.

Answer: <https://biology-forums.com/index.php?topic=1859422>

Question 1170

Acquiring research skills _____.

- A) is something that comes naturally to most accountants
- B) takes a great deal of practice
- C) is not necessary because the business environment is constantly changing
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=1858233>

Question 1171

Based on the above information, calculate the present value of the lease payments (for an annuity due).

Answer: <https://biology-forums.com/index.php?topic=1859555>

Question 1172

A company records interest expense by debiting the expense account and crediting notes payable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859113>

Question 1173

Some loss contingencies may be disclosed only in the footnotes even if the losses are deemed to be probable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859082>

Question 1174

The first financial statement prepared from the adjusted trial balance is the _____.

- A) balance sheet
- B) statement of net income
- C) statement of cash flows
- D) statement of retained earnings

Answer: <https://biology-forums.com/index.php?topic=1858338>

Question 1175

A company begins the year with a zero balance in the LIFO Reserve account. Based on an analysis of LIFO and FIFO, the company determines the

LIFO Reserve should be \$20,000 at the end of the year? Which journal entry is needed?

- A) Debit Cost of Goods Sold for \$20,000 and Credit LIFO Reserve for \$20,000.
- B) Debit LIFO Reserve for \$20,000 and Credit Cost of Goods Sold for \$20,000.
- C) Debit Cost of Goods Sold for \$20,000 and Credit Inventory for \$20,000.
- D) Debit Inventory for \$20,000 and Credit Gain on Inventory for \$20,000.

Answer: <https://biology-forums.com/index.php?topic=1858881>

Question 1176

Currently, what is the single source of generally accepted accounting principles in the United States?

- A) Financial Accounting Statements
- B) APB Opinions
- C) Accounting Standards Codification
- D) Accounting Research Bulletins

Answer: <https://biology-forums.com/index.php?topic=1858027>

Question 1177

In addition to disclosing judgments involving estimates and assumptions, _____ requires that companies disclose judgments made when determining appropriate accounting treatments.

- A) U.S. GAAP
- B) IFRS
- C) both A & B
- D) neither A nor B

Answer: <https://biology-forums.com/index.php?topic=1858163>

Question 1178

Which of the following events would not be treated as a subsequent event?

- A) settlement of litigation between the year end and the issuance of the financial statements
- B) sale of a business segment between the year end and the issuance of financial statements
- C) recalculation of estimated salvage values for property and equipment
- D) stock split occurring ten days after the end of the fiscal year

Answer: <https://biology-forums.com/index.php?topic=1858513>

Question 1179

List U.S. GAAP Lease Classification Criteria for both Group I and Group II.

Answer: <https://biology-forums.com/index.php?topic=1859549>

Question 1180

Managers of economic entities are best considered to be users of financial information.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1857990>

Question 1181

The financial reporting process generates three basic financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1857988>

Question 1182

Reversing entries are used in connection with accrued revenues and accrued expenses.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858373>

Question 1183

IFRS requires that companies disclose information about assumptions and estimates made at the end of the reporting period.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858153>

Question 1184

U.S. GAAP and IFRS set forth the same objective of financial reporting in their respective conceptual frameworks.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858033>

Question 1185

The GAAP Hierarchy has _____ levels and the IFRS Hierarchy has _____ levels.

- A) two; three
- B) three; three
- C) three; four
- D) three; two

Answer: <https://biology-forums.com/index.php?topic=1858202>

Question 1186

Describe the difference between GAAP and IFRS in accounting for bond issue costs.

Answer: <https://biology-forums.com/index.php?topic=1859160>

Question 1187

Any events that would have a material impact on the denominator of the EPS calculation that occur after the close of the period would require disclosure in the notes to the financial statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859700>

Question 1188

Black Corporation bought the following securities during the current year:

Security Cost Fair Value

Alpha Co. \$91,000 \$98,000

Beta Co. \$70,000 \$67,000

Delta Co. \$30,000 \$38,000

Assume that these securities are trading securities. How will these securities be classified on the balance sheet at December 31 of the current year?

- A)
Amount Classification
\$191,000 Current Asset
- B)
Amount Classification
\$203,000 Current Asset
- C)
Amount Classification
\$191,000 Noncurrent Asset
- D)
Amount Classification
\$203,000 Noncurrent Asset

Answer: <https://biology-forums.com/index.php?topic=1859297>

Question 1189

What are the five principal steps in the revenue recognition process?

Answer: <https://biology-forums.com/index.php?topic=1858648>

Question 1190

Realty1 has 40,000 outstanding stock options. Its net income for the year is \$250,000. Each option allows the holder to purchase a share of stock for \$11. The average market value of the shares for the year was \$19. What is the incremental income per common share?

- A) \$0.00
- B) \$1.00
- C) \$8.00
- D) \$11.00

Answer: <https://biology-forums.com/index.php?topic=1859683>

Question 1191

Henry Rector deposited \$5,000 in a certificate of deposit that provides interest of 10% compounded quarterly if the amount is maintained for 5 years. How much will Henry have at the end of 5 years?

Answer: <https://biology-forums.com/index.php?topic=1858581>

Question 1192

When bonds are sold between interest dates, the amount of accrued interest a buyer pays is equal to the face value of the bond times the market interest rate times the portion of a year since the prior interest date.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859152>

Question 1193

In determining the transaction price, when does a significant financing component exist?

Answer: <https://biology-forums.com/index.php?topic=1858677>

Question 1194

Fare Jewelry Company is holding goods on consignment from Tomko with a selling price of \$2,000,000. Fare is promised a commission of 25% for goods sold. By the end of 2017 Fare has sold \$500,000 of goods. Refer to Fare Jewelry. How much revenue should Fare recognize for 2017 on this transaction?

- A) \$0
- B) \$125,000
- C) \$500,000
- D) \$2,000,000

Answer: <https://biology-forums.com/index.php?topic=1858729>

Question 1195

Disclosures concerning significant judgments include all of the following except _____.

- A) information regarding fair value of consideration exchanged
- B) methods used to recognize revenue
- C) allocation of the transaction price
- D) an assessment of whether an estimate of variable consideration is constrained

Answer: <https://biology-forums.com/index.php?topic=1858734>

Question 1196

IFRS requires companies to reconcile the historical cost and accumulated depreciation at the beginning of the period with amounts at the end of the period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858958>

Question 1197

Identify the level of the U.S. GAAP Literature Hierarchy that each item belongs to.

Authoritative Literature Level

Textbooks

SEC rules and interpretive releases

Authoritative rules and principles from U.S. GAAP for similar transactions

Answer: <https://biology-forums.com/index.php?topic=1858215>

Question 1198

A franchise grants a franchisor the right to conduct business under the name of the franchisee.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858963>

Question 1199

Hitchcock Enterprises sold a vacant plot of land for \$24,000. The company had paid \$5000 for the land ten years ago. On the statement of cash flows, this transaction would be reported as a _____.

- A) operating cash inflow of \$19,000
- B) investing cash inflow of \$19,000
- C) investing cash flow of \$24,000
- D) financing cash inflow of \$24,000

Answer: <https://biology-forums.com/index.php?topic=1858506>

Question 1200

Temporary differences between the book and tax treatment of transactions create deferred tax assets or deferred tax liabilities.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859370>

Question 1201

At December 31, the Postotnik Company has ending inventory with a historical cost of \$630,000. Assume the company uses the perpetual inventory system. The current replacement cost of the inventory is \$608,000. The net realizable value is \$650,000. The normal profit on this inventory is \$50,000. Before any adjustments at the end of the period, the cost of goods sold has a balance of \$900,000. Following IFRS, which journal entry is required on December 31 to adjust the ending balance of inventory if the direct method is used?

- A) No journal entry is required.
- B) Debit Cost of Goods Sold \$20,000 and credit Inventory \$20,000.
- C) Debit Inventory \$20,000 and credit Cost of Goods Sold \$20,000.
- D) Debit Cost of Goods Sold \$22,000 and credit Inventory \$22,000.

Answer: <https://biology-forums.com/index.php?topic=1858885>

Question 1202

Based on an analysis of annual reports from 175 companies, the most used estimate is that for _____.

- A) environmental liabilities
- B) taxation
- C) impairment of property, plant, and equipment
- D) impairment of goodwill and other intangible assets

Answer: <https://biology-forums.com/index.php?topic=1858164>

Question 1203

When a company issues bonds, there is typically one debtor and one creditor that transact directly.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859119>

Question 1204

To close out the dividends account _____.

- A) debit retained earnings and credit the dividends account
- B) credit retained earnings and debit the dividends account
- C) debit retained earnings and credit dividends payable
- D) credit retained earnings and debit dividends payable

Answer: <https://biology-forums.com/index.php?topic=1858353>

Question 1205

Fare Jewelry Company is holding goods on consignment from Tomko with a selling price of \$5,000,000. Fare is promised a commission of 25% for goods sold. By the end of 2017 Fare has sold \$600,000 of goods. How much revenue should Tomko recognize for 2017 on this transaction?

- A) \$0
- B) \$5,000,000
- C) \$4,400,000
- D) \$600,000

Answer: <https://biology-forums.com/index.php?topic=1858728>

Question 1206

A company reports financial results each year. Which underlying assumption is illustrated by this example?

- A) economic entity concept
- B) going concern concept
- C) monetary unit assumption
- D) periodicity assumption

Answer: <https://biology-forums.com/index.php?topic=1858135>

Question 1207

Equity securities are an investment in the common or preferred shares of another company.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859266>

Question 1208

You are provided with two time value of money tables. One table provides factors for the future value of an ordinary annuity and the other provides

factors for future value of an annuity due. How can you tell which table is which type?

Answer: <https://biology-forums.com/index.php?topic=1858603>

Question 1209

On January 1, Teague Company leased office equipment from Sprague Corporation. The lease qualifies as an operating lease. The term is three years and calls for semiannual payments of \$25,000 each, payable on June 30 and December 31 of each year. Sprague acquired the machines at a cost of \$150,000 on January 1 of the current year. The expected life is five years with no residual value expected.

Required:

1. Prepare the appropriate journal entries for Sprague Corporation for the first year.
2. Show how the Sprague Corporation would disclose this lease on the face of the balance sheet for December 31 of the current year.

Answer: <https://biology-forums.com/index.php?topic=1859469>

Question 1210

Evaluating whether the disposal of a component of an entity constitutes a discontinued operation begins with _____.

- A) remeasuring the value of net assets held for disposal
- B) identifying the cash flows that can be clearly distinguished operationally
- C) segregating its operating revenues and expenses from those of continuing operations
- D) assessing whether a strategic shift has occurred

Answer: <https://biology-forums.com/index.php?topic=1858432>

Question 1211

Excalibur Company uses the perpetual inventory method. Excalibur Company has the following data available for the month of January:

Date	Transaction	Units	Unit Cost
Jan. 1	Beginning inventory	200	\$1.00
Jan. 9	Purchase	300	\$1.10
Jan. 10	Sale	400	
Jan. 15	Purchase	400	\$1.16
Jan. 18	Sale	300	
Jan. 24	Purchase	100	\$1.26

What is the Cost of Goods Sold for the month of January using LIFO?

- A) \$794
- B) \$810
- C) \$762
- D) \$766

Answer: <https://biology-forums.com/index.php?topic=1858867>

Question 1212

You are provided with two time value of money tables. One table provides factors for the present value of an ordinary annuity and the other provides factors for the present value of an annuity due. How can you tell which table is which type?

Answer: <https://biology-forums.com/index.php?topic=1858619>

Question 1213

Stock options and warrants affect the diluted EPS calculation by changing the _____.

- A) numerator only
- B) denominator only
- C) both the numerator and denominator
- D) neither the numerator and denominator

Answer: <https://biology-forums.com/index.php?topic=1859662>

Question 1214

Other comprehensive income includes unrealized gains and losses from all investment securities.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858455>

Question 1215

The risk free rate of return is equal to the prime rate plus the expected inflation rate.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858634>

Question 1216

Goodwill is the difference between fair value and book value for all assets a company owns.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858964>

Question 1217

The first step in preparing a worksheet is to _____.

- A) place adjusted trial balance amounts in appropriate income statement and balance sheet columns
- B) compute the adjusted balance in the adjusted trial balance columns
- C) enter the adjusting journal entries in the adjustments columns
- D) prepare an unadjusted trial balance

Answer: <https://biology-forums.com/index.php?topic=1858369>

Question 1218

Which element of the financial statements results from peripheral or incidental transactions?

- A) gains
- B) revenues
- C) equity
- D) liabilities

Answer: <https://biology-forums.com/index.php?topic=1858089>

Question 1219

Over what period of time should a patent be amortized?

- A) twenty years
- B) its useful life
- C) twenty years or its useful life, whichever is shorter
- D) twenty years or its useful life, whichever is longer

Answer: <https://biology-forums.com/index.php?topic=1858984>

Question 1220

A single amount is invested and increases over time as interest is compounded. If the number of periods is known, the interest rate can be approximately determined by _____.

- A) dividing the present value by the future value and looking for the quotient in the future value of \$1 table
- B) multiplying the present value by the future value and looking for the product in the present value of \$1 table
- C) dividing the future value by the present value and looking for the quotient in the future value of \$1 table
- D) dividing the future value by the present value and looking for the quotient in the present value of \$1 table

Answer: <https://biology-forums.com/index.php?topic=1858592>

Question 1221

Managers of economic entities are best considered to be preparers of financial information.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1857991>

Question 1222

Based on the above information, create the Journal Entry of the liability based on the type of lease.

Answer: <https://biology-forums.com/index.php?topic=1859553>

Question 1223

Refer to Kramer Iron Works. Allocate the transaction price using the adjusted market assessment approach.

Answer: <https://biology-forums.com/index.php?topic=1858687>

Question 1224

If the LIFO reserve increases during the year, and inventory costs are increasing, _____.

- A) cost of goods sold will be higher under FIFO than LIFO
- B) cost of goods sold will be higher under LIFO than FIFO
- C) the journal entry will debit LIFO Reserve
- D) the journal entry will credit Cost of Goods Sold

Answer: <https://biology-forums.com/index.php?topic=1858907>

Question 1225

List and explain three common cash flow measures based upon balance sheet information.

Answer: <https://biology-forums.com/index.php?topic=1858468>

Question 1226

When preparing the financing activities section of the cash flow statement, firms dividends paid and dividends received as separate line items.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859852>

Question 1227

Quantitative disclosures for investing assets include the nature and extent of risks arising from financial assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859335>

Question 1228

Lewis, Inc. began the year with 300,000 shares of common stock and 25,000 shares of 6%, \$100 par value, cumulative, convertible preferred stock. Each share of preferred stock is convertible into 4 shares of common stock. On June 30, it purchased 10,000 shares of treasury stock. On November 1, Lewis declared a 2 for 1 stock split. Net income for the year was \$850,000. Compute weighted average shares of common stock for the year, basic EPS, and diluted EPS.

Answer: <https://biology-forums.com/index.php?topic=1859668>

Question 1229

Redemption of bonds payable is classified as a financing activity on the statement of cash flows.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858487>

Question 1230

If an auditor is not able to gather enough evidence to form an opinion on financial statements, the auditor issues a(n) _____.

- A) unqualified opinion
- B) adverse opinion
- C) qualified opinion
- D) disclaimer of opinion

Answer: <https://biology-forums.com/index.php?topic=1858523>

Question 1231

When treasury shares are retired, the number of shares issued is reduced.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859228>

Question 1232

Which of the following assets is always considered a separate lease component in a lease, unless it is of an immaterial amount?

- A) land
- B) services associated with the lease
- C) fully depreciated assets
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=1859520>

Question 1233

A yacht dealer sells high performance yachts to affluent customers. The sale also includes a 90 day warranty against any defects in workmanship. The number of performance obligations for each yacht is _____.

- A) 1
- B) 2
- C) 3
- D) 4

Answer: <https://biology-forums.com/index.php?topic=1858660>

Question 1234

For an operating lease, the lessor maintains the leased asset on its balance sheet and records depreciation expense each period unless the asset is fully depreciated.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859462>

Question 1235

Which of the following is considered to be a limitation of income statements?

- A) Income statements depend on accounting methods selected.
- B) Income statements evaluate past performance.
- C) Income statements assess uncertainties of achieving future cash flows.
- D) Income statements predict future performance.

Answer: <https://biology-forums.com/index.php?topic=1858383>

Question 1236

Accounting for uncertain tax positions under IFRS involves all of the following except _____.

- A) measuring tax assets at the amount expected to be paid
- B) assessing if a present obligation exists and is the result of a past event
- C) utilizing a two step approach which involves classification and measurement
- D) reliance on standards for accounting for contingencies for guidance

Answer: <https://biology-forums.com/index.php?topic=1859418>

Question 1237

Jackson Mechanics issues \$9,000,000 of bonds with nondetachable stock warrants. For the investors, this means that the bondholders _____.

- A) will own both the bonds and the stock
- B) will own either the bonds or the stock
- C) can sell the bonds and keep the stock warrants
- D) can sell the stock warrants and keep the bonds

Answer: <https://biology-forums.com/index.php?topic=1859187>

Question 1238

You decide to deposit \$4000 at a local bank for two years at a 5% rate of interest compounded annually. What is the future value of your investment?

(Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$4000
- B) \$4200
- C) \$4418
- D) \$4410

Answer: <https://biology-forums.com/index.php?topic=1858568>

Question 1239

Under IFRS, a capital lease is referred to as a finance lease.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859444>

Question 1240

What is the cost constraint and how does it affect financial reporting?

Answer: <https://biology-forums.com/index.php?topic=1858079>

Question 1241

What is a noncontrolling interest and what does it represent in the income statement?

Answer: <https://biology-forums.com/index.php?topic=1858451>

Question 1242

Thunderball Sports Club collected \$330,000 from its clients during the year. If unearned revenue at the beginning of the year was \$61,000 and revenue earned during the year was \$370,000, what was unearned revenue at the end of the year?

- A) \$40,000
- B) \$21,000
- C) \$101,000
- D) \$309,000

Answer: <https://biology-forums.com/index.php?topic=1858323>

Question 1243

Because the sale of an extended warranty increases sales revenue, the seller should recognize the expense of providing that warranty in the year of sale.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859106>

Question 1244

Given the following information from an amortization table, compute the effective interest expense and the carrying value for the next line of the table:

2% Cash

Interest1% Effective

InterestPremium

AmortizationCarrying

Value

\$800\$412\$789\$38,840

A) Effective Interest \$388; Carrying Value \$38,428

B) Effective Interest \$388; Carrying Value \$39,252

C) Effective Interest \$412; Carrying Value \$38,428

D) Effective Interest \$412; Carrying Value \$39,252

Answer: <https://biology-forums.com/index.php?topic=1859145>

Question 1245

You have discovered an investment opportunity that earns a(n) 8% rate of interest compounded quarterly. Which of the following amounts is most nearly equal to the amount you should deposit today to have \$5000 in five years? (Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

A) \$3000

B) \$3403

C) \$3378

D) \$3365

Answer: <https://biology-forums.com/index.php?topic=1858574>

Question 1246

Describe accounting for a lease if the lessee provides a residual value guarantee.

Answer: <https://biology-forums.com/index.php?topic=1859537>

Question 1247

Able sells a piece of equipment to Smythe for \$1,800 on August 1. The equipment cost \$1,000. The equipment is picked up by Smythe on August 10. The contract also includes a 12 month service plan. How many performance obligations are included in this transaction?

A) 1

B) 2

C) 3

D) 4

Answer: <https://biology-forums.com/index.php?topic=1858659>

Question 1248

Unlike U.S. GAAP, the Basis for Conclusions discussion is not included in the IFRS but is published separately.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858189>

Question 1249

Identify the six key performance measure subtotals on the statement of net income.

Answer: <https://biology-forums.com/index.php?topic=1858413>

Question 1250

IFRS specifies that biological assets be reported on the balance sheet.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858474>

Question 1251

Refer to Brutus Construction. Calculate gross profit or loss for 2016 and 2017 using the percentage of completion method.

Answer: <https://biology-forums.com/index.php?topic=1858722>

Question 1252

Gains and losses from discontinued operations are shown on the income statement after the provision for income taxes is presented.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858430>

Question 1253

Derby Company sells season passes to its entertainment center. The passes sell for \$85 each and are good for the year. On January 1, Derby sells 2000 passes and received cash. The amount of revenue to be recognized on January 1 is _____.

- A) \$0
- B) \$85,000
- C) \$170,000
- D) \$14,166.6667

Answer: <https://biology-forums.com/index.php?topic=1858700>

Question 1254

The balance in the LIFO reserve account is the difference between the beginning inventory and ending inventory measured using FIFO.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858876>

Question 1255

Which of the following is considered an investing activity when preparing the statement of cash flows?

- A) a purchase of equipment
- B) a payment on an equipment note
- C) sale of common stock
- D) payment of interest on a bond issue

Answer: <https://biology-forums.com/index.php?topic=1858500>

Question 1256

The amount of minimum lease payments includes executory costs required to be paid by the lessee.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859443>

Question 1257

Which of the following errors would cause the adjusted trial balance to not balance?

- A) failure to post one side of a journal entry
- B) omitting the adjusting entry for depreciation expense
- C) posting the debit for accrued interest to insurance expense
- D) reversing the debits and credits in an adjusting entry

Answer: <https://biology-forums.com/index.php?topic=1858334>

Question 1258

During its first year of operation, Dovery Company incurred \$305,000 of research costs undertaken with the prospect of gaining new technical understanding about a new nanotechnology procedure. An additional \$545,000 was incurred to develop a production process to use that new technology to produce a new lubricant product. Under U.S. GAAP, which of the following is the appropriate accounting for these costs?

- A) expense \$850,000
- B) expense \$305,000 and capitalize \$545,000 as an intangible asset
- C) expense \$545,000 and capitalize \$305,000 as an intangible asset
- D) capitalize \$850,000 as an intangible asset

Answer: <https://biology-forums.com/index.php?topic=1858976>

Question 1259

When a potentially dilutive security is present, a company must test the security to see if it is dilutive or antidilutive. Antidilutive securities occur when diluted EPS is _____.

- A) greater than basic EPS
- B) less than basic EPS
- C) equal to basic EPS

D) less than or equal to basic EPS

Answer: <https://biology-forums.com/index.php?topic=1859676>

Question 1260

How does the fact that accounting standards allow managers to exercise their professional judgment when making accounting policy decisions constitute a limitation of the income statement?

Answer: <https://biology-forums.com/index.php?topic=1858387>

Question 1261

Other comprehensive income is comprised of elements explicitly excluded from net income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858381>

Question 1262

Failure to consider all reasonable alternatives when reaching a group consensus, in an attempt to avoid conflict is an example of _____.

- A) the availability bias
- B) the overconfidence bias
- C) the groupthink bias
- D) the confirmatory bias

Answer: <https://biology-forums.com/index.php?topic=1858177>

Question 1263

Which of the following must be known to compute the interest rate paid from financing an asset purchased with an annuity?

- A) fair value of the asset purchased, number and dollar amount of the annuity payments
- B) present value of the annuity, dollar amount and number of the annuity payments
- C) fair value of the asset and timing of the annuity payments
- D) future value of the annuity and number of the annuity payments

Answer: <https://biology-forums.com/index.php?topic=1858610>

Question 1264

Your classmate, Marla Smith, tells you that she likes accounting because it provides a clear cut set of methods and rules to follow. As a result it should be an easy job to get the hang of. Explain to her why accountants frequently need to use their judgment. Give specific examples.

Answer: <https://biology-forums.com/index.php?topic=1858150>

Question 1265

Indirect effects of changes in an accounting principle are those that change current or future cash flows and are applied prospectively.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859734>

Question 1266

If the stated interest rate of a note is higher than the prevailing market rate, a resulting discount on notes receivable will be recorded.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859312>

Question 1267

Refer to Superbyte Corporation.

Record the journal entries that SuperByte will make at the inception of the lease and on July 1.

Answer: <https://biology-forums.com/index.php?topic=1859479>

Question 1268

What is the term that describes the value today of a cash flow or series of cash flows to be received or paid in the future?

- A) present value
- B) compound value
- C) discount value
- D) temporal value

Answer: <https://biology-forums.com/index.php?topic=1858552>

Question 1269

IFRS, but not U.S. GAAP, requires that companies disclose any cash balances that are held but not available for use.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859875>

Question 1270

Under IFRS, asset retirement obligations are considered loss contingencies.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859073>

Question 1271

The reference number in the general ledger refers to _____.

- A) Chart of Account numerical listing
- B) chronological order of the entry
- C) general journal page number
- D) general ledger page number

Answer: <https://biology-forums.com/index.php?topic=1858284>

Question 1272

Which of the following items are not examples of initial direct lease costs?

- A) commissions
- B) legal fees resulting from the execution of the lease
- C) costs to prepare documents after the execution of the lease
- D) All of the above are examples of indirect lease costs.

Answer: <https://biology-forums.com/index.php?topic=1859522>

Question 1273

Expense accounts are temporary accounts.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858344>

Question 1274

Over what period of time should goodwill be amortized?

- A) 40 years
- B) its useful economic life
- C) 40 years or its useful economic life, whichever is shorter
- D) Goodwill is never amortized.

Answer: <https://biology-forums.com/index.php?topic=1858986>

Question 1275

Accounting estimate changes are handled prospectively.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859711>

Question 1276

On January 1 of the current year, Fields Corporation leased a machine from Kilmer Company. The machine originally cost Kilmer \$500,000. The lease is an operating lease that requires for five annual payments of \$72,000 beginning on January 1 of the current year. Which of the following journal entries should Kilmer record on January 1 of the current year?

- A)
Cash 72,000
 Lease Receivable 72,000
- B)
Cash 72,000
 Unearned Rent Revenue 72,000
- C)
Cash 72,000
 Rent Revenue 72,000
- D)
Cash 72,000
 Rent Expense 72,000

Answer: <https://biology-forums.com/index.php?topic=1859467>

Question 1277

On January 7, 2018, Webb Industries purchased an equity investment in Bloomberg Corporation for \$500,000. Bloomberg Corporation stock is not actively traded and does not have a readily determinable fair value. On December 12, 2019, Webb Industries sells the Bloomberg stock for \$600,000. What is the gain that is reported on the sale of Bloomberg Corporation in 2019?

- A) \$0
- B) \$100,000
- C) \$50,000
- D) \$25,000

Answer: <https://biology-forums.com/index.php?topic=1859299>

Question 1278

What purpose does a carryback or carryforward serve to a company with a volatile earnings stream?

Answer: <https://biology-forums.com/index.php?topic=1859410>

Question 1279

Each of the following is a motivation to engage in earnings management except _____.

- A) beat benchmarks
- B) avoid reporting a loss
- C) separate other comprehensive income from net income
- D) present a smooth, upwards trend in earnings

Answer: <https://biology-forums.com/index.php?topic=1858392>

Question 1280

Comprehensive income is comprised of elements explicitly excluded from net income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858380>

Question 1281

Charlotte Engineering experienced net income of \$425,000 for the year. It declared \$45,000 in preferred dividends on December 23. It began the year with 600,000 common shares outstanding. On July 1, Charlotte declared a 5% common stock dividend. Compute the basic EPS for the year. (Round your answer to the nearest cent.)

- A) \$0.60
- B) \$0.63
- C) \$0.67
- D) \$0.62

Answer: <https://biology-forums.com/index.php?topic=1859641>

Question 1282

When following U.S. GAAP, firms can use two methods to write down inventory to market, if needed.

Required:

1. What are the two methods called?
2. If there is a loss, describe the journal entry for both methods.
3. If there is a significant loss, which method is preferred? Why is this the case?

Answer: <https://biology-forums.com/index.php?topic=1858888>

Question 1283

If the risks and rewards have been transferred, then IFRS classifies the lease as a finance lease.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859546>

Question 1284

Short term notes payable are reported on the balance sheet as current liabilities when they are due and payable within one year from the balance sheet date or operating cycle, whichever is longer.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859112>

Question 1285

When following U.S. GAAP, the market value of inventory is always equal to the net realizable value.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858883>

Question 1286

It is necessary to compute a gross profit margin for installment sales for each year.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858770>

Question 1287

When the stated interest rate for bonds is lower than the market rate, the bonds will be issued at a discount.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859126>

Question 1288

Which of the following items does not use an accounting measure based on present value?

- A) patents
- B) leases
- C) pensions
- D) bonds

Answer: <https://biology-forums.com/index.php?topic=1858547>

Question 1289

Falcon Wholesalers purchased equity securities during 2016 and 2017 that it classified as trading securities. It had not purchased equity securities prior to 2016, and has purchased no other equity securities besides the following:

PurchasePurchaseFair ValueFair ValueDate Selling

SecurityDate Price12/31/1612/31/17SoldPrice

112/3/16\$20,000 \$22,000 N/A1/3/17\$21,000

212/10/1624,00018,000N/A1/7/17 20,000

312/4/1716,000N/A19,000 1/9/18 19,000

412/13/1733,000N/A37,0001/8/18 42,000

Prepare all necessary journal entries for 2016 and 2017 related to these securities.

Answer: <https://biology-forums.com/index.php?topic=1859300>

Question 1290

Before issuing a new standard, the standard setters weigh constraints, which may deter requiring the new standard.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858038>

Question 1291

If multiple contracts are negotiated as a package and have a single commercial objective, the contracts should be combined and accounted for as _____.

- A) multiple contracts
- B) a single contract
- C) assets
- D) liabilities

Answer: <https://biology-forums.com/index.php?topic=1858653>

Question 1292

List each of the four disclosure items for the statement of cash flows required by both U.S. GAAP and IFRS.

Answer: <https://biology-forums.com/index.php?topic=1859879>

Question 1293

The adjustment for a change in tax rates is treated as a change in accounting estimate.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859392>

Question 1294

Which of the following would not be considered when evaluating whether to record a contingent loss for pending litigation?

- A) the type of litigation involved.

- B) the ability to make a reasonable estimate of the amount of the loss
- C) time period in which the underlying cause of action occurred
- D) the probability of an unfavorable outcome

Answer: <https://biology-forums.com/index.php?topic=1859095>

Question 1295

Nondetachable stock warrants are in essence, convertible bonds.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859186>

Question 1296

If an investor company has significant influence over an investee company, the investment is valued at the fair value of the stock on the balance sheet date.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859288>

Question 1297

_____ characteristics distinguish useful financial information from information that is not useful.

- A) Representative
- B) Relevant
- C) Fundamental
- D) Quantitative

Answer: <https://biology-forums.com/index.php?topic=1858068>

Question 1298

What are compensated absences?

- A) paid time off
- B) unpaid time off
- C) payroll deductions
- D) healthcare benefits

Answer: <https://biology-forums.com/index.php?topic=1859062>

Question 1299

The identified measurement bases are consistent with fair value reporting:

- A)
Current market value Net realizable value
YesNo
- B)
Current market value Net realizable value
NoNo
- C)
Current market value Net realizable value
YesYes
- D)
Current market value Net realizable value
NoYes

Answer: <https://biology-forums.com/index.php?topic=1858121>

Question 1300

How does a note receivable differ from an account receivable?

Answer: <https://biology-forums.com/index.php?topic=1858830>

Question 1301

Unobservable values cannot be used to report fair value in the financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858109>

Question 1302

For trading securities, companies must disclose the amortized cost, the aggregate fair value, the the total unrealized gains and losses reported in net

income.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859333>

Question 1303

You decide to deposit \$7000 at a local bank for three years at a 4% rate of interest compounded quarterly. The future value of your investment is most nearly equal to _____. (Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$7840
- B) \$7888
- C) \$7883
- D) \$7891

Answer: <https://biology-forums.com/index.php?topic=1858570>

Question 1304

Candalibra Company incurred the following costs during the year ended December 31, 2017:

Laboratory research aimed at discovery of new knowledge \$290,000

Costs of testing prototype and design modifications (economic viability not achieved) 65,000

Quality control during commercial production, including routine testing of products 210,000

Construction of research facilities having an estimated useful life of 12 years but no alternative future use 400,000

What is the total amount to be classified and expensed as research and development in 2017?

- A) \$275,000
- B) \$565,000
- C) \$755,000
- D) \$965,000

Answer: <https://biology-forums.com/index.php?topic=1858979>

Question 1305

How can managers manipulate EPS?

Answer: <https://biology-forums.com/index.php?topic=1859704>

Question 1306

In determining net cash flow from operating activities, an increase in merchandise inventory during a period _____.

- A) requires a subtraction adjustment to financing cash flows under the indirect method
- B) requires a subtraction adjustment to sales to customers under the direct method
- C) requires an addition adjustment to net income under the indirect method
- D) requires an addition adjustment to payments to suppliers under the direct method

Answer: <https://biology-forums.com/index.php?topic=1859837>

Question 1307

When payments take place at the beginning of the period, the series of cash flows is called _____.

- A) ordinary annuity
- B) annuity due
- C) posterior annuity
- D) anterior annuity

Answer: <https://biology-forums.com/index.php?topic=1858553>

Question 1308

The FASB prefers the indirect method of preparing the operating activities section of the statement of cash flows.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858493>

Question 1309

Which of the following is a characteristic of the projected benefit obligation measurement?

- A) It considers only vested employees.
- B) It uses projected future salary levels.
- C) It is the smallest estimate of the projected benefit obligation.
- D) It considers only current employees.

Answer: <https://biology-forums.com/index.php?topic=1859603>

Question 1310

In 2014, Squirrel Corp. recorded book income of \$175,000. It has one temporary difference which relates to a \$40,000 warranty expense that it recorded for book purposes, and no permanent differences. Squirrel anticipates satisfying this liability equally over the following two years. The current enacted tax rate is 36%. The enacted tax rates for the following four years are 26%, 31%, 26% and 36%, respectively. Under U.S. GAAP, what deferred tax amount should Squirrel Corp. record for this temporary difference?

- A) \$11,400
- B) \$10,400
- C) \$12,400
- D) \$13,400

Answer: <https://biology-forums.com/index.php?topic=1859396>

Question 1311

The total cost in dollars of ending inventory is equal to the number of units on hand multiplied by the cost per unit.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858847>

Question 1312

A company reporting under IFRS must list its liabilities in order of liquidity for each grouping.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858481>

Question 1313

Accrued revenues are earned before they are received.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858310>

Question 1314

A revenue account has a normal debit balance.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858261>

Question 1315

Which of the following best describes the accounting for base warranty costs?

- A) expensed when paid
- B) expensed when obligations are probable and estimable
- C) expensed based on estimate in year of sale
- D) expensed when warranty claims are certain

Answer: <https://biology-forums.com/index.php?topic=1859108>

Question 1316

Which of the following is an impairment indicator?

- A) a significant decrease in the purchase price of an asset or asset group scheduled to be acquired in the current period
- B) a significant adverse change in legal factors that could affect the value of the asset or asset group
- C) a significant increase in the purchase price of an asset or asset group scheduled to be acquired in the current period
- D) a significant increase in the market price of an asset or asset group

Answer: <https://biology-forums.com/index.php?topic=1859008>

Question 1317

Identify and describe the two primary factors that impact earnings quality.

Answer: <https://biology-forums.com/index.php?topic=1858395>

Question 1318

To be recorded in the general journal, a transaction must be an economic event.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858247>

Question 1319

Which of the following is not a characteristic of a restricted stock plan?

- A) The employee cannot sell the awarded shares until the vesting period has expired.
- B) A restricted stock plan has value as long as the underlying shares are selling above zero.
- C) Restricted shares are not stock options.
- D) The employee is taxed on the stock award when it is granted.

Answer: <https://biology-forums.com/index.php?topic=1859589>

Question 1320

The adjustment for unrealized gains and losses reported through other comprehensive income does not have any cash flow effects.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859859>

Question 1321

The _____ are uniform throughout the Codification.

- A) topics
- B) subtopics
- C) sections
- D) subsections

Answer: <https://biology-forums.com/index.php?topic=1858198>

Question 1322

The market rate is the interest rate that the holder of the note will receive.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858825>

Question 1323

Sales minus cost of goods sold equals gross profit.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858416>

Question 1324

Decreases in equity that result from peripheral transactions of an entity are referred to as _____.

- A) liabilities
- B) expenses
- C) losses
- D) dividends

Answer: <https://biology-forums.com/index.php?topic=1858253>

Question 1325

Penn sells cameras. On August 1, a customer purchases a camera for \$5,700 on account. The camera cost Penn \$2,500. Penn uses the periodic inventory method. The customer paid for the camera at the end of the month.

Required: Prepare all necessary entries to record the sale and collection of cash at the end of the month.

Answer: <https://biology-forums.com/index.php?topic=1858717>

Question 1326

Teague Corporation permits any of its employees to buy shares directly from the company through payroll deduction. There are no brokerage fees and shares can be purchased at a 10% discount. During July, employees purchased 20,000 \$2 par shares of common stock at a time when the established market price was \$30 per share. What is the journal entry to record issuance of these shares?

Answer: <https://biology-forums.com/index.php?topic=1859595>

Question 1327

Annie Laerz wants to invest \$20,000 on January 1, 2014, so that she may withdraw 10 annual payments of equal amounts beginning January 1, 2029. If the fund earns 8% annual interest over its life, what will be the amount of each of the withdrawals? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$20,000
- B) \$9455
- C) \$8755
- D) \$13,697

Answer: <https://biology-forums.com/index.php?topic=1858629>

Question 1328

- Why would an accountant engage in financial accounting research?
- A) When they need to determine the appropriate reporting treatment for a transaction.
 - B) When a given transaction requires judgment.
 - C) Both A & B
 - D) Neither A nor B

Answer: <https://biology-forums.com/index.php?topic=1858193>

Question 1329

- The cost of a leasehold improvement is depreciated over which of the following time periods?
- A) the term of the lease
 - B) the life of the improvement
 - C) a time period determined by management
 - D) the shorter of the physical life of the asset or the lease term

Answer: <https://biology-forums.com/index.php?topic=1859492>

Question 1330

- The accumulated benefit obligation reflects only current salary levels.
[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859600>

Question 1331

- Which of the following is not an estimate that might be revised as a natural part of the accounting process?
- A) salary expense
 - B) bad debt expense
 - C) depreciation expense
 - D) pensions

Answer: <https://biology-forums.com/index.php?topic=1859751>

Question 1332

- What are the cash flow effects of unrealized gains or losses reported through other comprehensive income? Explain.

Answer: <https://biology-forums.com/index.php?topic=1859869>

Question 1333

- Since IFRS makes an exception for leased assets that have low values, reporters may account for leased assets with values of less than \$5,000 as a rental agreement rather than recognizing and measuring as lease agreements. For example, suppose a company leases a \$4,800 computer for 2.5 years. How does IFRS differ from how US GAAP would record this?

Answer: <https://biology-forums.com/index.php?topic=1859540>

Question 1334

- Which of the following statements is true?
- A) Companies typically report gross receivables on the balance sheet and disclose net receivables and the net allowance for uncollectible accounts in the notes to the financial statements.
 - B) Companies typically report gross receivables and the net allowance for uncollectible accounts on the balance sheet and disclose net receivables in the notes to the financial statements.
 - C) Companies typically report net receivables on the balance sheet and disclose gross receivables and the net allowance for uncollectible accounts in the notes to the financial statements.
 - D) Companies typically report net receivables and the net allowance for uncollectible accounts on the balance sheet and disclose gross receivables in the notes to the financial statements.

Answer: <https://biology-forums.com/index.php?topic=1858834>

Question 1335

- Jenks Corp. began the year with 200,000 shares of common stock and 30,000 shares of 7%, \$100 par value, cumulative, nonconvertible preferred stock. On March 1 it declared a 5% stock dividend on common shares. On June 30, it purchased 10,000 shares of treasury stock. On October 1, Jenks declared a 2 for 1 stock split. Net income for the year was \$650,000. Compute weighted average shares of common stock for the year and basic EPS.

Instructions: Write the EPS formula. Show all computations used in your solution.

Answer: <https://biology-forums.com/index.php?topic=1859648>

Question 1336

Accounts receivable turnover measures _____.

- A) how long it takes to sell merchandise
- B) the relationship between credit sales and cash sales
- C) the length of time it takes a company to generate cash from its operations
- D) how many times average receivables are collected during the year

Answer: <https://biology-forums.com/index.php?topic=1858836>

Question 1337

Given the following information from an amortization table for December 31, prepare the journal entry to record the payment of interest.

6 % Cash

Interest 7% effective Interest Discount Amortization Carrying
Value

\$42,000 \$35,953 \$6047 \$713,016

A) Journal Entry

	Account	Debit	Credit
December 31	Interest Expense	35,953	
	Discount on Bonds Payable	6047	
	Cash		42,000

B) Journal Entry

	Account	Debit	Credit
December 31	Interest Expense	35,953	
	Discount on Bonds Payable	6047	
	Bonds Payable	42,000	

C) Journal Entry

	Account	Debit	Credit
December 31	Interest Expense	35,953	
	Premium on Bonds Payable	6047	
	Cash		42,000

D) Journal Entry

	Account	Debit	Credit
December 31	Interest Payable	42,000	
	Premium on Bonds Payable		6047
	Interest Expense	35,953	

Answer: <https://biology-forums.com/index.php?topic=1859147>

Question 1338

In its first year of operations, Badonna Corp. reported Income Tax Expense of \$50,000 and Income Tax Payable of \$16,000. At the end of the year, Badonna reported a current Deferred Tax Asset of \$9,000 and a noncurrent Deferred Tax Liability of \$5,000. What is the amount of cash paid for income taxes during the year?

Answer: <https://biology-forums.com/index.php?topic=1859871>

Question 1339

Deluxe Hotels reported revenues of \$550,000 for the year ended December 31, 2017. Accounts receivable at December 31, 2016 and 2017 were \$63,000 and \$55,000. If Deluxe uses the direct method of reporting operating cash flows, the company would report cash collected from customers of _____.

- A) \$550,000
- B) \$558,000
- C) \$487,000
- D) \$542,000

Answer: <https://biology-forums.com/index.php?topic=1858533>

Question 1340

The second step in the applied financial accounting research process is to _____.

- A) identify the issue
- B) search the authoritative literature
- C) establish the research question
- D) both A & C

Answer: <https://biology-forums.com/index.php?topic=1858227>

Question 1341

When a prepaid expense initially recorded as an asset is incurred, the adjusting entry includes _____.

- A) a debit to an asset
- B) a credit to a liability
- C) a credit to an expense
- D) a debit to an expense

Answer: <https://biology-forums.com/index.php?topic=1858314>

Question 1342

Which of the following is not a required disclosure item for the statement of cash flows?

- A) interest and dividends paid when the indirect method is used
- B) reconciliation of net income to net cash flows from operating activities
- C) all noncash investing and financing activities
- D) policy regarding cash equivalents

Answer: <https://biology-forums.com/index.php?topic=1859877>

Question 1343

Debt securities represent an investment by one company into the common or preferred shares of another company.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859262>

Question 1344

The three classifications of cash flows are reporting, investing, and financing.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859800>

Question 1345

Changes in accounting principles may be handled prospectively if insufficient information is available to properly account for the change.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859745>

Question 1346

Companies derecognize tangible fixed assets from their accounts when they abandon the assets.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858944>

Question 1347

Temporary differences cause the effective income tax rate to vary from the statutory rate.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859372>

Question 1348

\$30,000 is put in a investment account today. The investment account compounds interest at a rate of 3% per month. What amount will be available five years from today? (Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$54,183
- B) \$84,000
- C) \$40,317
- D) \$176,748

Answer: <https://biology-forums.com/index.php?topic=1858571>

Question 1349

When a company receives a utility bill payable next month, the entry includes a(n) _____.

- A) debit to a liability
- B) credit to an asset
- C) debit to an expense
- D) debit to an asset

Answer: <https://biology-forums.com/index.php?topic=1858274>

Question 1350

A deferred annuity is an annuity for which the first payment is delayed until a future period.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858623>

Question 1351

In reconciling information to complete its financial statements, Biltmore, Inc. discovered the following situations:

Net income before taxes and the changes \$1,000,000

Income tax rate 40%

Warranty expense decreased 1% of sales

Sales \$6,000,000

Equipment original cost \$800,000

Equipment accumulated depreciation \$200,000

Method of depreciation unchanged SL

Remaining life changed from 5 years to 6 years

Required: Assuming that no depreciation had been recorded, recompute depreciation expense, warranty expense change, net income before taxes, income tax expense, and net income.

Answer: <https://biology-forums.com/index.php?topic=1859760>

Question 1352

Which of the following intangible assets is not subject to amortization?

A) franchise

B) goodwill

C) copyright

D) customer list

Answer: <https://biology-forums.com/index.php?topic=1858968>

Question 1353

A company reconciles net income to net cash flow from operating activities when using the direct method.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859827>

Question 1354

A deferred tax asset represents a future reduction in income taxes payable.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859371>

Question 1355

Elements are categorized by whether they are relevant or faithfully representative.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858081>

Question 1356

An employee will generally exercise stock options only when the current market price is above the exercise price of the option.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859570>

Question 1357

The number of outstanding shares of common stock may be reduced by shares held in the treasury.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859213>

Question 1358

Quoted prices in active markets are the measure of fair value that is neither the most observable nor the least observable.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858107>

Question 1359

Debt covenants include all of the following except _____.

- A) restrictions for holding compensating balances of cash
- B) eliminating dividends to shareholders
- C) maintaining set ratios for working capital values
- D) restrictions on future borrowings

Answer: <https://biology-forums.com/index.php?topic=1859130>

Question 1360

In cases where the standalone price is highly variable or uncertain, the lessee may use what type of method for determining standalone prices?

- A) market method
- B) residual method
- C) component method
- D) Both A and C are correct

Answer: <https://biology-forums.com/index.php?topic=1859521>

Question 1361

Why does the numerator of the basic EPS formula subtract the amount of preferred dividends for some preferred shares and not for others?

Answer: <https://biology-forums.com/index.php?topic=1859646>

Question 1362

All of the following are key questions that must be addressed when accounting for investments in debt and equity securities except _____.

- A) How long does management intend to hold the investment?
- B) Is the fair value of the equity investment readily determinable?
- C) How is return on equity impacted by this investment?
- D) How much control does the investor have over the investee company for this equity investment?

Answer: <https://biology-forums.com/index.php?topic=1859271>

Question 1363

Compound interest includes interest earned on interest.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858542>

Question 1364

Management is afforded a certain amount of latitude and must exercise judgment when selecting accounting methods. Discuss why this could be problematic for users of financial statements. Provide examples.

Answer: <https://biology-forums.com/index.php?topic=1858149>

Question 1365

Every adjusting journal entry will affect one balance sheet account and one income statement account.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858294>

Question 1366

Argus sells auto parts. On August 1, a customer purchases parts for \$3,900 on account. The parts cost Argus \$1,300. Argus uses the periodic inventory method. The customer paid for the parts on August 31.

Required: Prepare the necessary entries to record the sale and the collection of cash at the end of the month.

Answer: <https://biology-forums.com/index.php?topic=1858716>

Question 1367

Changes in accounting principles can be mandatory or voluntary.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859729>

Question 1368

Discounting a note receivable is similar to pledging an account receivable.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858828>

Question 1369

The accounting policies footnote is _____.

- A) optional
- B) required by U.S. GAAP
- C) required by auditors
- D) an internal management document

Answer: <https://biology-forums.com/index.php?topic=1858160>

Question 1370

The timing of revenue recognition is dependent upon the control of the good being in the hands of the _____.

- A) buyer
- B) seller
- C) management
- D) any third party

Answer: <https://biology-forums.com/index.php?topic=1858644>

Question 1371

How is a guaranteed residual value accounted for when computing minimum lease payments?

- A) The present value of the guaranteed residual value is added in to determine the minimum lease payments.
- B) It is ignored.
- C) The future value of the guaranteed residual value is added in to determine the minimum lease payments.
- D) The excess of guaranteed residual value over estimated residual value is added in to determine the minimum lease payments.

Answer: <https://biology-forums.com/index.php?topic=1859495>

Question 1372

Each year for the next 10 years, Carmen Lector will deposit \$4,000 into an investment fund that pays 10% compounded annually.

- a. How much will Carmen have at the end of 10 years if the first of 10 deposits are made at the end of each year?
- b. How much will Carmen have at the end of 10 years if the first of 10 deposits are made at the beginning of each year?

Answer: <https://biology-forums.com/index.php?topic=1858604>

Question 1373

Under the fair value option, companies can elect to value most types of financial assets and obligations at fair value even if they are not required to do so.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859193>

Question 1374

The effective interest rate is calculated as total interest during the year divided by the beginning balance as the first of the year.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858544>

Question 1375

Most annual reports begin with the letter to the shareholders.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858518>

Question 1376

Both U.S. GAAP and IFRS requires disclosure of the gross value of goodwill and related accumulated amortization.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858989>

Question 1377

In recent years, the FASB standards that have been set indicate they believe the income statement is deemed to dominate the balance sheet.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858025>

Question 1378

When inventory costs are falling, and inventory levels are stable, the LIFO method will generally result in _____.

- A) a higher gross profit than under FIFO
- B) a lower gross profit than under FIFO
- C) a lower inventory value than under FIFO
- D) a higher cost of goods sold than under FIFO

Answer: <https://biology-forums.com/index.php?topic=1858860>

Question 1379

For the lessee, an unguaranteed residual value is the same as no residual value in terms of computing the minimum lease payments.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859489>

Question 1380

Unearned revenues may be initially recorded as assets or expenses.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858361>

Question 1381

Which of the following transactions would never be reversed in the following period?

- A) accrual of interest revenue
- B) accrual of wages expense
- C) assignment of depreciation expense
- D) accrual of interest expense

Answer: <https://biology-forums.com/index.php?topic=1858374>

Question 1382

When bonds are sold between interest dates, the buyer must pay the issuer the amount of accrued interest from the prior interest date.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859151>

Question 1383

Accounting standards require which one of the following groups of presentations on the income statement?

- A) basic and diluted EPS for all periods presented for income from continuing operations, discontinued operations, and net income
- B) basic and diluted EPS for all periods presented for net income
- C) basic EPS for three periods for income from continuing operations and net income
- D) basic and diluted EPS for the current period for income from continuing operations, discontinued operations, and net income

Answer: <https://biology-forums.com/index.php?topic=1859701>

Question 1384

Fraxon Inc. made a \$10,000 sale on account with terms: of 1/15, n/30. If the company uses the gross method, which of the following will be included in the journal entry to record customer payment within the discount period?

- A) credit Accounts Receivable \$10,000
- B) credit Sales Discount \$100
- C) credit Sales Revenue \$10,000
- D) credit Cash \$9900

Answer: <https://biology-forums.com/index.php?topic=1858793>

Question 1385

How do the total expenses over the life of a capital lease compare with the total expenses over the life of an operating lease?

- A) The expenses of a capital lease are greater for a capital lease than for an operating lease.
- B) The expenses of an operating lease are greater than for a capital lease.
- C) There is no difference between total expenses for an operating lease and a capital lease.
- D) The total expenses cannot be compared.

Answer: <https://biology-forums.com/index.php?topic=1859455>

Question 1386

Under some circumstances, the lessee does not record the leased asset and lease obligation on the balance sheet.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859432>

Question 1387

Each quarter for the next 10 years, Carmen Lector will deposit \$1,000 into an investment fund that pays 8% compounded quarterly.

- How much will Carmen have at the end of 10 years if the first of 40 quarterly deposits are made at the end of each quarter?
- How much will Carmen have at the end of 10 years if the first of 40 quarterly deposits are made at the beginning of each quarter?

Answer: <https://biology-forums.com/index.php?topic=1858605>

Question 1388

All liabilities are probable future economic sacrifices arising from present obligations.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859049>

Question 1389

Comprehensive income includes all changes in equity during a period from all sources.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859256>

Question 1390

Operating cash flows include cash flows that relate to the production and delivery of goods and services.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859798>

Question 1391

Which of the following is not an impairment indicator investment securities?

- fluctuating stock prices
- deterioration of earnings
- decline in credit rating
- adverse changes in the economy

Answer: <https://biology-forums.com/index.php?topic=1859348>

Question 1392

John Pickens writes mystery novels. His publisher pays him royalties for books sold each year. He is paid royalties for the first half of the year on September 30 and the second half of the year on March 31 of the following year. He received \$42,000 in September, 2016. The publisher estimated that his royalties for the second half of the year would be \$52,000. On March 31, 2017, he received \$59,000. Assuming that he recorded \$52,000 at December 31, 2016, which one of the following is the correct journal entry on March 31, 2017? His tax rate is 35%.

A)

AccountDebitCredit

Cash59,000

Royalties Receivable52,000

Royalty Revenue7000

B)

AccountDebitCredit

Cash59,000

Royalty Revenue59,000

C)

AccountDebitCredit

Cash59,000

Royalties Receivable52,000

Retained Earnings7000

D)

AccountDebitCredit

Cash59,000

Royalties Receivable52,000

Retained Earnings4550

Income Taxes Payable2450

Answer: <https://biology-forums.com/index.php?topic=1859757>

Question 1393

A company will never recognize a gain on abandonment of a fixed asset.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858948>

Question 1394

When writing down the inventory to market value the direct method reports a loss as a separate line item on the income statement.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858884>

Question 1395

Anne wants to accumulate \$30,000 by December 31, 2019. To accumulate that sum, she will make twelve equal quarterly deposits of \$2113.86 at the end of March, June, September, and December for the next three years, beginning on March 31, 2016, into a fund that earns interest compounded quarterly. What annual rate of interest must the fund provide to yield the desired sum?

- A) 3%
- B) 4%
- C) 12%
- D) 7%

Answer: <https://biology-forums.com/index.php?topic=1858601>

Question 1396

A decrease in a liability generally results in an increase in cash.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859816>

Question 1397

Crush Enterprises purchased 500,000 of the 1,000,000 outstanding shares of Carly Casualties for \$4,500,000 on 1/1/16. On the date of the investment, Carly had net assets with a book value of \$9,500,000 and fair value of \$10,000,000. This difference is the result of equipment (remaining 10 year life) with a higher fair value than book value. Crush has significant influence over Carly and will account for this investment using the equity method. During the year, Carly declared dividends of \$125,000 and reported Net Income of \$1,300,000. Prepare all necessary journal entries for Crush related to this investment. Then, calculate the ending balance in the Investment in Carly account.

Answer: <https://biology-forums.com/index.php?topic=1859310>

Question 1398

The _____ stipulates that an entity measure and report its economic activities in dollars (or some other monetary unit).

- A) monetary unit assumption
- B) business entity concept
- C) U.S. banking assumption
- D) going concern concept

Answer: <https://biology-forums.com/index.php?topic=1858139>

Question 1399

The FASB Accounting Standards Codification is the single source of GAAP in the United States.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858021>

Question 1400

Presenting consolidated statements instead of individual financial statements is a change in a reporting entity.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859761>

Question 1401

The noncontrolling interest line item on the income statement represents _____.

- A) the portion of the subsidiary owned by others, which is deducted to determine net income
- B) the portion of the subsidiary owned by the reporting entity, which is added to determine net income
- C) the portion of earnings that belongs to others, which is deducted to determine net income
- D) the portion of earnings that belongs to others, which is added to determine net income

Answer: <https://biology-forums.com/index.php?topic=1858447>

Question 1402

IT Technology enters into a contract with the federal government to create a system for the price of \$8 million. IT receives \$3 million when the contract is signed and the other \$5 million upon completion of the project. The government maintains control of the system during the creation process. IT estimates that 15,000 labor hours will be required to complete the product. During the current year 7,000 labor hours are used and during the following year, the remaining 8,000 hours were used. What is the journal entry at inception of the project?

- A) Debit to Cash; Credit to Sales Revenue
- B) Debit to Cash; Credit to Unearned Revenue
- C) Debit to Cash; Government Contracts
- D) Debit to Cash; Credit to Accounts Receivable

Answer: <https://biology-forums.com/index.php?topic=1858708>

Question 1403

Under the indirect method, which of the following would be added to net income when determining net cash flows from operations?

- A) gain on the sale of a used truck
- B) amortization expense
- C) increase in inventory
- D) decrease in accounts payable

Answer: <https://biology-forums.com/index.php?topic=1859834>

Question 1404

For which one of the following changes is it appropriate to use the prospective method?

- A) change in principle
- B) change in entity
- C) correction of error
- D) change in estimate

Answer: <https://biology-forums.com/index.php?topic=1859753>

Question 1405

Other comprehensive income includes gains and losses from all foreign currency translations.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858456>

Question 1406

Operating income is gross profit less all operating expenses and income taxes.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858415>

Question 1407

What are the primary effects of amortizing a discount on notes receivable?

Answer: <https://biology-forums.com/index.php?topic=1859320>

Question 1408

How does IFRS differ from GAAP with diluted earnings per share?

Answer: <https://biology-forums.com/index.php?topic=1859667>

Question 1409

Goo Goo Enterprises invested in the bonds of Greater Gloucester. These bonds pay interest of 2%. The effective rate of interest for similar bonds on the date of investment was 6%. Did Goo Goo purchase the bonds at a discount or premium?

- A) These bonds were purchased at a discount because the stated rate exceeds the market rate.
- B) These bonds were purchased at a premium because the stated rate exceeds the market rate.
- C) These bonds were purchased at a discount because the market rate exceeds the stated rate.
- D) These bonds were purchased at a premium because the market rate exceeds the stated rate.

Answer: <https://biology-forums.com/index.php?topic=1859278>

Question 1410

When land is purchased and an old building thereon is demolished, the total purchase price plus the demolition cost is the total capitalized value of the land.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858914>

Question 1411

When a company retires bonds before their due date, it is referred to as debt extinguishment.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859161>

Question 1412

Retrospective changes require restatement of all periods reported in the annual report as if it had been used in those prior years.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859708>

Question 1413

Which of the following statements regarding trading debt securities is false?

- A) If a trading debt security is purchased at a premium, the premium must be amortized on a periodic basis.
- B) Fair value adjustments are treated as adjustments to net income.
- C) If the fair value of trading debt securities is less than the historical cost the fair value adjustment account will have a credit balance.
- D) Fair value adjustments are treated as adjustments to other comprehensive income.

Answer: <https://biology-forums.com/index.php?topic=1859281>

Question 1414

Which of the following is not a required disclosure item for the statement of cash flows?

- A) interest and dividends paid when the indirect method is used
- B) reconciliation of net income to total net cash flows
- C) all significant noncash investing and financing activities
- D) policy regarding cash equivalents

Answer: <https://biology-forums.com/index.php?topic=1859876>

Question 1415

Step 4 in completing the worksheet is to create the _____.

- A) Income statement
- B) Balance Sheet
- C) Adjusted Trial Balance
- D) Both A and B

Answer: <https://biology-forums.com/index.php?topic=1858370>

Question 1416

The _____ date is when the lease agreement is signed. The _____ is the date on which the lessee is allowed to begin using the leased asset.

- A) lease inception; lease commencement
- B) lease consideration; lease commencement
- C) lease inception; lease finalization
- D) both A and B are correct

Answer: <https://biology-forums.com/index.php?topic=1859527>

Question 1417

Dividend payments to shareholders are classified as operating activities on the statement of cash flows.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858484>

Question 1418

IFRS requires additional disclosures of summarized financial information of the investee, including total assets, liabilities, revenue, and net income or loss.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859334>

Question 1419

Gift card breakage is never redeemed.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859052>

Question 1420

Which of the following is not a required attribute for information to be considered reliable under IFRS?

- A) complete in all material respects
- B) prudent
- C) neutral
- D) faithful to past standards

Answer: <https://biology-forums.com/index.php?topic=1858205>

Question 1421

For a lease to exist, it must meet two criteria: _____.

- A) (1) there must be an identified asset and (2) the lessee must have the right to control that asset over the lease term
- B) (1) there must be an identified asset and (2) the lessor must have the right to control that asset over the lease term
- C) (1) there must be a substitute alternative asset and (2) the lessee must have the right to control that asset over the lease term
- D) (1) there must be a substitute alternative asset and (2) the lessor must have the right to control that asset over the lease term

Answer: <https://biology-forums.com/index.php?topic=1859516>

Question 1422

Unrealized gains and losses on investments in equity securities are reported for an investment in another company when the percentage of ownership in another company is _____.

- A) less than 20%
- B) 20% to 50%
- C) 51% to 74%
- D) 75% or greater

Answer: <https://biology-forums.com/index.php?topic=1859296>

Question 1423

Compensation expense associated with stock options is _____.

- A) based upon the book value of the options
- B) based upon the estimated fair value of the options
- C) recorded on the date that the options are granted
- D) allocated as expense over the time period until the options expire

Answer: <https://biology-forums.com/index.php?topic=1859573>

Question 1424

Billings in excess of costs and profits are carried on the balance sheet as a/an _____.

- A) asset
- B) liability
- C) equity
- D) revenue

Answer: <https://biology-forums.com/index.php?topic=1858721>

Question 1425

After recognizing the impairment, the firm carries the asset at its fair value less previously accumulated depreciation.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859005>

Question 1426

A beneficial conversion option is an option to convert the debt to equity that is considered to be in the money.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859172>

Question 1427

For a lessor to classify a lease as a capital lease, there can be no material uncertainties regarding the amount of reimbursable costs to be incurred by the lessee.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859448>

Question 1428

If the firm sells the intangible asset, it recognizes a gain or loss on the income statement, measured as the difference between the sales proceeds and the carrying value of the asset.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858982>

Question 1429

Which of the following items does IFRS require to be disclosed but not necessarily presented on the income statement?

- A) litigation settlements
- B) finance costs
- C) turnover
- D) income of associates

Answer: <https://biology-forums.com/index.php?topic=1858410>

Question 1430

What drives the measurement and timing of revenue recognition?

Answer: <https://biology-forums.com/index.php?topic=1858127>

Question 1431

Which of the following is a cash outflow from investing activities?

- A) lending cash
- B) payment of dividends
- C) proceeds from sale of fixed assets
- D) purchase of merchandise inventory

Answer: <https://biology-forums.com/index.php?topic=1859845>

Question 1432

If management can only estimate a range for the loss, but cannot identify a single most likely outcome within that range, it should accrue the midpoint of the range.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859081>

Question 1433

The _____ cost is the amount of cash (or equivalent) that a firm paid to acquire an asset, whereas _____ is the amount the firm would pay if the asset were purchased today.

- A) historical; current cost
- B) present value; current market value
- C) historical; current market value
- D) realized; present value

Answer: <https://biology-forums.com/index.php?topic=1858119>

Question 1434

Hudson Motors reported \$635,000 net income for the current year. Beginning common shares outstanding were 140,000. Hudson also had 10,000, 6% nonconvertible, cumulative, \$100 par value preferred shares outstanding for the entire year. No cash dividends were declared. Compute basic earnings per share. (Round your answer to the nearest cent.)

- A) \$4.54
- B) \$4.53
- C) \$4.11
- D) \$3.83

Answer: <https://biology-forums.com/index.php?topic=1859643>

Question 1435

Define contingency. What exactly is the company uncertain about?

Answer: <https://biology-forums.com/index.php?topic=1859100>

Question 1436

What is the proper accounting treatment for leasehold improvements for the lessee?

Answer: <https://biology-forums.com/index.php?topic=1859502>

Question 1437

Based on the above information, discuss what type of lease it is and why.

Answer: <https://biology-forums.com/index.php?topic=1859530>

Question 1438

If a lease transaction is in essence a purchase of an asset with the issuance of debt, then the lessee records both the asset and the liability on the balance sheet.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859435>

Question 1439

On January 1, 2016, Bubert Corporation issues 10,000 shares of \$5 par restricted stock to its key executives. The market value of these shares on the date of issue is \$25 and there is a four year vesting period. Record the journal entries for the issuance of the restricted shares, as well as compensation expense for the first year.

Answer: <https://biology-forums.com/index.php?topic=1859594>

Question 1440

In the Accounting Standards Codification, the subtopic numbers under each topic are uniform throughout the Codification.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858188>

Question 1441

What type of account is Allowance for Uncollectible Accounts?

- A) current liability
- B) expense
- C) contra asset
- D) contra revenue

Answer: <https://biology-forums.com/index.php?topic=1858801>

Question 1442

When an Asset Retirement Obligation is first recognized, the liability account is credited and Accretion Expense is debited.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859068>

Question 1443

Which of the following statements is correct about the fair value option under IFRS?

- A) The fair value method increases volatility in retained earnings.
- B) Using the fair value method promotes mismatches because assets and liabilities are measured under different bases.
- C) IFRS does not allow fair value reporting for investments under the equity method.
- D) IFRS allows a company to revoke the fair value option at any time.

Answer: <https://biology-forums.com/index.php?topic=1859324>

Question 1444

Biglo Chemical Company reported the following in the statement of comprehensive income for the year ended December 31:

Income from continuing operations before tax 500,000
Income tax expense(150,000)
Net income 350,000
Other comprehensive income(110,000)
Comprehensive income 240,000

During the year, the company paid \$63,000 in dividends and purchased treasury stock with a par value of \$10,000 at a cost of \$70,000. If the balance of Retained Earnings at the beginning of the year was \$390,000, what is the balance of Retained Earnings at the end of the year?

- A) \$567,000
- B) \$677,000
- C) \$740,000
- D) \$630,000

Answer: <https://biology-forums.com/index.php?topic=1858461>

Question 1445

IFRS does not classify leases as operating and financing and does not distinguish two types of leases. Rather, lessee accounting treatment is the same for all leases under IFRS.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859526>

Question 1446

Based on the above information, what are the two Journal Entries associated for the lessor?

Answer: <https://biology-forums.com/index.php?topic=1859531>

Question 1447

Which of the following items would not be reported in the financing activities section of the statement of cash flows?

- A) payment of dividends
- B) receipt from note receivable
- C) resale of treasury stock
- D) retirement of bonds payable

Answer: <https://biology-forums.com/index.php?topic=1859854>

Question 1448

If a pension plan is underfunded, it means that the _____.

- A) ABO exceeds plan assets
- B) PBO is less than plan assets
- C) ABO is less than plan assets
- D) PBO exceeds plan assets

Answer: <https://biology-forums.com/index.php?topic=1859615>

Question 1449

Under the gross method of recording accounts receivable, a customer must pay the gross amount of the invoice.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858785>

Question 1450

The defensive interval ratio gauges liquidity based on current resources available to meet current cash expenditures.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859094>

Question 1451

Revenue and expense recognition under the current IFRS conceptual framework is the same as under the U.S. GAAP conceptual framework.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858108>

Question 1452

A company has a probable loss that can only be reasonably estimated within a range of outcomes. No single amount within the range is a better estimate than any other amount. Under U.S. GAAP, what amount of loss contingency should be accrued?

- A) the maximum amount of the range
- B) the midpoint amount of the range
- C) the minimum amount of the range
- D) zero

Answer: <https://biology-forums.com/index.php?topic=1859097>

Question 1453

Describe the difference between the valuation of convertible bonds at issue using GAAP and IFRS.

Answer: <https://biology-forums.com/index.php?topic=1859181>

Question 1454

A company selling or disposing of an asset measures the asset at the lower of cost or net realizable value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859045>

Question 1455

On January 1, 2013, Warhol Company issued 2000 shares of 10%, \$100 par value, cumulative preferred stock for \$300,000. On December 30, 2015,

the Board declared dividends of \$30 per share on the preferred stock. What journal entry is necessary for the declaration of dividends?

- A)
Dividends preferred 20,000
 Dividends payable preferred 20,000
- B)
Dividends payable preferred 20,000
 Cash 20,000
- C)
Dividends preferred 60,000
 Dividends payable preferred 60,000
- D)
Dividends payable preferred 60,000
 Cash 60,000

Answer: <https://biology-forums.com/index.php?topic=1859242>

Question 1456

Baxter Company issues its annual financial reports within one month of the end of the year. This is an example of which enhancing quality of accounting information?

- A) confirmatory value
- B) relevance
- C) verifiability
- D) timeliness

Answer: <https://biology-forums.com/index.php?topic=1858077>

Question 1457

The first step in revenue recognition is to _____.

- A) identify contracts with customers
- B) allocate the transaction price to the performance obligation
- C) identify the performance obligations
- D) recognize revenue

Answer: <https://biology-forums.com/index.php?topic=1858706>

Question 1458

How do IFRS disclosure requirements of property, plant, and equipment differ from U.S. GAAP disclosure requirements?

Answer: <https://biology-forums.com/index.php?topic=1858960>

Question 1459

Ace Corporation has 10,000 shares of \$100, 7%, convertible preferred shares outstanding for the whole year. Each preferred share is convertible into 4 shares of common stock. What is the incremental income per common share?

- A) \$25.00
- B) \$1.00
- C) \$1.75
- D) \$7.00

Answer: <https://biology-forums.com/index.php?topic=1859681>

Question 1460

Motorcycle Madness sells an annual membership to its club for \$300. On July 1, 2017 Motorcycle Madness sells 1,000 of these. The club prepares financial statements annually.

Required: Prepare the journal entries that Motorcycle Madness would record on July 1, 2017, December 31, 2017, and on June 30, 2018.

Answer: <https://biology-forums.com/index.php?topic=1858712>

Question 1461

Which of the following presents the steps for the applied accounting research process in the correct order?

- A) identify the issue, understand the facts, search the authoritative literature
- B) search the authoritative literature, evaluate the results, develop conclusions
- C) establish the facts, search the authoritative literature, identify the issue
- D) evaluate the results, write a recommendation, develop conclusions

Answer: <https://biology-forums.com/index.php?topic=1858235>

Question 1462

Land held for resale is classified as property, plant, and equipment.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858473>

Question 1463

Current assets are those that a firm expects to convert into cash within one year or its operating cycle, whichever is longer.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858470>

Question 1464

Boston Exporters purchased 40,000 of the 100,000 outstanding shares of Giant Distributors for \$2,000,000. Boston has significant influence over Giant and will account for this investment using the equity method. During the year, Giant declared dividends of \$140,000 and reported Net Income of \$800,000. Record all necessary journal entries for Boston related to this investment for the year. Then, calculate the ending balance of the Investment in Giant account.

Answer: <https://biology-forums.com/index.php?topic=1859309>

Question 1465

If a debit to Repairs Expense is inadvertently posted to Rent Expense, the unadjusted trial balance will still balance.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858289>

Question 1466

According to IFRS, there are two types of capital maintenance adjustments: financial and physical.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858085>

Question 1467

The face value of a bond is also referred to as its par value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859124>

Question 1468

Which of the following is most likely based on an assumption?

- A) how to record petty cash transactions
- B) decision about which method of depreciation to use
- C) the balance in the cash account
- D) the value of the accounts payable account

Answer: <https://biology-forums.com/index.php?topic=1858156>

Question 1469

When a company makes a change in an accounting principle, IFRS additionally requires a company to report _____.

- A) three years of all financial statements
- B) two years of all financial statements
- C) two years of balance sheets and two years of income statements
- D) three years of balance sheets and two years of other financial statements

Answer: <https://biology-forums.com/index.php?topic=1859739>

Question 1470

Which of the following is typically included in the income tax provision?

- A) deferred income tax
- B) state and local income tax
- C) federal income tax on gain from discontinued operations
- D) federal, state, and local payroll tax

Answer: <https://biology-forums.com/index.php?topic=1858421>

Question 1471

Tetra Corp. recorded book income of \$235,000 in 2015. It does not have any permanent differences and the only temporary difference relates to \$30,000 unearned income that it recorded for book purposes. Tetra anticipates satisfying this liability equally over the following three years. The current enacted tax rate is 40%. The enacted tax rates for the following three years are 37%, 42%, and 47%, respectively. Under U.S. GAAP, what deferred tax amount should Tetra Corp. record for this temporary difference?

- A) \$11,900
- B) \$12,000
- C) \$12,600
- D) \$14,100

Answer: <https://biology-forums.com/index.php?topic=1859395>

Question 1472

Which of the following is not a factor in calculating a defined benefit?

- A) percentage of salary
- B) current salary level
- C) return on plan assets
- D) credits for years of service

Answer: <https://biology-forums.com/index.php?topic=1859601>

Question 1473

Pemco Enterprises sells annual memberships to its shooting lodge. The memberships cost \$270 each. On January 1, Pemco sold 3000 memberships and received cash. Refer to Pemco Enterprises. How much revenue should Pemco recognize on January 1?

- A) \$0
- B) \$810,000
- C) \$405,000
- D) \$67,500

Answer: <https://biology-forums.com/index.php?topic=1858696>

Question 1474

The statutory tax rate is the legally imposed rate in a given taxing jurisdiction.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859352>

Question 1475

For constructed assets, the amount of capitalized interest is calculated as total construction costs times the applicable interest rate.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858918>

Question 1476

Destiny Industries reports beginning inventory of \$256,000 purchases of \$560,000, and ending inventory of \$200,000. What is the cost of goods sold?

- A) \$816,000
- B) \$504,000
- C) \$616,000
- D) \$1,016,000

Answer: <https://biology-forums.com/index.php?topic=1858842>

Question 1477

For a lessor to classify a lease as a capital lease, _____.

- A) any one of the lessee criteria must be met; collectibility of the required minimum lease payments must be reasonably assured; and there must be no material uncertainties regarding the amount of future nonreimbursable costs to be incurred by the lessor under the terms of the lease
- B) all four of the lessee criteria must be met; and collectibility of the required minimum lease payments must be reasonably assured OR there must be no material uncertainties regarding the amount of future nonreimbursable costs to be incurred by the lessor under the terms of the lease
- C) any one of the lessee criteria must be met; and collectibility of the required minimum lease payments must be reasonably assured OR there must be no material uncertainties regarding the amount of future nonreimbursable costs to be incurred by the lessor under the terms of the lease
- D) all four of the lessee criteria must be met; collectibility of the required minimum lease payments must be reasonably assured; and there must be no material uncertainties regarding the amount of future nonreimbursable costs to be incurred by the lessor under the terms of the lease

Answer: <https://biology-forums.com/index.php?topic=1859457>

Question 1478

Net pension liability is decreased by _____.

- A) amortization of prior service costs

B) service costs
C) expected return on plan assets
D) amortization of net gain in other comprehensive net income
Answer: <https://biology-forums.com/index.php?topic=1859611>

Question 1479

Rent expense is normally considered a peripheral transaction of a company.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1858250>

Question 1480

Which of the following is not a type of dividend?
A) cash dividend
B) liquidating dividend
C) property dividend
D) wage dividend
Answer: <https://biology-forums.com/index.php?topic=1859248>

Question 1481

Property, plant, and equipment include both tangible and intangible fixed assets.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1858911>

Question 1482

Testing for impairments of investment securities is a three step process: Measure the impairment loss, determine where to present it, and assess whether there is a reversal needed in later periods.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1859346>

Question 1483

Which of the following is not a cash equivalent?
A) accounts receivable expected to be collected in 30 days
B) treasury bill with a maturity of 2 months
C) commercial paper maturing in 45 days
D) mutual fund deposits
Answer: <https://biology-forums.com/index.php?topic=1859794>

Question 1484

The fair value of stock options on the date of grant is usually readily determinable.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1859568>

Question 1485

Balance sheet errors are typically the result of misclassification of accounts and require correction upon discovery.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1859775>

Question 1486

Scrap value reduces the depreciable base of an asset.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1858936>

Question 1487

Goods and services may be transferred to a customer over time or at a point in time.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1858691>

Question 1488

Given the following information from an amortization table for December 31, prepare the journal entry to record the payment of interest at year end if the fiscal year of the company ends on December 31.

6% Cash

Interest 7% Effective

Interest Discount

Amortization Carrying

Value

\$42,000 \$47,340 \$5,340 \$681,630

A) Journal Entry

Account	Debit	Credit
December 31 Interest Expense	47,340	
Premium on Bonds Payable		5,340
Interest Payable	42,000	

B) Journal Entry

Account	Debit	Credit
December 31 Interest Expense	47,340	
Premium on Bonds Payable		5,340
Cash	42,000	

C) Journal Entry

Account	Debit	Credit
December 31 Interest Expense	47,340	
Discount on Bonds Payable		5,340
Interest Payable	42,000	

D) Journal Entry

Account	Debit	Credit
December 31 Interest Expense	47,340	
Discount on Bonds Payable		5,340
Cash	42,000	

Answer: <https://biology-forums.com/index.php?topic=1859149>

Question 1489

Warranties that cover longer time periods are more likely to be base warranties.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859103>

Question 1490

The local Mini Mart makes sales of \$11,000 on April 5, 2016. The journal entry to record the transaction would be to _____.

A)

Cash 11,000
Sales Revenue 11,000

B)

Sales Revenue 11,000
Cash 11,000

C)

Accounts Receivable 11,000
Sales Revenue 11,000

D)

Cash 11,000
Accounts Receivable 11,000

Answer: <https://biology-forums.com/index.php?topic=1858646>

Question 1491

Which of the following transactions is not reported as other comprehensive income by either U.S. GAAP or IFRS?

- A) gains and losses from foreign currency translation
- B) adjustments to unrecognized pension costs (benefits)
- C) unrealized gains and losses from trading securities
- D) unrealized gains and losses from derivatives classified as cash flow hedges

Answer: <https://biology-forums.com/index.php?topic=1858458>

Question 1492

Altima Corporation actively manages a portfolio of publicly traded stock funded with excess cash. The purpose of the portfolio is to generate gains on

sales and the portfolio is reported at fair value. This method of accounting is consistent with the qualitative characteristic of _____ from the conceptual framework.

- A) relevance
- B) faithful representation
- C) both faithful representation and relevance
- D) neither representation nor relevance

Answer: <https://biology-forums.com/index.php?topic=1859270>

Question 1493

Which of the following is true when accounts receivable are factored without recourse?

- A) The receivables are used as collateral for a promissory note issued to the factor by the owner of the receivables.
- B) The financing cost (interest expense) should be recognized ratably over the collection period of the receivables.
- C) The factor assumes the risk of collectibility and absorbs any credit losses in collecting the receivables.
- D) The transaction may be accounted for either as a secured borrowing or as a sale, depending upon the substance of the transaction.

Answer: <https://biology-forums.com/index.php?topic=1858816>

Question 1494

When defining the portion of a deferred tax asset that a firm will not realize, IFRS uses the term _____.

- A) likely
- B) possible
- C) more likely than not
- D) probable

Answer: <https://biology-forums.com/index.php?topic=1859389>

Question 1495

Wesley Foundation had \$30,000 in supplies inventory at the beginning of the year. The company purchased \$70,000 in supplies throughout the year and used \$90,000. What is the ending balance in the supplies inventory?

- A) \$50,000
- B) \$20,000
- C) \$60,000
- D) \$10,000

Answer: <https://biology-forums.com/index.php?topic=1858321>

Question 1496

List the four possible sources of taxable income that a company should consider when assessing the realizability of a deferred tax asset under U. S. GAAP.

Answer: <https://biology-forums.com/index.php?topic=1859391>

Question 1497

Able Company enters into a contract with a customer to provide them with an accounts receivable program. Able will also provide installation services as part of the contract. The customer is free to enlist the services of another entity to install the software. What is the number of performance obligations for this contract?

- A) 0
- B) 1
- C) 2
- D) 3

Answer: <https://biology-forums.com/index.php?topic=1858663>

Question 1498

The fixed price paid by an employee to acquire a share of stock under an option plan is the _____.

- A) exercise price
- B) market price
- C) historical price
- D) book price

Answer: <https://biology-forums.com/index.php?topic=1859571>

Question 1499

For lessors, the lease receivable is the present value of payments to be received.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859542>

Question 1500

For investing assets reported at fair value, companies disclose information to enable users to assess the fair value estimates and reasonableness of assumptions made in determining fair value. How is this accomplished?

Answer: <https://biology-forums.com/index.php?topic=1859343>

Question 1501

Most elements of operating income are permanent in nature.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858388>

Question 1502

The lessor capitalizes initial direct costs associated with an operating lease and amortizes them over the life of the lease.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859463>

Question 1503

Which of the following is not considered a financing activity when preparing the statement of cash flows?

- A) issuance of common stock
- B) redemption of bonds payable
- C) payment of dividends
- D) payments on notes receivable

Answer: <https://biology-forums.com/index.php?topic=1858503>

Question 1504

List the four criteria specified by the Securities and Exchange Commission for determining whether revenue should be reported on the income statement.

Answer: <https://biology-forums.com/index.php?topic=1858746>

Question 1505

The conceptual model for the statement of cash flows is based on the accounting equation.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859814>

Question 1506

Refer to Crest Industries.

Required:

1. Prepare the appropriate entries for Santa Fe Leasing through the second payment of the lease.
2. Show how Santa Fe Industries will present this lease on its financial statements at December 31.

Answer: <https://biology-forums.com/index.php?topic=1859478>

Question 1507

Maki Company has the following data available:

Transaction	Units Purchased	Unit Cost	Units Sold
-------------	-----------------	-----------	------------

Beginning Inventory	750	\$30	
---------------------	-----	------	--

Oct. 1 Purchase	325	32	
-----------------	-----	----	--

Oct. 10 Sale	425		
--------------	-----	--	--

Oct. 14 Purchase	450	36	
------------------	-----	----	--

Oct. 20 Sale	600		
--------------	-----	--	--

Oct. 22 Purchase	400	37	
------------------	-----	----	--

Oct. 29 Sale	525		
--------------	-----	--	--

If Maki Company uses a perpetual FIFO inventory system, the cost of ending inventory on October 31 is _____.

- A) \$14,800
- B) \$13,875
- C) \$49,400
- D) \$63,900

Answer: <https://biology-forums.com/index.php?topic=1858864>

Question 1508

Tracy Smith is researching a financial reporting issue. She did not find guidance for the specific transaction in the Accounting Standards Codification. Briefly explain how she should proceed in resolving her accounting research question.
Answer: <https://biology-forums.com/index.php?topic=1858219>

Question 1509

Which one of the following is required in the notes to the financial statement for EPS?
A) detailed calculations of weighted average shares outstanding for the period
B) a discussion of antidilutive securities that were excluded from the computation of diluted EPS
C) all stockholder transactions that occurred after the close of the year
D) adjustments to the denominator for preferred dividends
Answer: <https://biology-forums.com/index.php?topic=1859702>

Question 1510

Goodee Bakery is considering a change in its inventory valuation method. Goodee Bakery currently uses the FIFO method and is considering a change to the LIFO method. Goodee Bakery started the year on January 1 with inventory at a FIFO cost of \$24,000 and a LIFO cost of \$21,600. The ending inventory on December 31 is \$25,350 at FIFO cost and \$21,700 at LIFO cost. The LIFO effect is _____.
A) \$3650
B) \$2400
C) \$6050
D) \$1250
Answer: <https://biology-forums.com/index.php?topic=1858879>

Question 1511

The concept of substance over form can be applied to leases. Understanding the economic substance of the lease contract over its legal form requires evaluating the terms and provisions in the lease agreement includes what aspects?
Answer: <https://biology-forums.com/index.php?topic=1859513>

Question 1512

On January 1, 2016, Bubert Corporation issues 10,000 shares of \$5 par restricted stock to its key executives. The market value of these shares on the date of issue is \$25 and there is a four year vesting period. What is the amount of deferred compensation recorded on January 1, 2016?
A) \$250,000
B) \$200,000
C) \$50,000
D) \$150,000
Answer: <https://biology-forums.com/index.php?topic=1859591>

Question 1513

IFRS and U.S. GAAP include the same four items in Other Comprehensive Income.
[b][True or False][b]
Answer: <https://biology-forums.com/index.php?topic=1858457>

Question 1514

TNT Corporation is authorized to issue 75,000 shares of \$1 par value common stock. Prepare the journal entries for the following transactions (omit explanations):
a. Issued 50,000 shares at \$25 per share.
b. Issued 500 shares in exchange for consulting services; the estimated fair value is \$20 per share.
c. Issued 7,000 shares at \$30 per share, paying an underwriter \$800 in stock issuance costs.
Answer: <https://biology-forums.com/index.php?topic=1859225>

Question 1515

In U.S. GAAP, Unamortized Bond Issue Costs have a debit balance and are considered _____.
A) an element in determining the carrying value of the bonds outstanding
B) a cost of borrowing that reduces the effective interest expense
C) a cost of borrowing that increases the effective interest expense
D) an initial cost that is expensed when the bonds are issued
Answer: <https://biology-forums.com/index.php?topic=1859159>

Question 1516

Powers Company accrued unpaid wages of \$3000 on January 31. These wages will be included in paychecks totaling \$7000 on February 2. The

reversing entry will include a(n) _____.

- A) credit to Cash for \$3000
- B) debit to Wages Payable for \$7000
- C) debit to Wages Expense for \$7000
- D) credit to Wages Expense for \$3000

Answer: <https://biology-forums.com/index.php?topic=1858375>

Question 1517

Reversing entries change the amounts reported in previously issued financial statements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858372>

Question 1518

List the steps in preparing a worksheet.

Answer: <https://biology-forums.com/index.php?topic=1858371>

Question 1519

Which of the following tables would show the smallest value for an interest rate of 8% for ten periods?

- A) future value of \$1
- B) present value of \$1
- C) future value of an ordinary annuity
- D) present value of an ordinary annuity

Answer: <https://biology-forums.com/index.php?topic=1858637>

Question 1520

Which of the following measures of benefit does the FASB require for pension computations?

- A) vested benefit obligation
- B) accumulated benefit obligation
- C) projected benefit obligation
- D) future benefit obligation

Answer: <https://biology-forums.com/index.php?topic=1859602>

Question 1521

Purchases of fixed assets are classified as investing activities on the statement of cash flows.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858485>

Question 1522

Clunker Car Corporation reported a \$3 million contingent liability on its 2015 financial statements from a lawsuit over faulty ignition switches. The tax rate for 2015 is 40%; however the enacted tax rates for the following three years is 37%, 35%, and 33% respectively.

How will the deferred tax asset be measured if the case is expected to be resolved in 2016?

How will it be measured if the case is expected to be resolved in 2018?

What accounts for this difference?

Answer: <https://biology-forums.com/index.php?topic=1859398>

Question 1523

On December 31, Griffin Company accrued interest revenue of \$425 on a \$17,000, 10% note. The annual interest payment will be made on October 1.

The reversing entry will include a(n) _____.

- A) credit to Interest Revenue for \$1275
- B) debit to Interest Revenue for \$425
- C) debit to Interest Receivable for \$1275
- D) debit to Cash for \$425

Answer: <https://biology-forums.com/index.php?topic=1858377>

Question 1524

Joe Woods is a first year accountant. When asked to provide data regarding where to purchase new computers for the office, without doing any research, he suggests buying the computers at a store where his friend works. His friend tells him the computers will do what they are needing. In addition, his friend will get a good commission if Joe diverts the purchase his direction. What type of bias is represented in the above scenario?

- A) Overconfidence bias

- B) Confirmatory bias
- C) Groupthink bias
- D) Availability bias

Answer: <https://biology-forums.com/index.php?topic=1858179>

Question 1525

Under U.S. GAAP, which of the following would be included in the journal entry to record the sale of receivables to a factor without recourse?

- A) debit Accounts Receivable
- B) debit Loss on Sale of Receivables
- C) credit Cash
- D) credit Receivable from Factor

Answer: <https://biology-forums.com/index.php?topic=1858818>

Question 1526

Doowow Chemical Company determines that an extruder machine used in its operations has suffered an impairment in value because of technological changes. An entry to record the impairment should include _____.

- A) a debit to the machinery accumulated depreciation account
- B) a debit to the machinery account
- C) a credit to machinery depreciation expense account
- D) a credit to the loss on impairment account

Answer: <https://biology-forums.com/index.php?topic=1859010>

Question 1527

A discontinued operation must be a business segment or unit that generates, or once generated, revenues.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858428>

Question 1528

Footnote disclosures for EPS are concerned only with current and prior years, such that subsequent events after the close of the year are ignored.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859699>

Question 1529

The indirect method of reporting cash flows from operating activities begins with net income from the income statement.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858526>

Question 1530

IFRS does not require that the increase or decrease in cash and cash equivalents explained in the statement of cash flows agree to the line item Cash and Cash Equivalents in the balance sheet.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859805>

Question 1531

Which of the following is an earnings management technique that involves increasing a current loss to show a future increase in net income?

- A) inversion
- B) comprehensive counting
- C) big bath
- D) cookie jar reserves

Answer: <https://biology-forums.com/index.php?topic=1858393>

Question 1532

The period of use is the total period of time that an asset is employed to fulfill a contract with a lessee, not including the sum of any nonconsecutive periods of time.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859515>

Question 1533

The last step in revenue recognition is to _____.

- A) identify contracts with customers
- B) allocate the transaction price to the performance obligation
- C) identify the performance obligations
- D) recognize revenue

Answer: <https://biology-forums.com/index.php?topic=1858707>

Question 1534

Which of the following is the legal life of a patent?

- A) 17 years
- B) 20 years
- C) life of the inventor plus 20 years
- D) life of the inventor plus 70 years

Answer: <https://biology-forums.com/index.php?topic=1858966>

Question 1535

In order to sustain operations a firm must have positive cash flows from operating activities over the long run.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858486>

Question 1536

Jenks Company financed the purchase of a machine by paying \$23,000 a year for the next five years, with the first payment due one year from today. The purchase cost of the machine is considered to be the present value of those payments. What was the purchase cost of the machine to Jenks assuming a discount rate of 10%? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$115,000
- B) \$87,188
- C) \$95,907
- D) \$14,281

Answer: <https://biology-forums.com/index.php?topic=1858615>

Question 1537

Uncertain tax positions may result in a _____.

- A) tax deferral
- B) tax contingency
- C) tax refund
- D) tax asset

Answer: <https://biology-forums.com/index.php?topic=1859416>

Question 1538

Greenwell Farm Equipment sells a tractor to Farmer for \$50,000 on January 1, 2016. The tractor is delivered that day. Greenwell agrees that the Farmer may delay the payment for 2 years. The market rate of interest is 10%. Refer to Greenwell Farms. How much interest revenue will Greenwell report over the life of this contract? (Do not round intermediary calculations, and round your final answer to the nearest whole number.)

- A) \$8678
- B) \$5000
- C) \$10,000
- D) \$10,500

Answer: <https://biology-forums.com/index.php?topic=1858674>

Question 1539

Accounting for uncertain tax positions under U.S. GAAP involves a two step approach: _____.

- A) measurement and classification
- B) recognition and qualification
- C) classification and computation
- D) recognition and measurement

Answer: <https://biology-forums.com/index.php?topic=1859417>

Question 1540

If a company deems an asset to be impaired, it still may not record an impairment loss.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859347>

Question 1541

If a company elects the fair value option to account for trading equity securities, what will be recorded differently for these trading securities?

- A) Unrealized Gains and Losses will now be reported as part of Net Income instead of Other Comprehensive Income.
- B) Dividends received from the investee will now be credited to Dividend Revenue instead of as a reduction to the investment account.
- C) A proportionate share of net income will no longer need to be recorded for these trading securities.
- D) There is no difference in accounting for trading securities as these are already accounted for using the fair value method.

Answer: <https://biology-forums.com/index.php?topic=1859328>

Question 1542

Which of the following adjustments to net income is correct when using the indirect method for computing cash flows from operating activities?

- A) Subtract losses from sales of securities.
- B) Add an increase in accounts receivable.
- C) Subtract gains from sales of equipment.
- D) Deduct an increase in accounts payable.

Answer: <https://biology-forums.com/index.php?topic=1858530>

Question 1543

Bosworth Corporation accepted a 5 year note receivable from Steelman Company on January 1, Year 1. The maturity value of the note is \$800,000. The note has a stated interest rate of 10%; however the prevailing market interest rate is 12%. The note requires interest payments on June 30 and December 31. What will be the note balance at December 31, Year 1?

- A) \$1,195,429
- B) \$1,165,499
- C) \$741,119
- D) \$1,135,569

Answer: <https://biology-forums.com/index.php?topic=1859316>

Question 1544

Describe how users utilize the EPS ratios.

Answer: <https://biology-forums.com/index.php?topic=1859703>

Question 1545

When a company borrows a discounted note for \$30,000, it receives less than \$30,000 and must repay \$30,000.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859116>

Question 1546

Using the above information and assuming that Sidekick allocates consideration based on relative standalone selling prices, determine the allocation of the total consideration to the computer services and the consulting.

Answer: <https://biology-forums.com/index.php?topic=1859566>

Question 1547

Red Lantern Company experienced a net operating loss of \$654,000 in 2015. The company reported taxable income of \$543,000 in 2013 and \$321,000 in 2014. The tax rate for all years is 35%. Assuming the company uses the carryback provisions for the net operating loss, prepare the following for the year of the loss:

- a) The necessary journal entry to record the NOL carryback.
- b) A partial income statement beginning with the net loss before benefit.

Answer: <https://biology-forums.com/index.php?topic=1859411>

Question 1548

Under what circumstances does derecognition of an asset occur?

Answer: <https://biology-forums.com/index.php?topic=1858952>

Question 1549

Information that is not accurate can be considered faithfully representative.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858064>

Question 1550

The relevance of the balance sheet is limited because many assets are recorded at historical costs.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858464>

Question 1551

If a company fails to adjust a deferred revenue recorded as a liability, liabilities will be overstated on the income statement.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858308>

Question 1552

The conceptual model for the statement of cash flows is based on the income statement equation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859815>

Question 1553

Balance sheet accounts are the first accounts to be listed on the unadjusted trial balance.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858285>

Question 1554

Which of the following criteria for determining a discontinued operation is the same for IFRS as for U.S. GAAP?

- A) The definition of a discontinued operation.
- B) The definition of a component of an entity.
- C) the need for the discontinued operation to represent a strategic shift
- D) The requirement for the discontinued operation to be a part of a single coordinated disposal plan.

Answer: <https://biology-forums.com/index.php?topic=1858436>

Question 1555

How do U.S. GAAP and IFRS differ in measuring cash and cash equivalents?

Answer: <https://biology-forums.com/index.php?topic=1859796>

Question 1556

All of the following are conditions for an ordinary annuity except _____.

- A) the future value is equal to the present value
- B) the time periods between the cash flows are the same length
- C) periodic cash flows must be equal in amount
- D) interest is compounded at the end of each time period

Answer: <https://biology-forums.com/index.php?topic=1858593>

Question 1557

Which of the following items is not specified by a compensation arrangement?

- A) number of options granted
- B) current market price
- C) exercise price
- D) vesting period

Answer: <https://biology-forums.com/index.php?topic=1859572>

Question 1558

The transaction price is always the price stated in the contract.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858666>

Question 1559

The future value of an ordinary annuity for any given interest rate and number of periods is always less than the future value of an annuity due for the same interest rate and number of periods.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858588>

Question 1560

The appropriate asset value that a lessee reports on its balance sheet for an operating lease is _____.

- A) zero, unless a prepayment or accrual is involved
- B) the historical cost of the asset being leased
- C) the sum of the minimum lease payments
- D) the present value of the minimum lease payments

Answer: <https://biology-forums.com/index.php?topic=1859465>

Question 1561

Under U.S. GAAP, companies generally use a balance sheet approach to account for temporary differences between book and tax treatment of transactions.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859369>

Question 1562

The relationship between a future value and its corresponding present value is determined by two variables. What are those two variables?

- A) discount rate; length of compounding periods
- B) discount rate; number of compounding periods
- C) conversion rate; length of compounding periods
- D) conversion rate; number of compounding periods

Answer: <https://biology-forums.com/index.php?topic=1858564>

Question 1563

Which of the following is not a current liability?

- A) income tax payable
- B) accounts payable
- C) subscriptions collected one year in advance
- D) bond sinking fund

Answer: <https://biology-forums.com/index.php?topic=1858478>

Question 1564

If an auditor is unable to form an opinion on the fair presentation of the financial statements, a disclaimer of opinion will be issued.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858520>

Question 1565

The Codification subtopics are generally distinguished by accounting area or scope.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858184>

Question 1566

HdG, Inc. accepts a \$700,000, 7% note from Aberdeen Unlimited on April 1, 2016, and lends money to Aberdeen. Aberdeen agrees to pay 5 equal annual payments on this note beginning March 31, 2017. The market rate on the date of issuance of this note was 7%. How much Interest Revenue will HdG record on March 31, 2017, the first annual installment payment date?

- A) \$12,250
- B) \$49,000
- C) \$4,083.33
- D) \$24,500

Answer: <https://biology-forums.com/index.php?topic=1859319>

Question 1567

If an investor company has control over an investee company, the investment is valued at the fair value of the stock on the balance sheet date.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859289>

Question 1568

Which of the following includes cash flows that relate to the acquisition and disposal of noncurrent assets?

- A) financing activities section
- B) operating activities section
- C) funding activities section
- D) investing activities section

Answer: <https://biology-forums.com/index.php?topic=1859808>

Question 1569

Information that is not material is never relevant.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858061>

Question 1570

With basket purchases, the firm allocates one purchase price to specific assets based on fair values.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858921>

Question 1571

If management can only estimate a range for the loss, but cannot identify a single most likely outcome within that range, under U.S. GAAP it should accrue the midpoint of the range.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859083>

Question 1572

For an operating lease, the lessee is only required to report rent expense on its income statement.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859461>

Question 1573

Losses on unprofitable contracts are recognized ratably over the life of the contract.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858765>

Question 1574

The obligation for compensated absences should be valued at known future wage rates.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859058>

Question 1575

Which of the following is not a requirement for recognizing that a transaction can be recorded as a sale of receivables?

- A) The factor discounts the amount remitted to the seller.
- B) The selling company does not maintain effective control over the receivables.
- C) The factor has the ability to pledge the receivables.
- D) The receivables are isolated from the selling company.

Answer: <https://biology-forums.com/index.php?topic=1858817>

Question 1576

Both IFRS and U.S. GAAP permit reporting of comprehensive income in one statement or two statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858454>

Question 1577

A company writes off an account receivable when it no longer expects to collect the amount due from the customer.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858804>

Question 1578

A technical default occurs when a debtor misses interest and/or principal payments.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859121>

Question 1579

Teeter Company began 2017 with accounts receivable of \$420,000 and an allowance for uncollectible accounts of \$25,000 (credit balance). Bad debt expense for the year was \$36,000 and the ending balance in the allowance for uncollectible accounts account was \$10,000. What was the amount of accounts receivable written off during the year?

- A) \$15,000
- B) \$51,000
- C) \$471,000
- D) \$435,000

Answer: <https://biology-forums.com/index.php?topic=1858808>

Question 1580

When developing a new proposed accounting standard, after FASB has determined that the proposed standard meets the objective of financial reporting, the next step in the development process is to _____.

- A) determine which elements of the financial statements are affected by the proposed standard
- B) consider whether the proposed standard possesses the qualitative characteristics that make accounting information useful
- C) weigh constraints on issuing the new standard, which may deter requiring the new standards
- D) identify recognition and measurement concepts used to support the proposed standard

Answer: <https://biology-forums.com/index.php?topic=1858044>

Question 1581

List and describe the five components of annual pension expense.

Answer: <https://biology-forums.com/index.php?topic=1859625>

Question 1582

An attitude that includes a questioning mind and a critical assessment of audit evidence is known as _____.

- A) anchoring bias
- B) groupthink
- C) unprofessional behavior
- D) professional skepticism

Answer: <https://biology-forums.com/index.php?topic=1858172>

Question 1583

What is the expense resulting from the increase in the carrying amount of an asset retirement obligation?

- A) contingent expense
- B) accretion expense
- C) vested expense
- D) depletion expense

Answer: <https://biology-forums.com/index.php?topic=1859074>

Question 1584

Under U.S. GAAP, companies generally use a cash flow approach to account for temporary differences between book and tax treatment of transactions.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859368>

Question 1585

The conceptual framework overrides accounting standards

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858035>

Question 1586

Compare and contrast the major types of leases from the point of view of the lessor under GAAP.

Answer: <https://biology-forums.com/index.php?topic=1859460>

Question 1587

Determining the present value of one or more future amounts is known as _____.

- A) inverting

- B) compounding
- C) discounting
- D) annuitizing

Answer: <https://biology-forums.com/index.php?topic=1858549>

Question 1588

Baxter desires to purchase an annuity on January 1, 2014, that yields him five annual cash flows of \$4000 each, with the first cash flow to be received on January 1, 2017. The interest rate is 10% compounded annually. The cost (present value) of the annuity on January 1, 2014, is _____. (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$12,532
- B) \$20,000
- C) \$11,392
- D) \$15,163

Answer: <https://biology-forums.com/index.php?topic=1858628>

Question 1589

Frigart Company sold goods for \$17,000 with terms 1/10, n/30. How much would Frigart receive if the account were paid within the discount period?

- A) \$16,983
- B) \$16,830
- C) \$11,900
- D) \$15,300

Answer: <https://biology-forums.com/index.php?topic=1858790>

Question 1590

Under U.S. GAAP, the disclosure requirements for lessors with operating leases include the cost or carrying value of assets held and leased to others, net of depreciation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859505>

Question 1591

On June 1, Atkinson Company purchased \$10,000 of inventory on account from Donnie Company. Donnie Company offers a 3% discount if payment is received within 15 days. Atkinson Company records the purchase using the gross method and the perpetual inventory system. Atkinson Company makes the payment for the inventory on June 10. The journal entry on June 10 by Atkinson Company includes _____.

- A) a debit to Cash for \$10,000
- B) a credit to Cash for \$9700
- C) a debit to Inventory for \$300
- D) a credit to Interest Expense for \$300

Answer: <https://biology-forums.com/index.php?topic=1858854>

Question 1592

Carroll Company accrued interest of \$440 on a \$11,000, 8% note payable at December 31. The annual interest payment will be made on July 1. The reversing entry will include a(n) _____.

- A) credit to Interest Payable for \$440
- B) debit to Notes Payable for \$11,000
- C) credit to Interest Expense of \$440
- D) debit to Cash for \$440

Answer: <https://biology-forums.com/index.php?topic=1858376>

Question 1593

Eagle Exporters purchased 120,000 of the 300,000 outstanding shares of Giant Distributors for \$5,000,000. Eagle has significant influence over Giant and will account for this investment using the equity method. During the year, Giant declared dividends of \$100,000 and reported Net Income of \$840,000. What is the balance in the Investment in Giant account at year end?

- A) \$4,624,000
- B) \$4,704,000
- C) \$5,376,000
- D) \$5,296,000

Answer: <https://biology-forums.com/index.php?topic=1859307>

Question 1594

Retroactive application of stock splits and stock dividends makes EPS comparable for prior and current periods of one entity.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859637>

Question 1595

Stinson Corporation has 6% participating preferred shares. In 2015 the company pays common shareholders dividends that are 9% of common par value. What, if any, additional dividend will preferred shareholders receive?

- A) 3%
- B) 9%
- C) 100%
- D) none

Answer: <https://biology-forums.com/index.php?topic=1859239>

Question 1596

When issuing preferred shares instead of debt, corporations lose out on a valuable tax deduction.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859235>

Question 1597

Why are total expenses higher under a finance lease in the early years of the lease?

Answer: <https://biology-forums.com/index.php?topic=1859563>

Question 1598

The highest level of authoritative guidance for U.S. GAAP is the Accounting Standards Codification.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858186>

Question 1599

A department store wants to estimate the cost of ending inventory using the conventional retail method. Round ratios to four decimal places. For example, 0.43677 equals 0.4368. The following data is available:

Sales \$90,000
Sales Returns \$1,000
Markups \$10,000
Markdowns \$9,000
Purchases (at cost) \$20,000
Purchases (at retail) \$50,000
Purchase returns (at cost) \$1,200
Purchase returns (at retail) \$2,000
Beginning inventory (at cost) \$30,000
Beginning inventory (at retail) \$46,000

Required:

Using the conventional retail method, estimate the cost of ending inventory.

Answer: <https://biology-forums.com/index.php?topic=1858893>

Question 1600

The right of return represents a separate performance obligation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858751>

Question 1601

How does IFRS account for uncertain tax positions.

Answer: <https://biology-forums.com/index.php?topic=1859419>

Question 1602

What are the required disclosures for revenue contracts with customers?

Answer: <https://biology-forums.com/index.php?topic=1858737>

Question 1603

Which of the following is classified as an operating activity on a statement of cash flows?

- A) payment of dividends
- B) sale of equipment
- C) issuance of common stock
- D) purchase of inventory

Answer: <https://biology-forums.com/index.php?topic=1858488>

Question 1604

Bonds typically have a face value of \$1,000.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859127>

Question 1605

Paula Poser will receive \$80,000 on December 31, 2022, from a trust fund established by her mother. Assuming the appropriate interest rate for discounting is 12% (compounded semiannually), what is the present value of this amount as of January 1, 2017 (5 years earlier)?

Answer: <https://biology-forums.com/index.php?topic=1858582>

Question 1606

Based on the above information, what is the journal entry for 12/31/17?

Answer: <https://biology-forums.com/index.php?topic=1859543>

Question 1607

Refer to Thompson Industries. Assume that Thompson Industries uses the installment sales method. The buyer of the land defaulted on the sales agreement after making the down payment and the first installment. At the time of repossession, the land was worth \$500,000.

Required:

Prepare the journal entry to record the repossession.

Answer: <https://biology-forums.com/index.php?topic=1858773>

Question 1608

When there is a guaranteed residual value, the leased asset will be depreciated over the life of the asset instead of the life of the lease.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859488>

Question 1609

Compare and contrast two earnings management techniques.

Answer: <https://biology-forums.com/index.php?topic=1858398>

Question 1610

For a dealer or manufacturer lessor, the use of a nonoperating lease is also preferred over a financing lease because it recognizes financing income and also accelerates revenue recognition in the form of the gross profit on the sale in the year of inception. Under an operating lease treatment, the lessor only records rental income each year, spreading the revenue flow over the lease term.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859547>

Question 1611

What is the first step in the financial accounting research process?

- A) identify the issue
- B) search the authoritative literature
- C) establish and understand the facts
- D) review the transaction reports

Answer: <https://biology-forums.com/index.php?topic=1858226>

Question 1612

Information has predictive value if it provides feedback about prior evaluations.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858060>

Question 1613

If the seller does not meet the three criteria for revenue recognition, then it assumes that goods or services are transferred over time.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858693>

Question 1614

Assume that you have the opportunity to receive \$3000 at the end of each of the next five years. Given an interest rate of 6%, how much would you be willing to pay for this investment today? (Use spreadsheet software or a financial calculator to calculate your answer. Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$15,000
- B) \$12,637
- C) \$13,395
- D) \$2242

Answer: <https://biology-forums.com/index.php?topic=1858614>

Question 1615

Convertible securities in a capital structure may require the adjustment of both the numerator and denominator of the EPS formula.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859652>

Question 1616

Which of the following is a classification of expenses using the functional approach?

- A) administration expense
- B) cost of raw materials used
- C) supplies expense
- D) salary costs

Answer: <https://biology-forums.com/index.php?topic=1858404>

Question 1617

An accountant may find that there is no single correct answer to his or her research question in the accounting literature.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858225>

Question 1618

The cumulative percentage of completion is found by dividing the total costs incurred to date by the estimated total cost of the project.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858760>

Question 1619

Gappule Corp. made a \$70,000 sale on account with terms of 2/15, n/30. If the company uses the net method, which of the following will be included in the journal entry to record customer payment within the discount period?

- A) credit Accounts Receivable \$70,000
- B) debit Sales Discounts Forfeited \$1400
- C) credit Sales Revenue \$68,600
- D) debit Cash \$68,600

Answer: <https://biology-forums.com/index.php?topic=1858794>

Question 1620

It is important to understand the facts of a transaction prior to conducting research because _____.

- A) it is necessary for documentation
- B) misunderstood facts can lead to incorrect conclusions
- C) it provides direction when searching the Codification
- D) it is useful when comparing similar transactions

Answer: <https://biology-forums.com/index.php?topic=1858232>

Question 1621

Significant noncash transactions are not required to be disclosed either in the statement of cash flows.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859806>

Question 1622

The ABC Enterprise Company uses the perpetual inventory system. The company has the following data available for the month of April:

Date	Transaction	Units	Unit Cost
April 1	Beginning inventory	200	\$1.00
April 9	Purchase	300	\$1.10
April 10	Sale	400	
April 15	Purchase	400	\$1.16
April 18	Sale	300	
April 24	Purchase	100	\$1.26

What is the cost of ending inventory on April 30 using moving average?

- A) \$354
- B) \$336
- C) \$342
- D) \$310

Answer: <https://biology-forums.com/index.php?topic=1858871>

Question 1623

Explain the benefit to reporting other comprehensive income separately from net income.

Answer: <https://biology-forums.com/index.php?topic=1859259>

Question 1624

Impairment loss equals carrying value less fair value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859006>

Question 1625

St. Augustine Properties collected advance rentals of \$370,000 from its customers during the year. The balance in the unearned rent revenue account increased from \$12,000 on January 1 to \$37,000 on December 31. Rents earned during the year totaled _____.

- A) \$382,000
- B) \$395,000
- C) \$345,000
- D) \$407,000

Answer: <https://biology-forums.com/index.php?topic=1858320>

Question 1626

ABC Corporation issued common stock to its investors for \$125,000. The journal entry to record this transaction includes a(n) _____.

- A) debit to Investments
- B) credit to Revenue
- C) credit to Common Stock
- D) debit to Expense

Answer: <https://biology-forums.com/index.php?topic=1858273>

Question 1627

In what ways do the accounting standards allow companies to report comprehensive income in the financial statements?

Answer: <https://biology-forums.com/index.php?topic=1858386>

Question 1628

Amazing Grapes wine store paid utilities and recorded the economic event in the general ledger. When posting to the journal, an impacted account includes _____.

- A) Retained Earnings
- B) Accounts Payable
- C) Utilities Expense
- D) Both C and B

Answer: <https://biology-forums.com/index.php?topic=1858283>

Question 1629

A direct financing lease meets the Group I but not the Group II criteria.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859545>

Question 1630

What is the initial reporting basis for all investment securities?

- A) Cost
- B) Discounted Present Value
- C) Fair Value
- D) Equity Value

Answer: <https://biology-forums.com/index.php?topic=1859293>

Question 1631

There is a gain on early retirement of bonds if the retirement price is greater than the net carrying value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859162>

Question 1632

Explain the conceptual model for the statement of cash flows.

Answer: <https://biology-forums.com/index.php?topic=1859823>

Question 1633

What are the three characteristics of a liability as defined in the conceptual framework?

Answer: <https://biology-forums.com/index.php?topic=1859089>

Question 1634

Accountants undertake financial accounting research when a standard is unclear. Discuss why the standards may be unclear. Give at least one example.

Answer: <https://biology-forums.com/index.php?topic=1858208>

Question 1635

If a company does not adjust a prepaid expense initially recorded as an asset, expenses will be overstated.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858302>

Question 1636

The EPS denominator for basic earnings per share includes all outstanding common shares at the end of the year.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859635>

Question 1637

Issuance of common stock for cash would be recorded by a _____.

- A) credit to Retained Earnings
- B) credit to Common Stock
- C) debit to Investments
- D) credit to Revenues

Answer: <https://biology-forums.com/index.php?topic=1858272>

Question 1638

A deferred annuity is an annuity in which interest is not compounded until a future period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858624>

Question 1639

If a company provides basic and diluted EPS on the income statement for each year presented, it has no further information requirements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859697>

Question 1640

Contrast the differences between the indirect method and the direct by explaining each.

Answer: <https://biology-forums.com/index.php?topic=1859840>

Question 1641

The deposit liability account is debited when it is determined that deposits will not be returned.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859053>

Question 1642

Betta Corp. has 70,000 shares of \$3 par common stock and 25,000 shares of \$18 par fully participating 7% cumulative preferred stock. The company declares cash dividends of \$90,000 during the current year and there are \$8000 dividends in arrears. What will be the total dividend payment to common stockholders?

- A) \$50,500
- B) \$8000
- C) \$39,500
- D) \$90,000

Answer: <https://biology-forums.com/index.php?topic=1859254>

Question 1643

In 2015, its first year of operations, Neuro Inc. experienced a \$204,000 net operating loss and recorded a deferred tax asset of \$65,280. Neuro decides that it is more likely than not that it will only be able to generate \$195,000 of taxable income during the carryforward period. As a result, without generating additional future taxable income it will not be able to fully realize the NOL carryforward benefit. In order to account for this, what amount will Neuro Inc. record as a valuation allowance, assuming that the tax rate is unchanged?

- A) \$2,880
- B) \$1,958.4
- C) \$20,889.6
- D) Cannot be determined with the information provided.

Answer: <https://biology-forums.com/index.php?topic=1859409>

Question 1644

Explain the differences between accounting for defined benefit plans under IFRS and under GAAP.

Answer: <https://biology-forums.com/index.php?topic=1859624>

Question 1645

A noncontrolling interest represents the portion of the reporting entity that is owned by others.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858440>

Question 1646

Gains and losses result from peripheral transactions of a company.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858249>

Question 1647

What is meant by a bargain purchase and how is it recorded?

Answer: <https://biology-forums.com/index.php?topic=1858980>

Question 1648

Which of the following statements about earnings quality is false?

- A) Earnings quality is enhanced when managers are afforded discretion and judgment in applying accounting standards.
- B) Permanent earnings result in higher earnings quality, while transitory earnings result in lower earnings quality.
- C) Earnings quality is of considerable interest not only to investors and creditors but also to auditors, regulators, and academics.
- D) Earnings quality captures the degree to which reported income provides financial statement users with useful information for predicting future firm performance.

Answer: <https://biology-forums.com/index.php?topic=1858391>

Question 1649

Dynamic Motors, Inc. has two potentially dilutive securities. Income from continuing operations for the year is \$(250,000), income from discontinued operations is \$100,000 (net of tax), and the weighted average common shares outstanding is 100,000 shares. Also outstanding during the year are \$5,000,000 of 6% bonds convertible into 10,000 shares of common stock. The bonds also have two detachable stock warrants for each bond which allow the bondholder to buy a share of stock for \$30. The average market price of Centurion stock was \$28 for the year. The tax rate is 40%.

Required: Write the basic equation for EPS and compute basic EPS. Using the order of entry, determine diluted EPS calculations. Show all computations to prepare the appropriate Income Statement presentation of basic and diluted EPS.

Answer: <https://biology-forums.com/index.php?topic=1859694>

Question 1650

Cross Clothiers invested \$200,000 in a debt security that it properly classified as a trading security on 12/20/17. At 12/31/17, this trading security had a fair value of \$201,500. Record the journal entries needed for this investment assuming this is the first and only trading debt security for Joss.

Answer: <https://biology-forums.com/index.php?topic=1859285>

Question 1651

Companies might be motivated to extinguish an existing debt when the stated rate of interest is higher than the current market rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859164>

Question 1652

Which of the following accounts has a normal debit balance?

- A) Accounts Payable
- B) Advertising Expense
- C) Gain on Sale of Assets
- D) Retained Earnings

Answer: <https://biology-forums.com/index.php?topic=1858263>

Question 1653

There are questions as to whether or not deferred tax assets and liabilities should be recorded. Based on your understanding of the concepts and accounting terminology are deferred tax assets and tax liabilities real assets and liabilities?

Answer: <https://biology-forums.com/index.php?topic=1859382>

Question 1654

Fare Jewelry

Fare Jewelry Company is holding goods on consignment from Tomko with a selling price of \$1,200,000. Fare is promised a commission of 25% for goods sold. By the end of 2017 Fare has sold \$540,000 of goods. Refer to Fare Jewelry. How much revenue should Tomko recognize for 2017 on this transaction?

- A) \$0
- B) \$300,000
- C) \$135,000
- D) \$540,000

Answer: <https://biology-forums.com/index.php?topic=1858756>

Question 1655

Temporary accounts carry a balance from period to period.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858342>

Question 1656

When a firm delivers merchandise to a buyer, it has met both criteria for revenue recognition.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858748>

Question 1657

Ordinary repairs are expenditures to maintain the operating efficiency of an asset that do not extend its original useful life.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858934>

Question 1658

Prior years financial statement are affected by changes in material accounting estimates.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859749>

Question 1659

Which of the following is not a required section of the cash flow statement?

- A) financing activities section
- B) operating activities section
- C) funding activities section
- D) investing activities section

Answer: <https://biology-forums.com/index.php?topic=1859807>

Question 1660

On January 1, Year 1, Axis Corporation granted employee stock options for 50,000 shares of \$2 par value common stock. The exercise price on the date of issue was equal to the market price of \$24. There is a two year vesting period and the options expire in four years. Employees have the right to sell back the shares to the corporation within six months of exercise. At the time of issue, the fair value of the rights is estimated to be \$38 per share. Two years later, on January 1, Year 3, the options are exercised. What are the appropriate journal entries on the date that the options are granted, at the end of Year 1, at the end of Year 2, and on the date that the options are exercised.

Answer: <https://biology-forums.com/index.php?topic=1859585>

Question 1661

Based on the above information, what is the journal entry for 12/31/18?

Answer: <https://biology-forums.com/index.php?topic=1859544>

Question 1662

Adding new offices to an existing office building would qualify as a capital expenditure.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858935>

Question 1663

Prepaid expenses are normally considered as current assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858471>

Question 1664

For a lessor to classify a lease as a capital lease, collectability of the required minimum lease payments must be reasonable assured.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859447>

Question 1665

Based on the above information, how does IFRS report leased assets with low values?

Answer: <https://biology-forums.com/index.php?topic=1859564>

Question 1666

The adjusted trial balance proves the accuracy of the financial statements.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858332>

Question 1667

Mandatory accounting changes require retrospective application of the new accounting standard.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859731>

Question 1668

Which of the following costs should be capitalized in the year incurred?

- A) costs to successfully defend a patent
- B) research and development costs for a new product to be introduced later this year
- C) cost to internally generate goodwill
- D) organizational costs

Answer: <https://biology-forums.com/index.php?topic=1858978>

Question 1669

Svengool Inc. financial statements included the following amounts for the current year:

Retired bonds \$70,000
Proceeds from collection of note receivable \$39,000
Dividends received \$11,000
Acquired production machinery \$59,000
Sold treasury stock \$34,000

Based on this information, what is the amount of net cash flows from financing activities?

- A) \$104,000 net inflow
- B) \$84,000 net inflow
- C) \$34,000 net outflow
- D) \$36,000 net outflow

Answer: <https://biology-forums.com/index.php?topic=1859856>

Question 1670

When options and warrants are in the money, they will be dilutive.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859672>

Question 1671

Cocopedia Inc. is planning to issue bonds that will pay 6% semiannual interest and mature in 10 years.

- a. How much will investors be willing to pay for a \$1,000 bond if the prevailing market yield rate is 4%?
- b. How much will investors be willing to pay for a \$1,000 bond if the prevailing market interest rate is 8%?

Answer: <https://biology-forums.com/index.php?topic=1858640>

Question 1672

In early 2015, Plattsville Plastics recently decided to dispose of an extrusion machine. The original cost was \$460,000 and accumulated depreciation was \$310,389. At that time, the machine was retired from operations, the book value of the machine approximated its fair value. On December 31, 2016, the fair value of the machine was determined to be \$110,000. On December 31, 2017, the fair value of the machine was determined to be \$170,000. Which of the following would be included in a related adjusting entry on December 31, 2017?

- A) credit Gain on Machine Held for Disposal for \$170,000
- B) credit Gain on Machine Held for Disposal for \$60,000
- C) credit Gain on Machine Held for Disposal for \$39,611
- D) No adjusting entry is required.

Answer: <https://biology-forums.com/index.php?topic=1859048>

Question 1673

Unearned revenues may be initially recorded as liabilities or revenues.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858360>

Question 1674

The inventory turnover ratio is equal to 365 divided by the number of days of inventory on hand.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858832>

Question 1675

The following information is available for the month of June for a retail store:

Sales \$79,000
Sales Returns \$1,000
Markups \$10,000
Markup cancellations \$1,000
Markdowns \$9,300
Purchases (at cost) \$40,000
Purchases (at retail) \$107,000
Purchase returns (at cost) \$1,200
Purchase returns (at retail) \$2,000
Beginning inventory (at cost) \$30,000
Beginning inventory (at retail) \$46,000

Required:

Calculate the ending inventory at cost using the basic retail method. Round ratios to four decimal places. (For example, 0.40127 = 0.4013)

Answer: <https://biology-forums.com/index.php?topic=1858894>

Question 1676

Explain how an accountant would use assumptions and estimates when accounting for property, plant, and equipment.

Answer: <https://biology-forums.com/index.php?topic=1858166>

Question 1677

The White Boar Pub purchased a two year insurance policy for \$6600 on February 1 and recorded it as an asset. On June 30, the adjusting entry that should be made is _____.

- A)
Prepaid Insurance 5225
 Insurance Expense 5225
- B)
Insurance Expense 1375
 Prepaid Insurance 1375
- C)
Prepaid Insurance 1375
 Insurance Expense 1375
- D)
Insurance Expense 5225
 Prepaid Insurance 5225

Answer: <https://biology-forums.com/index.php?topic=1858316>

Question 1678

On June 1, Kennedy Company purchased \$9000 of inventory on account from Sterner Company. Sterner Company offers a 3% discount if payment is received within 15 days. Kennedy Company records the purchase using the net method and the perpetual inventory system. The journal entry on June 1 by Kennedy Company includes _____.

- A) a debit to Inventory for \$9000
- B) a credit to Accounts Payable for \$9000
- C) a credit to Cash for \$8730
- D) a debit to Inventory for \$8730

Answer: <https://biology-forums.com/index.php?topic=1858855>

Question 1679

An intraperiod tax allocation _____.

- A) results when different income statement items are taxed at different rates
- B) occurs when certain revenues and expenses appear in the financial statements either before or after they are included in the income tax return
- C) allocates income tax expense to different sections of the comprehensive income statement
- D) deals with allocation of taxes between current and future periods

Answer: <https://biology-forums.com/index.php?topic=1859421>

Question 1680

Using the above information, the total consideration in this contract _____ the variable payments.

- A) increases
- B) decreases
- C) excludes
- D) includes

Answer: <https://biology-forums.com/index.php?topic=1859565>

Question 1681

A net pension liability is the excess of the projected benefit obligation over the plan assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859606>

Question 1682

The State of Alabama filed suit against Edwards Chemical Company for violations of water pollution laws in 2015. During 2015, the company accrued a \$300,000 loss for litigation. At the end of 2016, Edwards was able to settle with the State for \$245,000. What entry should Edwards make when it pays the State in December, 2016?

- A)
Account Debit Credit
Litigation Liability 300,000
Gain on Liability Loss 55,000
Cash 245,000
- B)
Account Debit Credit
Litigation Liability 245,000
Cash 245,000
- C)
Account Debit Credit
Litigation Liability 300,000
Recovery of a Loss 55,000
Cash 245,000
- D)
Account Debit Credit
Litigation Liability 300,000
Retained Earnings 55,000
Cash 245,000

Answer: <https://biology-forums.com/index.php?topic=1859756>

Question 1683

Bombard Company has the following data available:

Transaction	Units Purchased	Unit Cost	Units Sold
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Beginning Inventory	500	\$10	
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March 1 Purchase	200	\$12	
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April 25 Sale	350		
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June 10 Purchase	300	\$14	
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July 20 Sale	250		
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October 30 Purchase	350	\$15	
---------------------	-----	------	--

December 15 Sale	400		
------------------	-----	--	--

If Bombard Company uses a perpetual LIFO inventory system, the cost of goods sold for the year is _____.

- A) \$3,500
B) \$5,520
C) \$16,850
D) \$13,850

Answer: <https://biology-forums.com/index.php?topic=1858863>

Question 1684

The Construction in Progress account is what type of account?

- A) liability
B) revenue
C) asset
D) expense

Answer: <https://biology-forums.com/index.php?topic=1858761>

Question 1685

Violet Corporation reported a loss in 2015 of \$650,000. The company reported taxable income of \$195,000 in 2013 and \$245,000 in 2014. It has no permanent or temporary differences and its tax rate is 20%.

Refer to Violet Corporation. Violet reported taxable income of \$345,000 in 2016. What is the necessary journal entry for 2016?

- A)
Income Tax Refund Receivable 88,000
Deferred Tax Asset 42,000
Income Tax Benefit 130,000
- B)
Income Tax Refund Receivable 27,000
Deferred Tax Asset 42,000
Income Tax Benefit 69,000
- C)
Income Tax Expense 130,000
Income Tax Payable 88,000
Deferred Tax Asset 42,000

D)
Income Tax Expense 69,000
Income Tax Payable 27,000
Deferred Tax Asset 42,000

Answer: <https://biology-forums.com/index.php?topic=1859408>

Question 1686

The _____ justifies the use of depreciation on buildings.

- A) economic entity concept
- B) monetary unit assumption
- C) going concern concept
- D) historical cost assumption

Answer: <https://biology-forums.com/index.php?topic=1858136>

Question 1687

You just landed your dream job doing accounting for a small, organic farm! Due to high demand for the popular honeycrisp apples, the owner is looking to expand. She has asked you to prepare a set of financial statements for the bank to review with her loan application. The apples have been picked and boxed up, but have not been sold or shipped yet. You are unsure how to report the apples on the balance sheet. You have never dealt with inventory valuation for agricultural products. Complete the first two steps of the research process based on the information provided in this problem.

Answer: <https://biology-forums.com/index.php?topic=1858238>

Question 1688

Realized gains and losses occur when a company holds securities that experience a change in fair value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859267>

Question 1689

The loss on abandonment of an asset is equal to its carrying value on the date of abandonment plus disposal costs.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858947>

Question 1690

Able sells a piece of equipment to Smythe for \$1,800 on August 1. The equipment cost \$1000. The equipment is picked up by Smythe on August 10. How many performance obligations are included in this transaction?

- A) 1
- B) 2
- C) 3
- D) 4

Answer: <https://biology-forums.com/index.php?topic=1858658>

Question 1691

Basic EPS must be computed before diluted earnings per share can be properly computed.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859653>

Question 1692

When preparing the investing activities section of the cash flow statement under both U.S. GAAP and IFRS, firms report acquisitions of fixed assets separate from sales of fixed assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859844>

Question 1693

In what ways does accounting information proactively interact with its environment?

Answer: <https://biology-forums.com/index.php?topic=1858008>

Question 1694

Explain the difference between the direct and indirect methods of preparing the operating section of the statement of cash flows. Which method is preferred by GAAP?

Answer: <https://biology-forums.com/index.php?topic=1858507>

Question 1695

Step 6 of the financial accounting research process involves _____.

- A) documenting of the research process
- B) communicating the results of the research process
- C) comparing alternative treatments
- D) both A & B

Answer: <https://biology-forums.com/index.php?topic=1858231>

Question 1696

Harvey Inc. reported net earnings of \$300,000 for the year. Harvey has 200,000 shares of common stock outstanding all year. Two years ago the company granted 20,000 stock options that allow employees to purchase shares for \$15 each. The company stock has averaged \$20 in the market during the year. Compute the basic and diluted EPS.

- A) basic EPS \$1.50; diluted EPS\$1.46
- B) basic EPS \$1.50; diluted EPS \$1.50
- C) basic EPS \$1.46; diluted EPS \$1.46
- D) basic EPS \$1.50; diluted EPS \$1.00

Answer: <https://biology-forums.com/index.php?topic=1859663>

Question 1697

Construction costs and profits in excess of billings are carried on the balance sheet as a/an _____.

- A) asset
- B) liability
- C) equity
- D) revenue

Answer: <https://biology-forums.com/index.php?topic=1858762>

Question 1698

The selling price of a bond is the _____.

- A) par value of the bond
- B) par value plus the discount of the bond or minus the premium of the bond
- C) present value of par value plus the present value of the interest payments
- D) present value of par value minus the present value of the interest payments

Answer: <https://biology-forums.com/index.php?topic=1859140>

Question 1699

Other comprehensive income includes income items that bypass the income statement.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859257>

Question 1700

If a seller does not sell the same goods or services separately, the selling prices should be estimated using prices that maximize observable inputs.

What are the three suggested approaches to accomplish this?

Answer: <https://biology-forums.com/index.php?topic=1858686>

Question 1701

Interest calculated on the original principal regardless of the amount of interest that has been paid or accrued in the past is _____.

- A) principal interest
- B) original interest
- C) simple interest
- D) compound interest

Answer: <https://biology-forums.com/index.php?topic=1858551>

Question 1702

The implied fair value of goodwill is calculated as the difference between _____.

- A) the implied fair value of goodwill and its book value
- B) the fair value of the reporting unit (including goodwill) and the fair value of its net assets (without goodwill)
- C) the book value of the reporting unit (including goodwill) and the book value of its net assets (without goodwill)
- D) the fair value of the reporting unit (including goodwill) and the book value of the reporting unit (without goodwill)

Answer: <https://biology-forums.com/index.php?topic=1859021>

Question 1703

Derby Company sells season passes to its entertainment center. The passes sell for \$135 each and are good for the year. On January 1, Derby sells 5400 passes and received cash. The amount of revenue to be recognized each month is _____.

- A) \$72,900
- B) \$60,750
- C) \$729,000
- D) \$81,000

Answer: <https://biology-forums.com/index.php?topic=1858701>

Question 1704

The primary distinction between expenses and losses is _____.

- A) the verifiability of the transactions
- B) the nature of the activities that bring about the transactions
- C) the timing of the transactions
- D) the amount and materiality of the transactions

Answer: <https://biology-forums.com/index.php?topic=1858091>

Question 1705

If a company initially records a prepaid expense as an asset, an adjusting entry must be made at the end of the period to increase the expense account.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858299>

Question 1706

Discuss what causes bonds to sell at par, a premium, or a discount.

Answer: <https://biology-forums.com/index.php?topic=1859133>

Question 1707

A guaranteed residual value reduces the amount of minimum lease payments.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859442>

Question 1708

Which of the following is a characteristic of faithful representation?

- A) timely
- B) comparable
- C) material
- D) complete

Answer: <https://biology-forums.com/index.php?topic=1858072>

Question 1709

Companies report equity investments without a readily determinable fair value at their historical cost.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859291>

Question 1710

Which of the following is considered a financing activity when preparing the statement of cash flows?

- A) cash payment for the purchase of equipment
- B) cash payment for extending credit to others
- C) cash receipt from the sale of common stock
- D) payment of interest on a bond issue

Answer: <https://biology-forums.com/index.php?topic=1858502>

Question 1711

The statement of cash flows is prepared after all other financial statements have been prepared.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858337>

Question 1712

What is a LIFO liquidation? In a period of rising costs, why is a LIFO liquidation feared?

Answer: <https://biology-forums.com/index.php?topic=1858882>

Question 1713

Which of the following is considered to be part of cash and cash equivalents under IFRS, but not U.S. GAAP?

- A) treasury bills
- B) bank overdrafts
- C) commercial paper
- D) money market funds

Answer: <https://biology-forums.com/index.php?topic=1859793>

Question 1714

When bondholders decide to exercise their convertible feature, the company values the conversion at the _____.

- A) market value of the stock
- B) par value of the stock
- C) carrying value of the bonds
- D) par value of the bonds

Answer: <https://biology-forums.com/index.php?topic=1859176>

Question 1715

Refer to Costanza Auto Shop. Allocate the transaction price using the residual approach.

Answer: <https://biology-forums.com/index.php?topic=1858690>

Question 1716

The Public Company Accounting Oversight Board (PCAOB) sets financial accounting standards and oversees the audits of public companies in the United States.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1857994>

Question 1717

Brown Furniture Company decided to go after the younger market to create a newer customer base. In doing so, Ms. Brown offered a liberal credit policy and estimated she would have a 5% bad debt expense. In 2016, sales under this promotion were \$600,000. Accordingly, she estimated a bad debt expense of \$30,000. Her actual bad debt expenses were far less than expected, at about 3%, and this rate will be used for 2017. Her 2017 sales under the program are \$860,000. How much bad debt expense should be reported on comparative income statements based on this information?

- A) 2016, \$18,000; 2017, \$25,800
- B) 2016, \$30,000; 2017, \$30,000
- C) 2016, \$30,000; 2017, \$25,800
- D) 2016, \$30,000; 2017, \$43,000

Answer: <https://biology-forums.com/index.php?topic=1859755>

Question 1718

When preparing a balance sheet using IFRS, a company may choose to list noncurrent assets first.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858479>

Question 1719

On January 7, 2018, Webb Industries purchased an equity investment in Bloomberg Corporation for \$500,000. Bloomberg Corporation stock is not actively traded and does not have a readily determinable fair value. On December 12, 2019, Webb Industries sells the Bloomberg stock for \$600,000. What is the amount of the fair value adjustment on December 31, 2018?

- A) \$0
- B) \$100,000
- C) \$50,000
- D) \$25,000

Answer: <https://biology-forums.com/index.php?topic=1859298>

Question 1720

Which of the following statements about derecognition of an asset is true?

- A) Derecognition requires that the firm remove the asset acquisition value from the balance sheet but not the related accumulated depreciation.
- B) Derecognition increases or decreases the balance of the Allowance for Derecognition account.
- C) Before a gain or loss on derecognition is recognized, the firm must always first recognize current period depreciation expense.
- D) A loss on derecognition occurs when the amount of cash proceeds (if any) is less than the acquisition cost of the asset.

Answer: <https://biology-forums.com/index.php?topic=1858950>

Question 1721

Novella Company sells annual memberships to its auto club. The memberships cost \$400 each. On January 1, Novella sold 9000 passes and received cash. How should Novella record the receipt of cash on January 1?

- A) revenue of \$400
- B) liability of \$400
- C) revenue of \$3,600,000
- D) liability of \$3,600,000

Answer: <https://biology-forums.com/index.php?topic=1858703>

Question 1722

Under U.S. GAAP, when a firm determines that all or a portion of a deferred tax asset is not realizable, they will use a valuation allowance to reduce the balance.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859386>

Question 1723

How are revenues similar to gains and how are they different?

Answer: <https://biology-forums.com/index.php?topic=1858405>

Question 1724

What types of accounts are typically affected by investing cash flows?

Answer: <https://biology-forums.com/index.php?topic=1859849>

Question 1725

Ponzi Printing Company determines that a printing machine used in its operations has suffered an impairment in value because of technological changes. An entry to record the impairment should include a credit to _____.

- A) the machinery accumulated depreciation account
- B) the loss on impairment account
- C) the machinery account
- D) the machinery depreciation expense account

Answer: <https://biology-forums.com/index.php?topic=1859011>

Question 1726

Contributed capital includes amounts earned from the operations of a business.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859209>

Question 1727

Under IFRS, which of the following is not a criteria for recognizing items in the financial statements?

- A) The measurement of the item is reliable.
- B) The item is relevant.
- C) The item meets the definition of an element.
- D) Economic benefits or costs from the item are probable.

Answer: <https://biology-forums.com/index.php?topic=1858111>

Question 1728

The first step in applying the gross profit method of determining inventory is to take a physical count of the goods.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858895>

Question 1729

An employee who is awarded stock appreciation rights must purchase the related shares.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859586>

Question 1730

Accounting for trading securities remains unchanged if a company elects the fair value option for reporting this investment. Why?

Answer: <https://biology-forums.com/index.php?topic=1859330>

Question 1731

When the stated rate is equal to the market rate, the present value of future cash flows from a note is equal to the face value of the note.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858826>

Question 1732

Why do accountants need to be familiar with present value concepts?

Answer: <https://biology-forums.com/index.php?topic=1858557>

Question 1733

Refer to Costanza Auto Shop. Allocate the transaction price using the adjusted market assessment approach.

Answer: <https://biology-forums.com/index.php?topic=1858689>

Question 1734

Under what circumstances would an early extinguishment of a bond issue result in a gain or a loss?

Answer: <https://biology-forums.com/index.php?topic=1859169>

Question 1735

Under the indirect method, adjustments to net income are based on accounting equation relationships.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859828>

Question 1736

Future value factors are determined by two characteristics: the interest rate and the number of compounding periods.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858561>

Question 1737

Refer to Thompson Industries. Assume that Thompson Industries uses the installment sales approach. Prepare all journal entries related to the sale of land, the collection of cash, and the recognition of gross profit.

Answer: <https://biology-forums.com/index.php?topic=1858772>

Question 1738

What are the five criteria that must be met for a contract with a customer to exist?

Answer: <https://biology-forums.com/index.php?topic=1858654>

Question 1739

U.S. GAAP does not permit subsequent reversals of goodwill impairment losses.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859018>

Question 1740

Theories and procedures that evolve as a result of lobbying from various groups are examples of proactive factors within the legal, economic, political, and social environment.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1857996>

Question 1741

Pemco Enterprises sells annual memberships to its shooting lodge. The memberships cost \$290 each. On January 1, Pemco sold 4000 memberships and received cash. How should Pemco record the receipt of cash on January 1?

A) liability of \$1,160,000

- B) revenue of \$1,160,000
- C) liability of \$0
- D) revenue of \$0

Answer: <https://biology-forums.com/index.php?topic=1858698>

Question 1742

IFRS disclosure requirements are identical to U.S. GAAP in every respect except requirements related to impairment recovery.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859038>

Question 1743

StatMed Corporation leases medical equipment under a five year capital lease. The terms of the lease call for five equal payments of \$26,000, with the first payment due at the inception. The interest rate implicit in the lease is 11%. At what value is Obligation under Capital Lease recorded at the end of the first year?

- A) \$115,537
- B) \$71,791
- C) \$89,537
- D) \$106,664

Answer: <https://biology-forums.com/index.php?topic=1859476>

Question 1744

On March 31, Paris Enterprises received \$26,000 in payment for annual advertising contracts and recorded it as advertising revenue. If the revenue is earned equally each month, the adjusting entry on June 30 will include a(n) _____. (Do not round intermediary calculations. Only round your final answer to the nearest dollar.)

- A) a credit to Prepaid Expenses for \$19,500
- B) credit to Unearned Revenue for \$6500
- C) debit to Advertising Revenue for \$19,500
- D) credit to Advertising Revenue for \$6500

Answer: <https://biology-forums.com/index.php?topic=1858363>

Question 1745

When computing EPS, convertible preferred stock issued during the year are treated as if they were issued on the first day of the year.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859654>

Question 1746

Companies use a fair value adjustment account to adjust the related liability account when remeasuring the liability to its fair value.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859195>

Question 1747

Which of the following is not a characteristic that must be considered when determining that a business activity is a component of an entity for purposes of classifying that activity as a discontinued operation?

- A) The activity comprises operations and cash flows.
- B) The activity constitutes a strategic advantage.
- C) The activity can be clearly distinguished for financial reporting purposes.
- D) The activity is a portion of the entity.

Answer: <https://biology-forums.com/index.php?topic=1858431>

Question 1748

The vested benefit obligation uses future salary levels.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859599>

Question 1749

Gustav, Inc. uses the accrual basis to account for all sales transactions. Sales for 2015 total \$500,000. Included in this amount is \$75,000 in receivables from sales on installment. Installment sales are considered revenue for book purposes, but not for tax purposes. Operating expenses total \$150,000 and are treated the same for book and tax purposes.

Complete the following:

- a. What is the book basis of the installment sales receivable?
- b. What is the tax basis of the installment sales receivable?
- c. Assuming a 30% tax rate, compute income tax expense, the deferred tax provision, and income tax payable for 2015.
- d. Prepare the journal entry to record the 2015 income tax expense.

Answer: <https://biology-forums.com/index.php?topic=1859383>

Question 1750

A trade discount reduces the list price for customers purchasing a large quantity of merchandise.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858783>

Question 1751

When preparing the operating section of the statement of cash flows using the direct method, which of the following statements is true?

- A) An increase in accounts payable is added to expenses.
- B) An increase in accounts receivable is added to sales.
- C) Depreciation expense is added to cash flows.
- D) Gains on sales of long term assets are subtracted from cash flows.

Answer: <https://biology-forums.com/index.php?topic=1858499>

Question 1752

Greene Co. reported a loss in 2015 of \$595,000. The company reported taxable income of \$183,000 in 2013 and \$200,000 in 2014. It has no permanent or temporary differences and its tax rate is 40%. Greene reported taxable income of \$287,000 in 2016. Prepare the necessary journal entries for 2015 and 2016.

Answer: <https://biology-forums.com/index.php?topic=1859413>

Question 1753

Under a capital lease, the lessee reports both interest expense and depreciation expense associated with the lease.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859437>

Question 1754

To determine the implied fair value of goodwill, the company will compare the fair value of the reporting unit (including goodwill) with _____.

- A) the fair value of the net assets of the reporting unit (without goodwill)
- B) the fair value of the net assets of the reporting unit (including goodwill)
- C) the fair value of the reporting unit (without goodwill)
- D) the book value of the reporting unit (without goodwill)

Answer: <https://biology-forums.com/index.php?topic=1859022>

Question 1755

Treasury shares reduce the number of shares _____.

- A) issued
- B) authorized
- C) outstanding
- D) available

Answer: <https://biology-forums.com/index.php?topic=1859230>

Question 1756

The effective interest rate properly reflects the effective cost of borrowing at the _____.

- A) stated rate for the bonds
- B) current market rate each year
- C) historical market rate at the date sold
- D) current stated rate for bonds with the same bond rating

Answer: <https://biology-forums.com/index.php?topic=1859144>

Question 1757

All of the following are primary components of the conceptual framework for financial reporting except _____.

- A) qualitative characteristics
- B) standards
- C) principles of recognition and measurement

D) elements of the financial reporting system

Answer: <https://biology-forums.com/index.php?topic=1858046>

Question 1758

You decide to deposit \$5000 at a local bank for three years at a 3% rate of interest compounded semiannually. The future value of your investment is most nearly equal to _____. (Do not round any intermediary calculations, and round your final answer to the nearest dollar.)

- A) \$5464
- B) \$5469
- C) \$5467
- D) \$5450

Answer: <https://biology-forums.com/index.php?topic=1858569>

Question 1759

Separate disclosures are required for the debt and equity components of hybrid securities that are separated on the balance sheet.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859203>

Question 1760

On June 1, Johnson Company purchased \$5000 of inventory on account from Schmid Company on June 1. Schmid Company offers a 4% discount if payment is received within 15 days. Johnson Company records the purchase using the net method and the perpetual inventory system. Johnson Company paid for the inventory on June 30. The journal entry on June 30 by Johnson Company includes _____.

- A) a debit to Accounts Payable for \$4800
- B) a debit to Accounts Payable for \$5000
- C) a credit to Interest Expense for \$200
- D) a credit to Cash for \$4800

Answer: <https://biology-forums.com/index.php?topic=1858856>

Question 1761

Which of the following is not a required disclosure for property, plant, and equipment?

- A) the amount of depreciation expense for the period
- B) the accumulated depreciation at the end of the fiscal year
- C) the balances of depreciable assets by major classes at the end of the fiscal year
- D) the acquisition cost of each material asset acquired during the fiscal year

Answer: <https://biology-forums.com/index.php?topic=1858959>

Question 1762

Financing liabilities require disclosure for all of the following except _____.

- A) detailed disclosures of creditors
- B) the types and outstanding balances of debt
- C) interest rates and payment terms
- D) maturity dates and sinking fund disclosures

Answer: <https://biology-forums.com/index.php?topic=1859207>

Question 1763

The value of a dollar in the future is greater than the value of a dollar today because of compounding.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858545>

Question 1764

The debt component of convertible bonds issued using IFRS is the _____.

- A) present value of the future cash flows at the market interest rate
- B) present value of the future cash flows at the stated interest rate
- C) market value of similar bonds without a conversion feature
- D) same as the calculation for GAAP

Answer: <https://biology-forums.com/index.php?topic=1859180>

Question 1765

The United States plans to adopt IFRS in the near future.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858014>

Question 1766

List four reasons why it is important for an accountant in the United States to learn international accounting standards.

Answer: <https://biology-forums.com/index.php?topic=1858017>

Question 1767

Explain the IFRS impairment test process including determination of the amount of the impairment loss, if any.

Answer: <https://biology-forums.com/index.php?topic=1859030>

Question 1768

On June 1, Homart Wholesalers, Inc. sells 2,000 cases of facial products for \$8 per case with terms of 3/15, n/30.

- If Homart uses the gross method, what is the journal entry to record the sale on June 1?
- If Homart uses the gross method, what is the journal entry to record customer payment on June 12?
- If Homart uses the gross method, what is the journal entry to record customer payment on June 30?
- If Homart uses the net method, what is the journal entry to record the sale on June 1?
- If Homart uses the net method, what is the journal entry to record customer payment on June 12?
- If Homart uses the net method, what is the journal entry to record customer payment on June 30?

Answer: <https://biology-forums.com/index.php?topic=1858796>

Question 1769

S & C Company reported income before taxes of \$151,000 for the years 2013, 2014, and 2015. In 2016 they experienced a loss of \$302,000. S & C had a tax rate of 20% in 2013 and 2014, and a rate of 30% in 2015 and 2016. The company elects to carry back the loss. What is the necessary journal entry to record the NOL carryback in the year of the loss?

- A)
Income Tax Refund Receivable 60,400
Income Tax Benefit 60,400
- B)
Income Tax Refund Receivable 75,500
Income Tax Benefit 75,500
- C)
Income Tax Refund Receivable 90,600
Income Tax Benefit 90,600
- D)
Income Tax Refund Receivable 151,000
Income Tax Benefit 151,000

Answer: <https://biology-forums.com/index.php?topic=1859405>

Question 1770

Caesar Corporation reported income before taxes of \$240,000 for the years 2013, 2014, and 2015. In 2016 they experienced a loss of \$240,000. The company had a tax rate of 35% in 2013 and 2014, and a rate of 45% in 2015 and 2016. Assuming Caesar uses the carryback provisions for the net operating loss, by what amount will the income tax benefit reduce the net loss in 2016?

- A) \$84,000
B) \$96,000
C) \$108,000
D) \$240,000

Answer: <https://biology-forums.com/index.php?topic=1859403>

Question 1771

Why would a company repurchase shares of its own common stock?

Answer: <https://biology-forums.com/index.php?topic=1859232>

Question 1772

To calculate inventory using the gross profit method, one must know the gross profit percentage.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858896>

Question 1773

The income tax payable that a company reports on its balance sheet represents the amount that is owed to the governmental units.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859055>

Question 1774

The incremental method allocates proceeds from the issuance of bonds with warrants between debt and equity based on relative separate fair values of the bonds and warrants.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859185>

Question 1775

U.S. GAAP identifies _____ measurement bases used in financial reporting and IFRS identifies _____.

- A) three; four
- B) four; five
- C) five; four
- D) four; three

Answer: <https://biology-forums.com/index.php?topic=1858118>

Question 1776

Companies are required to disclose the amount of accumulated depreciation either for each major class of fixed assets or in total for all fixed assets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858956>

Question 1777

Cognitive bias is an attitude that includes a questioning mind and critical assessment of evidence.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858170>

Question 1778

Williams Corporation reported Cost of Goods Sold of \$910,000 for December 31, 2017. Accounts payable on the balance sheet were \$62,000 for December 31, 2016 and \$50,000 for December 31, 2017. Merchandise Inventory was \$85,000 for December 31, 2016 and \$99,000 for December 31, 2017. Cash paid for purchases during 2017 was _____.

- A) \$922,000
- B) \$936,000
- C) \$884,000
- D) \$898,000

Answer: <https://biology-forums.com/index.php?topic=1858534>

Question 1779

A lease is classified as a capital lease if the lease term is at least 75% of the estimated life for the property.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859438>

Question 1780

A stock split reduces retained earnings.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859214>

Question 1781

Which statement below most accurately describes the definition of a current Note Payable?

- A) A note payable due within one fiscal year.
- B) A note payable due within one fiscal year or one operating cycle, which ever is shorter.
- C) A note payable due within one fiscal year or one operating cycle, which ever is longer.
- D) A note payable that will be liquidated from current assets or the creation of another current liability.

Answer: <https://biology-forums.com/index.php?topic=1859117>

Question 1782

Disclosures required for revenue include all of the following except _____.

- A) disaggregation of revenue
- B) performance obligations

C) assessing constraints on variable consideration

D) allocating assets

Answer: <https://biology-forums.com/index.php?topic=1858736>

Question 1783

Which of the following accounts has a normal credit balance?

A) Interest Expense

B) Deferred Revenue

C) Investments

D) Loss on Sale of Equipment

Answer: <https://biology-forums.com/index.php?topic=1858267>

Question 1784

Fare Jewelry

Fare Jewelry Company is holding goods on consignment from Tomko with a selling price of \$1,100,000. Fare is promised a commission of 25% for goods sold. By the end of 2017 Fare has sold \$220,000 of goods. Refer to Fare Jewelry. How much revenue should Fare recognize for 2017 on this transaction?

A) \$0

B) \$55,000

C) \$275,000

D) \$220,000

Answer: <https://biology-forums.com/index.php?topic=1858757>

Question 1785

Prepaid expenses may be initially recorded as assets or expenses.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858356>

Question 1786

Installment receivables may be reported on the balance sheet net of deferred gross profit.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858769>

Question 1787

Which of the following topics is not required by the Securities and Exchange Commission to be included in the Management Discussion and Analysis section?

A) Liquidity

B) Summary of significant accounting policies

C) Capital resources

D) Off balance sheet arrangements

Answer: <https://biology-forums.com/index.php?topic=1858521>

Question 1788

What are compensated absences? How does a company account for them?

Answer: <https://biology-forums.com/index.php?topic=1859066>

Question 1789

By leasing an asset for less than 75% of its economic life or less than 90% of its fair market value, a company may avoid classifying the lease as a capital lease.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859441>

Question 1790

IFRS does not treat transactions with owners as separate elements.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858083>

Question 1791

The net carrying value of a bond is the bond par value minus _____.

- A) unamortized bond issue costs, and plus a bond premium or minus a bond discount
- B) unamortized bond issue costs, and minus a bond premium or plus a bond discount
- C) a bond premium or plus a bond discount and unamortized bond issue costs
- D) a bond discount and plus a bond premium and unamortized bond issue costs

Answer: <https://biology-forums.com/index.php?topic=1859166>

Question 1792

A lease is classified as a capital lease if the present value of the minimum lease payments is at least 75% of the fair market value of the property at the inception of the lease.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859439>

Question 1793

Companies are required to provide basic EPS on the income statement for each period for which they provide financial information.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859696>

Question 1794

According to the FASB, when a seller has collected cash, the earnings process is virtually complete.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858742>

Question 1795

Which one of the following items is not a way for management to influence EPS computations to meet target goals?

- A) measurements of impairments on plant, property and equipment
- B) determination of tax contingencies
- C) market valuation of trading securities
- D) choice of inventory cost flow assumptions

Answer: <https://biology-forums.com/index.php?topic=1859640>

Question 1796

An entry to record depreciation in the current period will be recorded after the unadjusted trial balance is prepared.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858290>

Question 1797

If convertible debt is issued during the year, the total of interest expense incurred must be added to the numerator of the diluted EPS calculation.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859655>

Question 1798

In reconciling information to complete its financial statements, Flying High Corporation discovered the following situations:

Net income before taxes and the changes \$400,000

Income tax rate 35%

Bad debt expense increased 1% of sales

Sales \$900,000

Equipment original cost \$500,000

Equipment accumulated depreciation \$200,000

Method of depreciation unchanged DDB

Remaining life changed from 5 years to 3 years

Required: Assuming that no depreciation had been recorded, recompute depreciation expense, bad debt expense, net income before taxes, income tax expense, and net income.

Answer: <https://biology-forums.com/index.php?topic=1859759>

Question 1799

Selected transactions of Ventura Corporation are presented below:

March 1 Received \$9,000 in payment for 6 months advance rent from Franken Company and recorded it as rent revenue.

May 1 Paid Acme Insurance \$6,000 for a 2 year liability policy and recorded it as insurance expense

June 1 Received \$5,400 from Kennedy Corporation as an advance payment for a 6 month advertising contract and recorded it as advertising revenue.

Required: Prepare the adjusting entries that would be required on June 30.

Answer: <https://biology-forums.com/index.php?topic=1858366>

Question 1800

All of the following organizations have set financial accounting standards for U.S. companies except _____.

- A) Public Company Accounting Oversight Board (PCAOB)
- B) Accounting Principles Board (APB)
- C) Committee on Accounting Procedures (CAP)
- D) Financial Accounting Standards Board (FASB)

Answer: <https://biology-forums.com/index.php?topic=1858026>

Question 1801

Greenwell Farm Equipment sells a tractor to Farmer for \$50,000 on January 1, 2016. The tractor is delivered that day. Greenwell agrees that the Farmer may delay the payment for 2 years. The market rate of interest is 6%. Refer to Greenwell Farms. How much sales revenue will Greenwell report on January 1, 2016?

- A) \$50,000
- B) \$47,000
- C) \$53,000
- D) \$44,500

Answer: <https://biology-forums.com/index.php?topic=1858672>

Question 1802

Stanvid Company provided the following information:

Fair value of the reporting unit, including goodwill \$1,400,000

Fair value of the net assets, excluding goodwill \$1,200,000

Book value of net assets, excluding goodwill \$1,000,000

Add: Carrying value of goodwill 600,000

Carrying value of the reporting unit, including goodwill \$1,600,000

The qualitative assessment of goodwill is completed and it is more likely than not that goodwill is impaired. Describe the process for determining if Stanvid needs to record a goodwill impairment loss and prepare any required journal entries.

Answer: <https://biology-forums.com/index.php?topic=1859023>

Question 1803

To be classified as a capital lease, a lease must meet all four of the capital lease criteria.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859440>

Question 1804

For revenues earned over an extended time period, a company should disclose the unearned revenue.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858767>

Question 1805

The gross profit method may not be used for budgeting purposes.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1858897>

Question 1806

List the steps in the accounting cycle in the correct order.

Answer: <https://biology-forums.com/index.php?topic=1858245>

Question 1807

A fire destroyed the inventory of Barber Company. The following information is available:

Beginning inventory \$50,000

Purchases \$170,000

Net Sales Revenue \$200,000

Gross Profit Percentage 30%

Required:

1. Prepare a schedule to compute the amount of inventory lost in the fire using the gross profit method.

2. Prepare the required journal entry after the fire.

Answer: <https://biology-forums.com/index.php?topic=1858900>

Question 1808

The amount of revenue recognized from the sale of gift cards during the period is equal to gift card redemptions during the period minus estimated breakage.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859051>

Question 1809

What prompted the development of the Accounting Standards Codification?

- A) The decision to merge with IFRS made it necessary to redesign the Codification.
- B) The large volume of diverse and complex standards was difficult to use.
- C) Businesses are more complex now and need better guidance.
- D) Overuse of judgment led to financial frauds.

Answer: <https://biology-forums.com/index.php?topic=1858195>

Question 1810

Companies provide information about performance obligations in contracts with customers, including information about _____.

- A) types of warranties but not obligations
- B) types of warranties and obligations
- C) return obligations but not refund obligations
- D) liabilities exchanged

Answer: <https://biology-forums.com/index.php?topic=1858735>

Question 1811

Shady Equipment sells a truck to Fred for \$170,000 on January 1, 2016. Payment of \$170,000 is received two years later and interest is paid at the end of two years. The truck is delivered two years later. The market rate of interest is 8%. Refer to Shady Equipment. How much interest expense will Shady report over the term of the contract? (Do not round intermediary calculations, and round your final answer to the nearest whole number.)

- A) \$28,288
- B) \$13,600
- C) \$170,000
- D) \$44,151

Answer: <https://biology-forums.com/index.php?topic=1858676>

Question 1812

The par value method is the most popular method of reporting treasury stock transactions.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859227>

Question 1813

Emily Bradly is part of a team at work that has been charged with the responsibility of researching differences between IFRS and U.S. GAAP. The team reaches a consensus on a given topic that Emily does not agree with. Not wanting to enter into a conflict, Emily agrees with the group. What type of bias is represented in the in the above scenario?

- A) Availability bias
- B) Overconfidence bias
- C) Confirmatory bias
- D) Groupthink bias

Answer: <https://biology-forums.com/index.php?topic=1858180>

Question 1814

Two components of return on equity are liquidity and solvency.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858537>

Question 1815

Changes in which of the following are included in operating activities?

- A) accounts payable
- B) bonds payable

- C) treasury stock
- D) property, plant, and equipment

Answer: <https://biology-forums.com/index.php?topic=1859822>

Question 1816

To account for stock appreciation rights, a company records compensation expense and a related liability.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859587>

Question 1817

Accountants use judgment when _____.

- A) researching and interpreting standards
- B) recognizing and contemplating standards
- C) estimating and recording economic events
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1858147>

Question 1818

Bosworth Corporation accepted a 5 year note receivable from Steelman Company on January 1, Year 1. The maturity value of the note is for \$780,000. The note has a stated interest rate of 10%; however the prevailing market interest rate is 12%. The note requires interest payments on June 30 and December 31. What will be the interest revenue recorded on June 30, Year 1?

- A) \$39,000
- B) \$46,800
- C) \$78,000
- D) \$43,355

Answer: <https://biology-forums.com/index.php?topic=1859315>

Question 1819

When bonds are issued at par, the market rate is equal to the stated rate.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859135>

Question 1820

When assessing asset impairment, fair value is also referred to as replacement cost.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1859004>

Question 1821

The final financial statement to be prepared from the adjusted trial balance is the statement of cash flows.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1858336>

Question 1822

Wilson Corp. issued \$7,000,000 of 6% bonds on April 30 at par value. The bonds were dated January 1. The company pays interest on June 30 and December 31 each year. How much will the buyer need to pay the company in accrued interest? (Round your final answer to the nearest dollar.)

- A) \$420,000
- B) \$175,000
- C) \$210,000
- D) \$140,000

Answer: <https://biology-forums.com/index.php?topic=1859153>

Question 1823

List three areas in which the balance sheet provides important information to financial statement users.

Answer: <https://biology-forums.com/index.php?topic=1858467>

Question 1824

When computing basic EPS, the numerator includes net income minus the _____.

- A) present value of stock options
- B) preferred dividends paid or payable

- C) cost of interest paid on bonds, net of tax
- D) cash paid for dividends during the year

Answer: <https://biology-forums.com/index.php?topic=1859638>

Question 1825

Why would a company issue a stock split?

Answer: <https://biology-forums.com/index.php?topic=1859219>

Question 1826

Which of the following is not a reason for why adjusting journal entries are necessary?

- A) To ensure all revenues are recognized in the period earned.
- B) To ensure all expenses are recognized in the period incurred.
- C) Because U.S. GAAP requires that financial information be reported using the accrual basis of accounting.
- D) Because U.S. GAAP requires that financial information be reported on the cash basis of accounting and adjusting entries adjust entries from the accrual to the cash basis.

Answer: <https://biology-forums.com/index.php?topic=1858329>

Question 1827

Determining the future value of one or more previous cash flows is known as _____.

- A) disinvesting
- B) compounding
- C) discounting
- D) annuitizing

Answer: <https://biology-forums.com/index.php?topic=1858548>

Question 1828

If a company has recorded a liability for a lawsuit, and the amount of the settlement is more than the provision in the liability, it must consider this an error and retrospectively correct it.

[b][True or False][/b]

Answer: <https://biology-forums.com/index.php?topic=1859748>

Question 1829

Companies should evaluate indefinite life intangible assets at least annually for _____.

- A) amortization
- B) impairment
- C) useful life
- D) gains or losses

Answer: <https://biology-forums.com/index.php?topic=1858983>

Question 1830

Which part of an asset is based on an estimate?

- A) cost of getting the asset ready for use
- B) cost of the asset
- C) pattern of use
- D) Both A and B

Answer: <https://biology-forums.com/index.php?topic=1858158>

Question 1831

The following data include all the elements from Tuche Millinery income statement:

- Administrative Expense \$220
- Cost of Goods Sold 253
- Gain on Sale of Securities 43
- Income Tax Expense 52
- Loss on Discontinued Operations 38
- Loss on Disposal of Equipment 86
- Revenue 876
- Selling Expense 124

What is the amount of income from continuing operations for Tuche Millinery?

- A) \$279
- B) \$403

C) \$499

D) \$184

Answer: <https://biology-forums.com/index.php?topic=1858424>

Question 1832

Cline Corporation deposits \$75,000 every quarter in a savings account (beginning at the end of the current quarter) for the next five years so that it can purchase a new piece of machinery at the end of five years. The interest rate is 8%. How much money will Cline Corporation have at the end of five years?

A) \$3,432,147

B) \$1,822,303

C) \$1,858,749

D) \$2,015,688

Answer: <https://biology-forums.com/index.php?topic=1858596>

Question 1833

All of the following activities are classified as financing activities on a statement of cash flows except _____.

A) distribution of dividends in the form of stock

B) issuance of serial bonds

C) payment of mortgage

D) sale of treasury stock

Answer: <https://biology-forums.com/index.php?topic=1858490>

Question 1834

Penn sells cameras. On August 1, a customer purchases a camera for \$5,700 cash. The parts cost Penn \$2,500. Penn uses the perpetual inventory method.

Required: Prepare the necessary entries to record the sale.

Answer: <https://biology-forums.com/index.php?topic=1858715>