Question #1 of 94

Question ID: 1457696

For balance sheet purposes, inventories based on:

A) FIFO are preferable to those based on LIFO, as they more closely reflect current costs.

B) LIFO are preferable to those based on average cost, as they more closely reflect the current costs.

C) LIFO are preferable to those based on FIFO, as they more closely reflect the current costs.

Question #2 of 94

Question ID: 1457689

Which of the following ratio levels would suggest that a company is holding obsolete inventory?

A) Low number of days in inventory.

B) Low inventory value compared to cost of goods sold.

C) Low inventory turnover ratio.

Question #3 of 94

Question ID: 1457609

Costs that are included in the balance sheet value of inventory *most likely* include:

A) Administrative overhead.

B) Manufacturing overhead.

C) Selling costs.

Question #4 of 94

Question ID: 1457699

From an analyst's point of view, which accounting methods are preferable for income statements and balance sheets?

A) First in, first out (FIFO) for both income statements and balance sheets.

B) Last in, first out (LIFO) for income statements and first in, first out (FIFO) for the balance sheet.

C) Last in, first out (LIFO) for the balance sheet and first in, first out (FIFO) for the income statement.

Question #5 of 94

Question ID: 1457622

The exhibit below provides relevant data and financial statement information about Acme's inventory purchases and sales of inventory for the last year.

	Units	Unit Price
Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

The value of the ending inventory level in dollars using the last-in-first-out (LIFO) method is:

A) $6,160.

B) $3,015.

C) $4,824.

Question #6 of 94

Question ID: 1457674

Judah Inc. prepares its financial statements under IFRS. On December 31, 20X8, Judah has inventory of manufactured goods with a cost of $720,000. The estimated selling cost of that inventory is $50,000 and its market value is $740,000. By January 31, 20X9, none of the inventory has been sold but its market value has increased to $810,000. Selling costs remain the same. Which of the following entries is *most likely* permissible under IFRS?

A) Make no adjustments to the valuation of inventory on either date.

B) Write down inventory by $30,000 on December 31, 20X8 and write up inventory by $30,000 on January 31, 20X9.

C) Write down inventory by $30,000 on December 31, 20X8 and write up inventory by $70,000 on January 31, 20X9.

Question #7 of 94

Question ID: 1457611

In an environment of increasing prices, the last-in first-out (LIFO) inventory cost method results in:

A) cost of sales below current cost and inventory above replacement cost.

B) cost of sales near current cost and inventory below replacement cost.

C) inventory near replacement cost and cost of sales below current cost.

Question #8 of 94

Question ID: 1457681

A U.S. GAAP firm writes down inventory to net realizable value. In the period of the writedown, what is the *most likely* effect on cost of goods sold?

A) Decrease.

B) Increase.

C) No effect.

Question #9 of 94

Question ID: 1457616

Given the following data on a firm's inventory, purchases, and sales:

	Units	Unit Price
Beginning Inventory	559	$1.00
Purchases	785	$5.00
Sales	848	$15.00

Cost of goods sold using the weighted average cost method is *closest* to:

A) $3,990.

B) $2,000.

C) $2,830.

Question #10 of 94

Question ID: 1457700

During periods of rising prices:

A) LIFO COGS < Weighted Average COGS < FIFO COGS.

B) LIFO COGS > Weighted Average COGS > FIFO COGS.

C) LIFO COGS > Weighted Average COGS < FIFO COGS.

Question #11 of 94

Question ID: 1457678

The effect of an inventory writedown on a firm's return on assets (ROA) is *most accurately* described as:

A) higher ROA in the current period and lower ROA in later periods.

B) lower ROA in the current period and higher ROA in later periods.

C) lower ROA in the current period and no effect on ROA in later periods.

Question #12 of 94

Question ID: 1457665

Orchard Supply Company uses LIFO inventory valuation. Orchard had a cost of goods sold of $1 million for the most recent year. Inventory was $500,000 at the beginning of the year and $600,000 at the end of the year. Orchard Supply's LIFO reserve was $100,000 at the beginning of the year and $200,000 at the end of the year. What is Orchard Supply's cost of goods sold using FIFO inventory valuation?

A) $900,000.

B) $1.1 million.

C) $800,000.

Question #13 of 94

Question ID: 1457652

For a firm that uses the LIFO inventory cost method, a LIFO liquidation occurs if:

A) sales decrease during a reporting period.

B) inventory quantity decreases during a reporting period.

C) the firm changes to a different inventory cost method.

Question #14 of 94

Question ID: 1457687

Which of the following circumstances is *most likely* indicative of an increase in a company's future earnings?

A) Finished goods inventory increasing faster than sales.

B) Finished goods inventory increasing faster than work-in-process inventory.

C) Work-in-process inventory increasing faster than finished goods inventory.

Question #15 of 94

Question ID: 1457618

Given the following data for a firm:

	Units	Unit Price
Beginning Inventory	709	$2.00
Purchases	556	$6.00
Sales	959	$13.00
SGA Expenses	$2,649 per annum	

Cost of goods sold using the average cost method and using the first in first out (FIFO) method are *closest to*:

	Average cost	FIFO
A)	$3,600	$2,900
B)	$3,600	$3,400
C)	$4,150	$3,400

Question #16 of 94

Question ID: 1457680

The *most likely* effect of a write-down of inventory to net realizable on a firm's total asset turnover is:

A) a decrease.

B) an increase.

C) no change.

Question #17 of 94

Question ID: 1457637

If prices are increasing, the weighted average cost method *most likely* results in inventory values that are higher than the inventory values using:

A) first-in first-out (FIFO).

B) last-in first-out (LIFO).

C) specific identification.

Question #18 of 94

Question ID: 1457623

	Units	Unit Price
Beginning Inventory	709	$2.00
Purchases	556	$6.00
Sales	959	$13.00

What is gross profit using the FIFO inventory cost method?

A) $8,862.

B) $8,325.

C) $9,549.

Question #19 of 94

Question ID: 1457615

	Units	Unit Price
Beginning Inventory	709	$2.00
Purchases	556	$6.00
Sales	959	$13.00
Sales Expenses	$2,649 per annum	

Ignoring taxes, what is profit using the weighted average method?

A) $6,027.56.

B) $5,676.00.

C) $6,213.98.

Question #20 of 94

Question ID: 1457649

If all else holds constant in periods of rising prices and inventory levels:

A) LIFO firms have higher gross profit margins than FIFO firms.

B) FIFO firms will have greater stockholder's equity than LIFO firms.

C) FIFO firms have higher debt to equity ratios than LIFO firms.

Question #21 of 94

Question ID: 1457628

Given the following data what is the ending inventory value using the LIFO method, assuming a periodic inventory system?

Purchases	Sales
50 units at $50/unit	25 units at $55/unit
60 units at $45/unit	30 units at $50/unit
70 units at $40/unit	45 units at $45/unit

A) $3,250.

B) $3,200.

C) $3,850.

Question #22 of 94

Question ID: 1457672

A firm determines that inventory of manufactured goods with a cost of €10 million has a net realizable value of €9 million and writes down its carrying value to this amount. One period later, the firm determines that the net realizable value of this inventory has increased to €11 million. Under IFRS, the carrying value of this inventory:

A) must remain valued at €9 million.

B) may be revalued up to €10 million.

C) may be revalued up to €11 million.

Question #23 of 94

Question ID: 1457644

Question #23 of 94

Question ID: 1457644

If prices are decreasing, the *best* estimates of inventory and cost of goods sold from an analyst's point of view are provided by:

A) LIFO inventory and FIFO cost of goods sold.

B) FIFO inventory and FIFO cost of goods sold.

C) FIFO inventory and LIFO cost of goods sold.

Question #24 of 94

Question ID: 1457612

Under the first-in-first-out (FIFO) inventory valuation method, ending inventory reflects the costs of the:

A) earliest purchases.

B) most recent purchases.

C) specific units available for sale.

Question #25 of 94

Question ID: 1457617

Given the following data on a firm's inventory, purchases, and sales:

	Units	Unit Price
Beginning Inventory	1,059	$1.00
Purchases	785	$5.00
Sales	848	$15.00

Ending inventory using the first in, first out (FIFO) method is:

A) $996.

B) $2,692.

C) $4,136.

Question #26 of 94

Question ID: 1457664

MJ Inc. reported cost of goods sold of $80,000 for the year under the LIFO inventory valuation method. MJ had a beginning LIFO reserve of $8,000 and an ending LIFO reserve of $11,000. Cost of goods sold under the FIFO inventory valuation method is:

A) $83,000.

B) $91,000.

C) $77,000.

Question #27 of 94

Question ID: 1457650

Snow Blower Industries operates in an increasing price environment and uses the FIFO method for inventory reporting. Compared to the weighted average cost method, Snow Blower's use of the FIFO method will *most likely* decrease:

A) ending inventory.

B) cost of goods sold.

C) net income.

Question #28 of 94

Question ID: 1457645

During periods of rising prices, which of the following is *most likely* to occur?

A) LIFO cost of sales > FIFO cost of sales, therefore LIFO net income < FIFO net income.

B) LIFO cost of sales > FIFO cost of sales, therefore LIFO net income > FIFO net income.

C) LIFO cost of sales < FIFO cost of sales, therefore LIFO net income < FIFO net income.

Question #29 of 94

Question ID: 1457694

Selected financial data from Krandall, Inc.'s balance sheet for the year ended December 31 was as follows (in $):

Cash	$1,100,000	Accounts Payable	$400,000
Accounts Receivable	300,000	Deferred Tax Liability	700,000
Inventory	2,400,000	Long-term Debt	8,200,000
Property, Plant & Eq.	8,000,000	Common Stock	1,000,000
Total Assets	11,800,000	Retained Earnings	1,500,000
		Total Liabilities & Equity	11,800,000
LIFO Reserve at Jan. 1	600,000		
LIFO Reserve at Dec. 31	900,000		

Krandall uses the last in, first out (LIFO) inventory cost flow assumption. The tax rate is 40%. If Krandall used first in, first out (FIFO) instead of LIFO and paid any additional tax due, its assets-to-equity ratio would be *closest* to:

A) 4.06.

B) 3.73.

C) 4.18.

Question #30 of 94

Question ID: 1457666

Given the following inventory information about the Buckner Company:

- Year-end LIFO inventory of $6,500.
- Year-end LIFO reserve of $2,500.
- The previous year's LIFO reserve was $2,000.
- The current year's LIFO cost of goods sold (COGS) is $15,000.
- After-tax income is $1,600.

How much higher would the firm's retained earnings be on a FIFO basis if the firm's tax rate is 40%?

A) $1,500.

B) $1,800.

C) $2,100.

Question #31 of 94

Question ID: 1457660

An analyst is comparing a company that uses the LIFO inventory cost method to companies that use FIFO for inventories. The analyst should adjust the LIFO firm's inventories by adding the:

A) LIFO reserve, net of tax.

B) LIFO reserve.

C) change in the LIFO reserve.

Question #32 of 94

Question ID: 1457607

Diabelli Inc. is a manufacturing company that is operating at normal capacity levels. Which of the following inventory costs is *most likely* to be recognized as an expense on Diabelli's financial statements when the inventory is sold?

A) Administrative overhead.

B) Selling cost.

C) Allocation of fixed production overhead.

Question #33 of 94

Question ID: 1457621

The exhibit below provides relevant data and financial statement information about Acme's inventory purchases and sales of inventory for the last year.

	Units	Unit Price
Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

The cost of goods sold using the average cost method is *closest* to:

A) $6,160.

B) $4,130.

C) $5,250.

Question #34 of 94

Question ID: 1457651

In an increasing price environment, what effect does a LIFO liquidation have on a firm's gross profit?

A) Increase.

B) Decrease.

C) No effect.

Question #35 of 94

Question ID: 1457646

In periods of decreasing prices, which of the following statements is *most accurate*? Compared to FIFO, LIFO results in:

A) lower COGS, lower taxes and higher net income.

B) higher inventory balances and higher working capital.

C) higher inventory balances and lower working capital.

Question #36 of 94

Question ID: 1462839

Selected inventory information for the current year for Flemming Parts Company is as follows:

Beginning inventory:	Jan 1	350 units @ $43
Purchases:	March 20	120 units @ $45
	July 18	150 units @ $48
	October 22	200 units @ $51
Sales:	February 22	215 units @ $85
	April 15	90 units @ $85
	September 8	120 units @ $85

If Flemming reports using LIFO and a perpetual inventory system, its cost of goods sold for the year is:

A) $15,350.

B) $17,075.

C) $19,055.

Question #37 of 94

Question ID: 1457643

If prices and inventory quantities are increasing, the last-in first-out (LIFO) inventory cost method results in:

A) higher inventory compared to first-in first-out.

B) lower cost of goods sold compared to first-in first-out.

C) lower gross profit compared to first-in first-out.

Question #38 of 94

Question ID: 1457669

The year-end financial statements for a firm using LIFO inventory accounting show an inventory level of $5,000, cost of goods sold of $16,000, and inventory purchases of $14,500. If the LIFO reserve is $4,000 at year-end and was $1,500 at the beginning of the year, what would the cost of goods sold have been using FIFO inventory accounting?

A) $12,000.

B) $13,500.

C) $18,500.

Question #39 of 94

Question ID: 1457671

Using the lower of cost or market principle under U.S. GAAP, if the market value of inventory falls below its historical cost, the minimum value at which the inventory can be reported in the financial statements is the:

A) market price minus selling costs minus normal profit margin.

B) net realizable value.

C) net realizable value minus selling costs.

Question #40 of 94

Question ID: 1457640

Assuming inventory levels remain constant during the year and prices have been stable over time, COGS would be:

A) higher under LIFO than FIFO or average cost.

B) higher under the average cost than LIFO or FIFO.

C) the same for both LIFO and FIFO.

Question #41 of 94

Question ID: 1462841

Victor Electronics, a manufacturer of electronic components, reports inventory using the FIFO costing method. In the prior period, Victor wrote its inventory down from cost of $2 million to its net realizable value of $1 million. During the current period, net realizable value increased to $4 million because of a shortage of computer chips. For the current period, Victor would *most appropriately* report an inventory value of:

A) $2 million under both IFRS or U.S. GAAP.

B) $2 million under IFRS and $1 million under U.S. GAAP.

C) $2 million under U.S. GAAP and $4 million under IFRS.

Question #42 of 94

Question ID: 1457661

An analyst is comparing a company that uses the LIFO inventory cost method to companies that use FIFO for inventories. The analyst should adjust the LIFO firm's cost of goods sold by subtracting the:

A) change in the LIFO reserve.

B) LIFO reserve, net of tax.

C) LIFO reserve.

Question #43 of 94

Question ID: 1457620

The exhibit below provides Acme's inventory, purchases, and sales for the last period.

	Units	Unit Price
Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

Ending inventory using the FIFO method is:

A) $4,824.

B) $4,582.

C) $6,160.

Question #44 of 94

Question ID: 1457636

In a decreasing price environment, the first-in first-out (FIFO) inventory cost method results in:

A) higher inventory compared to last-in first-out.

B) lower cost of goods sold compared to last-in first-out.

C) lower gross profit compared to last-in first-out.

Question #45 of 94

Question ID: 1457682

Which of the following statements about inventory presentation and disclosures is *most* accurate?

A) An analyst must determine which inventory cost method was used by examining the firm's current and historical inventory values.

B) Changing from FIFO to LIFO is a change in accounting principle that must be applied retrospectively.

C) IFRS permits reversals of inventory writedowns but the firm must disclose the circumstances of the reversal in its financial statements.

Question #46 of 94

Question ID: 1457614

Given the following inventory data about a firm:

- Beginning inventory 20 units at $50/unit
- Purchased 10 units at $45/unit
- Purchased 35 units at $55/unit
- Purchased 20 units at $65/unit
- Sold 60 units at $80/unit

What is the inventory value at the end of the period using LIFO?

A) $1,225.

B) $3,450.

C) $1,575.

Question #47 of 94

Question ID: 1457676

A company purchased inventory on January 1, 20X2, for $600,000. On December 31, 20X2, the inventory had a net realizable value (NRV) of $550,000 and a replacement cost of $525,000, which is also the NRV less the normal profit margin. What would be the carrying value of the inventory on the company's December 31, 20X2, balance sheet using:

	lower of cost or NRV?:	lower of cost or market?
A)	$525,000;	$525,000
B)	$525,000;	$550,000
C)	$550,000;	$525,000

Question #48 of 94

Question ID: 1457659

In an increasing price environment, an analyst who wants to consider tax effects when converting a LIFO firm's balance sheet to a FIFO basis is *most likely* to decrease the LIFO firm's:

A) cash.

B) inventories.

C) retained earnings.

Question #49 of 94

Question ID: 1457685

Under which financial reporting standards is a firm required to discuss the circumstances when reversing an inventory writedown?

A) Neither IFRS nor U.S. GAAP.

B) IFRS, but not U.S. GAAP.

C) Both IFRS and U.S. GAAP.

Question #50 of 94

Question ID: 1457675

Barber Inc., which uses LIFO inventory accounting under U.S. GAAP, sells DVD recorders. On October 14, it purchased a large number of recorders at a cost of $90 each. Due to an oversupply of recorders remaining in the marketplace due to lower than anticipated demand during the Christmas season, the selling price at December 31 is $80 and the replacement cost is $73. The normal profit margin is 5 percent of the selling price and the selling costs are $2 per recorder. What is the value of the recorders on December 31?

A) $74.

B) $73.

C) $78.

Question #51 of 94

Question ID: 1457629

A company that uses the LIFO inventory cost method records the following purchases and sales for an accounting period:

Beginning inventory, July 1: $5,000, 10 units

July 8: Purchase of $2,600 (5 units)

July 12: Sale of $2,200 (4 units)

July 15: Purchase of $2,800 (5 units)

July 21: Sale of $1,680 (3 units)

The company's cost of goods sold using a perpetual inventory system is:

A) $3,500.

B) $3,760.

C) $3,780.

Question #52 of 94

Question ID: 1457679

The *most likely* effect of a write-down of inventory to net realizable value on a firm's quick ratio is:

A) no change.

B) an increase.

C) a decrease.

Question #53 of 94

Question ID: 1457634

The choice of perpetual versus periodic inventory system is *most likely* to result in different values for gross profit when the inventory valuation method used is:

A) specific identification.

B) last in, first out.

C) first in, first out.

Question #54 of 94

Question ID: 1457608

Goldberg Inc. produces and sells electronic equipment. Which of the following inventory costs is *most likely* to be recognized as an expense on Goldberg's financial statements in the period incurred?

A) Conversion cost.

B) Freight costs on inputs.

C) Selling cost.

Question #55 of 94

Question ID: 1457653

Under U.S. GAAP, the LIFO reserve is a required financial statement disclosure:

A) for all firms except those that use the specific identification cost method.

B) for firms that use either the LIFO or FIFO inventory cost methods.

C) only for firms that use the LIFO inventory cost method.

Question #56 of 94

Question ID: 1457647

In periods of rising prices and stable or increasing inventory quantities, using the LIFO method for inventory accounting compared to FIFO will result in:

A) higher cost of sales, lower income, higher cash flows, and lower inventory.

B) higher cost of sales, lower income, lower cash flows, and lower inventory.

C) lower cost of sales, higher income, identical cash flows, and lower inventory.

Question #57 of 94

Question ID: 1457641

During periods of declining prices, which inventory method would result in the highest net income?

A) Average Cost.

B) FIFO.

C) LIFO.

Question #58 of 94

Question ID: 1457692

If a company chooses to write down inventory, which ratio is *most likely* to improve?

A) Debt-to-equity ratio.

B) Operating profit margin.

C) Total asset turnover.

Question #59 of 94

Question ID: 1457624

Given the following inventory data about a firm:

- Beginning inventory 20 units at $50/unit
- Purchased 10 units at $45/unit
- Purchased 35 units at $55/unit
- Purchased 20 units at $65/unit
- Sold 60 units at $80/unit

What is the inventory value at the end of the period using first in, first out (FIFO)?

A) $1,575.

B) $3,100.

C) $3,475.

Question #60 of 94

Question ID: 1457667

Brigham Corporation uses the last-in, first-out (LIFO) method of accounting for inventory. For the year 20X5, the following is provided:

- Cost of goods sold (COGS): $24,000
- Beginning inventory: $6,000
- Ending inventory: $7,500
- The notes accompanying the financial statements indicate that the LIFO reserve at the beginning of the year was $2,250 and at the end of the year was $6,000

If Brigham had used first-in, first-out (FIFO), cost of goods sold for 20X5 would be:

A) $29,250.

B) $20,250.

C) $3,750.

Question #61 of 94

Question ID: 1457655

First in, first out (FIFO) inventory equals:

A) LIFO inventory + LIFO reserve.

B) change in LIFO reserve − ending LIFO reserve.

C) LIFO cost of goods sold − change in LIFO reserve.

Question #62 of 94

Question ID: 1457658

Under which inventory cost flow assumption is a firm *most likely* to show an unusual increase in gross profit margin by sales in excess of current period production?

A) Average cost.

B) LIFO.

C) FIFO.

Question #63 of 94

Question ID: 1457656

In a period of rising prices, LIFO liquidation results in:

A) higher earnings.

B) higher inventory.

C) lower earnings.

Question #64 of 94

Question ID: 1457642

During periods of decreasing prices, a firm using a periodic inventory system will report higher gross profit if its inventory cost assumption is:

A) FIFO because during periods of decreasing prices, COGS will be lower, resulting in a higher gross profit.

B) LIFO because during periods of decreasing prices, COGS will be lower, resulting in a higher gross profit.

C) FIFO because during periods of decreasing prices, COGS will be higher, resulting in a higher gross profit.

Question #65 of 94

Question ID: 1457688

Tim Rogers is senior equity analyst with White Capital LLP. While analyzing the inventory disclosures of Drako Toys Inc., a toy manufacturer based in Cleveland, Ohio, Rogers concludes that Drako is expected to see above-average sales growth over the next three years. Which of the following disclosures would *most likely* support Rogers's conclusion?

A) Increase in raw-materials and work-in-progress inventory and corresponding decline in finished goods inventory over the last two years.

B) Finished goods inventory growing faster than sales in the last two years.

C) Increase in finished goods inventory and corresponding decline in raw-materials and work-in-progress inventory over the last two years.

Question #66 of 94

Question ID: 1457613

Arlington, Inc. uses the first in, first out (FIFO) inventory cost flow assumption and a periodic inventory system. Beginning inventory and purchases of refrigerated containers for Arlington were as follows:

	Units	Unit Cost	Total Cost
Beginning Inventory	20	$10,000	$200,000
Purchases, April	10	12,000	120,000
Purchases, July	10	12,500	125,000
Purchases, October	20	15,000	300,000

In November, Arlington sold 35 refrigerated containers to Johnson Company. What is the cost of goods sold assigned to the 35 sold containers?

A) $382,500.

B) $434,583.

C) $485,000.

Question #67 of 94

Question ID: 1457697

Cushinson Corp. had a beginning inventory of $9,500 (250 units) and made three inventory purchases during the fiscal year:

Purchases	Units	Total Cost
3/1/X6	400	$14,800
7/1/X6	450	$14,850
9/1/X6	550	$15,950

The company began operations on Jan. 1, 20X6. Costing uses the LIFO method of determining cost of goods sold. First year sales were 1,300 units. The *most likely* effects of using LIFO inventory costing as compared to FIFO in Cushinson's 20X6 financial statements are:

A) higher net income; higher working capital.

B) higher net income; lower working capital.

C) lower net income; lower working capital.

Question #68 of 94

Question ID: 1462842

A company that reports under U.S. GAAP and changes its inventory cost assumption from weighted average cost to last-in first-out is required to apply this change in accounting principle:

A) retrospectively, and disclose the new cost flow method being used.

B) retrospectively, and explain the reasons for the change in the financial statement disclosures.

C) prospectively, and explain the reasons for the change in the financial statement disclosures.

Question #69 of 94

Question ID: 1457627

Given the following data and assuming a periodic inventory system, what is the ending inventory value using the FIFO method?

Purchases	Sales
50 units at $50/unit	25 units at $55/unit
60 units at $45/unit	30 units at $50/unit
70 units at $40/unit	45 units at $45/unit

A) $3,200.

B) $3,600.

C) $3,250.

Question #70 of 94

Question ID: 1457625

Given the following data and assuming a periodic inventory system, what is the ending inventory using the average cost method?

Purchases	Sales
40 units at $60/unit	25 units at $65/unit
50 units at $55/unit	30 units at $60/unit
60 units at $45/unit	40 units at $50/unit

A) $2,878.

B) $2,933.

C) $3,141.

Question #71 of 94

Question ID: 1457693

Selected information from Jenner, Inc.'s financial statements for the year ended December 31 included the following (in $):

Cash	$200,000	Accounts Payable	$300,000
Accounts Receivable	300,000	Deferred Tax Liability	600,000
Inventory	1,500,000	Long-term Debt	8,100,000
Property, Plant & Equip.	11,000,000	Common Stock	2,200,000
Total Assets	13,000,000	Retained Earnings	1,800,000
		Total Liabilities & Equity	$13,000,000
LIFO Reserve at Jan. 1	400,000		
LIFO Reserve at Dec. 31	600,000		
Net Income (after 40% tax rate)	800,000		

Jenner uses the last in, first out (LIFO) inventory cost flow assumption. If Jenner had used first in, first out (FIFO), return on total equity would:

A) decrease to 18.3%.

B) increase to 23.0%.

C) increase to 21.1%.

Question #72 of 94

Question ID: 1457698

United Corporation and Intrepid Company are similar firms operating in the same industry. United follows U.S. Generally Accepted Accounting Principles and Intrepid follows International Financial Reporting Standards. At the end of last year, Intrepid had a higher inventory turnover ratio than United. Are the following plausible explanations for the difference?

Explanation #1 – United accounts for its inventory using the first-in, first-out method and Intrepid uses the last-in, first-out method.

Explanation #2 – United recognized an upward valuation of inventory that had been previously written down. Intrepid does not revalue its inventory upward.

	Explanation #1	Explanation #2
A)	Yes	No
B)	No	Yes
C)	No	No

Question #73 of 94

Question ID: 1457673

Information related to Bledsoe Corporation's inventory, as of December 31, 20x7, follows:

Estimated selling price	$3,500,000
Estimated disposal costs	50,000
Estimated completion costs	300,000
Original FIFO cost	3,200,000
Replacement cost	3,300,000

Using the appropriate valuation method, what adjustment is necessary to accurately report Bledsoe's inventory at the end of 20x7, and will this adjustment affect Bledsoe's quick ratio?

	Adjustment	Quick ratio
A)	$100,000 write-up	No
B)	$50,000 write-down	No

C) $50,000 write-down Yes

Question #74 of 94

Question ID: 1457632

A firm booked revenue of $2.25 million during 20X6 on unit sales of 150. The replacement cost per unit of inventory is currently $9,300.

Inventory purchases:

Date	Quantity	Unit Cost
Begin inventory	50 units	$7,000
4/1/X6	80 units	7,500
7/1/X6	30 units	8,100
10/1/X6	20 units	8,700

Assuming the FIFO inventory costing method and a perpetual inventory system are used, the firm's gross profit and ending inventory are closest to:

	Gross profit	Ending inventory
A)	$1,138,000	$279,000
B)	$1,138,000	$255,000
C)	$1,112,000	$279,000

Question #75 of 94

Question ID: 1457631

McKay Company uses a periodic inventory system and the FIFO inventory cost method. In the most recent period, McKay had beginning inventory of $4,200, purchases of $1,400, cost of sales $1,300, and ending inventory of $4,300. If McKay had used a perpetual inventory system, its ending inventory would have been:

A) $4,200.

B) $4,300.

C) $4,400.

Question #76 of 94

Question ID: 1457626

Given the following information and assuming beginning inventory was zero and a periodic inventory system was used, what is the gross profit at the end of the period using the FIFO, LIFO, and average cost methods?

Purchases	Sales
20 units at $50	15 units at $60
35 units at $40	35 units at $45
85 units at $30	85 units at $35

	FIFO	LIFO	Cost Average
A)	$650	$750	$677
B)	$650	$750	$990
C)	$677	$650	$677

Question #77 of 94

Question ID: 1457610

A U.S. company uses the LIFO method to value its inventory for their income tax return. For its financial statements prepared for shareholders, the company may:

A) only use the LIFO method.

B) use any other inventory method under generally accepted accounting principles (GAAP).

C) use the FIFO method, but must disclose a LIFO reserve.

Question #78 of 94

Question #78 of 94

Question ID: 1457638

Lincoln Corporation and Continental Incorporated are identical companies except that Lincoln complies with U.S. Generally Accepted Accounting Principles and Continental complies with International Financial Reporting Standards. Assuming an inflationary environment and stable inventory quantities, which permissible cost flow assumption will minimize each firm's pre-tax financial income?

	Lincoln Corporation	Continental Incorporated
A)	First-in, first-out	First-in, first-out
B)	Last-in, first-out	Average cost
C)	Last-in, first-out	Last-in, first-out

Question #79 of 94

Question ID: 1462840

A firm ended the last period with inventory of $4.0 million and a LIFO reserve of $175,000. During the year, it made purchases of $2.0 million and reported sales of $5.5 million with a gross margin of 0.32. At the end of the year, it reported a LIFO reserve of $75,000. What is the value of the firm's cost of goods sold on a FIFO basis?

A) $3,740,000.

B) $3,840,000.

C) $3,640,000.

Question #80 of 94

Question ID: 1457690

The inventory turnover ratio and the number of days in inventory are *least likely* used to evaluate the:

A) effectiveness of a firm’s inventory management.

B) stability of a firm’s inventory levels.

C) age of a firm’s inventory.

Question #81 of 94

Question ID: 1457683

If a firm pledges inventories as collateral for a loan, the firm must:

A) offset the pledged inventories against current liabilities.

B) create a contra asset account in the amount of the pledged inventories.

C) disclose the carrying value of the pledged inventories.

Question #82 of 94

Question ID: 1457619

The exhibit below provides relevant data and financial statement information about Acme's inventory purchases and sales of inventory for the last year.

	Units	Unit Price
Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

Cost of goods sold using the weighted average cost method is closest to:

A) $4,350.

B) $4,980.

C) $5,250.

Question #83 of 94

Question ID: 1457630

Inventory, cost of sales, and gross profit can be different under periodic and perpetual inventory systems if a firm uses which inventory cost method?

A) LIFO or weighted average cost, but not FIFO.

B) FIFO or weighted average cost, but not LIFO.

C) LIFO or FIFO, but not weighted average cost.

Question #84 of 94

Question ID: 1457662

Due to declining prices, Steffen Inc. has a LIFO reserve of –$20. Its income tax rate is 35%. If an analyst is converting Steffen's financial statements to a FIFO basis, which of the following adjustments is *most* appropriate?

A) Increase shareholders' equity by $13.

B) Increase assets by $20.

C) Increase cash by $7.

Question #85 of 94

Question ID: 1457691

Other things equal, compared to using the first-in-first-out (FIFO) inventory cost method, using the last-in-first-out (LIFO) method in a rising price environment will result in a higher:

A) gross profit margin.

B) inventory turnover ratio.

C) quick ratio.

Question #86 of 94

Question ID: 1457633

Napa Corp. sells 1-year memberships to its Fine Wine Club for $180. Wine Club members each receive a bottle of white wine and a bottle of red wine, selected by the club director, four times each year at the beginning of each quarter. To properly account for sales of Wine Club memberships, Napa will record:

A) a liability for accrued expenses.

B) a liability for unearned revenue.

C) an asset for prepaid sales.

Question #87 of 94

Question ID: 1457639

During periods of rising prices and stable or growing inventories, the most informative inventory accounting method for income statement purposes is:

A) FIFO because it allocates historical prices to cost of good sold (COGS) and provides a better measure of current income.

B) LIFO because it allocates current prices to cost of good sold (COGS) and provides a better measure of current income.

C) weighted average because it allocates average prices to cost of good sold (COGS) and provides a better measure of current income.

Question #88 of 94

Question ID: 1457684

A U.S. GAAP reporting firm changes its inventory cost flow assumption from average cost to LIFO. The firm must apply this change:

A) prospectively, with LIFO layers calculated from past purchases and sales.

B) prospectively, with the carrying value as the first LIFO layer.

C) retrospectively, because it is a change in accounting principle.

Question #89 of 94

Question ID: 1457654

For a firm that uses the LIFO inventory cost method, the LIFO reserve is:

A) a provision for taxes when FIFO is required for tax reporting.

B) the difference between LIFO cost of sales and FIFO cost of sales.

C) the difference between LIFO inventory and FIFO inventory.

Question #90 of 94

Question ID: 1457648

In an inflationary environment, a company's:

A) net income will be larger if it uses LIFO than if it uses FIFO.

B) assets will be lower if it uses LIFO than if it uses FIFO.

C) Cost of goods sold will be lower if it uses LIFO than if it uses FIFO.

Question #91 of 94

Question ID: 1457695

For a company uses the LIFO inventory valuation method, a financial analyst can adjust the current ratio to the FIFO method by:

A) adding the LIFO × (1-tax rate) reserve to current assets.

B) adding the LIFO × (1-tax rate) reserve to current liabilities.

C) subtracting the LIFO × (1-tax rate) reserve from retained earnings.

Question #92 of 94

Question ID: 1457668

An analyst gathers the following information about a firm:

- Last in, first out (LIFO) inventory = $10,000
- Beginning LIFO reserve = $2,500
- Ending LIFO reserve = $4,000
- LIFO cost of goods sold = $15,000
- LIFO net income = $1,500
- Tax rate is 40%

To convert the financial statements to a FIFO basis, the amount the analyst should add to the stockholders' equity is *closest* to:

A) $4,000.

B) $2,800.

C) $2,400.

Question #93 of 94

Question ID: 1457663

Moore Ltd. uses the LIFO inventory cost flow assumption. Its cost of goods sold in 20X8 was $800. A footnote in its financial statements reads: "Using FIFO, inventories would have been $70 higher in 20X8 and $80 higher in 20X7." Moore's COGS if FIFO inventory costing were used in 20X8 is *closest* to:

A) $730.

B) $790.

C) $810.

Question #94 of 94

Question ID: 1457657

LIFO liquidation may result when:

A) cost of goods sold is less than the available inventory.

B) purchases are less than goods sold.

C) purchases are more than goods sold.