

Introduction to financial accounting assignment

[Business](#)



Introduction to Financial Accounting ACCT6331 ??? Prior Year Suggested

Time: 90 minutes 1. When the amount of expenses recognized for the purpose of financial reporting exceeds the expenses recognized for the purpose of tax reporting, a company will have deferred tax assets. Please indicate if the above statement is true or false. a. true b. false 2. BJ Services is an oil and gas service firm. The company does not issue any preferred stocks or convertible securities. The company reports the following EPS data in its 2008 annual report (in thousands except per share data). Net income | \$609,365 |

Earnings per share: | Basic | \$2.08 | Diluted | \$2.06 | Weighted average shares outstanding: | Basic | 293,479 | | Assume the net income used to calculate diluted EPS is \$609,365, what is the number of weighted average shares outstanding ??? diluted (the denominator used in calculating diluted earnings per share) in 2008? a. 2,329 thousand b. 293,479 thousand c. 295,808 thousand d. 589,287 thousand e. None of the above 3. Companies using FIFO are required to disclose what their inventory would have been if the company had used LIFO. Please indicate if the above statement is true or false. a. true b. false 4. The 2008 financial statements of Walgreen's reported the following information (in millions). Walgreen's Co. | 2008 | 2007 | Cost of sales | \$42,391 | \$38,518 | Inventories | \$7,249 | \$6,790 | The 2008 average inventory days outstanding is: a. 53.2 days b. 60.4 days c. 62.4 days d. 71.6 days e. none of the above 5. Bartov corporation reports the following beginning inventory and inventory purchases. Beginning inventory, 2009 | 400 units @ \$12 per unit | \$4,800 | Inventory purchased during 2009 | 300

units @ \$26 per unit| \$7, 800| Cost of goods available for sale in 2009| 700 units| \$12, 600|

Assume that Bartov corporation sold 500 units during 2009. Compute the costs of goods sold (COGS) and ending inventory under LIFO (last-in, first-out) inventory costing method. a. COGS: \$10, 200; ending inventory: \$2, 400 b. COGS: \$7, 400; ending inventory: \$5, 200 c. COGS: \$9, 000; ending inventory: \$3, 600 d. COGS: \$12, 600; ending inventory: \$0 6. Walgreen uses LIFO inventory costing method. The 2008 financial statements of Walgreen's reported the following information (in millions). Walgreen's Co. | 2008| 2007| LIFO Cost of goods sold| \$42, 391| \$38, 518| LIFO Inventories| \$ 7, 249| \$ 6, 790| LIFO reserve| \$ 1, 067| \$ 969|

If Walgreen's had used the FIFO method of inventory costing, 2008 cost of goods sold (COGS) would have been: a. \$41, 324 million b. \$42, 293 million c. \$42, 489 million d. \$43, 458 million e. none of the above 7. The 2008 financial statements for BNSF Railway report the following information: Year ended December 31,| 2008| 2007| (In millions)| | Revenues| \$17, 787 | \$15, 610 | Property and equipment, net| 30, 838 | 29, 560 | Total assets| \$36, 125 | \$33, 528 | The 2008 property, plant and equipment turnover is (round to third decimal point): a. 0. 577 b. 0. 589 c. 0. 854 d. 1. 734 e. none of the above 8.

Central Supply purchased a new printer for \$60, 000. The printer is expected to operate for eight (8) years, after which it will be sold for salvage value (estimated to be \$6, 000). How much is the second year's depreciation expense if the company uses the straight-line depreciation method? a. \$15,

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000 b. \$11, 250 c. \$7, 500 d. \$6, 750 e. none of the above 9. Sloan Company owns an executive plane that originally cost \$1, 000, 000. It has recorded straight-line depreciation on the plane for 6 full years, calculated assuming an \$80, 000 expected salvage value at the end of its estimated 10-year useful life.

Sloan Company sold the plane at the end of the 6th year for \$600, 000. How much is the gain or losses from the disposition of the airplane? a. The sale results in a gain of \$152, 000 b. The sale results in a loss of \$152, 000 c. The sale results in a gain of \$200, 000 d. The sale results in a loss of \$200, 000 10. When investments are classified as available-for-sale, fair-value changes are recognized in the balance sheet as unrealized gains or losses (AOCI) that affect owners' equity. Please indicate if the above statement is true or false. a. true b. false 11.

Under the equity method accounting, the investment account is recorded at fair value but only if fair value exceeds original cost. Please indicate if the above statement is true or false. a. true b. false Answer: b, False Rationale: Fair-value accounting is not used for equity method investments. 12.

Solomar Inc. has fiscal year ending on 12/31. Solomar purchased security A on 4/20/2007 for \$450, 000. As of 12/31/2007, the fair market value of security A has increased to \$658, 000. On 5/3/2008, Solomar sold security A for \$700, 000. How much is recorded as realized gain at the time of sale if the security is classified as available-for-sale security? a. \$42, 000 b. \$208, 000 c. \$40, 500 d. \$250, 000 13. Using the information provided in question #25, how much is recorded as realized gain at the time of sale if the security is

classified as trading security? a. \$42, 000 b. \$208, 000 c. \$40, 500 d. \$250, 000

14. A company purchased available for sale securities on 1/1/2008 for \$80, 000. On 12/31/2008, the fair market value of the available for sale security increases by \$45, 000, resulting in an unrealized holding gains-AOCI of \$45, 000. How would this unrealized holding gains-AOCI affect this company's ROA for 2008? $ROA = \text{net income} / \text{average total assets}$) a. The unrealized holding gains would increase ROA b. The unrealized holding gains would decrease ROA c. There is no effect on ROA d. There is not enough information to determine

15. Blue Dog Corp. holds a 10% equity investment in Del Fuego Inc. and classifies the investment as trading security. Masterfield Inc. holds 40% of Del Fuego's stock and uses equity method to account for the investment. On April 1, 2010, Del Fuego declares and pays dividends to its stockholders. How will the dividend affect each company's net income for the year? | Blue Dog Corp. | Masterfield Inc. | a. No effect| Increase| b. | No effect| No effect| c. | Increase| No effect| d. | Increase| Increase| e. | There is not enough information to determine the effect. |

16. Berlin Corporation purchases an investment in Best Pictures, Inc. at a purchase price of \$3 million cash, representing 45% ownership of Best Pictures. Berlin accounts for the investment using equity method. During the year, Best Pictures reports net income of \$350, 000 and pays \$90, 000 of cash dividends. At the end of the year, the market value of Berlin's investment is \$3. 7 million. What is the year-end balance of Berlin Corporation's equity investment in Best Pictures? . \$3, 000, 000 b. \$3, 117, 000 c. \$3, 157, 500 d. \$3, 260, 000 e \$3, 700, 000

17. When investor company has control over investee company, GAAP requires consolidation

for financial statements issued to the public. Please indicate if the above statement is true or false. a. true b. false 18. If accrued liabilities are overestimated in the current period, the reported income in a following period will be lower than it should be. Please indicate if the above statement is true or false. a. true b. false 19. A bond selling for an amount below face value is said to be selling at a premium.

Please indicate if the above statement is true or false. a. true b. false 20. Higher credit-rated borrowers pay lower interest rates than lower credit-rated borrowers. Please indicate if the above statement is true or false. a. true b. false 21. Selected recent balance sheet and income statement information for American Eagle Outfitters follows: (in thousands) | 2008 | Year-end accounts payable | \$ 152, 068 | Average accounts payable | 154, 998 | Sales | 2, 988, 866 | Purchase on account | 1, 814, 765 | Accounts payable turnover for 2008 is (round to two decimal points): a. 11. 93 b. 19. 65 c. 11. 71 d. 19. 28 e. None of the above 2. Mayberry Gas Corp. sells \$200, 000 of bonds to private investors. The bonds are due in five years, have an 8% coupon rate, and interest is paid semi-annually. The market rate is 6%. What proceeds does Mayberry receive from the investors (round to dollar)? (notes: the present value factor for 10 payments discounted at 3% is 8. 5302; the present value factor for a single payment made at the end of 10th period discounted at 3% is 0. 7441) a. \$200, 000 b. \$217, 062 c. \$206, 000 d. \$183, 777 e. None of the above 23. When there is a repurchase and reissuance of stock, there is never any gain or loss recorded.

Please indicate if the above statement is true or false. a. True b. False 24. If a company becomes bankrupt, its preferred shareholders have preference as claimants in bankruptcy versus common shareholders. Please indicate if the above statement is true or false. a. true b. false 25. In June 2007, Spartan Motors Inc. announced a 3-for-2 stock split. On the split date, Spartan had about 21.5 million shares outstanding. After the split the number of shares outstanding was: a. 64.5 million b. 43 million c. 32.25 million d. 14.3 million e. None of the above 26. As of 2009, Connor Co. has 2000 shares of \$10 par, 5% preferred stock outstanding, and 10,000 shares of \$1 par common stock outstanding. The preferred stock is cumulative and preferred stockholders last received a dividend in 2006. If the company wants to distribute \$2 per share to the common stockholders in 2009, what is the total amount of dividends that the company must pay in 2009? a. \$1,000 b. \$3,000 c. \$20,000 d. \$23,000 e. None of the above 27. Samuel Dive Equipment Co. announces a large stock dividend of 73% of the 1.2 million outstanding shares of common stock. The current price per share is \$7.89.

Par value of the stock is \$.01 per share. What effect does this dividend have on retained earnings? a. \$8,760 b. \$12,000 c. \$9,468,000 d. \$6,911,640 e. None of the above 28. Operating leases appear as liabilities on the lessee's balance sheet. Please indicate if the above statement is true or false. a. true b. false 29. GAAP permits companies to report net pension expense based on actual investment returns of pension investments. Please indicate if the above statement is true or false. a. true b. false 30. Net pension expense includes which of the following? a. Service cost b. Interest cost c.

Expected return on pension plan assets d. Amortization of deferred amount
e. All of the above

31. Food Barn wants to acquire an equipment that has a three-year life (with no salvage value) and a purchase price of \$60,000. Assume that Food Barn must pay 8% per year to borrow funds for three years. The seller will sell the equipment to Food Barn for \$60,000 or lease it for three years for \$23,281.98 per year, payable at the end of each year. Food Barn signs the lease on January 1, 2008. If Food Barn accounts for the lease as a capital lease, what is the balance of the lease liability on January 1, 2009? The PV factor for a three-period ordinary annuity at 8% is 2.5771. (\$23,281.98 * 2.5771 + \$60,000) a. \$41,518.02 b. \$36,718.02 c. \$46,563.96 d. \$40,000

32. Systems Corp reported the following information in its 2008 annual report (in millions). What were the pension plan assets at the end of the year? Plans' assets at fair value, January 1, 2008 | \$6,553 | Actual return on plans assets | 681 | Company contributions | 415 | Benefits paid | 570 | Expected return on plan assets | 659 | a. \$7,079 million b. \$7,057 million c. \$6,249 million d. \$6,227 million e. None of the above