

### Question #1 of 42

Question ID: 1457404

Earlier this year, Slayton Corporation repurchased 5% of its total shares outstanding. At the time, the book value of Slayton shares exceeded their market value. The shares are expected to be reissued in the future when the market price of Slayton's stock increases. Do Slayton's repurchased shares continue to have voting rights and to pay cash dividends?

	<u>Voting rights</u>	<u>Cash dividends</u> <u>paid</u>
A) No	No	
B) No	Yes	
C) Yes	No	

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### Question #2 of 42

Question ID: 1457390

One of a firm's assets is 270-day commercial paper that the firm intends to hold to maturity. One of its liabilities is a short position in a common stock, which the firm holds for trading purposes. How should this asset and this liability be classified on the firm's balance sheet?

- A) Both should be classified as current.
  - B) Both should be classified as non-current.
  - C) One should be classified as current and one should be classified as non-current.
- 

### Question #3 of 42

Question ID: 1457392

What is the appropriate measurement basis for equipment used in the manufacturing process?

- A) Lower of cost or net realizable value.
- B) Fair value.

C) Historical cost.

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#### Question #4 of 42

Question ID: 1457381

Duster Company reported the following financial information at the end of 2007:

	<i>in millions</i>
Unearned revenue	\$240
Common stock at par	30
Capital in excess of par	440
Accounts payable	1,150
Treasury stock	2,000
Retained earnings	5,160
Accrued expenses	830
Accumulated other comprehensive loss	210
Long-term debt	1,570

Calculate Duster's liabilities and stockholders' equity as of December 31, 2007.

<u>Liabilities</u>	<u>Stockholders'</u> <u>equity</u>
A) \$3,550 million	\$7,840 million
B) \$3,790 million	\$3,420 million
C) \$3,790 million	\$7,420 million

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#### Question #5 of 42

Question ID: 1457386

Liquidity-based presentation of a balance sheet is *most likely* to be used by a:

A) bank.

**B)** manufacturer.

**C)** retailer.

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**Question #6 of 42**

Question ID: 1457387

Which of the following statements about a classified balance sheet is *least likely* accurate? A classified balance sheet:

**A)** distinguishes between current and noncurrent assets.

**B)** groups accounts by subcategories.

**C)** presents the net equity of each asset by subtracting its related liability.

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**Question #7 of 42**

Question ID: 1457410

Balance sheet data for two comparable firms are presented below:

	Amplus, Inc.	Brevis, Inc.
Cash and equivalents	3,800	500
Accounts receivable	2,400	700
Inventories	5,800	1,100
Current assets	12,000	2,300
Land	400	100
Property, plant and equipment	24,600	6,400
Noncurrent assets	25,000	6,500
<b>Total assets</b>	<b>37,000</b>	<b>8,800</b>
Accounts payable	1,800	400
Unearned revenue	600	100
Current liabilities	2,400	500
Long-term borrowing	9,600	3,300
Total liabilities	12,000	3,800
Common stock	1,500	300
Retained earnings	23,500	4,700
Total equity	25,000	5,000
<b>Total liabilities and equity</b>	<b>37,000</b>	<b>8,800</b>

Based on common-size analysis of the two firms' balance sheets, Amplus Company:

- A)** has a greater investment in working capital than Brevis Company.
- B)** is more financially leveraged than Brevis Company.
- C)** uses relatively more fixed assets than Brevis Company.

Current assets that arise from the accrual process *most likely* include:

- A) marketable securities.
  - B) cash equivalents.
  - C) accounts receivable.
- 

### Question #9 of 42

Question ID: 1457398

According to International Financial Reporting Standards, how do cash dividends received from trading securities and financial securities measured at fair value through OCI affect net income?

<u>Trading securities</u>	<u>Fair value through OCI</u>
A) Increase	Increase
B) Increase	No effect
C) No effect	Increase

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### Question #10 of 42

Question ID: 1457409

Which of the following transactions is *most likely* to be recognized on a firm's statement of changes in equity?

- A) Buying a machine from an equipment dealer.
  - B) Declaring a dividend on common shares.
  - C) Investing cash in an exchange-traded fund.
- 

### Question #11 of 42

Question ID: 1462817

A classified balance sheet categorizes assets and liabilities based on whether they are:

- A) internally generated or acquired.
- B) current or non-current items.

C) measured at cost or fair value.

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### Question #12 of 42

Question ID: 1457383

A key limitation of balance sheets in financial analysis is that:

- A) different balance sheet items may be measured differently.
  - B) liquidity and solvency ratios require information from other financial statements.
  - C) some items are recognized when they are unlikely to reflect a flow of economic benefits.
- 

### Question #13 of 42

Question ID: 1457405

Ascot Corporation has 4 million shares of common stock authorized, 2.4 million shares of common stock issued, and 1.8 million shares of common stock outstanding. How many shares of treasury stock does Ascot own and is the treasury stock reported as an asset in Ascot's balance sheet?

<u>Treasury shares</u>	<u>Reported as an asset</u>
------------------------	-----------------------------

- |                |     |
|----------------|-----|
| A) 600,000     | Yes |
| B) 1.6 million | Yes |
| C) 600,000     | No  |
- 

### Question #14 of 42

Question ID: 1457380

Galaxy Corporation manufactures custom motorcycles. Galaxy finances the motorcycles over 36 months for customers who make a minimum down payment of 10%. Historically, Galaxy has experienced bad debt losses equal to 1% of sales. Galaxy also provides a 24 month unlimited warranty on all new motorcycles. In the past, warranty expense has averaged 3% of sales. Ignoring taxes, how does the recognition of bad debt expense and warranty expense at the time of sale affect Galaxy's liabilities?

<u>Bad debt expense</u>	<u>Warranty expense</u>
-------------------------	-------------------------

- |                     |           |
|---------------------|-----------|
| <b>A)</b> No effect | Increase  |
| <b>B)</b> No effect | No effect |
| <b>C)</b> Increase  | No effect |
- 

### Question #15 of 42

Question ID: 1457411

Common size balance sheets express all balance sheet items as a percentage of:

- A)** assets.
  - B)** sales.
  - C)** equity.
- 

### Question #16 of 42

Question ID: 1457414

An analyst has gathered the following information about a company:

### Balance Sheet

#### *Assets*

Cash	100
Accounts Receivable	750
Marketable Securities	300
Inventory	850
Property, Plant & Equip	900
Accumulated Depreciation	<u>(150)</u>
Total Assets	2750

#### *Liabilities and Equity*

Accounts Payable	300
Short-Term Debt	130
Long-Term Debt	700
Common Stock	1000
Retained Earnings	<u>620</u>
Total Liab. and Stockholder's equity	2750

### Income Statement

Sales	1500
COGS	<u>1100</u>
Gross Profit	400
SG&A	150
Operating Profit	250
Interest Expense	25
Taxes	<u>75</u>
Net Income	150

What is the quick ratio?

**A)** 0.62.



**B)** 1.53.

**C)** 2.67.

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### Question #17 of 42

Question ID: 1457379

Which of the following characteristics are required for recognition of a balance sheet asset?

Characteristic #1: Future economic benefits to the firm are probable.

Characteristic #2: The asset is tangible and is obtained at a cost.

	<u>Characteristic #1</u>	<u>Characteristic #2</u>
<b>A)</b> No	No	
<b>B)</b> Yes	No	
<b>C)</b> No	Yes	

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### Question #18 of 42

Question ID: 1457382

The balance sheet is *most likely* to provide an analyst with information about a firm's:

- A)** solvency.
  - B)** operating profitability.
  - C)** investing and financing activities.
- 

### Question #19 of 42

Question ID: 1457396

A company that reports under IFRS has developed a new product which required research costs of \$2 million and development costs of \$3 million. The maximum amount the company can record as the value of the new product on its balance sheet is:

- A)** \$5 million.
- B)** zero.

C) \$3 million.

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### Question #20 of 42

Question ID: 1457399

Earlier this year, Ponca Corporation purchased non-dividend paying equity securities which it classified as trading securities. Information related to the securities follows:

Security	Cost	Fair value at year-end
X	\$400,000	\$435,000
Y	\$550,000	\$545,000

What amounts should Ponca report in its year-end income statement and balance sheet as a result of its investment in securities X and Y?

Income Statement

Balance Sheet

- A) \$30,000 unrealized gain      \$950,000
- B) \$30,000 unrealized gain      \$980,000
- C) No gain or loss                \$980,000
- 

### Question #21 of 42

Question ID: 1457408

The statement of changes in equity is *least likely* to provide information on the firm's:

- A) comprehensive income.
- B) repayment of bond principal.
- C) payment of dividends.
- 

### Question #22 of 42

Question ID: 1482630

The average number of days that it takes to turn raw materials into cash proceeds is a firm's:

- A)** inventory turnover cycle.
  - B)** receivables cycle.
  - C)** operating cycle.
- 

### Question #23 of 42

Question ID: 1457407

Consider the following statements.

Statement #1: Par value is a nominal dollar value assigned to shares of stock in a corporation's charter.

Statement #2: The par value of common stock represents the amount the corporation received when the stock was issued.

With respect to these statements:

- A)** both statements are correct.
  - B)** only statement #1 is correct.
  - C)** only statement #2 is correct.
- 

### Question #24 of 42

Question ID: 1457416

The following data is from Delta's common size financial statement:

Earnings after taxes	18%
Equity	40%
Current assets	60%
Current liabilities	30%
Sales	\$300
Total assets	\$1,400

What is Delta's total-liabilities-to-equity ratio?

- A)** 1.0.
- B)** 1.5.

C) 2.0.

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### Question #25 of 42

Question ID: 1457412

Selected balance sheet data for Parker Company are as follows:

Current assets	3,000
Long-lived assets	7,000
Total assets	10,000
Current liabilities	2,000
Long-term liabilities	4,000
Total liabilities	6,000
Shareholders' equity	4,000

On a common-size balance sheet, Parker's current liabilities would be stated as:

- A) 33%.
  - B) 20%.
  - C) 67%.
- 

### Question #26 of 42

Question ID: 1462821

For which of the following balance sheet items is a change in market value *most likely* to affect net income?

- A) Debt securities that the firm intends to hold until maturity.
  - B) Equity securities purchased by the firm.
  - C) Debt securities issued by the firm.
- 

### Question #27 of 42

Question ID: 1457406

Carpenter Corporation reported the following statement of shareholders' equity as of December 31, 2006:

Common stock at par	\$600,000
Additional paid-in-capital	900,000
Treasury stock	(200,000)
Retained earnings	10,500,000
Accumulated other comprehensive income	<u>450,000</u>
	\$12,250,000

During 2007, Carpenter:

- earned net income of \$1,700,000.
- declared dividends of \$300,000. \$75,000 of the dividends remain unpaid.
- purchased held-to-maturity securities for \$100,000. The securities have a fair value of \$110,000 at year-end.
- purchased available-for-sale securities for \$250,000. The securities have a fair value of \$225,000 at year-end.
- translated the financial statements of a foreign subsidiary and calculated a \$90,000 unrealized gain.
- purchased treasury stock for \$75,000. The stock was valued at \$60,000 when issued.

Calculate Carpenter's accumulated other comprehensive income as of December 31, 2007.

- A)** \$515,000.
- B)** \$440,000.
- C)** \$65,000.

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### Question #28 of 42

Question ID: 1457385

A liquidity-based balance sheet, on which assets and liabilities are not classified as current or non-current, is permitted under:

- A)** Both IFRS and U.S. GAAP.
  - B)** IFRS only.
  - C)** U.S. GAAP only.
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**Question #29 of 42**

Question ID: 1457413

A segment of a common-size balance sheet for Olsen Company in its most recent year shows the following data:

Common stock	1%
Additional paid-in capital	19%
Preferred stock	15%

How should an analyst most appropriately interpret these data?

- A)** Preferred stock is 15% of shareholders' equity.
  - B)** Shareholders' equity is 35% of total assets.
  - C)** Proceeds from the issuance of common stock are 20% of total assets.
- 

**Question #30 of 42**

Question ID: 1462818

Under U.S. GAAP, land owned by the firm is *most likely* to be reported on the balance sheet at:

- A)** fair market value minus selling costs.
  - B)** historical cost.
  - C)** historical cost less accumulated depreciation.
- 

**Question #31 of 42**

Question ID: 1462820

Under IFRS, firms may report an investment in the equity securities of other companies at fair value through:

- A)** profit and loss only.
  - B)** other comprehensive income only.
  - C)** either profit and loss, or other comprehensive income.
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**Question #32 of 42**

Question ID: 1457377

Resources controlled as a result of past transactions that are expected to provide future benefits are referred to as:

- A) equity.
  - B) assets.
  - C) liabilities.
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**Question #33 of 42**

Question ID: 1457388

Which of the following firms is *most likely* to present a liquidity-based balance sheet rather than a classified balance sheet?

- A) Manufacturing firm.
  - B) Chain of retail stores.
  - C) Banking institution.
- 

**Question #34 of 42**

Question ID: 1457384

A firm's balance sheet prepared under IFRS is *least likely* to include:

- A) market value of the firm's equity.
  - B) fair value of firm PPE.
  - C) market value of inventory.
- 

**Question #35 of 42**

Question ID: 1457378

Two of the elements of a balance sheet are:

- A) assets and equity.

- B)** income and liabilities.
  - C)** equity and cash flows.
- 

### Question #36 of 42

Question ID: 1457376

Liabilities are *best* described as:

- A)** resources that are expected to provide future benefits.
  - B)** residual ownership interest in an entity's assets.
  - C)** obligations that are expected to require a future outflow of resources.
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### Question #37 of 42

Question ID: 1457397

The *most appropriate* measurement base for unimpaired goodwill is:

- A)** fair value.
  - B)** amortized cost.
  - C)** historical cost.
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### Question #38 of 42

Question ID: 1462819

A U.S. GAAP reporting company invests \$50 million in a bond portfolio yielding 4% with an average maturity of seven years. After one year, interest rates have fallen by 50 basis points. The company will report the highest retained earnings if the securities in the portfolio are classified as:

- A)** held-to-maturity.
  - B)** available-for-sale.
  - C)** trading securities.
-





Given the following income statement and balance sheet for a company:

Balance Sheet		
<i>Assets</i>	<i>Year 2003</i>	<i>Year 2004</i>
Cash	500	450
Accounts Receivable	600	660
Inventory	<u>500</u>	<u>550</u>
<i>Total CA</i>	1600	1660
Plant, prop. equip	<u>1000</u>	<u>1250</u>
<i>Total Assets</i>	2600	2910
<i>Liabilities</i>		
Accounts Payable	500	550
Long term debt	<u>700</u>	<u>1002</u>
<i>Total liabilities</i>	1200	1552
<i>Equity</i>		
Common Stock	400	538
Retained Earnings	<u>1000</u>	<u>820</u>
<i>Total Liabilities &amp; Equity</i>	2600	2910

Income Statement	
Sales	3000
Cost of Goods Sold	( <u>1000</u> )
Gross Profit	2000
SG&A	(500)
Interest Expense	( <u>151</u> )
EBT	1349
Taxes (30%)	( <u>405</u> )
Net Income	944

What is the current ratio for 2004?

- A) 0.331.
  - B) 2.018.
  - C) 3.018.
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### Question #40 of 42

Question ID: 1457395

GTO Corporation purchased all of the common stock of Charger Company for \$4 million. At the time, Charger reported total assets of \$3 million and total liabilities of \$1 million. At the acquisition date, the fair value of Charger's assets was \$3.5 million and the fair value of Charger's liabilities was \$1.3 million. What amount of goodwill should GTO report as a result of the acquisition and is it necessary for GTO to amortize the goodwill?

- |                  | <u>Goodwill</u> | <u>Amortization<br/>required</u> |
|------------------|-----------------|----------------------------------|
| A) \$1.8 million | No              |                                  |
| B) \$1.8 million | Yes             |                                  |
| C) \$2.2 million | No              |                                  |
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### Question #41 of 42

Question ID: 1457394

Consider the following:

Statement #1 – Copyrights and patents are tangible assets that can be separately identified.

Statement #2 – Purchased copyrights and patents are amortized on a straight line basis over 30 years.

With respect to the statements about copyrights and patents acquired from an independent third party:

- A) both are incorrect.
- B) only statement #1 is incorrect.
- C) only statement #2 is incorrect.

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**Question #42 of 42**

Question ID: 1457400

At the beginning of the year, Alpha Corporation, which reports under U.S. GAAP, purchased 10,000 shares of Beta Corporation for \$20 per share. During the year, Beta paid a \$2,000 cash dividend to Alpha. At the end of the year, Beta's stock was selling for \$22 per share. What amount should Alpha recognize in its year-end income statement if the investment is treated as an available-for-sale security and what amount should be recognized in the income statement if the investment is treated as a trading security?

	<u>Available-for-sale</u>	<u>Trading security</u>
<b>A)</b>	\$0	\$22,000
<b>B)</b>	\$2,000	\$22,000
<b>C)</b>	\$0	\$20,000