Net income

Net Income, current assets, and retained earnings were overstated. Non-inclusion of cash used in payment of consignment will overstate the current assets—cash account was not updated prior to that transaction. The expense incurred during the acquisition of merchandise was not recorded, implying a reduced value of expenses. This will ultimately overstate the net income for Eller Co. As Net Income affects the retained earnings, an increase in net income will increase the retained earnings. In this scenario, net income has been overstated implying that the retained earnings will also be overstated. b. The machinery account. The tax value should reduce the value of the machinery. Therefore, the company should credit the value in the machinery account. Indeed, depreciation expense and tax charge have an effect on the machinery account. Financial ratios are used to analyze the company's financial performance over a given period. In the case of long-term debt, long-term debt to capitalization ratio is effectively used in the organization. It measures the company's dependency on debt financing. Accounting rules recommend that a company report its long-term debt in the statement of financial position for the benefit of stakeholders and third party users. The following information should be disclosed; Beginning and end-of-year balances Increases and decreases, presented separately The portions of each due within one year The governmental funds that typically have been used to liquidate other long-term liabilities Troubled debt can arise from two distinct situations; Restructuring (either mdification of terms or settlements) and Impairments. When the situation happens, the creditor will first recognize the loss incurred due to impairment. As such, the creditor either settles the debt or modifies the terms of the debt. In the normal scenario, the creditor will force the debtor into bankruptcy to enhance highest possible acquisition on the debt. Troubled debt should be recognized in the period of extinguishment. The gain or loss is considered an ordinary gain or loss, and it should be recorded as a separate item in net income before extraordinary items. Restructuring troubled debt will ensure that the creditor provides a concession to the debtor and records the loss as an ordinary loss. Such a scenario will only happen when the creditor perceives that the debt as impossible to recover and the debtor does not have sufficient assets to offset the debt. Asset gains and losses are the unexpected gains or losses derived from changes in the value of projected return on assets. They are recorded as asset gains and asset losses in an Unrecognized Net Gain or Loss Account. For instance, the actual return on plan assets for a company is $40, 000, when the expected return is $41120. The unexpected asset loss of $1120 is debited to the Unrecognized Net Gain or Loss and credited to the Pension Expense.

Liability gains and losses are the unexpected gains or losses derived from changes in the value of projected benefit obligation. The values are posted in Unrecognized Net Gain or Loss account. For instance, the actual benefit obligation for a company is $10000 and the expected benefit is $11250, the unexpected benefit loss of $1250 is credited to the Unrecognized Net Gain or Loss and debited to the Pension Income.

a. Capitalization enhances rreflection of value added in the project

b. Capitalization tends to show a smoother transition of reported income than expensing

c. Capitalization ensures that the value f total assets reported in the financial statement are high and, therefore, attracting potential investors

d. Capitalization also enhances display of high profitability ratio than expensing

The company cannot dispose or write-off a fully depreciated asset but instead should continue using it in the production purposes with charging any depreciation on the asset. Repair and maintenance is an everyday undertaking and the costs incurred should be treated as current expenses—deducted from the Gross profit or Income. However, replacement or overhauling of an asset are aimed at generating distinct revenue and, therefore, should be capitalized. a. A guaranteed residual value depreciates over the term of the lease. The value of the leased asset after the useful years should be deducted as the asset can be sold at the residual value or more, depending on the market conditions. a. LIFO reduces the company's taxable income

b. LIFO improves the company's matching costs with the sale receipt a. They are considered investments, as they require relatively large initial costs to acquire, install, or maintain them.

b. The benefits resulting from the initial cost occur in the future, normally over a period of years.

c. Investments, unlike other form of acquisition, are relatively irreversible.