

Berkshire hathaway

Finance



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Berkshire Hathaway (Affiliation) Q The dividend is correct. Berkshire will treat transactions as a proportionate redemption making the percentage equity or dividends that is desired to be maintained before the transaction. For Investment Company, proportionate dividends will be taxed as dividends by applying effective interoperate dividend tax rate. Position of the investor is correct since it is much predictable.

Q. 2

It was a good decision that Peat Marwick demanded capital gain for Berkshire Hathaway. The capital gain tends to increase the overall benefits to the company as a whole. Additionally, equity interest in Berkshire would have made the demands made not appropriate.

Q. 3

Warren Buffett did not overreact in firing Peat Marwick. There was no time that could be given to Peat Marwick to correct the mistakes that were made in their accounts. From the quotes, Berkshire there was no sense in accounting books of Peat Marwick

Q. 4

GAAP is a precise set of concepts. Concepts of precise standards of accounting should be maintained since flexibilities will lead to a violation of rules needed in accounting.

Q. 5

Reverse in 1984 annual report was done to treat sales of stock not as a dividend distribution. The auditors have considered the potential for future transactions in their decision as they compared the reports with those in 1983.

Q. 6

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There were many necessities in restating 1983 financial statement to be much considered in 1984. The treatment with proportionate stock redemption enables correction of errors that occurred in previous instances.

Q. 7

There would be no difference in a dispute that would come about.

Accounting principles are needed in making estimates in accounts. Lack of policies does not bring clear views.

Q. 8

Handling of the issue would not have been different in today's context since accounting has not much changed from the time the corrections were made. Principles of accounting used are still recently used.

Reference

Konsti-Laakso, and Kraus, S. (2012). Accounting systems. Principles of accounting, 21(1), pp. 93-105.