

Question 1

Contingent liabilities will or will not become actual liabilities depending on:

- A) Whether they are probable and estimable
- B) The degree of uncertainty
- C) The present condition suggesting a liability
- D) The outcome of a future event

Answer: <https://biology-forums.com/index.php?topic=1869976>

Question 2

Under IFRS, the amount of taxes paid must be disclosed on the face of the cash flow statement.

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

Answer: <https://biology-forums.com/index.php?topic=1870203>

Question 3

A change in the useful life of an asset requires an accounting estimate change, which affects only periods after the change, is made.

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

Answer: <https://biology-forums.com/index.php?topic=1870622>

Question 4

KG Corporation incurred a tax loss of \$345,000. Based on a tax rate of 38% what is the potential tax benefit?

- A) \$131,100
- B) \$345,000
- C) \$0
- D) cannot be determined

Answer: <https://biology-forums.com/index.php?topic=1870304>

Question 5

In some cases, diluted earnings per share amounts may be the same as the basic earnings per share amounts.

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

Answer: <https://biology-forums.com/index.php?topic=1870547>

Question 6

The date of record for a cash dividend follows the date of payment and precedes the date of declaration.

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

Answer: <https://biology-forums.com/index.php?topic=1870045>

Question 7

The following errors were made in 20x3: An understatement of purchases of \$500 and an understatement of ending inventory of \$500. The net effect on the 20x3 ending amount of retained earnings is:

- A) \$1,000 understatement.
- B) \$1,000 overstatement.
- C) no effect, the errors offset.
- D) No effect, the errors affect income, not retained earnings.
- E) \$500 understatement.

Answer: <https://biology-forums.com/index.php?topic=1870668>

Question 8

What options are open to a company that had previously set up a deferred income tax benefit of a tax loss carry forward but has now determined that the probability of realization is less than 50%?

Answer: <https://biology-forums.com/index.php?topic=1870339>

Question 9

When an error is discovered, it should be corrected as of the end of the year in which the error was made.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870645>

Question 10

Pension plans that are registered meet Revenue Canada requirements and hence qualify for tax advantages.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870473>

Question 11

In splitting the bonds and the conversion feature, either the incremental or the proportional method may be used.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870141>

Question 12

Temporary differences relate only to items that will be recognized on both the income statement and the tax return, but in different reporting periods.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870199>

Question 13

Reported income for CXC was incorrect due to two errors. One error was the overstatement of ending inventory by \$2,000. Which of the following errors, in combination with the inventory error, could cause income to be overstated by \$2,500?

- A) Purchases were understated \$4,500
- B) Beginning inventory was understated \$500
- C) A prepaid expense of \$500 was capitalized
- D) Accounts receivable was overstated \$4,500
- E) Expenses were overstated by \$500

Answer: <https://biology-forums.com/index.php?topic=1870675>

Question 14

What is the purpose of the times interest earned ratio?

Answer: <https://biology-forums.com/index.php?topic=1870759>

Question 15

Under proposed changes to IASB standards for pension accounting, service costs and net interest (finance) revenue or expense will both be recognized in income, but separately.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870479>

Question 16

Only firms with a complex capital structure must compute diluted EPS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870536>

Question 17

Debt issue costs may be expensed or included in the cost of the debt.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869944>

Question 18

The September 30, 20x1, physical inventory of JCB appropriately included \$3,800 of merchandise purchased on account, which was not recorded in purchases until October 20x1. What effect will this error have on September 30, 20x1, assets, liabilities, retained earnings, and earnings for the year then ended, respectively?

- A) Understate; no effect; overstate; overstate
- B) No effect; overstate; understate; understate
- C) No effect; understate; overstate; overstate
- D) No effect; understate; understate; overstate

Answer: <https://biology-forums.com/index.php?topic=1870682>

Question 19

A clean opinion is another term to describe a company that has received an unqualified audit report.

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

Answer: <https://biology-forums.com/index.php?topic=1870690>

Question 20

What are past service costs and how should they be amortized (if at all)?

Answer: <https://biology-forums.com/index.php?topic=1870530>

Question 21

What factor would most likely cause a firm to choose the carry forward only option for a net operating loss?

- A) expectations of lower earnings in the deferred relative to the past
- B) expectations of higher earnings in the deferred relative to the past
- C) expectations of lower tax rates in the deferred relative to the past
- D) expectations of higher tax rates in the deferred relative to the past

Answer: <https://biology-forums.com/index.php?topic=1870320>

Question 22

The lessee should use the lessors borrowing rate (if known) to account for a finance lease, even if this provides a present value of lease payments that is higher than the fair value of the asset at the inception of the lease.

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

Answer: <https://biology-forums.com/index.php?topic=1870348>

Question 23

On January 1st, 20x2, ABC Inc. had invoiced a client in New York for \$10,000 US for services rendered that day. ABC did not hedge this receivable. The receivable is due in 60 days. On January 1st, 20x2, the spot rate was \$1US=\$1.02CDN. On January 31st, 20x2, the spot rate was \$1US=\$1.05CDN. What is the effect of the above information on ABCs January financial statements?

- A) A \$300 foreign exchange gain.
- B) A \$300 foreign exchange loss.
- C) A \$300 credit to OCI.
- D) A \$300 debit to OCI.

Answer: <https://biology-forums.com/index.php?topic=1870150>

Question 24

All of the following are decisions that may be made with financial statement analysis except:

- A) Share investment decisions
- B) Regulatory decisions
- C) Share offering decisions
- D) Lending decisions
- E) Contractual decisions

Answer: <https://biology-forums.com/index.php?topic=1870719>

Question 25

The redemption privilege on preferred shares provides that the preferred shareholders can:

- A) Purchase treasury shares any time they become available.
- B) Purchase enough shares of any new issue, so that their percentage ownership remains the same.
- C) Turn in the preferred shares for a specified cash price.
- D) Exchange the preferred shares for common shares.

Answer: <https://biology-forums.com/index.php?topic=1870069>

Question 26

JMR Corp. grants their top executive an option for 1,000 shares. The option price is \$30 per share. Prepare the journal entry if the current market price is \$40 per share. What would happen if instead the market price was \$25?

Answer: <https://biology-forums.com/index.php?topic=1870188>

Question 27

Many changes in accounting estimates are accounted for both in the period of change and in some future period.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870634>

Question 28

The accumulated and vested benefit obligations typically are different amounts.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870464>

Question 29

The purchase of treasury stock reduces the number of outstanding shares, and if the treasury stock is subsequently resold, it is again classified as outstanding.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870039>

Question 30

Cumulative preferred shares usually carry the right, upon liquidation of the corporation, to dividends in arrears to the extent the corporation has retained earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870037>

Question 31

KR issued bonds payable with a face amount of \$200,000 and a maturity date ten years from date of issuance. If the bonds were issued at a premium, this indicated that:

- A) The effective and stated rates were the same.
- B) The stated rate of interest exceeded the effective rate.
- C) The stated rate and the market rate were the same.
- D) No necessary relationship exists between the two rates.
- E) The effective rate of interest exceeded the stated (nominal) rate.

Answer: <https://biology-forums.com/index.php?topic=1869982>

Question 32

The following information relates to a lease contract:

Inception: 1/1/x1

Annual lease payments of \$3,000 due each 12/31 beginning 12/31/x1

End of lease term: 1/1/x5

There are 4 lease payments in all

Useful life of asset at inception: 10 yrs

Expected residual value at 1/1/x5: \$6,000

Lessee is given option to purchase asset at 1/1/x5 for \$1,000

Using an interest rate of 10%, what is the present value of minimum lease payments for the lessee at inception?

- A) \$10,193
- B) \$ 9,510
- C) \$10,419
- D) \$13,608
- E) \$13,000

Answer: <https://biology-forums.com/index.php?topic=1870388>

Question 33

Loan guarantees must be provided for; the amount of the provision is the probability of payout multiplied by the fair value of the loan guarantee.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869939>

Question 34

Disclosure of significant accounting policies results from application of the:

- A) full disclosure principle.
- B) consistency principle.
- C) reliability principle.
- D) matching principle.

Answer: <https://biology-forums.com/index.php?topic=1870717>

Question 35

The conversion from one type of share to another is accounted for at:

- A) Book Value.
- B) Fair Market Value.
- C) A or B.
- D) A discounted amount.

Answer: <https://biology-forums.com/index.php?topic=1870052>

Question 36

If current assets exceed current liabilities, payments to creditors made on the last day of the month will:

- A) decrease net working capital.
- B) increase net working capital.
- C) decrease current ratio.
- D) increase current ratio.
- E) have no effect on either the current ratio or net working capital.

Answer: <https://biology-forums.com/index.php?topic=1870726>

Question 37

Under IFRS, companies are required to disclose the components of their shareholders equity along with an explanation of any shareholder equity transactions during the year.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870012>

Question 38

In computing the weighted average number of shares outstanding, the following is considered outstanding only as of the date issued or sold:

- A) Stock splits.
- B) Reverse stock splits.
- C) Stock dividends.
- D) Common shares issued.

Answer: <https://biology-forums.com/index.php?topic=1870574>

Question 39

An understatement of ending inventory will result in a credit to Future Income Taxes.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870638>

Question 40

Why would a corporation issue retractable preferred share in a private placement rather than a normal debt arrangement?

- A) Cash flow
- B) Income minimization
- C) The tax treatment of intercorporate dividends

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=1870160>

Question 41

What is a defined contribution plan?

Answer: <https://biology-forums.com/index.php?topic=1870527>

Question 42

The total gain or loss due to a curtailment should be recognized:

A) when it is probable that a curtailment will occur and the effects are reasonably estimable, for either a gain or a loss.

B) immediately.

C) if a loss, when the employees terminate or the curtailment occurs.

D) if a gain, when it is probable that a curtailment will and the effects are reasonably estimable.

Answer: <https://biology-forums.com/index.php?topic=1870510>

Question 43

(Appendix) Blended payments are payments where the interest rate is fixed at the beginning of the loan term and there are regular equal payments of principal and interest made.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869960>

Question 44

The amount of each rental payment on a sales type lease is based on the:

A) cost of the leased asset.

B) cost of the asset plus interest.

C) cost of the asset plus profit.

D) cost of the asset, profit, and interest.

Answer: <https://biology-forums.com/index.php?topic=1870411>

Question 45

Under IRS, a loss contingency must be credited to a liability account only if the occurrence of the contingent event is probable and if the amount of loss can be reasonably estimated.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869953>

Question 46

Ryan Company leased an asset that qualified as a finance lease for accounting purposes and an operating lease for Canada Revenue Agency (CRA) purposes. Ryan Company assumed all maintenance costs. Selected financial data for the company include insurance \$2,500; interest \$7,657; amortization \$11,234 and general office supplies \$1,500. The annual lease payment amounts to \$25,000. The temporary difference for tax purposes during the year amounts to:

A) 0

B) \$2,109

C) \$3,609

D) cannot be determined

Answer: <https://biology-forums.com/index.php?topic=1870394>

Question 47

FGH had a \$1,200 temporary difference for deferred gross margin on instalment sales at the end of 20x12. This temporary difference will reverse equally during 20x13, 20x14 and 20x15. The enacted corporate income tax rate is 48% and government is discussing a reduction in the corporate income tax rates for 20x14 and 20x15 to 38%. The deferred income tax liability related to this temporary difference at the end of 20x12 would be:

A) \$192

B) \$248

C) \$516

D) \$576

Answer: <https://biology-forums.com/index.php?topic=1870321>

Question 48

When preferred shares are classified as debt, their dividends are deducted from Retained Earnings, thus bypassing earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870124>

Question 49

Recording the payment (as distinguished from the declaration) of a cash dividend whose declaration was already recorded will:

- A) increase both the current ratio and working capital.
- B) have no effect on the current ratio or earnings per share.
- C) increase the current ratio but have no effect on working capital.
- D) decrease both the current ratio and working capital.
- E) none of the above.

Answer: <https://biology-forums.com/index.php?topic=1870746>

Question 50

BVC began operations January 1, 20x1. Financial statements for the year ended December 31, 20x1, and 20x2, contained the following errors:

December 31

20x1 20x2

Ending inventory \$30,000 overstated

Depreciation expense \$12,000 understated

Insurance expense \$20,000 overstated \$20,000 understated

In addition, on December 26, 20x2, fully depreciated machinery was sold for \$21,600 cash, but the sale was not recorded until 20x3.

There were no other errors during 20x1 or 20x2, and no corrections have been made for any of the errors.

What is the total pretax effect of the errors on 20x2 net income?

- A) \$28,400 overstated
- B) \$50,000 overstated
- C) \$53,600 Overstated
- D) \$71,600 overstated

Answer: <https://biology-forums.com/index.php?topic=1870669>

Question 51

What options are open to a company that did not previously set up a deferred income tax benefit of a tax loss carry forward but has now determined that the probability of realization is greater than 50%?

Answer: <https://biology-forums.com/index.php?topic=1870338>

Question 52

A company issues a convertible bond. Management can essentially force conversion as long as:

- A) The share price is higher than the conversion price
- B) The share price is lower than the conversion price
- C) The share price is equal to the conversion price
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=1870171>

Question 53

JR Company incurred a loss in 20x11, due in part to a fire at one of its plants. The deferred benefit of a loss carry forward was not recognized in the year as the probability of realization was less than 50%. In 20x12, JR Company incurred a small loss, but due to large contracts upcoming, it was determined that the probability of realization was greater than 50%. The tax rate for 20x11 was 40% and 20x12 45%. JR Company should:

- A) record the deferred income tax benefit for 20x12 only
- B) record the deferred income tax benefit for both years using the 40% rate
- C) record the deferred income tax benefit for both years using the 45% rate
- D) record the deferred income tax benefit for 20x11 only

Answer: <https://biology-forums.com/index.php?topic=1870324>

Question 54

A misstatement of opening inventory is an example of a counterbalancing error.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870629>

Question 55

The criteria of more likely or not must be met in order for a Company incurring a loss during the year and upon carry back had a tax recovery of \$135,000.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870293>

Question 56

You happen across the balance sheet of a firm, which discloses \$40,000 of ending retained earnings, \$10,000 of which is appropriated for plant expansion. This firm is not a natural resources firm. Therefore:

- A) the firm has \$30,000 of cash
- B) the firm has \$40,000 of cash
- C) the maximum allowable dividend cannot exceed \$30,000
- D) the firm has never distributed a stock dividend

Answer: <https://biology-forums.com/index.php?topic=1870092>

Question 57

In computing EPS, convertible preferred shares may increase the number of shares outstanding:

- A) In a complex capital structure only if they have been converted.
- B) Only in a complex capital structure, whether or not they have been converted.
- C) In a simple capital structure, whether or not they have been converted.
- D) In a complex capital structure and a simple capital structure, whether or not they have been converted.

Answer: <https://biology-forums.com/index.php?topic=1870604>

Question 58

How far can a tax loss be carried back?

Answer: <https://biology-forums.com/index.php?topic=1870329>

Question 59

Primary securities that have both debt and equity characteristics are called:

- A) Hybrid securities
- B) Discount bonds
- C) options
- D) convertible debt

Answer: <https://biology-forums.com/index.php?topic=1870168>

Question 60

The fair value of a company's share is equal to its intrinsic value.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870149>

Question 61

If the lessor and lessee use different interest rates to account for a finance lease, then:

- A) the lessor will use different account titles to record the leasing transaction.
- B) total expenses (or revenues) will be equal for each.
- C) total expenses (or revenues) will be different for each.
- D) the lessee and lessor cannot use different interest rates.

Answer: <https://biology-forums.com/index.php?topic=1870404>

Question 62

Nonconvertible, cumulative preferred shares affect the computation of EPS (for simple capital

structure), basic EPS and diluted EPS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870545>

Question 63

JR Ltd. provided you with the following information:

Year Taxable Tax

Income (loss) rate

20x11 \$300,000 38%

20x12 (\$150,000) 40%

20x13 \$330,000 45%

20x14 \$80,000 40%

20x15 (\$400,000) 40%

There are no temporary differences. What will be the credit to the income tax expense account assuming a greater than 50% probability of realization?

A) \$32,000

B) \$0

C) \$196,000

D) \$80,000

Answer: <https://biology-forums.com/index.php?topic=1870326>

Question 64

Brimley Corp. leased an asset from Geisler Corp. At the end of the first year Brimley Corp. reported a leased asset of \$87,098, accumulated amortization of \$8,710 and a lease liability of \$74,567. The temporary difference for tax purposes is:

A) \$8,710

B) \$11,241

C) \$3,821

D) \$21,241

Answer: <https://biology-forums.com/index.php?topic=1870395>

Question 65

A change, for depreciation purposes, of either estimated useful life or estimated residual value usually is referred to as a change in accounting estimate.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870616>

Question 66

Liftoff Co. changed its method of accounting for inventory from LIFO to FIFO in 20x3. Ignore tax effects. Relevant information follows:

20x2 20x3

FIFO LIFO FIFO LIFO

Beginning inventory \$470 \$450 \$600 \$500

Ending inventory 600 500 800 680

Beginning RE 860

Reported earnings 1,600

Required:

(a) Record the entry in 20x3 to effect the accounting change.

(b) Provide the comparative retained earnings statement for 20x3 and 20x2.

Answer: <https://biology-forums.com/index.php?topic=1870687>

Question 67

The vested benefit of an employee in a pension plan represents benefits:

A) accumulated in the pension plan (at fair value).

B) that are not contingent on the employee continuing in the service of the employer.

C) to be paid to the retired employee in the current year.

D) to be paid to the retired employee in the next year.

Answer: <https://biology-forums.com/index.php?topic=1870491>

Question 68

The accrued obligation at the beginning of the year was \$456,000 and the current service cost for the year is \$67,000. Assuming an interest factor of 6% what is the accrued obligation at the end of the year?

- A) \$523,000
- B) \$389,000
- C) \$550,360
- D) \$554,380

Answer: <https://biology-forums.com/index.php?topic=1870518>

Question 69

Which of the following is true with respect to bond retirement?

- A) If interest rates increase, the issuer can retire bonds at a gain by buying them on the open market.
- B) Gains and losses on bond retirements may be classified as ordinary gains and losses or unusual gains and losses.
- C) On debt retirement all related accounts should be update.
- D) All of these answers are correct.

Answer: <https://biology-forums.com/index.php?topic=1869992>

Question 70

The declaration of a property dividend results in:

- A) a debit to retained earnings.
- B) a credit to retained earnings.
- C) either a debit or a credit to retained earnings.
- D) no effect on retained earnings.

Answer: <https://biology-forums.com/index.php?topic=1870082>

Question 71

The accrued pension obligation at the beginning of the year is \$340,000; the value of the plan assets at the beginning of the year is \$420,000. Assuming an interest factor of 7% what is the interest cost for the year?

- A) \$29,400
- B) \$21,000
- C) \$23,800
- D) \$26,500

Answer: <https://biology-forums.com/index.php?topic=1870514>

Question 72

Dilutive convertible securities must be used in the computation of:

- A) Diluted and basic earnings per share.
- B) diluted earnings per share.
- C) Basic earnings per share.
- D) Dilutive convertible securities are not used in any computations of earnings per share.

Answer: <https://biology-forums.com/index.php?topic=1870572>

Question 73

With respect to the computation of earnings per share, which of the following would be most indicative of a simple capital structure?

- A) Ownership interests consisting only of common shares
- B) Equity represented only by common and convertible preferred shares
- C) Common shares, preferred shares, and convertible securities outstanding in lots of even thousands
- D) Earnings derived from one primary product segment of business

Answer: <https://biology-forums.com/index.php?topic=1870576>

Question 74

With respect to convertible bonds, whose conversion is mandatory, only the interest stream is valued as debt; the bond principal and conversion features are considered equity.

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

Answer: <https://biology-forums.com/index.php?topic=1870142>

Question 75

When a corporation declares a small stock dividend, it should capitalize the par value of the shares.

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

Answer: <https://biology-forums.com/index.php?topic=1870019>

Question 76

A financial statement analyst will look at the cash flow statement for all of the following except:

- A) If earnings with amortization added back are significantly larger than cash flow from operations, the company may be maximizing net income
- B) If cash flow is significantly larger than earnings, the company may be very conservative in its accounting practices
- C) To see if the cash flow statement excludes certain operating expenditures
- D) To determine the depreciation add back

Answer: <https://biology-forums.com/index.php?topic=1870734>

Question 77

A company with sales terms of n/30 would prefer a receivable turnover of:

- A) 2
- B) 5
- C) 10
- D) 20
- E) All of the above are equally desirable if sales terms are n/30.

Answer: <https://biology-forums.com/index.php?topic=1870727>

Question 78

When a corporation issues a dividend in excess of the balance of its retained earnings account, it is issuing a:

- A) Scrip dividend.
- B) Stock dividend.
- C) Property dividend.
- D) Liquidating dividend.

Answer: <https://biology-forums.com/index.php?topic=1870086>

Question 79

You are given the following information about KER Ltd.:

- 30,000 common shares outstanding on January 1, 20x1
- 2,000 shares sold on March 1, 20x1
- 1,000 shares sold on September 1, 20x1
- 2 for 1 Stock split recorded on October 1, 20x1
- Net Income for the year \$340,000

Required:

Calculated the basic EPS.

Answer: <https://biology-forums.com/index.php?topic=1870609>

Question 80

A trustee is independent and receives the pension contribution from the employer and invests it in accordance with provincial regulations.

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

Answer: <https://biology-forums.com/index.php?topic=1870488>

Question 81

Prepare Journal entries to record the receipt of donated assets.

Answer: <https://biology-forums.com/index.php?topic=1870111>

Question 82

At the end of 2010, a firm reported \$200,000 of credit sales for income statement purposes. Of

that amount, only \$60,000 had been collected. In addition, \$20,000 of credit sales from 2009 had not been collected as of Dec. 31, 2010. Assume for tax purposes that only collected sales are taxable. As of Dec. 31, 2010, this firm has a future

- A) \$140,000 taxable difference
- B) \$160,000 deductible difference
- C) \$160,000 Taxable difference
- D) \$ 60,000 taxable difference
- E) \$140,000 deductible difference

Answer: <https://biology-forums.com/index.php?topic=1870234>

Question 83

Changes in defined benefit pension plans that eliminate or reduce, for a significant number of employees, the accrual of defined benefits for some or all of their future services are:

- A) settlements.
- B) eliminations.
- C) curtailments.
- D) terminations.

Answer: <https://biology-forums.com/index.php?topic=1870494>

Question 84

All of the following are examples of regulatory decisions except:

- A) negotiating collective agreements
- B) need for rate or price increases
- C) impact of past regulatory decisions
- D) ability to withstand competition

Answer: <https://biology-forums.com/index.php?topic=1870721>

Question 85

Under ASPE, preferred shares must be classified as equity while shareholder loans must be classified as debt.

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

Answer: <https://biology-forums.com/index.php?topic=1870131>

Question 86

Which interest rate must be used by the lessee to account for a finance lease under ASPE?

- A) The lessors implicit rate if known, otherwise the lessees incremental borrowing rate.
- B) The lessors implicit rate.
- C) The lessees incremental borrowing rate.
- D) The lower of B & C above.

Answer: <https://biology-forums.com/index.php?topic=1870425>

Question 87

Pension plans are normally registered with the pension commissioner in the province of jurisdiction.

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

Answer: <https://biology-forums.com/index.php?topic=1870489>

Question 88

Disclosure of significant accounting policies should include all of the following items except:

- A) amortization methods.
- B) valuation method used for operational assets.
- C) depreciation methods.
- D) inventory costing methods.

Answer: <https://biology-forums.com/index.php?topic=1870723>

Question 89

For dividends, the date of record is the date:

- A) The market price of the shares drops due to the dividend.
- B) On which the list of shareholders is prepared.

C) The dividend is actually paid.

D) The dividend is announced.

Answer: <https://biology-forums.com/index.php?topic=1870061>

Question 90

Define the effective tax rate.

Answer: <https://biology-forums.com/index.php?topic=1870260>

Question 91

RST leased equipment from MNO to be used in its warehouse. The lease term is five years. RST spent \$5,000 for ordinary repairs during the second year of the lease. RST should:

A) expense the \$5,000 immediately.

B) write the \$5,000 off at the end of the lease term.

C) capitalize the \$5,000 permanently in the lease account.

D) amortize the \$5,000 over the life of the lease on a reasonable basis.

Answer: <https://biology-forums.com/index.php?topic=1870414>

Question 92

How should a deferred income tax benefit of a tax loss carry forward be treated on a yearly basis?

Answer: <https://biology-forums.com/index.php?topic=1870337>

Question 93

Return on total assets is generally considered to be a better measure of the overall profit performance of a business than is profit margin on sales.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870708>

Question 94

Why do companies issue retractable preferred shares?

Answer: <https://biology-forums.com/index.php?topic=1870187>

Question 95

Generally accepted accounting principles require that certain lease agreements be accounted for as purchases. The theoretical basis for this treatment is that a lease of this type:

A) provides the use of the leased asset to the lessee for a limited period of time.

B) must be recorded in accordance with the concept of cause and effect.

C) is an example of form over substance.

D) effectively conveys all of the benefits and risks incident to the ownership of property.

Answer: <https://biology-forums.com/index.php?topic=1870399>

Question 96

A short accounts receivable turnover ratio may mean all of the following except:

A) That customers are dictating the payment terms

B) That the company is realizing cash from sales in a short time period

C) Fewer old receivables that may prove to be uncollectible

D) All of the above

Answer: <https://biology-forums.com/index.php?topic=1870743>

Question 97

If a lessee does not exercise a bargain purchase option prior to its lapse date, the:

A) lessee continues to record depreciation on the lease asset because it was assumed from the beginning that the lessee would retain ownership of the asset.

B) bargain purchase option cannot lapse because this option was included in computing the annual rental amounts.

C) lessee recognizes a loss due to the lapse.

D) lessee recognizes a gain due to the lapse.

Answer: <https://biology-forums.com/index.php?topic=1870401>

Question 98

An overstatement of opening inventory entails an overstatement of Cost of Goods Sold in the current period.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870646>

Question 99

Under IFRS, the income tax expense pertaining to continuing operations must be presented on the face of the income statement.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870276>

Question 100

Explain the differences between the types of audit reports.

Answer: <https://biology-forums.com/index.php?topic=1870751>

Question 101

A change in the salvage value of a depreciable asset should be accounted for as a:

- A) Change in accounting entity.
- B) Correction of an accounting error.
- C) Change in accounting estimate.
- D) Change in accounting principle.

Answer: <https://biology-forums.com/index.php?topic=1870655>

Question 102

All of the following are characteristics of comprehensive allocation except:

- A) Proponents say that a future cash flow impact arises from all temporary differences.
- B) The matching principle is best served by using the comprehensive allocation method.
- C) Income tax is an aggregate measure, applied to the overall operations of the company.
- D) recommended by the CICA Handbook.

Answer: <https://biology-forums.com/index.php?topic=1870239>

Question 103

Upon reading the notes to the financial statements of JMR Ltd., you notice that the policies they have chosen tend to recognize revenue early in the earnings cycle while deferring costs to later periods. This approach leads you to believe that JMR Ltd. is employing a(n):

- A) Smoothing strategy
- B) Income tax minimization strategy
- C) Income tax maximization strategy
- D) Profit maximization strategy

Answer: <https://biology-forums.com/index.php?topic=1870732>

Question 104

Pension data for ABC for three separate cases were:

Case 1 Case 2 Case 3

APO \$300,000 \$300,000 \$300,000

Plan assets at fair value \$315,000 \$300,000 \$280,000

The funded status of the APO for each case is:

Case 1 Case 2 Case 3

1 fully funded overfunded underfunded

2 underfunded fully funded overfunded

3 overfunded underfunded fully funded

4 overfunded fully funded underfunded

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

Answer: <https://biology-forums.com/index.php?topic=1870504>

Question 105

In a defined contribution plan, employers run the risk of high pension contributions.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870456>

Question 106

VB Ltd. provided you with the following information:

Year Taxable Tax

Income (loss) rate

20x11 \$190,000 38%

20x12 (\$150,000) 40%

20x13 \$330,000 45%

20x14 \$80,000 38%

20x15 (\$580,000) 38%

There are no temporary differences. The deferred income tax benefit of the loss carry forward was set up in 20x15 as the probability of realization was greater than 50%. In 20x16 it was determined that the probability of realization was less than 50%. What would be the carrying amount of the deferred income tax benefit loss carry forward on the balance sheet at the end of 20x16?

A) \$194,100

B) \$0

C) \$220,000

D) \$64,600

Answer: <https://biology-forums.com/index.php?topic=1870328>

Question 107

Golf dues paid for by a company is an example of:

A) A temporary difference

B) A timing difference

C) A permanent difference

D) A reversing difference

Answer: <https://biology-forums.com/index.php?topic=1870231>

Question 108

In reporting the effect of an accounting change on comparative financial statements, recommended accounting procedure requires that the following be used for correcting an accounting error:

A) Prospective application.

B) Future application.

C) Retrospective application.

D) Retrospective, no restatement application.

Answer: <https://biology-forums.com/index.php?topic=1870663>

Question 109

Contingent rent is a bargaining tool used by the lessee in order to negotiate a more favourable lease agreement.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870365>

Question 110

On the statement of cash flows, a hybrid financial instrument should be:

A) Reported as an operating activity

B) Reported as a financial activity

C) Reported as an investing activity

D) Reported according to its individual components

Answer: <https://biology-forums.com/index.php?topic=1870169>

Question 111

In a sale and leaseback arrangement, the lessee is also:

A) the new owner of the property

B) the seller

C) the buyer

D) a third party guarantor

Answer: <https://biology-forums.com/index.php?topic=1870397>

Question 112

Gains and losses from plan settlements and curtailments should be recognized in income immediately.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870469>

Question 113

Prepare Journal entries to record the receipt of cash for subscribed shares and issuance of shares.

Answer: <https://biology-forums.com/index.php?topic=1870112>

Question 114

The estimated residual value of a depreciable leased asset at the end of the lease term is:

- A) added to the bargain purchase option at the expiration of the lease.
- B) always guaranteed by either the lessor or the lessee.
- C) an important factor in how the lessor and lessee must account for the lease.
- D) used by the lessor to compute the annual amount of depreciation expense.

Answer: <https://biology-forums.com/index.php?topic=1870384>

Question 115

Assume that on January 1st, 20x5, the shares were converted when the market price of the share was \$102. Prepare the required journal entry.

Answer: <https://biology-forums.com/index.php?topic=1870195>

Question 116

At the date of the financial statements, common shares issued would exceed common shares outstanding as a result of the:

- A) Payment in full of subscribed shares.
- B) Declaration of a stock split.
- C) Declaration of a stock dividend.
- D) Purchase of treasury stock.

Answer: <https://biology-forums.com/index.php?topic=1870066>

Question 117

A company issues a financial instrument for \$40,000 paying interest of \$4,000 per year. How would the interest be treated if the instrument was determined to be equity?

Answer: <https://biology-forums.com/index.php?topic=1870180>

Question 118

The basic accounting issue for lessors is:

- A) computing depreciation on the leased asset.
- B) determination of the cost of the leased asset.
- C) revenue recognition during the lease term.
- D) expense recognition during the lease term.

Answer: <https://biology-forums.com/index.php?topic=1870406>

Question 119

Earnings for a firm for the current year are \$20,000 and the weighted average number of common shares before considering potentially dilutive securities is 18,000. The firm has no preferred shares but has 100, 8%, \$1,000 convertible bonds which were issued at face value many years ago. Each bond is convertible into 50 common shares. The tax rate is 40%. Compute EPS to be reported for this firm.

- A) Basic EPS \$1.11 diluted EPS \$1.08
- B) Basic EPS \$1.08 diluted EPS \$1.08
- C) Basic EPS \$1.11 diluted EPS \$1.11
- D) Basic EPS \$1.14 diluted EPS \$1.11

Answer: <https://biology-forums.com/index.php?topic=1870599>

Question 120

A journal entry is not required for either the lessor or lessee when an operating lease is initiated unless there is an advance payment, such as a lease bonus or prepayment of rent in addition to the periodic rents.

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

Answer: <https://biology-forums.com/index.php?topic=1870372>

Question 121

A lessee's insurance expense throughout the term of a finance lease is usually an estimate as opposed to an actual expense amount.

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

Answer: <https://biology-forums.com/index.php?topic=1870356>

Question 122

A taxable amount is exemplified by:

- A) Revenue that is included in the tax return before it is included in pretax accounting income.
- B) Gain that is included in the tax return before it is included in pretax accounting income.
- C) Expense that is included in the tax return after it is included in pretax accounting income.
- D) Expense that is included in the tax return before it is included in pretax accounting income.

Answer: <https://biology-forums.com/index.php?topic=1870229>

Question 123

The lessor's internal rate of return is normally the rate implicit in the lease.

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

Answer: <https://biology-forums.com/index.php?topic=1870355>

Question 124

A basic earnings per share figure is presented for:

- A) A complex capital structure.
- B) A simple capital structure.
- C) Both simple and complex structures.
- D) Neither simple nor complex structures.

Answer: <https://biology-forums.com/index.php?topic=1870577>

Question 125

Return on investment (of a corporation) is affected by the market price of its shares.

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

Answer: <https://biology-forums.com/index.php?topic=1870706>

Question 126

When a firm changed its method of accounting for inventory from LIFO to FIFO in 20x4, it decided that the 20x4 financial statements should be shown comparatively with 20x3 results. Choose the correct statement concerning reporting the change in the retained earnings (RE) statement.

- A) There is no direct adjustment to RE because earnings for both years has been adjusted to reflect the change
- B) Only the 1/1/x3 RE balance is adjusted for the effects of the change on earnings
- C) Only the 1/1/x4 RE balance is adjusted for the effects of the change on earnings
- D) Both the 1/1/x3 and 1/1/x4 RE balances are adjusted for the effects of the change on earnings before those respective dates

Answer: <https://biology-forums.com/index.php?topic=1870681>

Question 127

Brimley Corp. issued 5,000 common shares, no par, and 800 preferred shares. At the time of issue the common shares were selling at \$30 per share and the preferred at \$25. Total cash received was \$162,000. Prepare the journal entry to record the issuance of the shares.

Answer: <https://biology-forums.com/index.php?topic=1870106>

Question 128

Accounting policy changes may be mandatory or voluntary.

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

Answer: <https://biology-forums.com/index.php?topic=1870636>

Question 129

Based on the above information calculate the total accounting recognition of loss.

Answer: <https://biology-forums.com/index.php?topic=1870005>

Question 130

What tax rate should be used to measure a deferred income tax asset or liability?

Answer: <https://biology-forums.com/index.php?topic=1870252>

Question 131

BRIEFLY explain how the treatment of contingencies differs under IFRS and ASPE.

Answer: <https://biology-forums.com/index.php?topic=1869996>

Question 132

KAR has a tax loss of \$563,000 and a tax rate of 44%. What is the potential benefit of the tax loss?

Answer: <https://biology-forums.com/index.php?topic=1870334>

Question 133

XYZ Ltd., a taxable Canadian corporation, reported the following revenues and expenses in these amounts for both taxes and financial reporting (the tax rate is 40%).

Operating revenues \$10,000

Operating expenses 4,000

Dividend revenue from a taxable Canadian corporation 2,000

Insurance proceeds from life insurance on CEO 3,000

What is income tax expense for the year?

A) \$4,400

B) \$3,600

C) \$4,000

D) \$2,400

Answer: <https://biology-forums.com/index.php?topic=1870323>

Question 134

General characteristics of convertible bonds that will be converted include all of the following except:

A) management fully intends that the conversion privilege will eventually be attractive to the investors

B) the investors will convert at or before maturity date

C) the company will no longer have to repay the principal amount of the bonds

D) the market price of the shares will drop below the conversion price

Answer: <https://biology-forums.com/index.php?topic=1870159>

Question 135

If the title to a leased asset does not transfer to the lessee at the end of the lease term, but the lessee guarantees the residual, what is the period and residual value used by the lessor to depreciate the leased asset?

Period Residual value

1 lease term 0

2 lease term lessee guarantee

3 remaining life at inception lessee guarantee

4 remaining life at inception 0

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

Answer: <https://biology-forums.com/index.php?topic=1870416>

Question 136

When convertible bonds are submitted for conversion, all of the following must be updated except:

- A) Bond premium or discount
- B) Accrued interest
- C) Cash
- D) Foreign exchange gains and losses on foreign currency denominated debt

Answer: <https://biology-forums.com/index.php?topic=1870173>

Question 137

Based on the above information prepare entries to record the adjustment to spot rate for December 20X6.

Answer: <https://biology-forums.com/index.php?topic=1870002>

Question 138

Geisler Company leased a building from Ryan Company for 5 years. The first year of the lease was forgiven with payments beginning in the second year. No journal entry is required until the second year.

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

Answer: <https://biology-forums.com/index.php?topic=1870351>

Question 139

KER had recorded an accrual for warranty in its books during the year ended December 31, 2009 amounting to \$100,000. During the year 2000, customers required service from goods sold in 2009 amounting to \$60,000. KER recorded an amount for possible warranty costs for goods sold during the year in the amount of \$95,000. KER has a temporary difference for the year 2000 amounting to:

- A) 0
- B) Future tax asset \$135,000
- C) future tax liability \$135,000
- D) Cannot be determined from the information given

Answer: <https://biology-forums.com/index.php?topic=1870244>

Question 140

Callable bonds are callable at the option of the investor.

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

Answer: <https://biology-forums.com/index.php?topic=1869957>

Question 141

On January 1, 2000, WVC split its common shares 4 for 1 when the market value was \$80 per share. Prior to the split, WVC had 50,000 common shares issued and outstanding (average issue price \$12 per share). After the split, the average issue price of the shares was reduced:

- A) By \$3 per share.
- B) To \$3 per share.
- C) To \$4 per share.
- D) To \$2.40 per share.
- E) No change in the par value.

Answer: <https://biology-forums.com/index.php?topic=1870095>

Question 142

A contingency may become a provision if the likelihood of the contingent event greatly increases.

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

Answer: <https://biology-forums.com/index.php?topic=1869922>

Question 143

Based on Handbook Section 3465, when may a deferred benefit of tax loss carry forwards be recognized?

Answer: <https://biology-forums.com/index.php?topic=1870336>

Question 144

JMR Corporation has one asset worth \$350,000. Depreciation accumulated to date is \$200,000 and accumulated CCA is \$230,000. Assuming the tax rate is 40% what is the income tax implication?

- A) A Deferred income tax asset of \$30,000
- B) A Deferred income tax liability of \$30,000
- C) A Deferred income tax asset of \$12,000
- D) A Deferred income tax liability of \$12,000

Answer: <https://biology-forums.com/index.php?topic=1870241>

Question 145

If the actuarial gains and losses exceed 10% of the greater of the accrued obligation at the beginning of the year or the value of the plan assets at the beginning of the year, the maximum amortization is calculated using the average remaining service period.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870484>

Question 146

Convertible securities and options are always included in the calculation of diluted EPS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870538>

Question 147

Both preferred and common shares may be cumulative.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870028>

Question 148

Existing sufficient taxable permanent differences, which will result in taxable income, is one piece of evidence to support a more likely than not criteria.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870288>

Question 149

ABC Inc has 50 pending lawsuits for which it may be found liable. The expected value (sum of the probabilities of the outcomes multiplied by their respective payouts) amounts to \$100,000. However, the companys controller believes that the most likely outcome will be a payout of \$120,000. Which of the following statements pertaining to the accrual of the provision is correct?

- A) There is a large population of lawsuits, so a provision of \$100,000 must be accrued.
- B) There is a large population of lawsuits, so a provision of \$120,000 must be accrued.
- C) There is a small population of lawsuits, so a provision of \$100,000 must be accrued.
- D) There is a small population of lawsuits, so a provision of \$120,000 must be accrued.

Answer: <https://biology-forums.com/index.php?topic=1869966>

Question 150

Gains or losses from the early extinguishment of debt, if material, should be:

- A) recognized in income as ordinary gains and losses or as unusual items.
- B) recognized as an extraordinary item in the period of extinguishment.
- C) amortized over the remaining original life of the extinguished issue.
- D) amortized over the life of the new issue.

Answer: <https://biology-forums.com/index.php?topic=1869967>

Question 151

VB Corporation has a loss of \$50,000 with a tax rate of 40%. Included in the loss are golf dues

totalling \$3,000. VB has:

- A) a tax loss of \$20,000
- B) a tax benefit of \$18,800
- C) a tax loss of \$18,800
- D) a tax benefit of \$21,200

Answer: <https://biology-forums.com/index.php?topic=1870300>

Question 152

A dividend that constitutes a return of contributed capital rather than earnings is called a:

- A) Property dividend.
- B) Liability dividend.
- C) Liquidating dividend.
- D) Capital dividend.

Answer: <https://biology-forums.com/index.php?topic=1870087>

Question 153

Accounts payable should include only obligations directly related to the primary and continuing operations of an entity.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869948>

Question 154

For an operating lease, the amount initially capitalized by the lessee is the present value of the lease rents to be paid over the lease term.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870358>

Question 155

In substance, a complex financial instrument will be treated as debt if the answer is yes to two basic criteria. What are they?

Answer: <https://biology-forums.com/index.php?topic=1870183>

Question 156

Most changes in accounting principle are recognized by using the current approach.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870626>

Question 157

A gain contingency will usually not be recorded in the accounts and reported in the financial statements even though its occurrence is probable.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869954>

Question 158

An investor purchases a \$10,000 bond convertible into common shares at a price of \$50. How many shares are available for conversion?

Answer: <https://biology-forums.com/index.php?topic=1870182>

Question 159

Management of a company that has convertible bonds outstanding would likely force conversion of its bonds if the fair market value of the shares upon conversion exceeds the fair value of the bonds.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870126>

Question 160

A large stock split should be accounted for by capitalizing the current market value of the stock.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870020>

Question 161

Under one method of accounting, but not both, for the investment tax credit, ITCs obtained in prior years may affect reported earnings in deferred years even though ITC is not available in those deferred years.

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

Answer: <https://biology-forums.com/index.php?topic=1870297>

Question 162

Issued share capital refers to the number of shares:

- A) Outstanding.
- B) Outstanding less all shares held as treasury shares.
- C) Outstanding plus all shares held as treasury shares.
- D) That may be issued according to the corporate charter.

Answer: <https://biology-forums.com/index.php?topic=1870064>

Question 163

Which of the following is treated as a retrospective accounting principle change? (Assume that prior information is available)

- A) A change in an inventory method for a natural resources company
- B) A change in revenue recognition method for a construction company
- C) A change from LIFO to FIFO
- D) Correction of an error affecting prior year income
- E) All of the above

Answer: <https://biology-forums.com/index.php?topic=1870656>

Question 164

The rate of interest used to discount the future cash payments on a debt to the cash equivalent borrowed is least likely to be described by which of the following terms:

- A) Effective interest rate.
- B) Yield interest rate.
- C) Stated interest rate.
- D) Prevailing interest rate.

Answer: <https://biology-forums.com/index.php?topic=1869971>

Question 165

KG Company had capital assets with a carrying value of \$1,670,000 and a tax value of \$1,560,000. In addition they had an accrued warranty liability of \$80,000 of which \$20,000 had actually been incurred and golf club dues in the amount of \$3,000. Calculate the temporary difference deductible (taxable).

Answer: <https://biology-forums.com/index.php?topic=1870262>

Question 166

To be classified as retractable preferred shares, the cash repayment must either be contractually required or at the option of the investor.

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

Answer: <https://biology-forums.com/index.php?topic=1870144>

Question 167

KER Corp. sustained taxable income in 20x11 of \$50,000 when the tax rate was 40%. In 20x12 they suffered a tax loss of \$80,000 when the tax rate was 45%. All of the following are true except:

- A) KER Corp. has a potential carry forward of \$30,000
- B) A more likely than not criteria is needed to set up the benefit
- C) The tax refund will amount to \$20,000
- D) KER may carry forward for 10 years

Answer: <https://biology-forums.com/index.php?topic=1870311>

Question 168

You calculate basic EPS to be \$15.87 and diluted EPS to be \$11.65. From a disclosure point, what needs to be disclosed?

Answer: <https://biology-forums.com/index.php?topic=1870605>

Question 169

The accumulated benefit and projected unit credit methods both take into account employee salary changes over time.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870460>

Question 170

The contributed capital accounts should be classified by source.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870009>

Question 171

A firm has two bonds outstanding today, each with: (1) \$1,000 face value, (2) a term of 5 years at issuance, (3) 3 years remaining to maturity, and (4) 10% yield rate at issuance. Bond A is a zero coupon bond; bond B pays 10% annually and just paid interest yesterday. The yield rate today on both bonds is 12%. Which bond has experienced the greatest percentage change in value since issuance?

Answer: <https://biology-forums.com/index.php?topic=1869998>

Question 172

On January 1, 20x12, HIJ offered special termination benefits of \$7,500 cash to 100 employees in connection with a reduction in operations. Employees had three months to accept or reject the termination benefit offer. How much loss due to termination benefits should HIJ recognize on January 1, 20x12?

- A) \$0
- B) \$250,000
- C) \$750,000
- D) Cannot be determined from the information given.

Answer: <https://biology-forums.com/index.php?topic=1870497>

Question 173

Under IFRS, a continuity schedule must be provided for both provisions and contingencies.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869959>

Question 174

Vertical analysis of financial statements refers to the development of percentages indicating the proportionate changes in selected financial statements for two or more reporting periods.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870699>

Question 175

The diluted EPS does not have to be disclosed in the financial statements.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870549>

Question 176

When a settlement gain or loss arises due to closing a business segment it is recognized as a debit or credit to (in):

- A) accrued pension obligation.
- B) other costs within discontinued operations.
- C) pension expense.
- D) accrued/prepaid pension cost.

Answer: <https://biology-forums.com/index.php?topic=1870495>

Question 177

The correction of an error in the financial statements of a prior period should be reflected, net of applicable income taxes, in the current:

- A) Income statement after income from continuing operations and before discontinued operations.
- B) Income statement after income from continuing operations and after discontinued operations.
- C) Statement of retained earnings as an adjustment of the opening balance.
- D) Statement of retained earnings after net income but before dividends.

Answer: <https://biology-forums.com/index.php?topic=1870678>

Question 178

A firm declares a property dividend to its shareholders. The assets to be distributed in the dividend have a combined book value of \$40,000 and combined market value of \$60,000. Before taxes, the net change in retained earnings as a result of this nonreciprocal transfer is:

- A) \$40,000
- B) \$60,000
- C) \$20,000
- D) \$0

Answer: <https://biology-forums.com/index.php?topic=1870091>

Question 179

A firm has a \$40,000 balance in its pension liability account. This means:

- A) the plan is underfunded
- B) accrued pension obligation is less than plan assets at fair value
- C) pension expense recognized to date exceeds total contributions to the pension plan to date
- D) pension expense recognized to date exceeds plan assets at fair value

Answer: <https://biology-forums.com/index.php?topic=1870499>

Question 180

When a bond matures, an investor will cash it in if the market price of the convertible bond is higher than the conversion price of the bond.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870146>

Question 181

Amanda Corporation incurred \$10,000 of meals and entertainment expenses for the year ended December 31. The amount that is deductible for tax purposes is:

- A) \$5,000
- B) \$7,500
- C) \$10,000
- D) \$0

Answer: <https://biology-forums.com/index.php?topic=1870236>

Question 182

Stock options have no intrinsic value when the market price of the share exceeds its conversion price.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870129>

Question 183

Under IFRS, the treatment of any of a company's foreign subsidiary is dependent upon:

- A) The functional currency of the subsidiary.
- B) The nature and extent of the parent company's relationship with the subsidiary.
- C) A or B.
- D) Managerial judgement.

Answer: <https://biology-forums.com/index.php?topic=1870063>

Question 184

Loyalty points are provided (accrued) for and reversed once the points are redeemed.

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

Answer: <https://biology-forums.com/index.php?topic=1869932>

Question 185

Compensatory stock options were granted to executives on January 1, 20x3, with a measurement date of June 30, 20x4, for services to be rendered during 20x3, 20x4, and 20x5. The excess of the market value of the shares over the option price at the measurement date was reasonably estimable at the date of grant. The stock option was exercised on October 31, 20x5.

Compensation expense should be recognized in the income statement in which of the following years?

20x3 20x4 20x5

1 No No Yes

2 No Yes Yes

3 Yes No No

4 Yes Yes Yes

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

Answer: <https://biology-forums.com/index.php?topic=1870152>

Question 186

All of the following are examples of lending decisions except:

A) finance the takeover of another corporation

B) extend normal credit terms

C) buy corporate bonds on the open market

D) accepting employment

Answer: <https://biology-forums.com/index.php?topic=1870720>

Question 187

A change in an amortization rate, such as on a copyright, should be accounted for:

A) Retrospectively.

B) By recording an amount in retained earnings only.

C) Prospectively.

D) Currently.

Answer: <https://biology-forums.com/index.php?topic=1870659>

Question 188

GAAP requires the presentation of financial statements for the current year and the two immediately preceding reporting periods.

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

Answer: <https://biology-forums.com/index.php?topic=1870698>

Question 189

A sale and leaseback occurs when one party sells an asset to a second party who then leases it back to the first party.

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

Answer: <https://biology-forums.com/index.php?topic=1870367>

Question 190

At December 31, 20x2, BCD had 700 common shares outstanding. On September 1, 20x3, an additional 300 common shares were issued. In addition, BCD had \$20,000 of 8 percent, convertible bonds outstanding December 31, 20x2, which are convertible into 400 common shares. No bonds were converted into common shares in 20x3. Net income for the year ended December 31, 20x3, was \$6,000. Assuming the income tax rate was 50 percent, what should be the basic earnings per share for the year ended December 31, 20x3?

A) \$7.50

- B) \$5.67
- C) \$5.00
- D) \$4.33

Answer: <https://biology-forums.com/index.php?topic=1870584>

Question 191

Existing sufficient taxable temporary differences, which will result in taxable income, is one piece of evidence to support a more likely than not criteria.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870287>

Question 192

For a finance lease, the amount initially capitalized by the lessee is the sum of the future value of the periodic lease payments, plus the future value of any bargain purchase option.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870369>

Question 193

Reporting earnings per share for public companies is optional; however, its presentation is strongly recommended.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870539>

Question 194

Under the corridor method when the accumulated amount of actuarial gains and losses exceed 10% of the greater of the accrued obligation at the beginning of the year or the value of the plan assets at the beginning of the year, the excess must be amortized over:

- A) at a maximum, the average remaining service period
- B) at a minimum, the average remaining service period
- C) 10 years
- D) a rational and systematic amount chosen by management

Answer: <https://biology-forums.com/index.php?topic=1870513>

Question 195

Stock dividend and stock splits are treated as though they had been in effect for the entire period.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870537>

Question 196

firm that earned \$20,000 (after tax) had the following securities outstanding all year during which the tax rate was 40%:

20,000 common shares

1,000, 6%, \$100 par cumulative nonconvertible preferred shares

2,000, 4%, \$50 par cumulative preferred shares, each share convertible into 5 common shares

100, 8%, \$1,000 convertible bonds, each convertible into 10 common shares (bonds were issued at face)

What is basic EPS?

- A) \$.50
- B) \$.70
- C) \$1.00
- D) \$.75

Answer: <https://biology-forums.com/index.php?topic=1870581>

Question 197

WXY had the following common share transactions:

January 1 60 shares outstanding

April 1 2 for 1 split

August 1 10 percent stock dividend

September 1 Purchased 10 shares of treasury stock

The weighted average number of shares outstanding for the year was:

- A) 95 shares.
- B) 110.13 shares.
- C) 115.33 shares.
- D) 128.67 shares.

Answer: <https://biology-forums.com/index.php?topic=1870579>

Question 198

Under IFRS, only legal obligations are recognized.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869920>

Question 199

Options are ONLY for the purpose of buying or selling financial instruments.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870119>

Question 200

KAR Company sold a building resulting in a capital gain of \$15,000. Choose the statement below that best describes what the impact of this is:

- A) Accounting income will be reduced by \$7,500
- B) There will be a permanent difference of \$7,500
- C) There will be a permanent difference of \$11,250
- D) There will be a temporary difference of \$7,500
- E) There will be a temporary difference of \$3,750

Answer: <https://biology-forums.com/index.php?topic=1870248>

Question 201

JMR Corporation has income before tax of \$500,000. Included in this amount are meals and entertainment amounting to \$10,000, warranty costs of \$80,000 (\$20,000 in warranty claims), depreciation \$78,000 and dividends from a taxable Canadian Corporation of \$20,000. CCA for the year amounted to \$90,000. Calculate taxable income.

Answer: <https://biology-forums.com/index.php?topic=1870256>

Question 202

When a corporation sells some of its own common shares, all on credit, there should be a debit to the account:

- A) Subscriptions receivable, common.
- B) Accounts receivable.
- C) Cash.
- D) Notes receivable, common.

Answer: <https://biology-forums.com/index.php?topic=1870068>

Question 203

What is the cost basis of an asset acquired by a lease, which is in substance an instalment purchase?

- A) The present value of the market price of the asset discounted at an appropriate rate as an amount to be received at the end of the lease
- B) The present value of the future minimum lease payments under the lease (exclusive of executory costs and any profit thereon) discounted at an appropriate rate
- C) The net realizable value of the asset determined at the date of the lease agreement plus the sum of the future minimum lease payments under the lease
- D) The sum of the future minimum lease payments under the lease

Answer: <https://biology-forums.com/index.php?topic=1870378>

Question 204

A bad debt loss is recognized when a subscriber to common shares defaults.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870036>

Question 205

ABC entered into a direct financing lease with QRS to rent a machine that cost \$18,000. The lease term was for six years. The annual rentals are payable at the beginning of each year, and ABC expects to earn a 14 percent rate of return. The required amount of the annual rentals is (rounded to the nearest dollar):

- A) \$30,000
- B) \$36,600
- C) \$40,604
- D) \$46,288

Answer: <https://biology-forums.com/index.php?topic=1870420>

Question 206

The management of PT authorized an issue of \$120,000 bonds payable, 6% (annual interest rate), dated January 1, 2000. The bonds mature on December 31, 2005 (5 years). Interest is payable each June 30 and December 31. The bonds were sold on May 1, 2000, at an effective (yield) rate of 8%.

- (a) The bonds were sold at a _____ premium; _____ discount (check one).
- (b) Give the entry for PT to record the sale of the bonds on May 1, 2000. Show computations for the issue price.

Answer: <https://biology-forums.com/index.php?topic=1869999>

Question 207

JMR Corp. sustained taxable income in 20x11 of \$50,000 when the tax rate was 40%. In 20x12 they suffered a tax loss of \$80,000 when the tax rate was 38%. All of the following are true except:

- A) JMR Corp. has a potential carry forward of \$30,000
- B) A more likely than not criteria is needed to set up the benefit
- C) The tax refund will amount to \$20,000
- D) Depreciation may be reduced to create a higher income to absorb the loss

Answer: <https://biology-forums.com/index.php?topic=1870312>

Question 208

Issuing a common stock dividend decreases common shares and increases retained earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870031>

Question 209

Interest revenue is recognized on a finance lease because the leased asset is considered sold at the inception of the lease, and the lease is a way of financing the lease.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870374>

Question 210

Once it is deemed that a potential benefit of a loss carry forward does not meet the more likely than not criteria, the benefit may not be set up until realized.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870289>

Question 211

The accounts receivable turnover ratio is a measure of:

- A) The number of days that it takes to collect the receivables
- B) The amount of time that it takes to create more receivables
- C) The average length of time that it takes to collect the accounts receivable
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=1870742>

Question 212

The cost of any equity financing is included when calculating the cost of generalized

borrowings.

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

Answer: <https://biology-forums.com/index.php?topic=1869951>

Question 213

JMR bought 15 Z Corporation \$1,000 bonds for \$15,270 total, on April 1, 2000, (five years prior to maturity). The bonds pay 8% annual interest on April 1 and October 1. On December 31, 2000, the bonds had a market value of \$14,950 (not a permanent decline). JMR purchased these bonds at:

- A) Par.
- B) Par plus accrued interest.
- C) A premium.
- D) A discount.
- E) A discount plus accrued interest.

Answer: <https://biology-forums.com/index.php?topic=1869964>

Question 214

On January 1, 20x11, WXY signed an operating lease agreement, which required \$5,800 annual rentals to be paid at the end of each year. The accounting period ends December 31. At the end of 20x11, WXY (lessee) should make the following entry:

- 1 Leased asset 5,800
Cash 5,800
 - 2 Rent paid in advance 5,800
Cash 5,800
 - 3 Rent expense 5,800
Lease liability 5,800
 - 4 Rent expense 5,800
Cash 5,800
- A) Choice 1
 - B) Choice 2
 - C) Choice 3
 - D) Choice 4

Answer: <https://biology-forums.com/index.php?topic=1870375>

Question 215

Company A enters into a lease agreement with Company B. The fair value of the asset is \$100,000. The present value of the minimum lease payments is \$90,000. The yearly payment is \$10,000, depreciation amounts to \$5,000 and the lease meets the requirement of an operating lease. What is the journal entry at the end of the first year assuming a full 12 months have passed?

Answer: <https://biology-forums.com/index.php?topic=1870431>

Question 216

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

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

Answer: <https://biology-forums.com/index.php?topic=1870128>

Question 217

ABC paid \$5,000 in dividends to its preferred shareholders. The 5 percent preferred shares (10,000 shares outstanding) are nonconvertible and noncumulative. The \$5,000 dividend:

- A) Will be added to the numerator of the EPS calculation.
- B) Will be subtracted from the numerator of the EPS calculation.
- C) Will be added to the denominator of the EPS calculation.
- D) May not affect the EPS calculation, depending on the declaration date of the dividends.

Answer: <https://biology-forums.com/index.php?topic=1870573>

Question 218

A property dividend causes a debit to retained earnings equal to the _____ of the property distributed:

- A) Book value

- B) Fair market value
- C) Original cost
- D) Income tax basis

Answer: <https://biology-forums.com/index.php?topic=1870058>

Question 219

Adjustments to fair value relating to FVTPL liabilities will always flow through earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869938>

Question 220

LMO leased an asset for use in its factory. The lease specified that LMO was to make annual payments of \$2,818 payable at the end of each year. The lessor classified the lease as a direct financing lease because LMO was allowed to lease the asset at cost of \$14,000 (i.e., the present value of the lease payments). The lessor received a 12 percent rate of return on the lease. The estimated residual value at the end of the lease term is zero. If the lease was classified as a finance lease by LMO, how much annual depreciation (using SL) should LMO record?

- A) \$1,400
- B) \$1,750
- C) \$1,310
- D) \$2,818

Answer: <https://biology-forums.com/index.php?topic=1870430>

Question 221

DX had the following shares outstanding:

Preferred shares, \$3, 2,000 shares \$100,000

Common shares, 2,000 shares \$200,000

(Matching dividend, if applicable, \$6)

The preferred shares are cumulative, fully participating; dividends are three years in arrears, excluding the current year; dividends declared in the current year amount to \$42,000. The total amount of dividends to which preferred shareholders are entitled is:

- A) \$16,000
- B) \$20,000
- C) \$24,500
- D) \$26,000

Answer: <https://biology-forums.com/index.php?topic=1870098>

Question 222

A forward contract is:

- A) An obligation to buy or sell something in the future
- B) The right to sell something in the future
- C) A derivative instrument
- D) Both A and C

Answer: <https://biology-forums.com/index.php?topic=1870163>

Question 223

MDB had a \$1,200 temporary tax difference for deferred gross margin on instalment sales at the end of 20x12. This temporary difference will reverse equally during 20x13, 20x14, and 20x15.

The enacted corporate income tax rate is 25% and Congress is discussing an increase in the corporate income tax rates for 20x14 and 20x15 to 35%. The deferred income tax liability related to this temporary difference at the end of 20x12 would be:

- A) \$100
- B) \$300
- C) \$380
- D) \$420

Answer: <https://biology-forums.com/index.php?topic=1870322>

Question 224

Credit risk is an issue for financial instruments because:

- A) the company may default on its loan

- B) the company may not have enough cash flow to pay suppliers
- C) the other parties to financial instruments may not perform their obligations
- D) the company may not perform their obligations

Answer: <https://biology-forums.com/index.php?topic=1870174>

Question 225

Transactions that take place in the period between the end of the fiscal year and the financials statement released must be disclosed and described when which of the following happens:

- A) When a subsequent event would significantly change the number of common shares or the potential common shares used in basic or diluted EPS.
- B) When common shares are issued after the fiscal year end and the proceeds were used to retire preferred shares.
- C) When common shares are issued after the fiscal year end for cash, on the exercise of options.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=1870589>

Question 226

When should the cost of termination benefits be recognized?

Answer: <https://biology-forums.com/index.php?topic=1870535>

Question 227

An administrative fee pertaining to an unsuccessful loan application is to be immediately expensed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869946>

Question 228

A Statement of Changes in Shareholder Equity is mandatory under both IFRS and ASPE.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870029>

Question 229

An understatement of accrued wages will, if not corrected, cause income for the current and following reporting period, separately, to be overstated.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870643>

Question 230

If the estimated useful life of an asset was originally 10 years and then later changed to 12 years, the effects of this change should be:

- A) Reported as a special item on the income statement in the year it occurs.
- B) Spread over the current and future periods.
- C) Reported and recorded retrospectively, including pro forma financial statements in the year of change.
- D) Recorded in an adjustment to the Accumulated Depreciation account and the Retained Earnings account in the year of change.

Answer: <https://biology-forums.com/index.php?topic=1870660>

Question 231

The following data represents the complete taxable income history for a firm:

Taxable income Tax rate

20x11 \$20,000 .30

20x12 \$16,000 .30

20x13 \$12,000 .35

20x14 \$ 4,000 .40

20x15 \$(40,000) .40

What amount of refund will it receive for tax year 20x15?

- A) \$10,600
- B) \$12,200

C) \$13,000

D) \$15,000

Answer: <https://biology-forums.com/index.php?topic=1870309>

Question 232

Past service costs that have vested must be amortized immediately through pension expense under both ASPE and IFRS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870477>

Question 233

In order to determine if, in substance, a complex financial instrument is debt, the answer should be yes to all of the following except:

A) Is the periodic return on capital obligatory?

B) Is the debtor legally obligated to repay the principal at a fixed rate?

C) Is the amount convertible into common shares?

D) Is the debtor legally obligated to repay the principal at the option of the creditor?

Answer: <https://biology-forums.com/index.php?topic=1870158>

Question 234

LAS owns a building in North Bay. LAS enters into an agreement with BH as follows: LAS sells the building to BH for \$2,900,000 and immediately leases it back for \$500,000 per year for 10 years. The historical cost of the building was \$9,000,000 and accumulated amortization amounted to \$7,000,000. Part of the journal entry to record these transactions includes:

A) credit to building for \$2,000,000

B) credit to deferred gain for \$2,000,000

C) credit to gain on sales for \$2,000,000

D) credit to lease liability for \$5,000,000

Answer: <https://biology-forums.com/index.php?topic=1870405>

Question 235

Ryan Company paid the golf dues of one of its employees. This represents a temporary difference.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870219>

Question 236

The term of a finance lease includes the initial lease term and any bargain renewal terms.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870352>

Question 237

All of the following are methods of avoiding capitalization except:

A) legal agreement

B) use of contingent rent

C) use of a third party

D) shorten the lease term

Answer: <https://biology-forums.com/index.php?topic=1870396>

Question 238

X Corporation owns 15% of the outstanding shares of Z Corporation. The Z stock is distributed to the shareholders of X Corporation as a dividend at its current market value. This is an example of a:

A) scrip dividend.

B) cash dividend.

C) stock dividend.

D) property dividend.

Answer: <https://biology-forums.com/index.php?topic=1870081>

Question 239

Cash flow hedges do not exist under ASPE.

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

Answer: <https://biology-forums.com/index.php?topic=1870133>

Question 240

JG Corporation incurred a tax loss of \$945,000. Based on a tax rate of 38% what is the potential tax benefit?

- A) \$0
- B) \$945,000
- C) \$359,100
- D) cannot be determined

Answer: <https://biology-forums.com/index.php?topic=1870305>

Question 241

If a bond was sold at 108, the stated rate of interest was:

- A) Equal to market rate.
- B) Not related to market rate.
- C) Higher than market rate.
- D) Lower than market rate.

Answer: <https://biology-forums.com/index.php?topic=1869986>

Question 242

A finance lease is based upon the view that there was a sale/purchase (between the parties) of the leased asset at the inception date of the lease.

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

Answer: <https://biology-forums.com/index.php?topic=1870362>

Question 243

In accounting for pension costs, any difference between current service pension expense and the payment into the pension trust should be reported as an:

- A) offset to pension plan assets.
- B) accrued actuarial liability.
- C) deferred pension liability/cost.
- D) operating expense of the current period.

Answer: <https://biology-forums.com/index.php?topic=1870490>

Question 244

The president of XBC was granted a stock option for 1,000 common shares. On the grant date, the option price was \$40 and the market value was \$38 per share. Give the entry to record the option at the date of the grant.

Answer: <https://biology-forums.com/index.php?topic=1870179>

Question 245

What is a direct financing lease?

Answer: <https://biology-forums.com/index.php?topic=1870447>

Question 246

All of the following are relevant policy disclosures suggested by the AcSB except:

- A) a reconciliation of relevant pension amounts
- B) amount of pension expense for the period, broken down by component
- C) the number of employees
- D) a reconciliation of the defined benefit obligation from the beginning to the end of the year
- E) changes to reserves and other comprehensive income if any

Answer: <https://biology-forums.com/index.php?topic=1870525>

Question 247

Operating leases are usually of shorter duration than finance leases and under this type of

lease, the risks and rewards of asset ownership remain with the lessor.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870345>

Question 248

There are many types of organizations that are subject to income tax including corporations, partnerships and proprietorships.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870215>

Question 249

A reverse split may be used to increase the value per share of a company.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870552>

Question 250

Preferred shareholders normally have the same voting rights as common shareholders.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870007>

Question 251

Which of the following forms part of the definition of a financial liability?

- A) Cash
- B) An equity instrument of another entity
- C) To deliver cash or another financial asset to another party
- D) A contractual right to receive cash or another financial asset from another party

Answer: <https://biology-forums.com/index.php?topic=1870177>

Question 252

How does a trustee impact upon accounting for defined pension plans?

Answer: <https://biology-forums.com/index.php?topic=1870528>

Question 253

Under a defined contribution pension plan, forfeitures are estimated in advance.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870482>

Question 254

A tax loss represents the present and deferred benefit that the company will be able to realize from the tax loss through a reduction of income taxes paid to governments.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870271>

Question 255

Executory costs include:

- A) interest expense incurred.
- B) annual lease rentals paid.
- C) insurance premiums.
- D) leasehold improvements.

Answer: <https://biology-forums.com/index.php?topic=1870415>

Question 256

What is the interest rate used for discounting the net lease payments by the lessor?

Answer: <https://biology-forums.com/index.php?topic=1870446>

Question 257

Any transitional asset or obligation may be applied retroactively or prospectively under IFRS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870465>

Question 258

The overstatement of ending inventories in a given year is an example of a counterbalancing error, which will correct itself in the following year.

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

Answer: <https://biology-forums.com/index.php?topic=1870637>

Question 259

XYZ decided to change its depreciation policy by (1) discontinuing to record depreciation on land, and (2) changing the estimated useful life on all autos used in the business from five years to four years. Choose the correct statement concerning these two changes:

- A) Both are changes in accounting principle.
- B) Both are changes in estimate.
- C) Both are error corrections.
- D) One is an error correction, and one is a change in principle.
- E) One is an error correction, and one is a change in estimate.

Answer: <https://biology-forums.com/index.php?topic=1870667>

Question 260

If cash payments to investors are dependent on one or more future events, the instrument in question would be considered equity.

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

Answer: <https://biology-forums.com/index.php?topic=1870121>

Question 261

To be classified as a finance lease by the lessee, no important uncertainties surrounding the amount of unreimbursable costs yet to be incurred by the lessor may exist.

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

Answer: <https://biology-forums.com/index.php?topic=1870360>

Question 262

Which of the following statements best describes the finance lease guidelines under ASPE from the lessee's point of view?

- A) The lease term must be at least 75% of the asset's life.
- B) The present value of the minimum lease payments must be equal to 90% or more of the asset's fair value.
- C) The criteria for finance leases is met if either A or B are met.
- D) The criteria for finance leases are met if A AND B are met.

Answer: <https://biology-forums.com/index.php?topic=1870424>

Question 263

JMR has a tax loss of \$970,000 and a tax rate of 38%. What is the potential benefit of the tax loss?

Answer: <https://biology-forums.com/index.php?topic=1870333>

Question 264

Taxes are recovered at the tax rate in effect during the year of the loss.

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

Answer: <https://biology-forums.com/index.php?topic=1870278>

Question 265

Explain the income tax disclosures recommended by the CICA.

Answer: <https://biology-forums.com/index.php?topic=1870263>

Question 266

The current tax benefit from tax loss carry backs and carry forwards, segregated between continuing operations and discontinued operations and extraordinary items should be disclosed.

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

Answer: <https://biology-forums.com/index.php?topic=1870294>

Question 267

Use of the effective interest method for amortizing bond premiums and discounts is mandatory under IFRS but not under ASPE.

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

Answer: <https://biology-forums.com/index.php?topic=1869950>

Question 268

The negotiating of a collective agreement is a contractual decision that may necessitate the use of financial analysis.

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

Answer: <https://biology-forums.com/index.php?topic=1870714>

Question 269

All temporary differences are related to differences in the timing of accounting recognition compared with income tax recognition.

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

Answer: <https://biology-forums.com/index.php?topic=1870210>

Question 270

Major factors contributing to the growth of the corporate form of business includes all of the following except:

- A) The facility to accumulate large amounts of resources.
- B) Limited liability of the shareholders.
- C) Easy transferability of ownership.
- D) The lack of government regulation.

Answer: <https://biology-forums.com/index.php?topic=1870062>

Question 271

Explain the difference between a temporary and permanent difference.

Answer: <https://biology-forums.com/index.php?topic=1870249>

Question 272

If it is impracticable to determine the cumulative effect at the beginning or the current period or, if it is allowed by the creation of a new accounting standard, an accounting change may be applied prospectively

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

Answer: <https://biology-forums.com/index.php?topic=1870639>

Question 273

Only corporations are subject to income tax.

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

Answer: <https://biology-forums.com/index.php?topic=1870216>

Question 274

Equal monthly rental payments for a particular lease should be charged to rental expense by the lessee for which of the following?

Finance lease Operating lease

- 1 No No
 - 2 No Yes
 - 3 Yes No
 - 4 Yes Yes
- A) Choice 1
B) Choice 2
C) Choice 3
D) Choice 4

Answer: <https://biology-forums.com/index.php?topic=1870390>

Question 275

When there has been a retrospective change in Accounting policy or a restatement, EPS figures must be recalculated accordingly.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870555>

Question 276

Assume that the holders of \$300,000 face value bonds exercise their conversion privilege on 1 January 20X5, when market value of the common shares is \$65. Prepare the journal entry to record the conversion, using the book value method.

Answer: <https://biology-forums.com/index.php?topic=1870192>

Question 277

What are the three types of period costs that a lessee experiences with finance leases?

- A) Depreciation expense, executory costs, lease expense
- B) Executory costs, interest expense, lease expense
- C) Lease expense, interest expense, depreciation expense
- D) Interest expense, depreciation expense, executory costs

Answer: <https://biology-forums.com/index.php?topic=1870379>

Question 278

There still remain problems when accounting policies are disclosed for choices made among acceptable alternatives. All of the following are problems except:

- A) There is no disclosure of crucial policies, such as revenue recognition
- B) Disclosure is generally too vague to be of use without additional information
- C) Some industries do not have to disclose accounting policies
- D) The disclosure is specific, but the numerical information is missing

Answer: <https://biology-forums.com/index.php?topic=1870731>

Question 279

From the above information classify the lease from the perspective of the lessee.

Answer: <https://biology-forums.com/index.php?topic=1870441>

Question 280

The rules for a loss carry forward remain the same between the old Handbook section (3470) and the new Handbook section (3465).

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870286>

Question 281

Historical analysis is part of a(n):

- A) Longitudinal ratio
- B) Cross sectional ratio
- C) Historical ratio
- D) Industrial ratio

Answer: <https://biology-forums.com/index.php?topic=1870738>

Question 282

The effective interest method must always be used to compute the lessees interest expense related to a finance lease.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870357>

Question 283

Basic EPS is an historical amount.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870551>

Question 284

A company had 50,000 common shares and the following 3 convertible securities outstanding the entire year:

1) 6%, \$100 par cumulative preferred shares, 200 shares outstanding, each convertible into 5 common shares

1) 200 6% convertible bonds, face \$1,000, each bond convertible into 40 common shares

1) 2,000 stock options to purchase one common share each at \$40.

The company earns interest at 6%. Its net income after tax income was \$75,000. The tax rate is 40%. What is the diluted EPS (rounded to the nearest cent):

- A) \$1.39
- B) \$1.40
- C) \$1.45
- D) \$1.48

Answer: <https://biology-forums.com/index.php?topic=1870594>

Question 285

ABC Inc. enters and interest rate swap agreement with a third party whereby the company agrees to swap its variable interest debt on its \$100,000 debt issue. In doing so, the company opted for fixed annual interest payments of \$8,000 per year. Assuming that the variable rate throughout the last year was 6%, this would mean that:

- A) ABC must pay \$6,000 to the other party in the swap agreement.
- B) ABC must pay \$8,000 to the other party in the swap agreement.
- C) ABC must pay \$2,000 to the other party in the swap agreement.
- D) ABC will receive \$2,000 from the other party in the swap agreement.

Answer: <https://biology-forums.com/index.php?topic=1870154>

Question 286

A company is being sued by a competitor for \$120,000. The company's legal team estimates that there is a 20% chance that the company will be sued. Under the PROPOSED changes to current IFRS standards,

- A) No provision or note disclosure will be required.
- B) A provision of \$24,000 will be required.
- C) A provision of \$96,000 will be required.
- D) A provision of \$120,000 will be required.

Answer: <https://biology-forums.com/index.php?topic=1869973>

Question 287

All companies are required to have audits.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870691>

Question 288

When a pension plan is adopted subsequent to organizing the company and credit for past service is granted, there will be a Past service costs which must be:

- A) debited directly to expense of the first year of the pension plan.
- B) debited directly to retained earnings.
- C) debited to expense as funded (with cash).
- D) unrecognized, then amortized in the future as part of pension expense.

Answer: <https://biology-forums.com/index.php?topic=1870506>

Question 289

List five amounts that are temporary differences.

Answer: <https://biology-forums.com/index.php?topic=1870251>

Question 290

Each periodic rent collected on a finance lease by the lessor is usually part principal and part interest revenue.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870373>

Question 291

If a company incurs \$1,500 of expenditures for meals and entertainment, this amount represents a permanent difference.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870220>

Question 292

When interest is repayable to investors at a fixed amount per share, the financial instrument in question would be considered debt.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870122>

Question 293

The balance of pension plan assets at fair value, as of any measurement date, reflects the cumulative:

Plan earnings Employer contributions Benefits paid

- 1 *
- 2 **
- 3 ***
- 4 **

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

Answer: <https://biology-forums.com/index.php?topic=1870505>

Question 294

Ryan Corp. enters into an agreement with Montgomery Corp. to lease some office space in a very popular part of town. The agreement called for payments of \$100,000 per year for five years and an upfront payment of \$85,000. Explain the proper accounting treatment for the above situation.

Answer: <https://biology-forums.com/index.php?topic=1870437>

Question 295

Hedging is one method of minimizing foreign exchange risk.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869958>

Question 296

At most, how many future tax accounts will a firm report in its balance sheet?

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

Answer: <https://biology-forums.com/index.php?topic=1870233>

Question 297

Share capital may be classified primarily as:

- A) Par Value, Common; or Nopar, Preferred.
- B) Nopar, Common; or Par Value, Preferred.
- C) Par Value, Common; Nopar, Common; Par Value, Preferred; or Nopar, Preferred.
- D) Par Value, Common; Stated Value Common; or Nopar, Preferred.

Answer: <https://biology-forums.com/index.php?topic=1870065>

Question 298

At the end of the accounting year, December 31, 20x4, adjusting entries were not made for wages that had been earned but not yet paid, \$1,800, and rent revenue of \$1,400 that had been earned but not yet collected. As a consequence, the 20x4 amount of pretax earnings was:

- A) Overstated by \$3,200.

- B) Understated by \$3,200.
- C) Overstated by \$400.
- D) Understated by \$400.

Answer: <https://biology-forums.com/index.php?topic=1870670>

Question 299

Initial direct costs include lessor costs incurred:

- A) before obtaining the commitment of a potential lessee to enter into a lease contract
- B) after obtaining the commitment of a potential lessee to enter into a lease contract
- C) before and after obtaining the commitment of a potential lessee to enter into a lease contract
- D) for the purpose of upgrading an existing lease contract

Answer: <https://biology-forums.com/index.php?topic=1870418>

Question 300

At the end of 20x2, interest on a perpetual loan is paid to the holder. The perpetual debt is shown as an equity instrument. Based on the above the interest is:

- A) Deducted on the statement of retained earnings
- B) Added to the statement of retained earnings
- C) Deducted for income tax purposes
- D) Added for income tax purposes

Answer: <https://biology-forums.com/index.php?topic=1870176>

Question 301

The amount and expiry date of unrecognized tax losses follow the same carry forward rules as recognized tax losses.

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

Answer: <https://biology-forums.com/index.php?topic=1870295>

Question 302

ABC Inc. has 20,000 common shares outstanding throughout the year. It also had 20,000, 6 percent preferred shares, par \$20, (cumulative and nonconvertible) outstanding throughout the year. Net income was \$300,000. The earnings per share amount would be \$13.80

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

Answer: <https://biology-forums.com/index.php?topic=1870560>

Question 303

Assume that a company wishes to grant stock options to a supplier in exchange for services rendered. The company chose to value this exchange at the going market rate charged by the suppliers competitors. This is an example of a Level 2 Fair Value Hierarchy application.

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

Answer: <https://biology-forums.com/index.php?topic=1870130>

Question 304

In order to be registered, a pension plan must be trusteeed.

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

Answer: <https://biology-forums.com/index.php?topic=1870467>

Question 305

The statement of significant accounting policies, which is included in the notes to the financial statements, must include reasons for the selection of one generally accepted accounting method over another generally accepted accounting method.

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

Answer: <https://biology-forums.com/index.php?topic=1870693>

Question 306

A deferred income tax asset that has been recorded for a tax loss carry forward must be maintained at the tax rate that is expected to be in effect when the carry forward is utilized.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870292>

Question 307

RST entered into a direct financing lease with ZAB, which called for seven annual rentals of \$3,500 (interest rate 12 percent) to be paid at the end of each year. The lease also contained a bargain purchase option allowing ZAB to purchase the asset for \$2,500 after making the seventh annual rental payment. The cost of the asset must have been:

- A) \$17,104
- B) \$18,473
- C) \$25,631
- D) \$27,000

Answer: <https://biology-forums.com/index.php?topic=1870429>

Question 308

Businesses engage in many transactions that are unaffected by the form of the business: proprietorship, partnership, or corporation.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870006>

Question 309

Current service cost is usually the largest single component of pension expense under a defined benefit pension plan..

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870462>

Question 310

CCA is an optional deduction and may be adjusted downwards in order to create taxable income.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870284>

Question 311

Under a finance lease that includes a bargain purchase option (BPO), how is depreciation on the asset under lease recognized by:

Lessor Lessee

- 1 not recognized depreciate over lease term
- 2 depreciate over remaining life depreciate over remaining life
- 3 not recognized depreciate over remaining life
- 4 depreciate over remaining life not recognized

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

Answer: <https://biology-forums.com/index.php?topic=1870408>

Question 312

Total retained earnings include both appropriated and unappropriated retained earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870016>

Question 313

You are given the following information about VB Ltd.:

Class A preferred shares, 800 shares issued and outstanding; annual dividend rate of \$100 per share, cumulative, paid at the end of each quarter; each share is convertible into 50 shares of Class B common

Class B common shares, 90,000 shares issued and outstanding

There are no other senior securities

Net Income for 20x1, the year of the conversion, is \$850,000; there are no discontinued operations.

All 1,000 shares of Class A are converted into 40,000 Class B shares on October 1 20x1;

dividends for the first three quarters of the year were fully paid. Calculate the basic EPS.

Answer: <https://biology-forums.com/index.php?topic=1870608>

Question 314

Bonds are said to be redeemable when they can be prematurely retired at the discretion of the issuing company and retractable when they can be prematurely retired at the investors discretion.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869952>

Question 315

When the lessee guarantees the residual value at the end of the lease term, the:

- A) lessor will use this amount in computing periodic depreciation expense.
- B) lessor will receive an additional cash flow at the end of the lease term.
- C) lessee may have to pay the lessor additional cash if the actual residual value is not equal to the estimated residual value.
- D) lessee will have to pay the lessor additional cash because the guaranteed residual value was included in computing the annual rental amounts.

Answer: <https://biology-forums.com/index.php?topic=1870385>

Question 316

The conversion option attached to convertible bonds, which have a floating conversion price per share, has an intrinsic value which is based on the fair market value of the shares at the time.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870127>

Question 317

The general terminology used to describe income tax expense when disclosed in the financial statements is:

- A) Income tax expense
- B) Income tax benefit
- C) Provision for income tax expenses
- D) Tax expense

Answer: <https://biology-forums.com/index.php?topic=1870228>

Question 318

Choose the correct statement concerning pensions (defined benefit) and other post employment benefits.

- A) pension expense has six components; other post employment benefits expense has only five
- B) Only pensions require a reconciliation of funded status to be disclosed
- C) Other post employment benefits payments are more difficult to predict than are pension payments
- D) the entire other post employment benefits obligation must be recognized in the balance sheet whereas, in most cases, the pension obligation is not

Answer: <https://biology-forums.com/index.php?topic=1870508>

Question 319

A change in an estimate, which was not determined reasonable (i.e., not in good faith) to a good faith estimate, is accounted for as an accounting error.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870641>

Question 320

One of the most common forms of hybrid security is convertible debt.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870137>

Question 321

On March 1, 2000, WC issued 10% stated interest rate, 10 year debentures dated January 1, 2000, in the face amount of \$1,000,000, with interest payable on January 1 and July 1. The debentures were sold to yield 12% plus accrued interest. How much should WC debit to cash on March 1, 2000?

- A) \$ 901,963
- B) \$ 903,003
- C) \$1,016,667
- D) \$1,033,333
- E) \$ 902,336

Answer: <https://biology-forums.com/index.php?topic=1869990>

Question 322

The failure to expense a prepaid asset is an example of a counterbalancing error.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870619>

Question 323

The errors listed below occurred in 20x3 but were not discovered until much later in 20x4. The accounting period ends December 31.

Purchases understated \$400

Ending inventory overstated 400

Rent expense overstated 400

What net effect did these errors have on 20x3 pretax income?

- A) Overstated by \$400
- B) Overstated by \$800
- C) Understated by \$400
- D) Understated by \$1,200

Answer: <https://biology-forums.com/index.php?topic=1870676>

Question 324

The effect of recording a 100 percent stock dividend would be to:

- A) leave working capital unaffected, decrease earnings per share, and decrease book value per share.
- B) leave working capital unaffected, decrease earnings per share, and decrease the debt to equity ratio.
- C) decrease the current ratio, decrease working capital, and decrease book value per share.
- D) leave inventory turnover unaffected, decrease working capital, and decrease book value per share.
- E) none of the above.

Answer: <https://biology-forums.com/index.php?topic=1870725>

Question 325

The treasury stock method is only used for options, and only the denominator is affected..

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870542>

Question 326

Ratios, like the accounts receivable turnover ratio, can be difficult to interpret. Explain some of the problems associated with this ratio.

Answer: <https://biology-forums.com/index.php?topic=1870756>

Question 327

Retained earnings, if not designated otherwise, represents the unappropriated portion of retained earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870015>

Question 328

Discounting is not required when the time value of money is immaterial or if the amount and timing of cash flows is highly uncertain.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869925>

Question 329

The term provision for income taxes encompasses both income tax expenses and liabilities.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870198>

Question 330

SXC reported the following data on its 1999 statement of financial position:

Common shares no par \$202,000

Common shares subscribed 18,000

Retained earnings 175,000

If the average price paid for all of the common shares sold and subscribed were \$5.00, the total number of sold and subscribed shares was:

A) \$44,400

B) \$40,400

C) \$44,000

D) \$40,000

E) None of these answers is correct

Answer: <https://biology-forums.com/index.php?topic=1870056>

Question 331

A pension plan is fully funded when the assets in the pension fund are adequate to pay the current retirees.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870475>

Question 332

The terms probable and more likely than not refer to probabilities that are greater than or equal to 50%.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870275>

Question 333

Match the brief description with the terms by entering the appropriate letters in the blank spaces provided.

Brief Description

A. Transaction that is irrevocable, relieves employer of some pension plan obligations, and eliminates significant risk related to the plan obligation and assets.

B. Net of any unrecognized gain or loss and any unrecognized net transition asset (i.e., gain).

C. Plan to which two or more employers contribute and for which pension assets are not separately identified for each employer.

D. Compensation offered for a short period of time when an employee is terminated prior to expected retirement date.

E. Increase or decrease in the accrued pension obligation.

F. Compensation to employees required by a pension plan only if a specified event occurs which causes an employee to be terminated prior to expected retirement date.

G. Any unrecognized Past service costs and unrecognized transition cost related to curtailed years of service.

H. Event that either reduces the expected years of future service of present employees, or eliminates accrual of defined benefits for some or all future services.

Term

___ 1. Contractual termination benefit

___ 2. Maximum gain or loss for a settlement

___ 3. Accrued pension obligation gain or loss due to a curtailment

___ 4. Past service and transition loss due to a curtailment

___ 5. Multiemployer pension plan

___ 6. Curtailment

___ 7. Settlement

___8.. Special termination benefit

Answer: <https://biology-forums.com/index.php?topic=1870529>

Question 334

Which of the following are the required operating lease note disclosure requirements for the lessee?

- 1) Minimum lease payments
 - 1) Contingent Rents
 - 1) Scheduled lease payments for the next year
 - 1) Scheduled lease payments in total for the next four years
 - 1) Scheduled lease payments in total for all years.
- A) 1, 2, 3, 4, & 5.
B) 1, 2, & 5.
C) 1, 2, 3 & 4.
D) 1 & 2.
E) 1, 2 & 3.

Answer: <https://biology-forums.com/index.php?topic=1870403>

Question 335

If the residual value of a leased asset turns out to be more than the amount guaranteed by the lessee, the:

- A) lessee may reduce depreciation expense for the prior year, through a prior period adjustment, to take into account the excess.
- B) lessor is under no obligation to compensate the lessee for the excess.
- C) lessor must pay the lessee the amount of the excess.
- D) lessee may reduce the annual rentals for the excess.

Answer: <https://biology-forums.com/index.php?topic=1870386>

Question 336

For both the accounts receivable turnover and the inventory turnover ratios, the numerator of the fraction is credit sales.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870701>

Question 337

Accounting policy changes must always be handled retrospectively.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870618>

Question 338

Constructive obligations may arise from:

- A) Asset retirement obligations
- B) Warranty obligations.
- C) Notes Payable
- D) Both A & B

Answer: <https://biology-forums.com/index.php?topic=1869972>

Question 339

Dividends in arrears on cumulative preferred shares must be paid at the end of the accounting period if cash and retained earnings are available.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870042>

Question 340

If a change in an accounting estimate affects the current period and future periods, the retrospective reporting approach must be used.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870632>

Question 341

KEG just completed its year end. During the year, KEG recorded \$12,000 in depreciation (\$9,000 CCA). In addition there was a deduction in the accounting records for meals and entertainment amounting to \$5,000. As a result taxable income will:

- A) Be lower than accounting income by \$3,000
- B) Be higher than accounting income by \$3,000
- C) Be higher than accounting income by \$5,500
- D) Be lower than accounting income by \$5,500
- E) Will be equal to accounting income

Answer: <https://biology-forums.com/index.php?topic=1870238>

Question 342

Only certain unrealized gains flow through Other Comprehensive Income any realized gains flow through retained earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870025>

Question 343

All of the following are true with respect to sinking funds except:

- A) A sinking fund is a cash fund that is restricted for retiring the debt of a company.
- B) A sinking fund may be handled by a trustee or by the individual company.
- C) A sinking fund may make the investment more attractive to investors.
- D) Once the sinking fund is established, the company has no more responsibility to the debt.

Answer: <https://biology-forums.com/index.php?topic=1869968>

Question 344

If a financial instrument is determined to be in substance equity, what are the reporting implications?

Answer: <https://biology-forums.com/index.php?topic=1870184>

Question 345

A firm had 8,000 common shares outstanding at the end of the current period and earned \$8,000 that period (net of tax). Also, options to purchase 5,000 shares at \$5 each were outstanding all year. For the entire year the firm had \$20,000 of 6% debt and \$10,000 of 8% debt outstanding. The 8% debt is convertible into 500 common shares. The firm earns interest at 7 percent and has a 50 percent tax rate. The diluted earnings per share for the current year should be (rounded to the nearest cent):

- A) \$1.00
- B) \$.68
- C) \$.69
- D) \$.72

Answer: <https://biology-forums.com/index.php?topic=1870592>

Question 346

All three funding approaches result in full funding of a pension plan over time.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870461>

Question 347

Capitalization of borrowing costs on qualifying assets will continue even if work on the asset has temporarily ceased.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869947>

Question 348

What is the difference between the net method and gross method of accounting for leases by the lessor?

Answer: <https://biology-forums.com/index.php?topic=1870453>

Question 349

On comparative financial statements, all errors must be corrected for each year presented, rather than only for the current year.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870649>

Question 350

How many of the following pension expense components could be negative (i.e. reduce pension expense)?

Service cost

Interest cost

Amortization of net unrecognized gain or loss

Amortization of transition amount

A) 1

B) 2

C) 3

D) 4

Answer: <https://biology-forums.com/index.php?topic=1870501>

Question 351

The following information relates to the SPE company in 20x3.

Net income: \$50,000

Common shares outstanding on January 1: 30,000

On June 30 issued 2,000 8% cumulative convertible preferred shares

\$100 par, each convertible into 10 common shares

Issued a 40% stock dividend on Sept. 30

What is the diluted EPS?

A) \$1.00

B) \$.89

C) \$.81

D) \$.76

Answer: <https://biology-forums.com/index.php?topic=1870598>

Question 352

If a financial instrument is an equity instrument in substance, but its legal form is debt, any periodic payments made to investors will be accrued on the company's financial statements as interest expense.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870120>

Question 353

EGR Corporation has one asset worth \$450,000. Depreciation accumulated to date is \$190,000 and accumulated CCA is \$220,000. The Corporation also recorded warranty expense of \$30,000. To date no customers have required warranty service. Assuming the tax rate is 40% what is the income tax implication?

A) A Deferred income tax asset of \$30,000

B) No temporary differences

C) A Deferred income tax asset of \$12,000

D) A Deferred income tax liability of \$12,000

Answer: <https://biology-forums.com/index.php?topic=1870242>

Question 354

In horizontal analysis of financial statements, the base amounts used for purposes of comparison are the financial results of a previous time period.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870700>

Question 355

When the market rate exceeds the stated or nominal rate, a bond's carrying value will be

less than its fair value.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869940>

Question 356

What is convertible debt? Why would a company issue convertible debt?

Answer: <https://biology-forums.com/index.php?topic=1870185>

Question 357

When a company offers termination benefits as the result of a restructuring plan, the special termination benefits should be:

- A) recognized with normal pension expense
- B) amortized over the average remaining service period
- C) amortized over a systematic and rational manner
- D) included with the restructuring costs on the income statement

Answer: <https://biology-forums.com/index.php?topic=1870521>

Question 358

HIJ reported the following data for 20x12 in 000s:

Current assets \$100

Operational assets \$260

Other assets \$ 40

Assuming vertical analysis, what is the relationship between current assets, operational assets, and other assets, respectively? (Rounded to the nearest percent)

Current Assets Operational Assets Other Assets

1 100 percent 36 percent 40 percent

2 40 percent 14 percent 100 percent

3 25 percent 65 percent 10 percent

4 36 percent 100 percent 14 percent

5 None of the above

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

E) Choice 5

Answer: <https://biology-forums.com/index.php?topic=1870728>

Question 359

Proposed changes to the IFRS definition of a liability include:

- A) The addition of the requirement that a liability relate to a past event.
- B) The removal of the requirement that a liability relate to a past event.
- C) The addition of the requirement that a liability be a present obligation.
- D) The addition of the requirement that a liability be a legal obligation.

Answer: <https://biology-forums.com/index.php?topic=1869969>

Question 360

If preferred shares are callable, then:

- A) The corporation may, at its option, purchase the preferred shares for a specified cash price.
- B) The preferred shareholder can turn the preferred shares in for a specified cash price.
- C) The shareholders can exchange the preferred shares owned for common shares.
- D) There cannot be dividends in arrears.

Answer: <https://biology-forums.com/index.php?topic=1870070>

Question 361

Based on the above information prepare entries to record receipt of loan proceeds for January 20X6.

Answer: <https://biology-forums.com/index.php?topic=1870001>

Question 362

When retained earnings are restricted, they must also be appropriated.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870041>

Question 363

ML leased a computer to LH on January 1, 20x11. The lease was a five year fixed, noncancellable agreement. The payments were finalized at \$2,380 per year with the first payment on January 1, 20x11 and ML paid \$9,500 for the computer. Carrying value is equal to fair value. The lease is deemed a finance lease. Based on the above information, what type of lease is this for the lessor. Prepare the journal entries for at the inception of the lease using the gross method.

Answer: <https://biology-forums.com/index.php?topic=1870452>

Question 364

A change in actuarial assumptions is the only possible cause for an actuarial gain or loss.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870483>

Question 365

Shareholders in a corporation usually have limited liability.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870008>

Question 366

Changes in accounting policy are always voluntary in nature.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870621>

Question 367

State completely criterion 2 (bargain purchase option) and criterion 4 (90%) as they pertain to capitalizing leases under ASPE. Then, explain why fulfilling either constitutes a capitalized lease for the lessee.

Answer: <https://biology-forums.com/index.php?topic=1870436>

Question 368

Convertible preferred shares are convertible (usually to common shares) at the option of the shareholder and not at the option of the corporation.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870038>

Question 369

Securities issued as debt but intended by the issuing company to be exchanged for shares by the investor prior to maturity are called:

- A) Hybrid securities
- B) Discount bonds
- C) options
- D) convertible debt

Answer: <https://biology-forums.com/index.php?topic=1870167>

Question 370

An equity item is classified as debt in the financial statements and dividend payments were shown on the financial statements. For income tax purposes, the amounts will not be tax deductible.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870147>

Question 371

Dividends in arrears on cumulative preferred shares constitute a liability to the corporation that should be recorded (accrued).

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870044>

Question 372

For a large population, the best estimate for the amount of a provision that must be recognized is the most likely outcome with respect to the expected value and cumulative probabilities.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869924>

Question 373

In a popular business journal, JMR Ltd. was compared to KAR Corp. for the year ended December 31, 20x14. This is an example of:

- A) Cross sectional comparison
- B) Historical comparison
- C) Yearly comparison
- D) Longitudinal comparison
- E) Industrial comparison

Answer: <https://biology-forums.com/index.php?topic=1870735>

Question 374

When a firm changes only the estimated residual value of equipment,

- A) Depreciation must be recomputed for each previous year based on the new residual
- B) The remaining book value, reduced by the new residual value, is the basis for subsequent depreciation
- C) The original cost, reduced by the new residual value, is the basis for subsequent depreciation
- D) No adjustment is needed

Answer: <https://biology-forums.com/index.php?topic=1870650>

Question 375

Net operating tax carry backs and carry forwards never result in a cash refund of prior taxes paid but may result in a reduction in taxes for subsequent years.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870266>

Question 376

Disclosure related to tax loss carry forwards and carry backs include all of the following except:

- A) current tax benefit from tax loss carry backs and carry forwards should be segregated between continuing operations, discontinued operations and extraordinary items
- B) there should be disclosure of the amount of unrecognized tax losses
- C) disclosure of the expiry date of unrecognized tax losses
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1870315>

Question 377

Transaction costs are usually included in the carrying value of any financial liabilities.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869937>

Question 378

A financial asset has any of the following characteristics except:

- A) An equity instrument of another entity
- B) A debt instrument of another entity
- C) Cash
- D) A contractual right to exchange financial instruments with another party under conditions that are potentially favourable

Answer: <https://biology-forums.com/index.php?topic=1870178>

Question 379

Prepare Journal entry to record the interest payment on the first interest date of 31 December

20X4. Also record the related equity transfer.

Answer: <https://biology-forums.com/index.php?topic=1870194>

Question 380

Both the lessee's interest and depreciation expense should be added back to net income to calculate cash flows from operating activities under the indirect method.

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

Answer: <https://biology-forums.com/index.php?topic=1870370>

Question 381

The basic EPS can be compared with basic EPS numbers from the past years to see whether the company is earning more or less for its common shareholders.

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

Answer: <https://biology-forums.com/index.php?topic=1870548>

Question 382

An employee of XYZ will receive retirement benefits of \$1,000 per month if the employment period is 15 years. However, if the employment period is 20 years, the retirement benefits will be \$1,300 per month. This is an example of a defined contribution pension plan.

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

Answer: <https://biology-forums.com/index.php?topic=1870470>

Question 383

All changes in accounting estimates should be accounted for only in the period of the change; there is no effect on future periods.

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

Answer: <https://biology-forums.com/index.php?topic=1870633>

Question 384

All Contributed Capital accounts may carry either a debit or a credit balance, depending on the transactions from which the account balance originated.

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

Answer: <https://biology-forums.com/index.php?topic=1870018>

Question 385

Under the deferral approach, deferred taxes on the balance sheet are valued at the tax rate in that will be in effect when the temporary differences reverse.

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

Answer: <https://biology-forums.com/index.php?topic=1870213>

Question 386

Explain the most common methods of avoiding lease capitalization?

Answer: <https://biology-forums.com/index.php?topic=1870439>

Question 387

Actuarial gains and losses to be amortized must always be computed using the 10% corridor approach.

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

Answer: <https://biology-forums.com/index.php?topic=1870468>

Question 388

A simple capital structure could have, in addition to common shares, a security that is a:

- A) Stock right.
- B) Stock warrant.
- C) Convertible preferred shares.
- D) Convertible bond.
- E) Nonconvertible preferred shares.

Answer: <https://biology-forums.com/index.php?topic=1870575>

Question 389

There is a section in every annual report that detail the accounting policies used by a company. Explain why this is important to users and what some of the limitations are.

Answer: <https://biology-forums.com/index.php?topic=1870752>

Question 390

Last year, TUV had 40,000 \$15 par, 7 percent, cumulative, convertible preferred shares outstanding. The Board of Directors did not declare a dividend for the current period because all of these shares were converted to common shares on the first day of the period. What is the effect on the numerator of the EPS calculation for this year due to the preferred shares? (Tax rate is 40 %.)

- A) \$0
- B) Add \$42,000
- C) Subtract \$42,000
- D) Subtract \$25,200
- E) Not determinable from the information given.

Answer: <https://biology-forums.com/index.php?topic=1870582>

Question 391

Prepare Journal entries to record the acquisition and retirement of common shares.

Answer: <https://biology-forums.com/index.php?topic=1870113>

Question 392

A pension plan that gives an employee the right to retirement benefits which are not contingent upon the employee remaining with the company provides vesting benefits to the employee.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870472>

Question 393

When a midyear stock dividend increases the number of common shares outstanding for the period, the average number of common shares outstanding is computed as if the stock dividend was distributed at the beginning of the year.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870541>

Question 394

Interest may be recognized on a note even though the note does not explicitly state an interest rate.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869942>

Question 395

The lessee measures the cost of a leased asset, and the corresponding lease liability of a finance lease, as the:

- A) fair market value of the leased asset.
- B) future value of the periodic rental payments.
- C) sum of the annual cash payments to be made during term of the lease.
- D) present value of the periodic rental payments.

Answer: <https://biology-forums.com/index.php?topic=1870381>

Question 396

Post retirement benefits other than pensions must now be accounted for in a manner similar the way pensions are accounted for

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870466>

Question 397

Using the gross method, record the cash inflow from lease payment of \$73,000.

Answer: <https://biology-forums.com/index.php?topic=1870443>

Question 398

You are given the following information about JMR Ltd.:

80,000 common shares outstanding on January 1, 20x1

6,000 shares sold on March 1, 20x1

3,000 shares sold on September 1, 20x1

3 for 1 Stock split recorded on October 1, 20x1

Net Income for the year \$1,040,000

Required:

Calculated the basic EPS.

Answer: <https://biology-forums.com/index.php?topic=1870610>

Question 399

Explain what is meant by share issue costs and how they are treated for accounting purposes.

Answer: <https://biology-forums.com/index.php?topic=1870107>

Question 400

Book value per share is based upon all voting common and preferred shares.

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

Answer: <https://biology-forums.com/index.php?topic=1870704>

Question 401

A company that has sustained a tax loss during the year and is not able to carry it back may potentially do all of the following except:

A) File amended tax returns for previous years changing CCA

B) Choose not to claim CCA in the current year

C) Carry forward the amount for 10 years

D) Do nothing

Answer: <https://biology-forums.com/index.php?topic=1870307>

Question 402

Nonconvertible, cumulative, preferred shares affect the computation of EPS (for a simple capital structure), basic EPS, but not diluted EPS.

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

Answer: <https://biology-forums.com/index.php?topic=1870565>

Question 403

A Corporation that incurs a taxable loss is entitled to offset the loss as follows:

A) Carried back 7 years and forward 3 years

B) Carried back 3 years and forward 7 years

C) Carried back 3 years and forward 10 years

D) Carried back 10 years and forward 3 years

Answer: <https://biology-forums.com/index.php?topic=1870298>

Question 404

A Company incurred a loss during the year and upon carry back had a tax recovery of \$114,000.

All of the following are true except:

A) debit to income tax receivable for \$114,000

B) credit to income tax expenses for \$114,000

C) the taxes were recovered at the rate paid

D) the criteria of more likely than not must have been met

Answer: <https://biology-forums.com/index.php?topic=1870306>

Question 405

If it is not feasible to restate prior period, this means that the financial statements of the current period will not be affected.

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

Answer: <https://biology-forums.com/index.php?topic=1870640>

Question 406

The following information for JG Ltd. is available to you:

Cash \$85,000

Average accounts receivable \$546,000

Average inventory \$678,000

Accounts payable \$345,000

Sales on account \$1,300,000

Cost of goods sold \$1,000,000

Required:

1) Calculate the accounts receivable turnover ratio

1) You determined that the industry average was 4.5 and that JG Ltd. had turnovers in previous years of 3.5, 3.8, 4.4, and 4.7. Based on this information, can you make any conclusions?

Answer: <https://biology-forums.com/index.php?topic=1870761>

Question 407

In 20x11, JMR Corp. set up a deferred income tax benefit of a tax loss carry forward as the probability of realization was greater than 50%. It is now the end of 20x12 and management has determined that 50% of the benefit will not be realized. Management should:

A) continue to carry the total deferred income tax benefit of the tax loss carry forward

B) write down the entire benefit

C) write down 50% of the benefit

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=1870318>

Question 408

The crucial aspect of debt is that the creditors can demand payment.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870135>

Question 409

A review engagement provides more reliance for the users of the financial statements than an audit engagement.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870709>

Question 410

How does the existence of a loss in the year impact the accounting of temporary differences?

Answer: <https://biology-forums.com/index.php?topic=1870332>

Question 411

Permanent differences are those that factor into the computation of both net income and taxable income.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870201>

Question 412

Current liabilities are usually discounted.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869933>

Question 413

The Treasury Share account is debited and credited at the cost of the shares repurchased.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870033>

Question 414

Hedge accounting is often performed to minimize any accounting mismatch between the hedged and hedging items and is strictly voluntary.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870148>

Question 415

For purposes of computing the weighted average number of shares outstanding during the year, a midyear event that must be treated as occurring at the beginning of the year is the purchase of treasury stock.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870558>

Question 416

JMR Corporation suffered a loss in 20x13. As a result, the Corporation has a \$87,000 accumulated tax loss carry forward at the tax rate of 40%. The benefit was recorded in the accounts as JMR believed it was more likely than not to be realized. In 20x14 the tax rate goes down to 38% and JMR has not yet used the benefit. Which of the following statements is true?

- A) No change to the accounts is necessary
- B) Income tax expense should be increased by \$1,740
- C) Deferred income tax asset benefit should be increased by \$1,740
- D) Deferred income tax asset benefit will not change

Answer: <https://biology-forums.com/index.php?topic=1870314>

Question 417

The principal amount of a debt is the cash or cash equivalent amount borrowed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869943>

Question 418

An unqualified opinion is given if an audit has not been completed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870712>

Question 419

LS issued 200 common shares to BH (last share transaction was a year prior when LS sold 10 shares at \$4 per share), and received a patent in full payment. The patent had a current market value of \$2,000 and was carried on the books of TX at \$1,500. Under ASPE, common shares should be credited for:

- A) \$800
- B) \$1,500
- C) \$1,800
- D) \$2,000
- E) This transaction has no commercial substance, therefore no entry is required.

Answer: <https://biology-forums.com/index.php?topic=1870055>

Question 420

Accounting errors require the restatement or previous years financial statements.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870642>

Question 421

A company may decide not to follow GAAP if it does not present them in a favourable position.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870711>

Question 422

Par value is typically set at a low amount so that the corporation can pay a minimum amount in dividends to the preferred shareholders.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870024>

Question 423

Cash dividends sometimes are declared in one reporting period and are payable in the next reporting period. The dividend should be recorded on the:

- A) Payment date.
- B) Declaration date.
- C) Record date.
- D) Either the declaration, record, or payment date, as preferred by the company.

Answer: <https://biology-forums.com/index.php?topic=1870057>

Question 424

EGR Corporation has one asset worth \$650,000. Depreciation accumulated to date is \$230,000 and accumulated CCA is \$200,000. The Corporation also recorded warranty expense of \$35,000. To date no customers have required warranty service. Assuming the tax rate is 40% what is the income tax implication?

- A) A Deferred income tax asset of \$65,000
- B) A Deferred income tax liability of \$65,000
- C) A Deferred income tax asset of \$26,000
- D) A Deferred income tax liability of \$26,000

Answer: <https://biology-forums.com/index.php?topic=1870243>

Question 425

The only errors BGC made were in the valuation of ending inventory amounts. As a result, in 20x3, cost of goods sold was overstated by \$1,000. In 20x4, cost of goods sold was understated by \$500. What ending inventory error was made at the end of 20x4?

- A) Understated \$500
- B) Overstated \$500
- C) Overstated \$1,500
- D) Overstated \$1,000

Answer: <https://biology-forums.com/index.php?topic=1870673>

Question 426

RST had the following shareholders and the shares owned by each on November 15:

Shareholder Shares Owned

- a 1,999
 - b 1,555
 - c 1,699
 - d 2,132
 - e 1,900
- Total 9,285

On that date, RST declared a 1 for 2 common stock dividend. The stock was selling for \$10 per share. RST issued fractional share rights when necessary. RST had to issue the following number of fractional share rights:

- A) More than three.
- B) Three.
- C) Two.
- D) One.

Answer: <https://biology-forums.com/index.php?topic=1870094>

Question 427

Better matching is achieved when deferred income tax assets due to carry forwards are recognized in the year of the loss.

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

Answer: <https://biology-forums.com/index.php?topic=1870285>

Question 428

Recommended disclosures for the provision for income tax expense include all of the following except:

- A) Public companies should disclose the nature of temporary differences
- B) Income tax expense or benefit should be reported separately on the financial statements

- C) Income tax expense should not be grouped with other expenses
D) Income taxes relating to discontinued items must be disclosed separately on the financial statements

Answer: <https://biology-forums.com/index.php?topic=1870245>

Question 429

Conceptually, liabilities constitute a present obligation as a result of a past event.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869919>

Question 430

Assume that on January 1st, 20x5, the bonds were retired for \$12.5 million. Valuation models indicate that \$500,000 of the proceeds is attributable to the equity portion, while the balance is attributable to the bonds. Prepare the required journal entry.

Answer: <https://biology-forums.com/index.php?topic=1870196>

Question 431

All of the following are characteristics of stock rights except:

- A) The warrants are usually detachable
- B) Stock warrants never expire
- C) Stock warrants can be exercised without having to trade in the bond
- D) Stock warrants can be exercised without having to redeem the bond

Answer: <https://biology-forums.com/index.php?topic=1870162>

Question 432

EPS figures must be disclosed under both ASPE and IFRS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870553>

Question 433

A lessee that enters into a finance lease must disclose which of the following?

- 1) Any significant finance lease arrangements.
 - 1) Any contingent rent recognized as expense during the period.
 - 1) The net carrying value of each class of leased asset at the reporting date.
 - 1) Total future minimum lease payments.
 - 1) A reconciliation between total minimum future lease payments and their present value.
- A) 1, 2 & 3.
 - B) 1, 2 & 4.
 - C) 1, 2, 3 & 4.
 - D) 1, 2, 3, 4 & 5.

Answer: <https://biology-forums.com/index.php?topic=1870423>

Question 434

Perpetual debt is issued for the following reason:

- A) Cash flow
- B) Income tax reasons
- C) Redemption clauses
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=1870156>

Question 435

Suppose that at the end of the lease, the lessor tells the lessee to dispose of the asset, and to keep any proceeds in excess of the guaranteed residual value. Provide entries for the lessee on 1 April 20x18, assuming that the lessee sells the asset for \$2,100 and remits the required \$2,000 payment to the lessor.

Answer: <https://biology-forums.com/index.php?topic=1870442>

Question 436

The recovery of income tax expense is credited to income tax expense (recovery) account.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870281>

Question 437

What do efficiency ratios measure?

Answer: <https://biology-forums.com/index.php?topic=1870760>

Question 438

The same lease may be classified differently by the lessor as compared to the classification used by the lessee.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870371>

Question 439

Lorella entered into a common share subscription contract for 1,000 shares at a subscription price of \$20. She paid 20% of the total price as a down payment and also paid the next two 20% instalments (she paid 60% in all). Lorella then defaulted on the contract and refused to pay any more. Assuming the company must issue shares in proportion to the cash paid, the entry to record the default would include:

- A) dr. common shares \$12,000
- B) dr. common shares subscribed \$12,000
- C) dr. subscriptions receivable \$8,000
- D) dr. common shares subscribed \$20,000

Answer: <https://biology-forums.com/index.php?topic=1870099>

Question 440

Explain what a temporary difference is and how it arises?

Answer: <https://biology-forums.com/index.php?topic=1870438>

Question 441

Under the liability approach, deferred taxes on the balance sheet are valued at the tax rate in that will be in effect when the temporary differences reverse.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870212>

Question 442

Accounting recognition must be given to common share subscriptions on the subscription date:

- A) to guarantee the receipt of dividends subsequent to the subscription date.
- B) because the dollar amount is usually large.
- C) because all events relating to the common share accounts must be disclosed.
- D) because a legal contract is involved.

Answer: <https://biology-forums.com/index.php?topic=1870096>

Question 443

When bonds are converted, it is first necessary to update any accounts relating to bond premium or discount, accrued interest, and foreign exchange gains and losses on foreign currency denominated debt.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870143>

Question 444

The crucial aspect of debt is:

- A) The legal agreement
- B) The interest payments
- C) That the creditors can demand payment
- D) The maturity date

Answer: <https://biology-forums.com/index.php?topic=1870170>

Question 445

Before a company can issue a property dividend in shares of another company, it must ensure that the shares are recorded at market value. The dividend is then paid out of the company's contributed capital accounts rather than its retained earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870011>

Question 446

Choose the correct statement regarding accounting changes.

- A) All changes in accounting principle require a cumulative effect to be recognized in the income statement.
- B) Changing from FIFO to LIFO is a retrospective accounting principle change.
- C) Income statements numbers are required to be disclosed for most accounting principle changes.
- D) The amount of the correction for an error affecting previous earnings will be disclosed in current earnings.

Answer: <https://biology-forums.com/index.php?topic=1870652>

Question 447

Golf Corporation sold an asset and recorded a capital gain of \$15,000. \$3,750 of this amount represents a permanent difference.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870222>

Question 448

All unrealized gains and losses, regardless of origin, flow through Other Comprehensive Income.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870014>

Question 449

If the corporation purchases common treasury stock, those shares would be included in the EPS computation only for the fraction of the year that they were outstanding.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870564>

Question 450

Ryan Company paid golf dues on behalf of their two top employees. This is an example of a:

- A) Temporary difference
- B) Reversing difference
- C) Permanent difference
- D) Fully deductible for income tax purposes

Answer: <https://biology-forums.com/index.php?topic=1870235>

Question 451

At December 31, 20x2, HIJ had 2,000 common shares outstanding. On January 1, 20x3, HIJ issued 1,000 convertible preferred (one share of common for one share of preferred) shares. During 20x3, HIJ declared and paid \$4,000 cash dividends on the common and \$4,000 cash dividends on the preferred (the annual requirement). Net income for the year ended December 31, 20x3, was \$36,000. Assuming an income tax rate of 50 percent, what should be diluted earnings per share for the year ended December 31, 20x3?

- A) \$12
- B) \$16
- C) \$17
- D) \$18

Answer: <https://biology-forums.com/index.php?topic=1870583>

Question 452

Ryan Company analyzed its financial statements for the year ended December 31. During its analysis, Ryan Company compared the accounts receivable balance from 1999 to 1998. This type of analysis is called:

- A) Cross sectional comparison
- B) Sectional comparison
- C) Account comparison
- D) Longitudinal comparison

Answer: <https://biology-forums.com/index.php?topic=1870730>

Question 453

What does diluted EPS take into account?

Answer: <https://biology-forums.com/index.php?topic=1870612>

Question 454

For bonds payable, the cash interest paid in each interest period is:

- A) The same amount regardless of whether the bond was sold at par, a discount, or a premium.
- B) Different depending upon the date of sale.
- C) Not the same amount when the stated and yield interest rates are different.
- D) Dependent on the initial amount of accrued interest.

Answer: <https://biology-forums.com/index.php?topic=1869985>

Question 455

Netting of deferred income tax assets and liabilities is forbidden under IFRS and ASPE.

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

Answer: <https://biology-forums.com/index.php?topic=1870208>

Question 456

What do the liquidity ratios focus on? Name two liquidity ratios.

Answer: <https://biology-forums.com/index.php?topic=1870758>

Question 457

Under IFRS, interest paid should be recorded on the Statement of Cash Flows as a(an):

- A) Operating activity.
- B) Financing Activity.
- C) Investing Activity
- D) A or B

Answer: <https://biology-forums.com/index.php?topic=1869979>

Question 458

A lease which contains a bargain purchase option, but which has a term equal to only 70% of the estimated economic life of the leased property cannot properly be classified as a finance lease by a lessee.

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

Answer: <https://biology-forums.com/index.php?topic=1870363>

Question 459

A temporary difference that is deductible in future years is called:

- A) A temporary tax liability
- B) A temporary tax asset
- C) A permanent tax asset
- D) A permanent tax liability

Answer: <https://biology-forums.com/index.php?topic=1870240>

Question 460

Both guaranteed and unguaranteed residual values should be included in the calculation of the lessee's minimum lease payments.

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

Answer: <https://biology-forums.com/index.php?topic=1870349>

Question 461

Which of the following transactions does not cause a temporary income tax difference?

- A) Revenues or gains that is included in taxable income one or more periods after they are included in pretax accounting income
- B) Expenses or losses that are deducted in determining taxable income one or more periods after they are deducted in determining pretax accounting income
- C) Revenues or gains that are included in pretax accounting income but are never included in taxable income
- D) Expenses or losses that are deducted in determining taxable income before they are deducted in determining pretax accounting income

Answer: <https://biology-forums.com/index.php?topic=1870225>

Question 462

The records of CTC reported rent expense for 20x5 (paid in cash during 20x5) of \$53,500. An audit revealed that the following accrued and prepaid amounts were not recorded in the adjusting entries for 20x4 and 20x5:

End of 20x4 End of 20x5

Accrued rent expense \$6,000 \$ 3,500

Prepaid rent expense \$7,000 \$11,500

What amount should have been reported for 20x5 rent expense?

- A) \$46,500
- B) \$53,500
- C) \$60,500
- D) \$64,000

Answer: <https://biology-forums.com/index.php?topic=1870679>

Question 463

Earnings per share is computed on the basis of:

- A) A weighted average of the number of common shares outstanding during the year.
- B) A weighted average of the number of preferred and common shares outstanding during the year.
- C) The number of common shares outstanding at the end of the year.
- C) The number of common and preferred shares outstanding at the end of the year.

Answer: <https://biology-forums.com/index.php?topic=1870568>

Question 464

Once a deferred benefit of a tax loss carry forward has been recorded, does it have to remain on the balance sheet until realized? Explain.

Answer: <https://biology-forums.com/index.php?topic=1870342>

Question 465

JMR Company has a current ratio of 1.3:1. What does this tell you about the Company? What other information would you like to know?

Answer: <https://biology-forums.com/index.php?topic=1870757>

Question 466

Under ASPE, convertible debt must always be treated as debt in its entirety.

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

Answer: <https://biology-forums.com/index.php?topic=1870132>

Question 467

When the maturity date of a bond issue is within one year or the operating cycle (whichever is longer) of the current balance sheet date, the bond liability should be reclassified as a current liability (assuming the payment will be made out of current assets).

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

Answer: <https://biology-forums.com/index.php?topic=1869956>

Question 468

A tax benefit represents the present and deferred benefit that the company will be able to realize from the tax loss through a reduction of income taxes paid to governments.

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

Answer: <https://biology-forums.com/index.php?topic=1870273>

Question 469

Provided that the conditions for share issuance are met at the end of a period and the date of the contingency period has not expired, contingently issuable shares will be included in EPS calculations.

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

Answer: <https://biology-forums.com/index.php?topic=1870543>

Question 470

Companies that opt for finance leases usually do so because of the tax advantages finance leases provide.

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

Answer: <https://biology-forums.com/index.php?topic=1870347>

Question 471

Accounting policy changes are only justifiable when there is a change to a primary source of GAAP.

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

Answer: <https://biology-forums.com/index.php?topic=1870617>

Question 472

At December 31, 20x3 and 20x2, GHI had 90 common shares and 20 convertible preferred shares outstanding, in addition to 9% convertible bonds payable in the face amount of \$4,000. During 20x3, GHI paid dividends of \$2.50 per share on the preferred shares (the annual requirement). The preferred shares are convertible into 20 common shares. The 9% convertible bonds are convertible into 30 common shares. Net income for 20x3 was \$1,940. Assume an income tax rate of 40%. The earnings per share amounts would be:

- A) Basic \$21.00; diluted \$15.40
- B) Basic \$21.00; diluted \$15.76
- C) Basic \$21.56; diluted \$15.40
- D) Basic \$21.56; diluted \$15.76

Answer: <https://biology-forums.com/index.php?topic=1870601>

Question 473

Profit margin on sales is very relevant for purposes of comparison, both between periods and between similar companies.

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

Answer: <https://biology-forums.com/index.php?topic=1870703>

Question 474

For purposes of computing the average number of common shares outstanding, stock dividends are treated in the same manner as stock splits.

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

Answer: <https://biology-forums.com/index.php?topic=1870544>

Question 475

Contingent rent is one of three common methods used to avoid capitalization.

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

Answer: <https://biology-forums.com/index.php?topic=1870366>

Question 476

When would a qualified audit opinion not necessarily be a concern to a company?

Answer: <https://biology-forums.com/index.php?topic=1870749>

Question 477

What guidelines are used under IFRS to determine whether a lease is an operating lease?

Answer: <https://biology-forums.com/index.php?topic=1870432>

Question 478

Under the indirect method of preparing cash flows from operating activities, future income tax expense must be added back to net income.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870207>

Question 479

A restriction of retained earnings is most likely to be required by the:

- A) payment of last maturing series of a serial bond issue.
- B) amortization of intangible assets.
- C) purchase of treasury stock.
- D) exhaustion of potential benefits of the investment credit.

Answer: <https://biology-forums.com/index.php?topic=1870079>

Question 480

Warranties provisions may arise from legal or constructive obligations.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869930>

Question 481

Taxes are recovered at the rate at which it was originally paid. The tax rate in the year the loss is not relevant.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870277>

Question 482

The same quantitative thresholds for determining the existence of finance leases apply under both IFRS and ASPE.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870350>

Question 483

If a lessor has property that has a market value (cost if new) of \$89,718 and leases it on a finance lease for 5 years and desires a 20% annual return (assuming an ordinary annuity situation annually), the annual rentals would be \$_____.

Answer: <https://biology-forums.com/index.php?topic=1870448>

Question 484

Diluted EPS recalculates EPS as though the conversions of different instruments had taken place at the beginning of the year.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870561>

Question 485

The reported diluted earnings per share figure may be:

- A) less than the basic earnings per share figure.
- B) More than the basic earnings per share figure.
- C) Equal to the basic earnings per share figure.
- D) More than or less than the basic earnings per share figure.

Answer: <https://biology-forums.com/index.php?topic=1870578>

Question 486

The shareholders of a corporation usually cannot be held legally liable for the debts of the corporation except to the extent that legal capital is impaired.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870026>

Question 487

A company had sales of \$1 million. Coupons in the amount of \$1 per \$10 in sales were given to paying customers. History has shown that 50% of all coupons are redeemed. Which of the following statements is correct?

- A) A provision for \$50,000 must be recognized.
- B) A provision for \$100,000 must be recognized.
- C) A provision for \$1 million must be recognized.
- D) No provision is necessary.

Answer: <https://biology-forums.com/index.php?topic=1869974>

Question 488

While only certain leases are currently accounted for as a sale or purchase, there is theoretical justification for considering all leases to be sales or purchases. The principle reason that supports this idea is that:

- A) a lease reflects the purchase or sale of a quantifiable right to the use of the property.
- B) during the life of the lease, the lessee can effectively treat the property as if it were owned by the lessee.
- C) all leases are generally for the economic life of the property and the residual value of the property at the end of the lease is minimal.
- D) at the end of the lease, the property usually can be purchased by the lessee.

Answer: <https://biology-forums.com/index.php?topic=1870376>

Question 489

All of the following are true regarding loss carry forwards except:

- A) the probability of realization needs to be greater than 50%
- B) the carry forward benefit is set up on the balance sheet
- C) management may choose not to set up the benefit
- D) any deferred income tax benefit set up should not be subsequently written down

Answer: <https://biology-forums.com/index.php?topic=1870317>

Question 490

How should a gain from the sale of treasury stock be reflected when using the single transaction method of recording treasury stock transactions?

- A) As an extraordinary item shown on the income statement
- B) As ordinary earnings shown on the income statement
- C) As contributed capital from treasury stock transactions
- D) As an increase in the amount shown for common stock

Answer: <https://biology-forums.com/index.php?topic=1870073>

Question 491

Company A has an EPS of \$6 and Company B has an EPS of \$23. Based on this information, Company B is the better investment.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870554>

Question 492

At the end of 2099, the only expected future temporary difference is implied by the following account found in the balance sheet:

Prepaid rent.....\$22,000.

The footnotes reveal that the prepaid rent applies only to 2010. You would also expect to find which of the following in the balance sheet:

- A) Current future tax liability
- B) Current future tax asset
- C) Noncurrent future tax liability
- D) Noncurrent future tax asset

Answer: <https://biology-forums.com/index.php?topic=1870232>

Question 493

A company with a simple capital structure would include which of the following in the

computation of earnings per share?

- A) Convertible securities
- B) Number of shares of nonconvertible cumulative preferred shares
- C) Dividends on nonconvertible cumulative preferred shares
- D) Dividends on common shares

Answer: <https://biology-forums.com/index.php?topic=1870586>

Question 494

A stock split results in the reduction of the par or stated value per share and a proportional increase in the number of shares outstanding.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870047>

Question 495

If a lease transfers the residual value of the leased asset to the lessee at the end of the lease term, the lessee has permanent ownership of the leased asset.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870354>

Question 496

In determining basic earnings per share, the annual dividend on nonconvertible cumulative preferred shares should be:

- A) Added back to net income whether declared or not.
- B) Disregarded.
- C) Deducted from net income only if declared.
- D) Deducted from net income whether declared or not.

Answer: <https://biology-forums.com/index.php?topic=1870588>

Question 497

The corridor test for actuarial gains and losses looks at two items. One of them is:

- A) the accrued obligation at the beginning of the year
- B) the accrued obligation at the end of the year
- C) the expected return at the beginning of the year
- D) the expected return at the end of the year

Answer: <https://biology-forums.com/index.php?topic=1870517>

Question 498

You are given the following information about JG Ltd.:

Total
Accrued pension obligation, beginning of 20x13 \$567,432
Value of plan assets, beginning of 20x13 \$612,349
Unamortized actuarial loss, beginning of 20x13 \$42,340
Vesting/Average remaining service period 8 years

Required:

Calculate the amount of amortization, if any for 20x12.

Answer: <https://biology-forums.com/index.php?topic=1870533>

Question 499

VB Corporation incurred a tax loss of \$86,000. Based on a tax rate of 45% what is the potential tax benefit?

- A) \$86,000
- B) \$38,700
- C) \$0
- D) cannot be determined

Answer: <https://biology-forums.com/index.php?topic=1870303>

Question 500

Legal capital is related directly to the total number of shares issued.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870027>

Question 501

Company B had depreciation of \$13,000 and CCA of \$18,000. At the end of the year, they have:

- A) Deferred income tax asset of \$13,000
- B) Deferred income tax liability of \$18,000
- C) Deferred income tax liability of \$5,000
- D) Deferred income tax asset of \$5,000

Answer: <https://biology-forums.com/index.php?topic=1870227>

Question 502

The amount of each rental payment on a direct financing lease is based on the:

- A) cost of the leased asset.
- B) cost of the asset plus interest.
- C) cost of the asset plus profit.
- D) cost of the asset, profit, and interest.

Answer: <https://biology-forums.com/index.php?topic=1870410>

Question 503

What are the possible decisions that can be made with the use of financial analysis?

Answer: <https://biology-forums.com/index.php?topic=1870747>

Question 504

Once a company has formally decided to restructure its operations, a provision must be made for the restructuring.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869931>

Question 505

Lease Y contains a bargain purchase option and the lease term is equal to 75 percent of the estimated economic life of the leased property. Lease Z contains a bargain purchase option and the lease term is less than 75 percent of the estimated economic life of the leased property. How would the lessee classify these leases?

Lease Y Lease Z

- 1 Finance lease Finance lease
- 2 Finance lease Operating lease
- 3 Operating lease Operating lease
- 4 Operating lease Finance lease

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

Answer: <https://biology-forums.com/index.php?topic=1870391>

Question 506

When a bond matures, an investor will convert if the market price of the convertible bond is higher than the conversion price of the bond.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870145>

Question 507

The expected return on plan assets was \$7,700; the actual return was \$6,400. The difference represents:

- A) unrealized loss
- B) realized loss
- C) interest expense
- D) experience loss

Answer: <https://biology-forums.com/index.php?topic=1870516>

Question 508

You are an investor and have just purchased a bond on July 1 which pays interest every March 1 and September 1. When you receive your first interest cheque, you will receive and have earned how many months interest?

Received Earned

1 6 6

2 6 2

3 2 2

4 4 4

5 6 4

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

E) Choice 5

Answer: <https://biology-forums.com/index.php?topic=1869963>

Question 509

Calculate the weighted average shares for EPS purposes if a firm started the year with 100 common shares outstanding, reissued 80 treasury shares March 1, split 2 for 1 on April 1, purchased 50 shares for the treasury on July 1, issued a 40% stock dividend on November 1, and issued 120 shares under a stock option plan on December 1.

Answer: <https://biology-forums.com/index.php?topic=1870607>

Question 510

Dilutive securities potentially increase EPS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870567>

Question 511

On January 1, 1999, a company incurred a debt of \$11,663, which is payable in four equal annual instalments of \$3,600, starting on December 31, 1999.

(a) The implicit interest rate is _____% (rounded to the nearest percent).

(b) Give the journal entry to record the second annual payment (on December 31, 2000).

Answer: <https://biology-forums.com/index.php?topic=1869994>

Question 512

The following accounting errors occurred in 20x3, but were not discovered until 20x4:

Purchases for 20x3 overstated by \$400

Ending 20x3 inventory overstated by 400

Depreciation expense for 20x3 overstated by 400

The combined effect of these three errors caused 20x3 pretax income to be:

A) Overstated by \$400.

B) Overstated by \$800.

C) Understated by \$400.

D) Understated by \$1,200.

Answer: <https://biology-forums.com/index.php?topic=1870671>

Question 513

Some changes in accounting principle must be reported by using the retrospective approach.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870624>

Question 514

Share issue costs may be charged to:

A) Earnings.

B) Share Capital.

C) Retained Earnings.

D) B or C.

Answer: <https://biology-forums.com/index.php?topic=1870050>

Question 515

Financial statement analysis is only used to determine whether a company is worth investing in.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870689>

Question 516

A retailing firm changed from LIFO to FIFO in 20x5. Inventory valuations for the two methods appear below:

1/1/x4 1/1/x5 12/31/x5

FIFO \$10,000 \$20,000 \$25,000

LIFO 7,000 16,000 18,000

Purchases in 20x4 and 20x5 were \$60,000 in each year. In the comparative 20x4 and 20x5 income statements, what amounts would be shown for cost of goods sold?

20x4 20x5

1 \$50,000 \$58,000

2 \$51,000 \$55,000

3 \$50,000 \$55,000

4 \$51,000 \$58,000

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

Answer: <https://biology-forums.com/index.php?topic=1870683>

Question 517

The market value of an asset to be leased exceeds the original cost of the asset. The lease will contain a bargain purchase option. The collectability of lease payments is assured, and there are no material cost uncertainties for the lessor. Therefore the lease will be accounted for by the lessor as a

A) direct financing lease

B) operating lease

C) rental lease

D) sales type lease

E) unguaranteed lease

Answer: <https://biology-forums.com/index.php?topic=1870412>

Question 518

Under ASPE, if a lessors estimated future cash flow collections under finance leases are in doubt, an impairment loss may have occurred.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870368>

Question 519

In general, deferred income tax assets due to tax loss carry forwards only to the extent that they are likely to be realized.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870274>

Question 520

In order for a lessee to capitalize a lease, at least one of four criteria must be met. Answer the following questions about the third criterion, the one having to do with the useful life of the leased asset.

(a) State the criterion itself, specifically.

(b) Why does fulfilling this criterion imply a capitalized lease (i.e. why is this one of the criteria)?

(c) When is this criterion not applicable (i.e. when can it not be used to test whether a lease should be capitalized)?

Answer: <https://biology-forums.com/index.php?topic=1870435>

Question 521

ABC has 20,000 common shares outstanding throughout the year. It also had 20,000, 6 percent preferred shares, par \$20, (cumulative and nonconvertible) outstanding throughout the year. Net income was \$300,000. The earnings per share amount would be:

- A) \$9.20
- B) \$10.00
- C) \$13.80
- D) \$15.00

Answer: <https://biology-forums.com/index.php?topic=1870580>

Question 522

\$5,000 (face value) of bonds with a book value of \$4,300 was retired 4 years and 9 months prior to maturity. The dollar amount (excluding interest) paid to retire the bonds was \$4,700. The entry to record the retirement would include:

- A) dr. bonds payable \$5,000
- B) cr. cash \$4,300
- C) dr. bonds payable \$4,700
- D) cr. unusual gain \$400

Answer: <https://biology-forums.com/index.php?topic=1869965>

Question 523

An overstatement of opening inventory will result in an understatement of operating cash flows in the current period.

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

Answer: <https://biology-forums.com/index.php?topic=1870628>

Question 524

If the enacted tax rate is changed for the current and future years, the earnings effect of the change in the beginning balances of the future tax assets is recognized in the current year.

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

Answer: <https://biology-forums.com/index.php?topic=1870224>

Question 525

For a small population, the best estimate for the amount of a provision that must be recognized is the expected value of the possible outcomes.

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

Answer: <https://biology-forums.com/index.php?topic=1869923>

Question 526

Recognition of pension expense is primarily based on the:

- A) cost principle.
- B) revenue principle.
- C) matching principle.
- D) full disclosure principle.

Answer: <https://biology-forums.com/index.php?topic=1870502>

Question 527

Assume basic EPS has been determined. In determining the diluted earnings per share, the annual dividend on convertible cumulative preferred shares, which are a dilutive convertible security, should be:

- A) Added back to the numerator of basic EPS whether declared or not.
- B) Disregarded.
- C) Added back to the numerator of basic EPS only if declared.
- D) Deducted from the numerator of basic EPS whether declared or not.

Answer: <https://biology-forums.com/index.php?topic=1870600>

Question 528

A brewing company operating in an Ontario city experiencing water shortages received its water bill for December 1999, on December 31, 1999. The bill (\$8,000) represents the cost of water used in December to make its product. The company will not publish the 1999 financial statements until February 2000. Therefore, the adjusting entry as of December 31, 1999 includes

which of the following?

- A) cr. utilities payable \$8,000
- B) cr. cash \$8,000
- C) cr. utilities expense \$8,000
- D) no adjusting entry needed because the bill will not be paid until January 2000

Answer: <https://biology-forums.com/index.php?topic=1869961>

Question 529

Contingencies must be both accrued and disclosed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869926>

Question 530

The use of a valuation allowance account is mandatory under IFRS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870267>

Question 531

Which of the following are requirements for hedge accounting?

- A) An existing risk management strategy involving hedging.
- B) Designation and documentation of the hedging relationship.
- C) Reasonable expectation of hedge effectiveness.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1870153>

Question 532

All of the following are evidence that recognition is not likely except:

- A) History of tax losses expiring before they have been used
- B) An expectation of losses in carry forward period
- C) Unsettled circumstances that may adversely affect the company
- D) They all constitute unfavourable evidence

Answer: <https://biology-forums.com/index.php?topic=1870310>

Question 533

During December 1999, BRC declared and issued a 1 for 5 stock dividend on its 100,000 outstanding common shares. The per share amounts were: original average issue price \$16; current market price (end 1999) \$13; and the average market price for 1999, \$15. Give the required journal entry to record the simultaneous declaration and issuance of the stock dividend.

Answer: <https://biology-forums.com/index.php?topic=1870104>

Question 534

The increases in account balances of XYZ during 1999 are presented below:

Assets \$456,000 Common Shares 240,000

Liabilities 148,000 Other Contributed Capital 24,000

Assuming the only debit to retained earnings was for a dividend of \$52,000, net income for 1999 was:

- A) \$8,000
- B) \$68,000
- C) \$96,000
- D) \$104,000

Answer: <https://biology-forums.com/index.php?topic=1870076>

Question 535

Current costs of a pension plan that occur each year due to service credits earned after the inception of the plan are called:

- A) Interest costs.
- B) actuarial losses.
- C) Past service costs.
- D) service cost.

Answer: <https://biology-forums.com/index.php?topic=1870492>

Question 536

EGR just completed its first year end. During the year, EGR recorded \$12,000 in depreciation (\$18,500 CCA). In addition there was a deduction in the accounting records for meals and entertainment amounting to \$6,000. As a result taxable income will:

- A) Be lower than accounting income by \$3,500
- B) Be lower than accounting income by \$500
- C) Be higher than accounting income by \$6,500
- D) Be lower than accounting income by \$6,500
- E) Will be equal to accounting income

Answer: <https://biology-forums.com/index.php?topic=1870237>

Question 537

A tax loss represents:

- A) the final number of the taxable loss on the tax return
- B) the amount of refund to be received in the year
- C) assistance from the government
- D) the present and deferred benefit that the company will be able to realize from the tax loss through a reduction of income taxes

Answer: <https://biology-forums.com/index.php?topic=1870302>

Question 538

A change in an accounting estimate should be reported on the financial statements on a retrospective basis.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870630>

Question 539

The conversion ratio for convertible bonds can be expressed either in the number of shares per bond, or in a price per share.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870138>

Question 540

Prepare Journal entries to record the closing of the income summary account.

Answer: <https://biology-forums.com/index.php?topic=1870115>

Question 541

Under ASPE, Past service costs are amortized over the vesting period or the expected remaining service life of the employee group, whichever is longer.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870463>

Question 542

Funding a pension plan may be handled as follows:

independent retirement internally

pension fund annuity managed

- 1 *
- 2 **
- 3 ***
- 4 **

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

Answer: <https://biology-forums.com/index.php?topic=1870523>

Question 543

GAAP requires presentation of comparative financial statements by most companies for:

- A) five years.
- B) three years.
- C) two years.
- D) one year.
- E) none of the above.

Answer: <https://biology-forums.com/index.php?topic=1870718>

Question 544

LASTEPS Co. had granted 20,000 options to buy one common share at \$10 per share several years ago. The company earned \$200,000 this year and had 300,000 common shares outstanding the entire year. The company earns interest at 8% and has a 40% tax rate. Given only the above information, what are basic EPS and diluted EPS respectively that should be reported?

- A) \$.67, \$.66
- B) \$.65, \$.63
- C) \$.63, \$.62
- D) \$.65, \$.64
- E) Only basic EPS need be reported

Answer: <https://biology-forums.com/index.php?topic=1870597>

Question 545

Earnings per share refer to the amount of earnings attributable to each share of common and preferred stock.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870540>

Question 546

The depreciation period used by the lessee for a depreciable leased asset must be:

- A) the same period that was used by the lessor.
- B) the remaining life of the asset from the lease inception.
- C) the term of the lease.
- D) at least the term of the lease but possibly longer.

Answer: <https://biology-forums.com/index.php?topic=1870382>

Question 547

Provide the entries required on 1 August 2007 under the effective interest method of amortization.

Answer: <https://biology-forums.com/index.php?topic=1870000>

Question 548

Employees are not allowed to make contributions to a defined contribution pension plan.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870457>

Question 549

A voluntary change in accounting policy is only justifiable when it results information that is both more reliable and more relevant.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870627>

Question 550

Which of the following is characteristic of a change in accounting estimate?

- A) Requires the reporting of income statements amounts for prior periods
- B) Does not affect the financial statements of prior periods
- C) Never needs to be disclosed
- D) Should be reported through restatement of the financial statements

Answer: <https://biology-forums.com/index.php?topic=1870658>

Question 551

Prepare Journal entries to record the subscription of common shares

Answer: <https://biology-forums.com/index.php?topic=1870109>

Question 552

Assume that a company issues bonds at a discount. Under the effective interest method, the company will record progressively less interest with the passage of time.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869936>

Question 553

During 1999, BV sold and issued the following shares for \$20,000 cash:

Common shares, 600 shares (current market price per share, \$23.50).

Preferred shares, 200 shares (no current market price available); original issue price, three years earlier, \$22 per share.

The total issue price of \$20,000 that should be apportioned to the preferred shares is:

- A) \$4,000
- B) \$4,400
- C) \$5,900
- D) \$8,000

Answer: <https://biology-forums.com/index.php?topic=1870078>

Question 554

A change in the estimated useful life of a building

- A) Is not allowed under ASPE or IFRS
- B) Affects depreciation on the building beginning with the year of the change
- C) Must be handled as a retrospective adjustment to all accounts affected, back to the year of building acquisition
- D) Creates a new account to be recognized on the income statement, and reflects the depreciation difference up to the beginning of the year of change

Answer: <https://biology-forums.com/index.php?topic=1870662>

Question 555

Company enters into a renewable 5 year lease (renewable for another 5 years) at \$20,000 per year. There is an initial upfront cost of \$5,000. This amount should be amortized over 10 years.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870361>

Question 556

Cash dividends usually are declared on one date and paid on a subsequent date to shareholders of record on some intermediate date. On which of the following dates should an accrual basis shareholder recognize investment revenue?

- A) Record date
- B) Declaration date
- C) Payment date
- D) Either record date or declaration date

Answer: <https://biology-forums.com/index.php?topic=1870083>

Question 557

Choose the best statement with respect to tax rates.

- A) The tax rate used to record a deferred income tax asset or liability should be the enacted tax rate at the balance sheet date.
- B) The current tax rate should be used to record a deferred income tax asset or liability.
- C) The projected tax rate should be used to record a deferred income tax asset or liability.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=1870313>

Question 558

Explain the differences between looking at a company as a new or prospective shareholder and as an existing shareholder?

Answer: <https://biology-forums.com/index.php?topic=1870748>

Question 559

Revised estimates of the useful life or residual value of a depreciable asset are examples of a change in accounting principle.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870615>

Question 560

What is diluted EPS?

Answer: <https://biology-forums.com/index.php?topic=1870613>

Question 561

When an accounting change is recorded and reported using the retrospective approach, the cumulative effect on Retained Earnings is recorded in that account.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870647>

Question 562

Which type of accounting change should always be accounted for in current and future periods?

- A) Change in accounting estimate
- B) Correction of an error
- C) Change in accounting principle
- D) Change in inventory costing methods

Answer: <https://biology-forums.com/index.php?topic=1870657>

Question 563

A firm has correctly computed the following values: (Its shares are trading on the Vancouver Stock Exchange)

Basic EPS \$4.32

Diluted EPS 4.17

Which of the following correctly states the EPS amounts to be reported?

- A) Basic EPS
- B) Diluted EPS
- C) Basic and diluted EPS
- D) No EPS need be reported

Answer: <https://biology-forums.com/index.php?topic=1870585>

Question 564

Which of the following would cause income of the current period to be understated?

- A) Capitalizing research and development costs
- B) Failure to recognize unearned rent revenue
- C) Changing from LIFO to FIFO for merchandise inventory
- D) Understating estimates of asset residual values

Answer: <https://biology-forums.com/index.php?topic=1870665>

Question 565

If a corporation has dividends in arrears on preferred shares, they should also:

- A) Capitalize retained earnings for the dividends.
- B) Declare the dividends.
- C) Record a liability for the dividends.
- D) Report the dividends in arrears.

Answer: <https://biology-forums.com/index.php?topic=1870088>

Question 566

An administrative fee pertaining to a successful loan application is to be immediately expensed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869945>

Question 567

Under ASPE, a lessor may classify a lease as a finance lease if:

- A) The credit risk relating to the lease and lessee are normal.
- B) The lessors unreimbursable costs can be reasonably estimated.
- C) Either A or B must be met to meet the finance lease criteria under ASPE.
- D) Both A and B must be met to meet the finance lease criteria under ASPE.

Answer: <https://biology-forums.com/index.php?topic=1870426>

Question 568

The carrying value of a bond from the issuing corporations standpoint will always move closer to its face value, regardless of whether the bond is issued at a premium or a discount.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869934>

Question 569

Diluted earnings per share recalculate EPS as though the conversions of different instruments had taken place at the end of the year.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870562>

Question 570

Treasury shares are said to be:

- A) Issued.
- B) Outstanding.
- C) A and B.
- D) A or B.

Answer: <https://biology-forums.com/index.php?topic=1870054>

Question 571

The concept of consistency is sacrificed in the accounting for which of the following items?

- A) Change is the estimated salvage value of an asset
- B) Cumulative effect of change in accounting principle
- C) Discontinued operations
- D) Loss on disposal of a segment of a business

Answer: <https://biology-forums.com/index.php?topic=1870653>

Question 572

Dividends are paid when declared.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870023>

Question 573

VCR Company owed a \$73,311 debt due on January 1, 2000. An agreement was reached to pay it off in three equal annual payments of \$30,000 each, starting on December 31, 2002. The interest rate was 11 percent. The balance in the liability account of VCR Company on January 1, 2002 is:

- A) \$27,027
- B) \$51,875
- C) \$73,321
- D) \$90,000

Answer: <https://biology-forums.com/index.php?topic=1869980>

Question 574

Calculate the balance sheet item Marketable securities

Answer: <https://biology-forums.com/index.php?topic=1870765>

Question 575

What is the main conceptual issue regarding the recognition of deferred income taxes assets or deferred income tax liabilities?

Answer: <https://biology-forums.com/index.php?topic=1870254>

Question 576

For each type of financial instrument, the reporting enterprise should disclose:

- A) The extent and nature of the financial instruments
- B) Significant terms
- C) Significant conditions
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1870165>

Question 577

Based on the above information prepare entries to record adjustment to spot rate December 20X7

Answer: <https://biology-forums.com/index.php?topic=1870003>

Question 578

Which of the following is NOT a true statement? Treasury stock is:

- A) Shares that cannot receive dividends nor vote.
- B) Shares that are held by the issuing company but has not been retired.
- C) Recorded in an equity account that has a debit balance.
- D) Shares that have been issued but are no longer outstanding.
- E) Shares that are included in earnings per share calculations.

Answer: <https://biology-forums.com/index.php?topic=1870074>

Question 579

Usually, the amount of funding by an employer will exceed the benefits to be paid out to employees.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870474>

Question 580

Information about the significant accounting policies of an entity is not necessary because GAAP prescribes uniform accounting treatment of all items, and it is widely understood.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870692>

Question 581

You are given the following information about AG Ltd.:

Total
Accrued pension obligation, beginning of 20x12 \$567,432
Value of plan assets, beginning of 20x12 \$612,349
Unamortized actuarial loss, beginning of 20x12 \$72,340
Average remaining service period 8 years

Required:

Calculate the amount of amortization, if any for 20x12.

Answer: <https://biology-forums.com/index.php?topic=1870532>

Question 582

In a stock split, only the content of contributed capital is changed, whereas in a stock dividend the amount of contributed capital is changed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870048>

Question 583

When the interest payment dates of a bond are May 31 and November 30, and a bond issue is sold on July 1, the amount of cash received by the issuer will be:

- A) Decreased by accrued interest from July 1 to November 30.
- B) Decreased by accrued interest from May 31 to July 1.
- C) Increased by accrued interest from May 31 to July 1.
- D) Increased by accrued interest from July 1 to November 30.
- E) Unaffected by accrued interest.

Answer: <https://biology-forums.com/index.php?topic=1869988>

Question 584

An onerous contract is one where the unavoidable costs of meeting the contract may or may not exceed the benefits derived from the contract.

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

Answer: <https://biology-forums.com/index.php?topic=1869928>

Question 585

Income tax expense generally equals the product of the current period income tax rate and pretax accounting income.

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

Answer: <https://biology-forums.com/index.php?topic=1870202>

Question 586

Factors affecting estimates of benefits under a postretirement health care plan include all of the following except:

- A) per capita claims cost by age.
- B) health care cost trend rates.
- C) plan demographics.
- D) discount rate.

Answer: <https://biology-forums.com/index.php?topic=1870507>

Question 587

The result of an effective interest rate that is higher than the stated rate on a debt security is the:

- A) Carrying value of the debt will decrease each interest period.
- B) Security will sell at a premium.
- C) Cash interest paid on each interest date will be changed.
- D) Dollar amount of interest expense reported on the income statement, assuming the interest method is used, will increase each interest period.

Answer: <https://biology-forums.com/index.php?topic=1869989>

Question 588

On January 1, 2004, ABC Incorporated issued \$10,000,000 face amount of 8%, 10 year, subordinated convertible debentures at face value in a private placement. The debentures pay interest annually, in cash, on 31 December. The bonds are convertible into 50 common shares for each \$1,000 of the bonds' face value. At maturity, ABC Incorporated has the option of issuing common shares to redeem the bonds instead of paying cash.

Prepare Journal entries to record the issuance of the bonds on January 1, 2004.

Answer: <https://biology-forums.com/index.php?topic=1870193>

Question 589

XYZ reported the following on its December 31, 1999, balance sheet: common shares, nepar, \$200,000; unappropriated retained earnings, \$40,000; appropriation of retained earnings for bond sinking fund, \$10,000; and reserve for possible future inventory losses, \$5,000. Therefore, the last line on the retained earnings statement, total appropriated and unappropriated retained earnings should be:

- A) \$55,000
- B) \$15,000
- C) \$40,000
- D) \$10,000

Answer: <https://biology-forums.com/index.php?topic=1870090>

Question 590

Describe the difference between a tax loss and a tax benefit.

Answer: <https://biology-forums.com/index.php?topic=1870331>

Question 591

The maximum number of years a tax loss can be carried forward is:

- A) 3 years.
- B) 20 years.
- C) 10 years.
- D) 17 years.

Answer: <https://biology-forums.com/index.php?topic=1870319>

Question 592

There is some question as to whether there should be early recognition of the deferred benefit of a loss carry forward. Discuss.

Answer: <https://biology-forums.com/index.php?topic=1870343>

Question 593

A lessor and lessee enter into a lease agreement with the following characteristics:

Inception: 1/1/x0

6 annual lease payments of \$10,000 are due each Jan. 1 beginning

1/1/x0

End of lease term: 12/31/x5

Book value of equipment under lease, at inception: \$35,000

Market value of equipment under lease at inception: \$50,000

Remaining useful life of equipment at inception: 9 yrs

Expected residual value at end of lease term: \$4,000

Interest rate used by lessor and lessee: 10%

Assuming the lessee will capitalize this lease, what is the amount of the net lease liability at inception, before the first payment is made?

- A) \$47,908
- B) \$60,000
- C) \$50,166
- D) \$64,000

Answer: <https://biology-forums.com/index.php?topic=1870389>

Question 594

Stock Appreciation Rights (SARS) earned by employees may be settled by issuing:

- A) Cash
- B) Shares
- C) Promissory notes
- D) A or B

Answer: <https://biology-forums.com/index.php?topic=1870166>

Question 595

CRC reported the following on its 1995 balance sheet:

\$6 Preferred shares, no par \$62,000

Common shares, no par 320,000

Retained earnings 240,000

Given common shares outstanding, what is the average issue price per common share?

Shares Outstanding Average Issue Price

- 1 200,000 \$1.41
- 2 100,000 \$2.82
- 3 50,000 \$6.40
- 4 40,000 \$8.80
- 5 None of these

- A) Choice 1
- B) Choice 2
- C) Choice 3
- D) Choice 4
- E) Choice 5

Answer: <https://biology-forums.com/index.php?topic=1870100>

Question 596

All temporary differences originate, then reverse, and eventually end with a zero net effect.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870211>

Question 597

A company will show the same income tax expense/benefit regardless of whether or not a valuation account is used.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870272>

Question 598

Temporary differences and timing differences are terms that mean the same thing.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870218>

Question 599

RST entered into a direct financing lease agreement, which required rentals of \$9,600, each yearend.

The lease term was for ten years and a 14 percent rate of return is expected by RST. The cost of the machine for RST was (rounded to the nearest dollar):

- A) \$50,075
- B) \$82,560
- C) \$96,000
- D) \$109,440

Answer: <https://biology-forums.com/index.php?topic=1870421>

Question 600

Reported income during the early years of the estimated life of a depreciable asset usually would be understated the most as a result of:

- A) High estimates of residual value and useful life.
- B) Using actual residual value and actual useful life.
- C) Low estimate of residual value and useful life.
- D) Low estimate of residual value and high estimate of useful life.

Answer: <https://biology-forums.com/index.php?topic=1870661>

Question 601

In a defined contribution pension plan the retirement benefits to the employee are not defined.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870455>

Question 602

What are the income tax implications for the lessor with respect to a finance lease?

Answer: <https://biology-forums.com/index.php?topic=1870450>

Question 603

Which of the following combinations of errors would cause a \$2,000 overstatement of pretax income?

- A) \$4,000 overstated beginning inventory and \$2,000 understated ending inventory
- B) \$4,000 understated beginning inventory and \$2,000 understated ending inventory
- C) \$4,000 overstated ending inventory and \$2,000 understated depreciation expense
- D) \$4,000 understated depreciation expense and \$2,000 understated beginning inventory

Answer: <https://biology-forums.com/index.php?topic=1870685>

Question 604

At December 31, 20x2, GHI had 400 common shares outstanding. On October 1, 20x3, an additional 100 common shares were issued. In addition, GHI had \$40,000 of 8 percent, convertible bonds outstanding at December 31, 20x2, which are convertible into 225 common shares. No bonds were converted into common shares in 20x3. Net income for the year ended December 31, 20x3, was \$14,000. Assuming the income tax rate was 50 percent, the basic earnings per share for the year ended December 31, 20x3, should be: (rounded to the nearest cent)

- A) \$24.00
- B) \$25.54
- C) \$32.94

D) \$36.71

Answer: <https://biology-forums.com/index.php?topic=1870591>

Question 605

When computing the weighted average number of shares outstanding, an actual conversion of convertible preferred shares is assumed to have occurred on the first day of the year, regardless of when it was converted.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870563>

Question 606

Under the single transaction method, the difference between the cost of treasury stock and a subsequent higher selling price of the treasury stock should be credited to:

- A) Retained earnings.
- B) Share capital.
- C) Gain from treasury stock transaction.
- D) Contributed capital.

Answer: <https://biology-forums.com/index.php?topic=1870072>

Question 607

ABC Inc. began business on January 1, 20x3. Due to difficulties in getting the business started, 30 common shares were issued on January 1, 20x3 to the organizers and 15 additional shares were sold on that date. The company wanted the market to hear about the shares. Therefore, the following share transactions were implemented during the year 20x3:

February 1: 2 for 1 stock split

April 1: 10 percent stock dividend

August 1: 5 for 1 stock split

December 1: 2 for 1 reverse stock split

The weighted average number of shares outstanding for 20x3 was:

- A) 64.08 shares.
- B) 146.25 shares.
- C) 180.00 shares.
- D) 247.50 shares.

Answer: <https://biology-forums.com/index.php?topic=1870590>

Question 608

Upon reading the notes to the financial statements of KAR Ltd., you notice that the policies they have chosen tend to be deferring and amortizing both revenue and expenses. This approach leads you to believe that KAR Ltd. is employing a(n):

- A) Smoothing strategy
- B) Income tax minimization strategy
- C) Income tax maximization strategy
- D) Profit maximization strategy

Answer: <https://biology-forums.com/index.php?topic=1870733>

Question 609

Deferred taxes must be discounted under IFRS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870205>

Question 610

When a pension plan is not trusteed, a company must report its pension plan assets and accrued pension liability on the balance sheet.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870481>

Question 611

Property dividends are dividends that the corporation distributes in the form of noncash assets.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870017>

Question 612

If a change in estimate and a change in principal occur on the same item and at the same time, the one that is dominant is reported.

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

Answer: <https://biology-forums.com/index.php?topic=1870620>

Question 613

A price earnings ratio of 10 to 1 implies an earnings rate on market value per share of 10%.

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

Answer: <https://biology-forums.com/index.php?topic=1870705>

Question 614

In accounting for dividends, the declaration date is the most important date because dividends are paid to whomever owns the shares on that date.

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

Answer: <https://biology-forums.com/index.php?topic=1870046>

Question 615

The corridor method is an approach that refers to:

- A) expected return on plan assets
- B) actuarial gains and losses
- C) experience gains and losses
- D) pension obligations

Answer: <https://biology-forums.com/index.php?topic=1870512>

Question 616

JMR Corporation has income before tax of \$800,000. Included in this amount are meals and entertainment amounting to \$9,000, warranty costs of \$100,000 (\$65,000 in warranty claims), depreciation \$94,000 and dividends from a taxable Canadian Corporation of \$15,000. CCA for the year amounted to \$90,000. Calculate taxable income.

Answer: <https://biology-forums.com/index.php?topic=1870257>

Question 617

If a corporation changes from reporting investments on the cost basis to reporting on the equity basis, the prospective approach of reporting must be used.

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

Answer: <https://biology-forums.com/index.php?topic=1870623>

Question 618

For income tax purposes, an employee would prefer to make contributions to a qualified pension plan than to a nonqualified pension plan.

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

Answer: <https://biology-forums.com/index.php?topic=1870485>

Question 619

XYZ agreed to lease an industrial machine that cost \$108,000 to RST for six years. The lease was a direct financing lease and a 12 percent interest rate was used to calculate the annual lease payments, which were payable at the end of each year. The amount of each annual rental was:

- A) \$18,000
- B) \$20,160
- C) \$26,268
- D) \$44,402

Answer: <https://biology-forums.com/index.php?topic=1870422>

Question 620

A stock dividend and a stock split are identical in all respects for the corporation issuing the dividend or splitting the stock.

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

Answer: <https://biology-forums.com/index.php?topic=1870021>

Question 621

A lawsuit in progress wherein the defendant will probably be found guilty would likely be accounted for as a provision.

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

Answer: <https://biology-forums.com/index.php?topic=1869929>

Question 622

VB Corporation has a net loss of \$50,000. Included in the loss are golf dues totalling \$3,000. VB has:

- A) A tax loss of \$53,000
- B) A tax benefit of \$50,000
- C) A tax loss of \$47,000
- D) Cannot be determined from the information given

Answer: <https://biology-forums.com/index.php?topic=1870299>

Question 623

A change from inventory costed using FIFO to inventory costed using LIFO is an example of a change in accounting principle.

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

Answer: <https://biology-forums.com/index.php?topic=1870614>

Question 624

Dividends in arrears on noncumulative preferred shares must be paid before dividends can be paid to the common shareholders.

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

Answer: <https://biology-forums.com/index.php?topic=1870043>

Question 625

The accounting treatment for ordinary and liquidating dividends differs. Ordinary dividends cause a debit to retained earnings and liquidating dividends cause a debit to contributed capital.

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

Answer: <https://biology-forums.com/index.php?topic=1870049>

Question 626

MNO declared a stock dividend when it had 40,000 shares outstanding. After issuing the dividend, 7,200 additional shares and 4,000 fractional share rights were outstanding. If it required five fractional share rights to acquire a new share, this dividend must have been a:

- A) 5 percent stock dividend.
- B) 10 percent stock dividend.
- C) 15 percent stock dividend.
- D) 20 percent stock dividend.

Answer: <https://biology-forums.com/index.php?topic=1870102>

Question 627

In Canada, tax rates are usually enacted in the year to which they pertain.

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

Answer: <https://biology-forums.com/index.php?topic=1870214>

Question 628

A high current ratio is not always viewed as advantageous to the company.

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

Answer: <https://biology-forums.com/index.php?topic=1870707>

Question 629

Silo Corp. granted to Donna, its superstar accountant, the option to purchase Silo common shares for \$10, on Jan. 1, 20x1. The market price of the shares on that date was \$20. The options can be exercised during the period Jan. 1, 20x4 through Jan. 1, 20x6. The number of shares under option

is determined by a formula based on Silo earnings each year. The number of shares actually under option will be the formula value on Dec. 31, 20x3. That formula estimated the following number of shares under option at the end of years: 20x1, 200; 20x2, 300. The formula determined the number of shares at Dec. 31, 20x3 to be 400.

The market prices for Silo shares at the end of years: 20x1, \$25; 20x2, \$40, 20x3, \$50. What is the recorded compensation expense for 20x2, for Donna?

- A) \$7,250
- B) \$3,000
- C) \$4,000
- D) \$4,500
- E) \$5,000

Answer: <https://biology-forums.com/index.php?topic=1870161>

Question 630

If a corporation incurs a taxable loss, they are entitled to carry the loss back for three years or forward for twenty years.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870268>

Question 631

When all of the preferred shares are purchased and formally retired by the issuing corporation for less than its original issue price, accounting for the retirement increases:

- A) Retained earnings.
- B) Contributed capital in excess of par, common stock.
- C) Net income for the period.
- D) Contributed capital from retirement of preferred shares.

Answer: <https://biology-forums.com/index.php?topic=1870075>

Question 632

By law, a fleet of aircraft must be subject to a major overhaul every 5 years as part of its scheduled maintenance program. Which of the following statements is correct?

- A) An accrual should be made in each of the 5 years preceding the overhaul.
- B) The costs of the overhaul should be expensed as incurred.
- C) The cost of the overhaul should be deferred and amortized.
- D) The estimated cost of the overhaul should be disclosed as part of a continuity schedule in the notes to the financial statements.

Answer: <https://biology-forums.com/index.php?topic=1869975>

Question 633

A deductible amount is exemplified by all of the following except:

- A) Revenue that is included in the tax return before it is included in pretax accounting income.
- B) Gain that is included in the tax return before it is included in pretax accounting income.
- C) Expense that is included in the tax return after it is included in pretax accounting income.
- D) Loss that is included in the tax return after it is included in pretax accounting income.
- E) Expense that is included in the tax return before it is included in pretax accounting income.

Answer: <https://biology-forums.com/index.php?topic=1870230>

Question 634

Preferred shares generally have fewer voting rights than common shareholders but receive preferential treatment (relative to the common shareholders in the event of the company's liquidation).

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870013>

Question 635

Prepayments of future income tax expense may be viewed as a future tax asset.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870206>

Question 636

Income tax expense for continuing operations, discontinued operations and extraordinary items must be disclosed separately on the income statement.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870217>

Question 637

Efficiency ratios are also known as:

- A) Profitability ratios
- B) Effectiveness ratios
- C) Solvency ratios
- D) Turnover ratios

Answer: <https://biology-forums.com/index.php?topic=1870741>

Question 638

How is the cash flow statement impacted if the lease is deemed to be an operating lease versus a finance lease?

Answer: <https://biology-forums.com/index.php?topic=1870440>

Question 639

If a corporation has dividends in arrears of \$25,000 on its cumulative preferred shares, it must:

- A) Set aside cash for the amount of the dividends.
- B) Pay the dividends in arrears before it can pay dividends to its common shareholders.
- C) Capitalize this amount as a part of permanent capital.
- D) Appropriate retained earnings for this amount.

Answer: <https://biology-forums.com/index.php?topic=1870089>

Question 640

Basic earnings per share represent the amount of earnings attributable to:

- A) All common shares and dilutive securities.
- B) Common shares, preferred shares, and all dilutive securities.
- C) Each common share outstanding, including dilutive securities.
- D) Each common share outstanding.

Answer: <https://biology-forums.com/index.php?topic=1870603>

Question 641

The accounting classification of a financial instrument is determined by its tax status.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870116>

Question 642

If a potential benefit of a loss carry forward is determined not to meet the more likely than not criteria in one year, it may still be set up in a deferred period if the criteria are subsequently met.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870290>

Question 643

Under both operating and finance leases, periodic rent expense for a lessee is likely to be the same over successive periods.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870364>

Question 644

Book value per common share is particularly useful for predicting the expected market value per share.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870702>

Question 645

ABC declared a common stock dividend on March 10, at which time its shares were selling for

\$15 per share and 10,500 shares were outstanding. After the dividend, because only 13,650 were outstanding, some shareholders received fractional share rights. If the provisions of the dividend provided that one share was to be issued for each three shares previously owned, there must have been:

- A) 1,050 fractional share rights outstanding.
- B) 350 fractional share rights outstanding.
- C) 117 fractional share rights outstanding.
- D) Fractional shares outstanding not determinable based on the information given.

Answer: <https://biology-forums.com/index.php?topic=1870093>

Question 646

Under the standard approach to defined benefit plan accounting, Past service costs are amortized over the expected period to full eligibility of pension benefits.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870480>

Question 647

Zygo sold 1,000 common shares (par \$3) at \$5 per share on a subscription basis. The entry to record this transaction included a credit to:

- A) Accounts receivable.
- B) Contributed capital in excess of par.
- C) Common shares.
- D) Subscriptions receivable.

Answer: <https://biology-forums.com/index.php?topic=1870067>

Question 648

KER leased an asset from EGR for 5 years on January 2, 20x11. The lease met the conditions of a finance lease. The present value of the minimum lease payments using a rate of 11% was calculated at \$65,017. Assuming a calendar year end, the interest expense to be recorded is:

- A) \$8,000
- B) \$7,152
- C) \$0
- D) cannot be determined from the information given

Answer: <https://biology-forums.com/index.php?topic=1870393>

Question 649

The annual dividend on nonconvertible cumulative preferred shares is \$10,000. At the beginning of the current year, there were 3 years of dividends in arrears. During the current year, \$38,000 of dividends on the preferred shares were declared, and \$35,000 were paid. What amount of dividends on preferred shares will be subtracted from earnings when computing basic EPS for the current year?

- A) \$40,000
- B) \$10,000
- C) \$38,000
- D) \$35,000
- E) \$30,000

Answer: <https://biology-forums.com/index.php?topic=1870571>

Question 650

The summarized and partial balance sheet of XYZ showed the following:

Item	20x11	20x12
Current assets	\$50,000	\$58,000
Operational assets	140,000	101,000
Other assets	20,000	23,400

- (a) Prepare a horizontal analysis.
- (b) Prepare a vertical analysis for 20x11:

Answer: <https://biology-forums.com/index.php?topic=1870750>

Question 651

If a corporation only has one class of shares, that class must be common shares.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870035>

Question 652

All of the following are examples of derivative instruments except:

- A) Foreign exchange forward contracts
- B) Interest rate swaps
- C) Currency swaps
- D) Retractable preferred shares

Answer: <https://biology-forums.com/index.php?topic=1870157>

Question 653

All of the following represent situations where financial statements should be recast:

- A) Income statement and balance sheet are revised to reflect a different capitalization policy.
- B) Interest expense is removed from net income.
- C) Amortization or depreciation is removed yielding earnings before interest taxes and depreciation.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=1870729>

Question 654

Contributions made by an employer to a qualified pension plan usually are taxable to the employee at that time.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870471>

Question 655

An instrument may be classified as equity even though the investor can demand payment.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870136>

Question 656

YTC issued 200 of its preferred shares and 1,000 of its common shares, for a total cash consideration of \$15,000. The current market prices for its shares were: Preferred, \$25; Common, \$20. The issue entry for the preferred and common shares combined would be as follows:

Answer: <https://biology-forums.com/index.php?topic=1870103>

Question 657

Record the full amount of the lease payment that will be credited to the lease receivable.

Answer: <https://biology-forums.com/index.php?topic=1870445>

Question 658

EPS figures must be disclosed on the face of the financial statements for discontinued operations.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870559>

Question 659

ABC Inc. issued 1,000 common shares and 3,000 preferred shares for a lump sum of \$25,000. The fair market value of each share on the date of issue was \$6 per common share and \$8 per preferred share. How much of the proceeds received should be allocated to the preferred shares on the date of issue?

- A) \$5,000
- B) \$20,000
- C) \$6,250
- D) \$19,750

Answer: <https://biology-forums.com/index.php?topic=1870051>

Question 660

The formula used to calculate pension expense must necessarily be the same as the

formula used to calculate funding to the plan.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870458>

Question 661

Trend analysis is part of a(n):

- A) Longitudinal ratio
- B) Cross sectional ratio
- C) Historical ratio
- D) Industrial ratio

Answer: <https://biology-forums.com/index.php?topic=1870739>

Question 662

It is possible for companies with revenues totalling in excess of \$10 million dollars to be exempt from an audit.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870715>

Question 663

AB Company sold and issued a \$100,000, 10%, bond at 99. Therefore, the bond:

- A) was sold at a premium because the stated interest rate was higher than the yield rate.
- B) sold at a discount because the stated interest rate was lower than the market interest rate.
- C) sold at a premium because the \$1,000 accrued interest is added to the \$100,000 face amount.
- D) was sold for \$100,000 less \$1,000 of accrued interest.

Answer: <https://biology-forums.com/index.php?topic=1869984>

Question 664

Gains and losses from plan settlements and curtailments should be:

- A) amortized over the average remaining service period
- B) amortized over a systematic and rational manner
- C) recognized in income immediately
- D) deferred to the balance sheet

Answer: <https://biology-forums.com/index.php?topic=1870520>

Question 665

Under the simplified approach to accounting for defined benefit pension plans under ASPE, the actuarial cost method used for pension accounting will be different than that used for funding.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870478>

Question 666

Reducing CCA is one tax strategy that a company may employ. All of the following are true except:

- A) CCA not claimed in one year is only partially lost for deferred years.
- B) Minimizing CCA can create taxable income so that losses may be used.
- C) CCA may be eliminated in the carry forward years.
- D) Returns may be amended for the previous three years.

Answer: <https://biology-forums.com/index.php?topic=1870316>

Question 667

Employers who provide contractual termination benefits must recognize a loss and a related liability when:

- A) the employees accept the termination benefit offer.
- B) the termination benefit can be reasonably estimated.
- C) it is probable that employees will be entitled to the benefit and the amount of the benefit can be reasonably estimated.
- D) the termination occurs.

Answer: <https://biology-forums.com/index.php?topic=1870511>

Question 668

Pension related estimates (not funding data) are provided by the:

- A) employer company.
- B) independent actuary.
- C) pension fund trustee.
- D) employee union.

Answer: <https://biology-forums.com/index.php?topic=1870522>

Question 669

Which of the following dividends does not reduce retained earnings?

- A) Scrip dividend.
- B) Stock dividend.
- C) Cash dividend.
- D) Property dividend.
- E) Liquidating dividend.

Answer: <https://biology-forums.com/index.php?topic=1870060>

Question 670

The expected return on plan assets was \$8,700; the actual return was \$9,400. The difference represents:

- A) unrealized gain
- B) realized gain
- C) interest revenue
- D) experience gain

Answer: <https://biology-forums.com/index.php?topic=1870515>

Question 671

In theory (disregarding any other marketplace variables) the proceeds from the sale of a bond will be equal to:

- A) The face amount of the bond plus the present value of the interest payments made during the life of the bond discounted at the prevailing market rate of interest.
- B) The sum of the face amount of the bond and the periodic interest payments.
- C) The present value of the principal amount due at the end of the life of the bond plus the present value of the interest payments made during the life of the bond, each discounted at the stated rate of interest.
- D) The present value of the principal amount due at the end of the life of the bond plus the present value of the interest payments made during the life of the bond, each discounted at the prevailing market rate of interest.

Answer: <https://biology-forums.com/index.php?topic=1869983>

Question 672

Choose the correct statement concerning accounting for pensions:

- A) APO is reduced by amortization of Past service costs
- B) Interest cost does not include interest on Past service costs
- C) The difference between accumulated benefit obligation and vested benefit obligation is attributed to differences in assumed compensation levels
- D) One of the purposes of the corridor is to allow gains and losses to cancel each other before affecting pension expense
- E) The sum of accrued pension cost and additional minimum pension liability completely describes the total unfunded obligation for pension benefits to which a sponsor has committed, assuming the benefit formula incorporates future compensation levels

Answer: <https://biology-forums.com/index.php?topic=1870498>

Question 673

For which party is finance lease accounting affected most when the property is first sold and then leased back:

- A) lessor
- B) lessee
- C) both lessor and lessee accounting are affected to the same extent

D) neither lessor nor lessee accounting are affected to a significant extent

Answer: <https://biology-forums.com/index.php?topic=1870413>

Question 674

ABC has decided to pay retirement benefits to its president for 10 years after retirement in the amount of \$40,000 per year. The payments will be made at the end of each year, starting at the end of the first year of retirement. Assuming a 9 percent interest rate, what is the minimum necessary balance that must be in the pension fund at the beginning of the retirement period?

- A) \$256,706
- B) \$364,000
- C) \$366,972
- D) \$400,000

Answer: <https://biology-forums.com/index.php?topic=1870496>

Question 675

An appropriation of retained earnings of a significant amount:

- A) Means that specific assets actually have been set aside for a specific purpose.
- B) provides protection to the stockholders rather than to the creditors.
- C) Can have a significant impact on the total amount of retained earnings when recorded.
- D) Can be used to absorb extraordinary losses directly when of a significant amount.
- E) Should be reversed when the purpose of the appropriation has been achieved.

Answer: <https://biology-forums.com/index.php?topic=1870080>

Question 676

Capitalization of borrowing costs on qualifying assets is mandatory under both IFRS and ASPE.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869949>

Question 677

In the year in which a tax loss is incurred, the tax loss must equal the net loss reported on the company's financial statements.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870283>

Question 678

Why is the gross method used by the lessor in most cases instead of the net method if both produce the same results?

Answer: <https://biology-forums.com/index.php?topic=1870454>

Question 679

A reasonable expectation on the part of a company's stakeholders arising from a company's past practices or behaviour may constitute a constructive obligation in certain instances.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869921>

Question 680

A statement of accounting policies must be included in the annual financial statements.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870694>

Question 681

Fractional share rights are usually issued:

- A) When a corporation issues a stock split.
- B) At the time a property dividend is declared.
- C) At the time a cash dividend is declared.
- D) At the time a stock dividend is declared.

Answer: <https://biology-forums.com/index.php?topic=1870085>

Question 682

The components of pension expense that involve delayed recognition are:
A) interest cost, Past service costs, transition cost, and expected return on plan assets.
B) service cost, transition cost, and gains and losses.
C) gains and losses, transition cost, and Past service costs.
D) transition cost, Past service costs, and expected return on plan assets.
Answer: <https://biology-forums.com/index.php?topic=1870503>

Question 683

A change in accounting principle occurs when a company adopts a principle that is different from a previously used principle that is also generally accepted.
[b][True or False?][b]
Answer: <https://biology-forums.com/index.php?topic=1870625>

Question 684

Under IFRS, which of the following will only require only a note disclosure as a contingency?
A) Cash discounts given for early payment by customers; almost always taken
B) Remote chance of loss from a lawsuit in process
C) Probable claim for an income tax refund
D) Loss from an investment in equity securities that is certain
Answer: <https://biology-forums.com/index.php?topic=1869977>

Question 685

What is horizontal analysis?
Answer: <https://biology-forums.com/index.php?topic=1870755>

Question 686

A pension fund may be:
Fully funded Over funded Under funded
1 *
2 **
3 ***
4 **
A) Choice 1
B) Choice 2
C) Choice 3
D) Choice 4
Answer: <https://biology-forums.com/index.php?topic=1870493>

Question 687

What are plan settlements and curtailments and how should the gains and losses be accounted for?
Answer: <https://biology-forums.com/index.php?topic=1870534>

Question 688

In computing EPS for a simple capital structure, net income is reduced by cumulative preferred dividends on nonconvertible preferred shares, whether dividends are declared or not.
[b][True or False?][b]
Answer: <https://biology-forums.com/index.php?topic=1870566>

Question 689

Explain why a company would want to classify a financial instrument as debt instead of equity?
Answer: <https://biology-forums.com/index.php?topic=1870189>

Question 690

Prepare Journal entries to record dividends declared.
Answer: <https://biology-forums.com/index.php?topic=1870114>

Question 691

JMR Corp. incurred a loss in 20x15 after several years of taxable income. After the carry back, JMR still had losses to use up in the amount of \$500,000. The applicable tax rate was 40%. In 20x16, the tax rate goes down to 38%. Assuming that losses have not been used but it is still probable that they will be used, prepare the journal entry to set up the deferred benefit in 20x15 and any other entries applicable to the deferred benefit.

Answer: <https://biology-forums.com/index.php?topic=1870340>

Question 692

Explain the options available to a corporation that issues share subscriptions where partial payment has been received but the subscriber defaults on the balance.

Answer: <https://biology-forums.com/index.php?topic=1870105>

Question 693

The diluted EPS should be disclosed in the financial statements only if it is materially different from basic EPS.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870550>

Question 694

All of the following represent groups of ratios except:

- A) Profitability ratios
- B) Effectiveness ratios
- C) Solvency ratios
- D) Liquidity ratios

Answer: <https://biology-forums.com/index.php?topic=1870740>

Question 695

Explain why companies may want to reacquire their own shares?

Answer: <https://biology-forums.com/index.php?topic=1870108>

Question 696

Prepare Journal entries to record the issuance of preferred shares in exchange for assets; recorded at fair market value of the assets in the absence of a value for the preferred shares.

Answer: <https://biology-forums.com/index.php?topic=1870110>

Question 697

JMR Corp. had one temporary difference during the year. The carrying value of its capital assets for accounting purposes amounted to \$350,000; the carrying value for CCA purposes was \$380,000. What is the temporary difference amount, what would it be called and where should it be presented on the balance sheet?

Answer: <https://biology-forums.com/index.php?topic=1870258>

Question 698

XY Company owed a \$45,489 due on January 1, 2000. An agreement was reached to pay it off in five equal annual payments, starting on December 31, 2000. The interest rate was 10 percent. The total amount of interest paid under the terms of the agreement was (round annual payment to nearest \$1):

- A) \$25,000
- B) \$22,745
- C) \$14,511
- D) \$ 6,000

Answer: <https://biology-forums.com/index.php?topic=1869981>

Question 699

When a pension plan is ended, the obligation is settled by transferring the assets to:

- A) each individual
- B) a financial bank

- C) a trustee
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=1870519>

Question 700

For a finance lease, an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and property taxes to be paid by the lessor, together with any profit thereon, should be recorded by the lessee as a(n):

- A) expense.
- B) asset but not a liability.
- C) liability but not an asset.
- D) asset and a liability.

Answer: <https://biology-forums.com/index.php?topic=1870383>

Question 701

Pension plans are drafted to meet Revenue Canada requirements so that the benefits received after retirement are not subject to income tax and the contributions by the employer are not a taxable benefit to the employee.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870487>

Question 702

A firm has a \$40,000 balance in its deferred pension cost account. This means:

- A) the plan is underfunded
- B) accrued pension obligation is less than plan assets at fair value
- C) pension expense recognized to date exceeds total contributions to the pension plan to date
- D) pension expense recognized to date exceeds plan assets at fair value

Answer: <https://biology-forums.com/index.php?topic=1870500>

Question 703

The position of common shareholders is less risky than the positions of both the creditors and preferred shareholders.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870030>

Question 704

Which of the following should not be reported retrospectively?

- A) Use of an unacceptable accounting principle, then changing to an acceptable accounting principle
- B) Correction of an overstatement of ending inventory two years ago
- C) Use of an unrealistic accounting estimate, then changing to a realistic estimate
- D) Change from a good faith but erroneous estimate to a new estimate

Answer: <https://biology-forums.com/index.php?topic=1870664>

Question 705

Retractable preferred shares are those which can be redeemed at the investors discretion.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870123>

Question 706

Under ASPE, disclosure in the footnotes to the financial statements is the only way to properly report contingent losses.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869955>

Question 707

Comprehensive allocation recognizes the amount of taxes assessed in each year as the income tax expense for that year.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870223>

Question 708

Record the unearned finance revenue as it would appear on the balance sheet.

Answer: <https://biology-forums.com/index.php?topic=1870444>

Question 709

Company A had depreciation of \$14,000 and CCA of \$12,500. At the end of the year, they have:

- A) Deferred income tax asset of \$1,500
- B) Deferred income tax liability of \$1,500
- C) Deferred income tax asset of \$14,000
- D) Deferred income tax liability of \$14,000

Answer: <https://biology-forums.com/index.php?topic=1870226>

Question 710

Under ASPE, deferred income tax assets due to carry forwards may or may not be realized, depending whether the company uses the taxes payable method.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870269>

Question 711

When an accounting change is to be recorded and reported under the retrospective approach, the:

- A) Retained earnings is adjusted for the cumulative effect of the change.
- B) Cumulative effect of the change is reported as a special item in the income statement in the year of the change.
- C) Effect of the change is spread over the past, current, and future accounting periods.
- D) Pro forma financial statements for future years must be disclosed.

Answer: <https://biology-forums.com/index.php?topic=1870654>

Question 712

The measurement date of a compensatory stock option must precede the date of grant.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870117>

Question 713

Retained Earnings restrictions are usually imposed on a company by a third party.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870010>

Question 714

Common share subscriptions receivable should always be reported as a current asset.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870034>

Question 715

Changes in defined benefit pension plans that reduce the expected years of future service of present employees are:

- A) settlements.
- B) adjustments.
- C) terminations.
- D) curtailments.

Answer: <https://biology-forums.com/index.php?topic=1870509>

Question 716

Timu joined the firm 12 years ago and is 42 today. The firm has a postretirement health care plan with the following coverages for retirees:

- Age 65 at retirement and 30 years of service 100% coverage
- Age 60 at retirement and 30 years of service 75% coverage

Timu is expected to retire at age 63. The present value today of 100% postretirement health care coverage for Timu is \$20,000, considering life expectancy and other factors. The present value of 75% coverage is \$14,000. What is the accumulated postretirement benefit obligation for Timu today?

- A) \$20,000
- B) \$14,000
- C) \$ 8,000
- D) \$ 5,600

Answer: <https://biology-forums.com/index.php?topic=1870524>

Question 717

Derivatives are often used to reduce risk. All of the following risks can be covered by a derivative contract except:

- A) Retractable preferred shares
- B) Exchange contracts
- C) Currency swaps
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1870175>

Question 718

Give the correct response to each of the following events:

(a) An overstatement of accrued wages payable by \$2,000 at the end of 20x1 would cause retained earnings at the end of 20x2 to be ____ overstated; ____ understated; ____ correct (assuming no correcting entry).

(b) A \$6,000 purchase of merchandise on credit in 20x1 was not recorded in 20x1; but it was recorded in 20x2 when the cash was paid. It was discovered during 20x3. The merchandise was not included in the 20x1 ending inventory. Therefore, 20x1 income was: ____ overstated; ____ understated; ____ correct.

(c) The 20x2 ending inventory was overstated by \$4,000 and no correcting entry has been made. Therefore the 20x3 net income is: ____ overstated; ____ understated; ____ correct.

Answer: <https://biology-forums.com/index.php?topic=1870686>

Question 719

What term is used to describe an amount that will eventually be tax deductible?

Answer: <https://biology-forums.com/index.php?topic=1870253>

Question 720

A tax benefit represents:

- A) the final number of the taxable loss on the tax return
- B) the amount of refund to be received in the year
- C) assistance from the government
- D) the present and deferred benefit that the company will be able to realize from the tax loss through a reduction of income taxes

Answer: <https://biology-forums.com/index.php?topic=1870301>

Question 721

Based on the above information prepare entries to record repayment of loan December 20X9

Answer: <https://biology-forums.com/index.php?topic=1870004>

Question 722

What are some advantages to using ratio analysis? What are some of its limitations?

Answer: <https://biology-forums.com/index.php?topic=1870753>

Question 723

Which of the following would be excluded from both the minimum lease payments and net lease liability at inception for the lessee?

- A) lessee guarantee of residual
- B) bargain purchase option
- C) third party guarantee of residual
- D) annual lease payments

Answer: <https://biology-forums.com/index.php?topic=1870387>

Question 724

The following errors were discovered during January 20x3 (prior to any reversing entries). The accounting period ends December 31.

20x2 Ending inventory overstated \$8,000

20x3 Insurance premium paid in 20x2 for 20x3 was expensed in full in 20x2 6,000

20x2 Accounts receivable overstated 2,000

What effect did these errors have on the 20x2 pretax income?

A) Overstated \$2,000

B) Understated \$2,000

C) Overstated \$1,000

D) Understated \$1,000

Answer: <https://biology-forums.com/index.php?topic=1870672>

Question 725

On September 1, 2000, ER issued 11%, 10 year bonds dated June 1, 2000, in the face amount of \$140,000, with interest payable July 1 and December 31. The bonds were sold for \$140,000. How much should ER debit to cash on September 1, 2000?

A) \$140,000

B) \$142,567

C) \$147,700

D) Cannot be determined from the information given

Answer: <https://biology-forums.com/index.php?topic=1869991>

Question 726

For earnings per share purposes, the capital structure of the company is classified as either simple or complex. Indicate the types of securities that are included in each category (a complete answer may require more than one letter).

Capital Structure

A. Simple

B. Complex

C. Simple and Complex

Types of Securities

1 Common shares

2. Bonds, convertible to common shares

3. Preferred shares, nonconvertible

4. Common stock warrants outstanding

5. Preferred shares, convertible to common shares

Answer: <https://biology-forums.com/index.php?topic=1870606>

Question 727

The fact that most accounting changes are not disclosed may lead to ethical concerns among stakeholders.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870631>

Question 728

DCE had 900 common shares outstanding on January 1, 20x3, issued 600 shares on May 1 and had income applicable to common shares of \$5,200 for the year ending December 31, 20x3.

Earnings per common share for 20x3 would be:

A) \$5.78

B) \$4.00

C) \$3.60

D) \$3.46

Answer: <https://biology-forums.com/index.php?topic=1870587>

Question 729

Treasury shares held by management are considered to be issued but not outstanding.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870032>

Question 730

A company carrying back a loss must use the earliest year first.

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

Answer: <https://biology-forums.com/index.php?topic=1870282>

Question 731

The inception of a lease is 1/1/x1. A third party guarantees the residual value of the asset under lease, estimated to be \$12,000 at 1/1/x6, the end of the lease term. Annual lease payments are \$10,000 due each December 31 beginning 12/31/x1. The last payment is due 12/31/x5. Both the lessor and lessee use 10% as the interest rate. The remaining useful life of the asset was 6 years at inception. What is the net asset balance for the lessor and net liability balance for the lessee, at inception?

Net asset (lessor) Net liability (lessee)

1 \$45,359 \$45,359

2 \$37,908 \$37,908

3 \$45,359 \$37,908

4 \$37,908 \$45,359

5 \$47,119 \$38,339

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

E) Choice 5

Answer: <https://biology-forums.com/index.php?topic=1870428>

Question 732

A statement of accounting policies is required to be clearly enunciated in the notes to the financial statements.

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

Answer: <https://biology-forums.com/index.php?topic=1870695>

Question 733

The following information is available to you: Income before tax, \$80,000; depreciation, \$15,000; CCA, \$13,500; tax rate, 44%. Calculate the Deferred income tax asset (liability).

Answer: <https://biology-forums.com/index.php?topic=1870255>

Question 734

What interest rate does a lessee use for lease capitalization purposes? Be as specific as possible.

Also, once this rate is decided, specifically what does the lessee use the interest rate for?

Answer: <https://biology-forums.com/index.php?topic=1870434>

Question 735

Corporations with simple capital structures are required to present two sets of EPS data.

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

Answer: <https://biology-forums.com/index.php?topic=1870546>

Question 736

Changing from an insupportable (bad faith) estimate to a supportable estimate is classified as a change in estimate.

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

Answer: <https://biology-forums.com/index.php?topic=1870635>

Question 737

In a popular business journal, JMR Ltd. financial data for the last five years was compared. This is an example of:

A) Cross sectional comparison

B) Yearly comparison

- C) Longitudinal comparison
- D) Industrial comparison

Answer: <https://biology-forums.com/index.php?topic=1870736>

Question 738

Carry back and carry forward procedures for temporary differences are always applied, even when there are no temporary differences for deductible items and there are no current income taxes payable.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870296>

Question 739

What is the purpose of consolidated financial statements?

Answer: <https://biology-forums.com/index.php?topic=1870762>

Question 740

Which of the following would cause income to be overstated in the period of occurrence?

- A) Overestimated bad debt expense
- B) Understated beginning inventory
- C) Overstated purchases
- D) Understated ending inventory

Answer: <https://biology-forums.com/index.php?topic=1870666>

Question 741

JKC initiated a stock option plan for its three top executives. The plan provided that each executive would receive 6,000 options that would enable each one to purchase 600 shares at the option price.

The option price was set at 10 percent below market price at the first exercise date. The options could be exercised after the executives remained as employees of the company for 3 more years. The market price of the shares on the date that the options were granted was \$10 per share. The amount of compensation expense the company incurred for the three executives due to the option plan was:

- A) \$8,100
- B) \$3,000
- C) \$600
- D) \$0
- E) Cannot be determined from the information provided.

Answer: <https://biology-forums.com/index.php?topic=1870151>

Question 742

What is vertical analysis?

Answer: <https://biology-forums.com/index.php?topic=1870754>

Question 743

List five amounts that are permanent differences.

Answer: <https://biology-forums.com/index.php?topic=1870250>

Question 744

Solvency ratios can be further classified as:

- A) Liquidity ratios
- B) Leverage ratios
- C) Asset ratios
- D) Fixed ratios

Answer: <https://biology-forums.com/index.php?topic=1870744>

Question 745

Under income tax laws and regulations a corporation that sustains a net operating loss for the current year may elect to carry back and/or carry forward the loss for income tax purposes.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870265>

Question 746

If the five million dollar investment in the Cable TV division is sold and redeployed in the computer subsidiary at the same rate of return on assets currently achieved in the computer division, What will be the new return on assets for the entire corporation?

Answer: <https://biology-forums.com/index.php?topic=1870764>

Question 747

JG Ltd. provided you with the following information:

Year Taxable Tax

Income (loss) rate

20x11 \$300,000 38%

20x12 (\$150,000) 40%

20x13 \$330,000 45%

20x14 \$80,000 40%

20x15 (\$400,000) 40%

There are no temporary differences. What is the tax recovery in 20x15?

A) \$160,000

B) \$169,500

C) \$176,000

D) None

Answer: <https://biology-forums.com/index.php?topic=1870325>

Question 748

On January 1, 20x11, CDE Company leased an asset from LMN which originally cost the lessor \$75,000. The lease agreement was an operating lease and specified that three \$10,500 annual rentals were to be paid at the beginning of each year. LMN should make the following entry on January 1, 20x11:

1 Cash 10,500

Unearned rent revenue 10,500

2 Cash 10,500

Lease receivable 10,500

3 Cash 10,500

Rent revenue 10,500

4 Rent receivable 10,500

Rent revenue 10,500

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

Answer: <https://biology-forums.com/index.php?topic=1870419>

Question 749

Data must be compared to be useful. Longitudinal comparisons look at the company in relation to other companies. Cross sectional analysis looks at the company over time.

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

Answer: <https://biology-forums.com/index.php?topic=1870716>

Question 750

Embedded derivatives are those that can be detached and separately sold from their host contracts.

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

Answer: <https://biology-forums.com/index.php?topic=1870134>

Question 751

What would be the effect on book value per share and earnings per share if the corporation purchased its own shares in the open market at a price greater than book value per share?

A) Increase both book value per share and earnings per share

B) Decrease both book value per share and earnings per share

C) Decrease book value per share and increase earnings per share
D) No effect on book value per share but increase earnings per share
Answer: <https://biology-forums.com/index.php?topic=1870602>

Question 752

List the guidelines required under ASPE that are used to determine whether a lease is a finance lease from the lessors point of view?
Answer: <https://biology-forums.com/index.php?topic=1870449>

Question 753

The GXC made the following errors during 20x1, its first year of operations:
Recorded \$800 of interest expense as a debit to prepaid expense and a credit to cash.
Recorded \$2,000 of unearned revenue as a debit to revenue receivable and a credit to revenues.
No adjusting entries were made related to these transaction entries.
The effect of these errors is as follows: 20x1:
Pretax Income Current Assets
1 Understated \$1,200 overstated \$2,800
2 Overstated \$2,800 overstated \$2,800
3 Overstated \$2,800 overstated \$2,000
4 Overstated \$1,200 overstated \$2,800
A) Choice 1
B) Choice 2
C) Choice 3
D) Choice
Answer: <https://biology-forums.com/index.php?topic=1870677>

Question 754

Typically, the lessee owns the leased assets in a finance lease situation.
[b][True or False?]/b
Answer: <https://biology-forums.com/index.php?topic=1870344>

Question 755

An increase in assets relating to a retrospective change in accounting policy will result in a credit to the related future tax accounts.
[b][True or False?]/b
Answer: <https://biology-forums.com/index.php?topic=1870648>

Question 756

JMR Ltd. purchased \$100,000 of bonds convertible into common shares at a price of \$50. The bonds have a maturity date of 20x4. On the maturity date, the market price of the common shares is \$55. Assuming that JMR Ltd. is a knowledgeable investor, what will the company do?
Answer: <https://biology-forums.com/index.php?topic=1870186>

Question 757

Prepare a Journal entry to record the issuance of the bonds on 1 January 20X2.
Answer: <https://biology-forums.com/index.php?topic=1870190>

Question 758

When computing diluted earnings per share, convertible securities are a sale of additional common stock.
[b][True or False?]/b
Answer: <https://biology-forums.com/index.php?topic=1870557>

Question 759

The amount of any unused tax losses must be disclosed on the face of the income statement.
[b][True or False?]/b
Answer: <https://biology-forums.com/index.php?topic=1870280>

Question 760

A firm sold \$100,000 worth of goods during 1999. The firm extends warranty coverage on these goods. Historically, warranty costs have averaged 2% of total sales. During 1999, the firm incurred \$1,000 to service goods sold in 1998 and \$200 to service goods sold in 1999. What is warranty expense for 1999?

- A) \$200
- B) \$1,200
- C) \$2,000
- D) \$3,200

Answer: <https://biology-forums.com/index.php?topic=1869962>

Question 761

Perpetual Debt is accounted for as equity.

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

Answer: <https://biology-forums.com/index.php?topic=1870125>

Question 762

If net income is \$10,000 and there were 8,000 common shares issued and outstanding the entire year, and \$100,000 of noncumulative, nonconvertible 6% \$100 par preferred shares outstanding the entire year, what is EPS if no dividends were declared during the year?

- A) \$1.18
- B) \$1.23
- C) \$1.25
- D) \$1.16

Answer: <https://biology-forums.com/index.php?topic=1870570>

Question 763

The incremental method to accounting for convertible bonds means that:

- A) The proceeds of the bond are allocated on the basis of the relative market values of the straight bond and imbedded stock option
- B) The stock option is valued at the difference between the total proceeds of the bond issue and the market value of an equivalent straight bond issue
- C) Any of the above
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=1870172>

Question 764

To qualify as a lessor for tax purposes, a company must derive at least 90% of its revenues from leasing.

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

Answer: <https://biology-forums.com/index.php?topic=1870353>

Question 765

The use of contingent lease payments is one method companies use to avoid lease capitalization.

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

Answer: <https://biology-forums.com/index.php?topic=1870346>

Question 766

ER Ltd. provided you with the following information:

Year Taxable Tax
Income (loss) rate
20x11 \$190,000 38%
20x12 (\$150,000) 40%
20x13 \$330,000 45%
20x14 \$80,000 38%
20x15 (\$580,000) 38%

There are no temporary differences. What will be the credit to the income tax expense account assuming a greater than 50% probability of realization?

- A) \$194,100
- B) \$0

C) \$220,000

D) \$64,600

Answer: <https://biology-forums.com/index.php?topic=1870327>

Question 767

Defined benefit pension plans do not specify benefits per period after retirement, but base the pension benefits directly on the specified contributions.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870476>

Question 768

As an industry analyst comparing a firm to the industry, are you likely to praise or criticize the firm in terms of Net Income / Total Asset

Answer: <https://biology-forums.com/index.php?topic=1870763>

Question 769

At the inception of a finance lease which calls for payments on an annuity due basis, the lessee typically debits:

A) leased asset.

B) lease expense.

C) rent expense.

D) lease receivable.

Answer: <https://biology-forums.com/index.php?topic=1870380>

Question 770

Kate Corporation sold a truck resulting in a capital gain of \$7,600. The amount to be reported for tax purposes is:

A) \$7,600

B) \$0

C) \$5,700

D) \$3,800

Answer: <https://biology-forums.com/index.php?topic=1870246>

Question 771

Earnings per share figures are required to be reported:

A) On the face of the income statement.

B) They need not be presented, however, it is recommended.

C) At an undesignated place in the financial statements.

D) In the notes to the financial statements or at the bottom of the income statement.

Answer: <https://biology-forums.com/index.php?topic=1870569>

Question 772

An asset that costs \$4,000 on January 1, 20x1, is being depreciated on the basis of a 10% straightline rate. On January 1, 20x2, an ordinary repair of \$600 was debited to the asset account and also was depreciated in the same way. As a result, 20x2 pretax income was:

A) Overstated \$600.

B) Understated \$600.

C) Overstated \$540.

D) Understated \$60.

Answer: <https://biology-forums.com/index.php?topic=1870674>

Question 773

The rate of interest specified on the face of the debt is called the:

A) Effective interest rate.

B) Stated interest rate.

C) Yield interest rate.

D) Market interest rate.

Answer: <https://biology-forums.com/index.php?topic=1869970>

Question 774

KER leased an asset from EGR for 5 years. The lease met the conditions of a finance lease. The present value of the minimum lease payments using a rate of 11% was calculated at \$65,017. The asset should be set up on the books of KER Company with a debit of:

- A) \$66,017
- B) \$65,017
- C) \$325,085
- D) cannot be determined from the information given

Answer: <https://biology-forums.com/index.php?topic=1870392>

Question 775

Jenell Inc. decides to change its method of accounting for inventory from LIFO to FIFO, for accounting purposes only in 20x1. Data for Jenell:

Retained earnings, January 1, 20x0 \$160,000

Income tax rate 30%

Effect of change on pretax net income in:

20x1: \$20,000 increase

20x0: 30,000 increase

Years before 20x0 in total: \$120,000 increase

20x0 net income (after tax) under LIFO \$80,000

20x1 net income (after tax) under LIFO 105,000

The entry to record the accounting change will include which of the following.

- A) cr. expense \$105,000
- B) cr. retained earnings \$105,000
- C) cr. cumulative effect of change in accounting principle \$105,000
- D) dr. retained earnings \$150,000

Answer: <https://biology-forums.com/index.php?topic=1870684>

Question 776

Leasing assets can result in much time and effort on the part of the lessee. Contracts, details, complex calculations and journal entries are all required to accurately track each lease. Why then, with all the extra work involved would a company be inclined to lease instead of buy?

Answer: <https://biology-forums.com/index.php?topic=1870433>

Question 777

All of the following are examples of contractual decisions except:

- A) negotiating collective agreements
- B) accepting employment
- C) ability to withstand competition
- D) entering into a joint venture

Answer: <https://biology-forums.com/index.php?topic=1870722>

Question 778

A derivative has all of the following characteristics except:

- A) a derivative is a secondary financial instrument whose value is lined to a primary financial instrument
- B) a derivative is an option
- C) a derivative is a forward contract
- D) a derivative is an option and a forward contract
- E) all of the above

Answer: <https://biology-forums.com/index.php?topic=1870164>

Question 779

The following data is available for XAC:

Common shares, no par 10,000 shares authorized, 8,000 shares outstanding

\$120,000

Common shares subscribed ?

Subscriptions receivables (40% uncollected) 12,000

Find the number of shares subscribed and the subscription price per share?

Shares Outstanding Average Issue Price

1 5,000 \$25.00

2 5,000 \$12.00

3 1,200 \$25.00

4 1,200 \$12.00

A) Choice 1

B) Choice 2

C) Choice 3

D) Choice 4

Answer: <https://biology-forums.com/index.php?topic=1870077>

Question 780

Temporary differences very seldom reverse (i.e., turnaround) in one or more future reporting periods.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870200>

Question 781

The accumulated benefit and projected unit credit methods both result in increasing employer contributions to the pension plan over time.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870459>

Question 782

Under proposed changes to current standards, amounts currently classified as contingencies may need to be accrued rather than simply disclosed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869927>

Question 783

When a lessee measures the present value of future rentals to be capitalized under a finance lease, identifiable payments expected to be paid by the lessee to cover taxes, insurance, and maintenance should be:

A) capitalized, but at a different discount rate and reported in a different account than the present value of the future rental payments.

B) capitalized, but at a different discount rate and for a relevant period that usually is different than for the future rental payments.

C) included in the present value of the future rentals to be capitalized.

D) excluded from the present value of the future rentals to be capitalized.

Answer: <https://biology-forums.com/index.php?topic=1870400>

Question 784

What disclosures are recommended by the CICA for lessors?

Answer: <https://biology-forums.com/index.php?topic=1870451>

Question 785

Preferred shares are likely to be classified as debt if any of the following conditions exist except:

A) Redemption is contractually required

B) Redemption can be forced by the investor

C) Terms of the shares are such that redemption is essentially forced, even if the entity is financially sound

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1870155>

Question 786

Treasury shares cannot be voted, nor paid dividends, pending resale.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870040>

Question 787

A firm that earned \$20,000 (after tax) had the following securities outstanding all year during, which the tax rate was 40%:

20,000 common shares

1,000, 6%, \$100 par cumulative nonconvertible preferred shares

2,000, 4%, \$50 par noncumulative preferred shares, each share convertible into 5 common shares

100, 8%, \$1,000 convertible bonds, each convertible into 10 common shares (bonds were issued at face)

No dividends were paid for the year.

The diluted earnings per share for the year should be (rounded to the nearest cent):

A) \$.70

B) \$.47

C) \$.73

D) \$.86

Answer: <https://biology-forums.com/index.php?topic=1870593>

Question 788

EGR Company provided you with the following information:

2009 Net Income: \$1,500,000

2010 Net Income: \$900,000

2009 Tax rate: 35%

2010 Tax rate: 40%

In addition, the only difference between accounting and tax are warranty costs accrued of \$100,000 in 2009. No actual warranty expenses were incurred in 2009 or 2010. Prepare journal entries for 2009 and 2010 to record income tax expense.

Answer: <https://biology-forums.com/index.php?topic=1870259>

Question 789

Published financial statements are always the best source of timely information on practically all financial items relevant to investors and creditors.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870696>

Question 790

Bond A and Bond B both have a maturity value of \$1,000 and pay annual interest of 9%. The market rate of interest is also 9%. Bond A matures in 4 years and Bond B matures in 5 years.

Which of the following is correct?

A) Both bonds sell for more than \$1,000.

B) Bond A will sell for more than Bond B.

C) Both bonds sell for the same amount, \$1,000.

D) Bond B will sell for more than Bond A.

E) There is not sufficient information to answer the question.

Answer: <https://biology-forums.com/index.php?topic=1869987>

Question 791

Amanda Company sold an asset and as a result had a capital gain of \$15,000. This amount represents a permanent difference.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870221>

Question 792

CB Corporation issued a 2 for 1 stock split. Which of the following is not a true statement concerning the effect of the split?

A) The number of shares outstanding is increased.

B) There is a transfer of retained earnings to contributed capital.

C) A proportionate reduction in the par value per share occurs.

D) There is a continuation of retained earnings with no reduction in its balance.

Answer: <https://biology-forums.com/index.php?topic=1870059>

Question 793

If a potential benefit of a loss carry forward that was previously determined to meet the more likely than not criteria has now been determined not to meet the criteria, it should be reversed.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870291>

Question 794

A company earned \$20,000 in 20x3 and had 20,000 common shares outstanding the entire year. The following four potentially dilutive securities were also outstanding the entire year. The numerator and denominator of the D/A ratios are as indicated.

Effect of Assumed Conversion

Numerator Denominator

#1 \$8,000 12,000

#2 4,000 25,000

#3 6,000 10,000

#4 1,000 12,000

What is the diluted EPS?

A) \$.44

B) \$.32

C) \$1.00

D) \$.81

Answer: <https://biology-forums.com/index.php?topic=1870596>

Question 795

In a sale and leaseback situation

A) all gains and losses are deferred and amortized by the seller

B) if the present value of the lease payments is equal to or less than 90% of the fair value of the property, the lessee recognizes the entire gain or loss on sale immediately

C) the lessee immediately recognizes any loss on sale up to the amount of the difference between carrying value and fair value

D) the lessor recognizes all losses on the sale immediately but must defer and amortize all gains

Answer: <https://biology-forums.com/index.php?topic=1870398>

Question 796

RG Corporation has a temporary difference of \$40,000 in 2009. Its tax rate in 2009 is 40% and the government enacted tax rate known at the end of 2009 for 2010 and subsequent years is 45%.

What tax rate should be used to calculate the deferred income tax asset or liability?

Answer: <https://biology-forums.com/index.php?topic=1870261>

Question 797

Under the effective interest method, interest expense is calculated by multiplying the market interest rate by the carrying value of the bonds.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869935>

Question 798

It is important for the user to understand the financial statements in order to make an informed decision. A user must generally do all of the following except:

A) If an equity investor, will generally use consolidated statements

B) If a lender, will generally use unconsolidated statements

C) All users must be able to evaluate risks

D) All of the above are true

Answer: <https://biology-forums.com/index.php?topic=1870745>

Question 799

LMN made the following journal entry relating to a finance lease:

Cash..... XXXX

Lease receivable..... XXXX

Interest revenue..... XXXX

Therefore, LMN must be the:

- A) third party guarantor.
- B) lessee.
- C) lessor.
- D) either the lessee or lessor.

Answer: <https://biology-forums.com/index.php?topic=1870409>

Question 800

JMR Corporation incurred a tax loss in 20x15 of \$900,000. After carrying back the tax loss to previous years, there remains \$100,000. This amount

- A) can be recovered through a cash payment from the government
- B) represents a deferred income tax loss
- C) represents a deferred income tax benefit
- D) cannot be recovered

Answer: <https://biology-forums.com/index.php?topic=1870308>

Question 801

What are hybrid securities?

Answer: <https://biology-forums.com/index.php?topic=1870181>

Question 802

The partial allocation approach has been adopted by IFRS to account for income tax allocation.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870204>

Question 803

The stated rate of interest is the interest rate used to determine the amount of cash interest that will be paid on the principal.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1869941>

Question 804

How can a company use CCA to fully utilize losses that have been incurred?

Answer: <https://biology-forums.com/index.php?topic=1870335>

Question 805

Stock splits are often issued primarily to:

- A) Reduce the market price per share.
- B) Increase permanent capital.
- C) Decrease the liability for dividends in arrears.
- D) Give the shareholders more voting rights.

Answer: <https://biology-forums.com/index.php?topic=1870084>

Question 806

The 20x4 income of MXC was understated by \$3,000. This was due to three separate errors. One error was the overstatement of purchases by \$2,000; the second error was the understatement of depreciation expense by \$1,000. Which of the following errors, in combination with the other two, would cause the \$3,000 understatement of income?

- A) These two errors alone caused the misstatement
- B) Prepaid expenses was overstated \$2,000
- C) Revenue earned but not yet collected of \$2,000 was not properly recognized
- D) Interest expense was understated \$2,000

Answer: <https://biology-forums.com/index.php?topic=1870680>

Question 807

What is the corridor method?

Answer: <https://biology-forums.com/index.php?topic=1870531>

Question 808

General debt carries a firm commitment to interest payments and repayment of capital at maturity.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870118>

Question 809

An adverse opinion is given if the auditor disagrees with the company on decisions made. This is generally not a serious condition as it relates only to a difference of opinion.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870713>

Question 810

Match the following bond classifications with the appropriate statement by entering the appropriate letters in the spaces provided:

Bond Classifications

- A. Government bonds
- B. Corporate bonds
- C. Serial bonds
- D. Redeemable bonds
- E. Convertible bonds
- F. Callable bonds
- G. Income bonds
- H. Registered bonds
- I. Coupon bonds

Statements

- ___ 1. Bonds that may be turned in to issuer in exchange for other securities.
- ___ 2. Issued by private companies.
- ___ 3. Interest is paid only to owners of record as reflected in the accounts of the issuer.
- ___ 4. Interest is paid only in years in which the issuer earns a profit.
- ___ 5. Investor has the option of turning in the bond for retirement before maturity date.
- ___ 6. Interest is paid only to investors who return a coupon.
- ___ 7. Issued by public entities.
- ___ 8. Principal paid off in steps (instalments).
- ___ 9. Issuer has the option to pay off the bonds before maturity date.

Answer: <https://biology-forums.com/index.php?topic=1869997>

Question 811

Vertical analysis of financial statements refers to a comparison of amounts which are expressed in terms of a base amount that is from a:

- A) financial summary.
- B) previous time period.
- C) common size statement.
- D) specific amount that is on the same financial statement.
- E) either b or c.

Answer: <https://biology-forums.com/index.php?topic=1870724>

Question 812

BX had the following shares outstanding:

Preferred shares, \$6, 2,000 shares \$100,000

Common shares, 2,000 shares \$200,000

(Matching dividend, if applicable, \$12)

The preferred shares are cumulative, fully participating; dividends are three years in arrears, excluding the current year; dividends declared in the current year amount to \$87,000. The total amount of dividends to which common shareholders are entitled is:

- A) \$33,000
- B) \$40,000
- C) \$49,000
- D) \$52,000

Answer: <https://biology-forums.com/index.php?topic=1870097>

Question 813

A lessee capitalized a lease with a 1/1/x1 inception and which required annual lease payments of \$5,000 to be paid each December 31 beginning 12/31/x1. The lessee is to pay an additional \$200 each December 31 for maintenance and insurance for the year ending on that date. The last lease payment is due 12/31/x6, on which date the title to the asset transfers to the lessee. The asset is expected to be used by the lessee until 12/31/x9 at which time the asset will have no residual value. What is the total expense related to the lease recognized by the lessee in 20x11? Both lessor and lessee use 10%.

- A) \$4,797
- B) \$2,378
- C) \$7,620
- D) \$6,008
- E) \$4,598

Answer: <https://biology-forums.com/index.php?topic=1870402>

Question 814

Companies normally apply tax loss carry backs sequentially.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870270>

Question 815

ABC made the following entry to record the issuance of a dividend:

Retained earnings 40,000

Common shares 40,000

ABC must have declared a:

- A) stock split.
- B) Property dividend.
- C) Large stock dividend.
- D) Small stock dividend.

Answer: <https://biology-forums.com/index.php?topic=1870101>

Question 816

Gains on sale of treasury stock should be credited to:

- A) Additional contributed capital.
- B) Other income.
- C) Share capital.
- D) Retained earnings.

Answer: <https://biology-forums.com/index.php?topic=1870053>

Question 817

When stock rights are issued to current shareholders, it may require more than one such right to later acquire one additional share of the stock covered by the rights.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870022>

Question 818

A change in the unit depletion rate would be accounted for as a:

- A) Correction of an accounting error.
- B) Change in accounting estimate.
- C) Change in accounting principle.
- D) Change in accounting entity.

Answer: <https://biology-forums.com/index.php?topic=1870651>

Question 819

Refer to question 120 above. How (if at all) would your answer change if the tax rate for all years 2011 and beyond were enacted in 2011?

Answer: <https://biology-forums.com/index.php?topic=1870264>

Question 820

Even if the underlying share value of a convertible bond never reaches the conversion price, management can still force conversion.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870139>

Question 821

If any part of the loss recovered is attributable to discontinued operations or extraordinary, the recovery must be allocated to the different components.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870279>

Question 822

With respect to a retrospectively applied change in accounting policy, the effects on prior years income is treated as an adjustment to opening retained earnings.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870644>

Question 823

Future income tax liabilities are amounts owed to the government.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870197>

Question 824

If the title to a leased asset transfers to the lessee at the end of the lease term, what is the period and residual value used by the lessor to depreciate the leased asset?

Period Residual value

- 1 remaining life at inception residual value at end of term
- 2 original useful life residual value at end of life
- 3 remaining life at inception residual value at end of life
- 4 lease term residual value at end of term

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

Answer: <https://biology-forums.com/index.php?topic=1870427>

Question 825

If the lessor records unearned rent at the inception of a lease, then the lease must:

- A) be an operating lease.
- B) be a direct financing lease.
- C) contain a bargain purchase option.
- D) be an annuity due.

Answer: <https://biology-forums.com/index.php?topic=1870407>

Question 826

Option adjustments are based on the treasury stock method.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870556>

Question 827

During the originating period of a temporary difference, pretax accounting income is defined as taxable income plus taxable amounts minus deductible amounts.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870209>

Question 828

Information for a firm making an accounting change follows:

20x0 20x1
Revenues \$1,000 \$2,500
Expenses other than depreciation and tax 600 1,100
Tax rate: 30%
Common shares outstanding entire year for both years: 100;
Retained earnings, 1/1/x0: \$6,000
The firm changes from SYD to SL depreciation in 20x1 for financial reporting purposes only.
Depreciation: Total before 20x0 20x0 20x1
SYD \$4,000 \$200 \$400
SL 3,500 100 300
Required:
(a) The 20x1 entries to record the accounting change and depreciation expense for 20x1.
(b) The comparative 20x0 and 20x1 income statements including pro forma disclosures if needed, EPS, and any disclosure footnote required.
Answer: <https://biology-forums.com/index.php?topic=1870688>

Question 829

Ryan Company borrow \$45,000 US when the exchange rate for US \$1.00 is Cdn. \$1.46. When the debt was repaid the exchange rate changes to US \$1.00 = Cdn. \$1.38. Ryan Company records the amount on the date of exchange as:
A) A foreign exchange loss of \$3,600
B) A foreign exchange gain of \$3,600
C) A foreign exchange gain of \$62,100
D) A foreign exchange loss of \$62,100
Answer: <https://biology-forums.com/index.php?topic=1869993>

Question 830

KR Corporation was involved in a lawsuit with the Government alleging inadequate air pollution control facilities at its Glowworm plant site during 1999. At December 31, 2002, it appeared probable the Government would settle for approximately \$150,000. This event should be recorded (i.e., recognized) in 2002 as a(n):
A) Loss on the lawsuit (operating expense).
B) Unusual gain.
C) Prior period adjustment.
D) Unusual loss.
E) Disclosure of contingency loss only in a note.
Answer: <https://biology-forums.com/index.php?topic=1869978>

Question 831

The section on significant accounting policies describes where deviations from GAAP have occurred.
[b][True or False?][b]
Answer: <https://biology-forums.com/index.php?topic=1870710>

Question 832

Once the market price of shares rises above the conversion price on convertible bonds, the bond ceases to trade as debt, and effectively is traded as equity.
[b][True or False?][b]
Answer: <https://biology-forums.com/index.php?topic=1870140>

Question 833

You are given the following information about DWWR Ltd.:
130,000 common shares outstanding on January 1, 20x1
12,000 shares sold on March 1, 20x1
11,000 shares sold on September 1, 20x1
4 for 1 Stock split recorded on October 1, 20x1
Net Income for the year \$2,340,000
Required:
Calculated the basic EPS.
Answer: <https://biology-forums.com/index.php?topic=1870611>

Question 834

What amount of sales is recognized by the lessor in a sales type lease when the residual value is guaranteed?

- A) market value of the asset leased
- B) cost of asset leased
- C) market value of asset leased less present value of unguaranteed residual value
- D) cost of asset leased less present value of unguaranteed residual value

Answer: <https://biology-forums.com/index.php?topic=1870417>

Question 835

Vertical analysis is a(n):

- A) Longitudinal ratio
- B) Cross sectional ratio
- C) Historical ratio
- D) Industrial ratio

Answer: <https://biology-forums.com/index.php?topic=1870737>

Question 836

Any operating or executory costs should be excluded from the calculation of the minimum lease payments.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870359>

Question 837

JMR Corporation sold a truck resulting in a capital gain of \$11,000. \$5,500 represents a:

- A) Permanent difference
- B) Temporary difference
- C) Timing difference
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=1870247>

Question 838

KER Corp. incurred a loss in 20x15 after several years of taxable income. After the carry back, KER still had losses to use up in the amount of \$357,000. The applicable tax rate was 40%. In 20x16, the tax rate goes up to 45%. Assuming that losses have not been used but it is still probable that they will be used, prepare the journal entry to set up the deferred benefit in 20x15 and any other entries applicable to the deferred benefit.

Answer: <https://biology-forums.com/index.php?topic=1870341>

Question 839

Quality 9000 International Inc., which began operations in 1996, sells 20,000 units of its product each year under the following warranty: defective units will be fixed free of charge during the calendar year of purchase and the next two calendar years. (This means it is best to buy from this company early in the year.) Only 1% of units sold have required warranty service in the past. The average cost has been \$200 per unit for servicing. Units require service only once and the likelihood of a unit requiring service is the same during each year in the warranty period. What is the balance in the warranty liability account at December 31, 1999?

Answer: <https://biology-forums.com/index.php?topic=1869995>

Question 840

The appropriate valuation of an operating lease on the balance sheet of a lessee is:

- A) the present value of the sum of the lease payments discounted at an appropriate rate.
- B) the market value of the asset at the date of the inception of the lease.
- C) the absolute sum of the lease payments.
- D) zero unless the lessee made a prepayment of rent.

Answer: <https://biology-forums.com/index.php?topic=1870377>

Question 841

How far can a tax loss be carried forward?

Answer: <https://biology-forums.com/index.php?topic=1870330>

Question 842

Assume a company had net income of \$20,000 and 8,000 common shares were outstanding the entire year. Also assume there were 2 convertible securities outstanding the entire year:

Effect of Assumed Conversion

Numerator Denominator

#1 \$8,000 6,000

#2 12,000 5,000

What is the diluted EPS?

A) \$2.50

B) \$2.40

C) \$2.11

D) \$2.00

Answer: <https://biology-forums.com/index.php?topic=1870595>

Question 843

Indicate how all amounts relating to the bonds will be shown on ABC financial statements for the year ending 31 December 20X2.

Answer: <https://biology-forums.com/index.php?topic=1870191>

Question 844

What is the most critical value or amount in a defined benefit pension plan from the point of view of the financial statement user, and is this amount generally reported in the balance sheet for most firms? Explain.

Answer: <https://biology-forums.com/index.php?topic=1870526>

Question 845

The order in which dividends are allocated to common and preferred shares depends upon the provisions in the respective stock contracts. Choose the correct statement regarding this allocation.

A) When noncumulative preferred shares are fully participating, the rate of dividends allocated to preferred shares is the ratio of total par of preferred shares outstanding to total par of both classes of shares outstanding

B) When noncumulative preferred shares are not participating, the rate of dividends to common shares are limited to the ratio of total par of common shares outstanding to total par of both classes of shares outstanding

C) When 8% cumulative preferred shares are participating to a total of 12%, any arrear dividends are ignored in the allocation since they pertain to a previous year

D) When 8% noncumulative preferred shares are participating to a total of 12%, the preferred shares must receive all arrear dividends and 12% of total preferred shares par outstanding prior to common shares receiving any dividends

Answer: <https://biology-forums.com/index.php?topic=1870071>

Question 846

Total net pension expense recognized over the life of a pension plan will be in excess of the total amount paid into the pension fund.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870486>

Question 847

A primary reason for the analysis of financial statements is identification of major changes and to provide relative relationships among dollar amounts.

[b][True or False?][b]

Answer: <https://biology-forums.com/index.php?topic=1870697>