SS 08 Financial Reporting and Analysis: Inventories, Long-lived Assets, Income Taxes, and Non-current Liabilities

Question #1 of 159

Question ID: 467386

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

What is gross profit using the FIFO method and LIFO method?

	FIFO	LIFO
A)	$8,862	$9,549
B)	$9,549	$8,325
C)	$8,325	$8,862

Question #2 of 159

Question ID: 414457

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

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

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

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

Question #3 of 159

Question ID: 683868

An analyst will *most likely* use the average age of depreciable assets to estimate the company's:

A) earnings potential.

B) near-term financing requirements.

C) cash flows.

Question #4 of 159

Question ID: 683863

Meyer Investment Advisory and Smith Brothers Investments are operationally identical except that Meyer capitalizes some costs that Smith expenses. Compared to Smith, Meyer is likely to have:

A) lower profitability (ROA and ROE) in early years and higher in later years.

B) higher cash flows from operations and lower cash flow from investing.

C) higher debt/equity ratio and higher debt/assets ratio.

Question #5 of 159

Question ID: 414489

Capitalized interest costs are typically reported in the cash flow statement as an outflow from:

A) investing.

B) financing.

C) operating.

Question #6 of 159

Question ID: 683859

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 reserve to current assets.

B) adding the LIFO reserve to current liabilities.

C) subtracting the LIFO reserve from current assets.

Question #7 of 159

Question ID: 414473

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) net realizable value minus selling costs.

B) net realizable value.

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

Question #8 of 159

Question ID: 414513

A firm revalues its long-lived assets upward. All other things equal, which of the following financial impacts is *least likely* to occur?

A) Higher earnings in the revaluation period.

B) Lower solvency ratios.

C) Higher profitability in the periods after revaluation.

Question #9 of 159

Question ID: 414458

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 #10 of 159

Question ID: 683852

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) $3,750.

C) $20,250.

Question #11 of 159

Question ID: 414487

Which of the following statements regarding the capitalization of an expense is *least accurate*?

A) Capitalized expenses increases equity.

B) Capitalizing an expense lowers current period net income.

C) Capitalizing an expense creates an asset.

Question #12 of 159

Question ID: 414448

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) $3,100.

B) $1,575.

C) $3,475.

Question #13 of 159

Question ID: 434292

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) $5,250.

C) $4,980.

Question #14 of 159

Question ID: 456299

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	Yes
C)	$50,000 write-down	No

Question #15 of 159

Question ID: 683864

Compared to firms that expense costs, firms that capitalize expenses will have:

A) higher leverage ratios.

B) lower cash flow from operations.

C) lower variability of income.

Question #16 of 159

Question ID: 414476

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

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

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

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

Question #17 of 159

Question ID: 598977

With an operating lease, the leased asset appears on the balance sheet of:

A) the lessor.

B) neither the lessor nor the lessee.

C) the lessee.

Question #18 of 159

Question ID: 598957

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

A) Decrease.

B) No effect.

C) Increase.

Question #19 of 159

Question ID: 414472

Barber Inc. 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.

Under U.S. GAAP, what is the value of the recorders on December 31?

A) $74.

B) $73.

C) $78.

Question #20 of 159

Question ID: 414443

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 #21 of 159

Question ID: 414456

	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) $6,213.98.

B) $6,027.56.

C) $5,676.00.

Question #22 of 159

Question ID: 434296

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

A) Total asset turnover.

B) Operating profit margin.

C) Debt-to-equity ratio.

Question #23 of 159

Question ID: 496419

For a firm that uses the cost basis for valuing its long-lived assets, fair value is a consideration when calculating a gain or loss on:

A) exchanging an asset.

B) abandoning an asset.

C) selling an asset.

Question #24 of 159

Question ID: 683848

LIFO liquidation may result when:

A) purchases are more than goods sold.

B) purchases are less than goods sold.

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

Question #25 of 159

Question ID: 434289

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

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

A) $2,480.
B) $2,356.
C) $3,988.

Question #26 of 159

Question ID: 414468

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

A) FIFO.
B) Average Cost.
C) LIFO.

Question #27 of 159

Question ID: 683856

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) $810.
B) $730.
C) $790.

Question #28 of 159

Question ID: 414442

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) Selling cost.
B) Conversion cost.
C) Freight costs on inputs.

Question #29 of 159

Question ID: 598970

The average age of a firm's property, plant, and equipment can be estimated by dividing:

A) accumulated depreciation by depreciation expense.

B) gross PP&E by depreciation expense.

C) net PP&E by depreciation expense.

Question #30 of 159

Question ID: 683847

First in, first out (FIFO) inventory equals:

A) LIFO inventory + LIFO reserve.

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

C) change in LIFO reserve − ending LIFO reserve.

Question #31 of 159

Question ID: 598956

Arlington, Inc. uses the first in, first out (FIFO) inventory cost flow assumption. 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 #32 of 159

Question ID: 414478

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 the carrying value as the first LIFO layer.

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

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

Question #33 of 159

Question ID: 414494

The amortized cost of a trademark is *least likely* to appear on a firm's balance sheet if the trademark was:

A) purchased from another firm.

B) obtained in the acquisition of another firm.

C) developed internally.

Question #34 of 159

Question ID: 414518

As part of a major restructuring of business units, General Security (an industrial conglomerate operating solely in the U.S. and subject to U.S. GAAP) recognizes significant impairment losses. The Investor Relations group is preparing an informational packet for shareholders, employees, and the media. Which of the following statements is *least* accurate?

A) The write-downs are reported as a component of income from continuing operations.

B) Write-downs taken on asset values can be reversed in later years if market conditions improve.

C) During the year of the write-downs, retained earnings and deferred taxes will decrease.

Question #35 of 159

Question ID: 414522

An analyst determined the following information concerning Franklin, Inc.'s stamping machine:

- Acquired seven years ago for $22 million
- Straight line method used for depreciation
- Useful life estimated to be 12 years
- Salvage value originally estimated to be $4 million

The stamping machine is expected to generate $1,500,000 per year for five more years and will then be sold for $1,000,000. Under U.S. GAAP, the stamping machine is:

A) impaired because expected salvage value has declined.

B) not impaired.

C) impaired because its carrying value exceeds expected future cash flows.

Question #36 of 159

Question ID: 598964

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

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

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

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

Question #37 of 159

Question ID: 496904

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) lower net income; lower working capital.

C) higher net income; lower working capital.

Question #38 of 159

Question ID: 414481

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

A) stability of a firm's inventory levels.

B) age of a firm's inventory.

C) effectiveness of a firm's inventory management.

Question #39 of 159

Question ID: 414490

Dobkin Company decides to expense costs that it would have otherwise capitalized. Compared to capitalizing, expensing these costs will result in:

A) lower asset levels and lower liability levels.

B) lower asset levels and lower equity levels.

C) lower asset levels and higher equity levels.

Question #40 of 159

Question ID: 598974

Under IFRS, the principal portion of a finance lease payment:

A) may be recognized as CFO by either the lessor or the lessee.

B) is recognized as CFF by the lessee and CFI by the lessor.

C) is recognized as CFI by both the lessor and the lessee.

Question #41 of 159

Question ID: 414444

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

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

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

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

Question #42 of 159

Question ID: 414517

For a firm to use the revaluation model for balance sheet reporting of long-lived assets:

A) the firm must choose which assets of each type to revalue, and which to report at cost.

B) the firm must report under U.S. GAAP.

C) an active market must exist for the assets.

Question #43 of 159

Question ID: 496420

The revaluation model for investment property is permitted under:

A) neither IFRS nor U.S. GAAP.

B) both IFRS and U.S. GAAP.

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

Question #44 of 159

Question ID: 414485

When comparing capitalizing versus expensing costs which of the following statements is *most* accurate?

A) Capitalizing costs creates lower cash flows from operations and higher cash flows from investing.

B) Capitalizing costs creates higher cash flows from operations and lower cash flows from investing.

C) Expensing costs creates lower cash flows from operations and lower cash flows from investing.

Question #45 of 159

Question ID: 683844

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 #46 of 159

Question ID: 598962

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) change in the LIFO reserve.

C) LIFO reserve.

Question #47 of 159

Question ID: 414451

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 #48 of 159

Question ID: 683857

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 assets by $20.
B) Increase shareholders' equity by $13.
C) Increase cash by $7.

Question #49 of 159

Question ID: 598961

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 #50 of 159

Question ID: 434297

Mammoth, Inc. reports under U.S. GAAP. Mammoth has begun a long-term project to develop inventory control software for external sale. On its financial statements, Mammoth should:

A) capitalize all costs of this project.
B) expense all costs of this project in the periods incurred.
C) expense all costs of this project until technological feasibility has been established.

Question #51 of 159

Question ID: 683861

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 out (FIFO), return on total equity would:

A) increase to 21.1%.
B) increase to 23.0%.
C) decrease to 18.3%.

Question #52 of 159

Question ID: 414454

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) $3,250.
B) $3,200.
C) $3,600.

Question #53 of 159

Question ID: 414510

Schubert, Inc. acquires 100% of another firm. As a result of the acquisition, Schubert reports on its balance sheet 1) a patent with five years remaining and a carrying value of $2 million and 2) goodwill with a carrying value of $4 million. Using the straight-line method, total amortization expense in the first year for these two intangible assets is:

A) $400,000.
B) $800,000.
C) $1,200,000.

Question #54 of 159

Question ID: 414507

Allocating an intangible asset's cost to the income statement over time is known as:

A) depletion.

B) amortization.

C) depreciation.

Question #55 of 159

Question ID: 598963

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 #56 of 159

Question ID: 414471

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) FIFO inventory and LIFO cost of goods sold.

B) FIFO inventory and FIFO cost of goods sold.

C) LIFO inventory and FIFO cost of goods sold.

Question #57 of 159

Question ID: 683853

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) $2,100.

B) $1,500.

C) $1,800.

Question #58 of 159

Question ID: 683867

Taking an impairment of long-lived assets will result in:

A) higher future return on assets.

B) higher deferred tax liabilities.

C) a lower debt-to-equity ratio.

Question #59 of 159

Question ID: 683865

Train, Inc.'s cash flow from operations (CFO) in 20X8 was $14 million. Train paid $8 million cash to acquire a franchise at the beginning of 20X8 that was expensed in 20X8. If Train had elected to amortize the cost of the franchise over eight years, 20X8 cash flow from operations (CFO) would have been:

A) $21 million.

B) $22 million.

C) $14 million.

Question #60 of 159

Question ID: 414500

JME acquired an asset on January 1, 2004, for $60,000 cash. At that time JME estimated the asset would last 10 years and have no salvage. During 2006 JME estimated the remaining life of the asset to be only three more years with a salvage value of $3,000. If JME uses straight line depreciation, what is the depreciation expense for 2006?

A) $6,000.

B) $12,000.

C) $15,000.

Question #61 of 159

Question ID: 498759

For impaired long-lived assets, a firm reporting under IFRS is *least likely* required to disclose the:

A) amounts of impairment losses and reversals by asset class.

B) estimated probabilities of reversing impairment losses.

C) circumstances that caused the impairment losses or reversals.

Question #62 of 159

Question ID: 598972

Compared to a firm that purchases a PP&E asset for cash and capitalizes the asset, a firm that leases the same asset with an operating lease will have lower:

A) long-lived assets.

B) long-term liabilities.

C) current liabilities.

Question #63 of 159

Question ID: 496418

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

A) Manufacturing overhead.

B) Administrative overhead.

C) Selling costs.

Question #64 of 159

Question ID: 414441

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) Selling cost.

B) Administrative overhead.

C) Allocation of fixed production overhead.

Question #65 of 159

Question ID: 496422

An IFRS-reporting firm reclassifies a building it owns from "owner-occupied" to "investment property." The fair value of the building is greater than its carrying value. Under the fair value model for investment property, the firm will recognize a gain:

A) only if it reverses a previously recognized loss.

B) in other comprehensive income but not on the income statement.

C) equal to the difference between fair value and carrying value.

Question #66 of 159

Question ID: 414462

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) $4,400.

B) $4,200.

C) $4,300.

Question #67 of 159

Question ID: 496421

Under IFRS, if a firm reports investment property using the fair value model, unrealized gains and losses on investment property are:

A) disclosed in the financial statement notes.

B) recognized on the income statement.

C) recognized in other comprehensive income.

Question #68 of 159

Question ID: 414504

Component depreciation is required under:

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

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

C) both IFRS and U.S. GAAP.

Question #69 of 159

Question ID: 683846

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

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

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

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

Question #70 of 159

Question ID: 414527

Lucille Edgewater, CFA, is analyzing Pfaff Company, which reports its long-lived assets using the revaluation model. Edgewater needs to determine 1) what Pfaff's carrying value of property, plant and equipment would be under the historical cost model, and 2) which of Pfaff's intangible assets have finite useful lives. Will these items be disclosed in Pfaff's financial statements?

A) Only one of these items is required to be disclosed.

B) Both of these items are required to be disclosed.

C) Neither of these items is required to be disclosed.

Question #71 of 159

Question ID: 683843

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

A) higher inventory balances and higher working capital.

B) higher inventory balances and lower working capital.

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

Question #72 of 159

Question ID: 414483

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 159

Question ID: 598969

Accelerated depreciation methods for financial reporting are *most likely* to have which of the following effects on a company's financial ratios during the early years of an asset's life?

A) Higher asset turnover ratio.

B) Lower current ratio.

C) Lower debt-to-equity ratio.

Question #74 of 159

Question ID: 414501

Walsh Furniture has purchased a machine with a 7-year useful life for $250,000. At the end of its life it will have an estimated salvage value of $15,000. Using the double-declining balance (DDB) method, depreciation expense in year 2 is *closest* to:

A) $51,020.

B) $58,750.

C) $71,430.

Question #75 of 159

Question ID: 414461

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) LIFO or FIFO, but not weighted average cost.

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

Question #76 of 159

Question ID: 414491

A firm that capitalizes rather than expensing costs will have:

A) lower profitability in the earlier years.

B) lower cash flows from investing.

C) lower cash flows from operations.

Question #77 of 159

Question ID: 414463

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

A) LIFO COGS > FIFO COGS, therefore LIFO net income > FIFO net income.

B) LIFO COGS > FIFO COGS, therefore LIFO net income < FIFO net income.

C) LIFO COGS < FIFO COGS, therefore LIFO net income < FIFO net income.

Question #78 of 159

Question ID: 414521

An impairment write-down is *least likely* to decrease a company's:

A) assets.

B) future depreciation expense.

C) debt-to-equity ratio.

Question #79 of 159

Question ID: 683860

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 & Equip.	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) 3.73

B) 4.06

C) 4.18

Question #80 of 159

Question ID: 498757

La Crosse Partners LLC has a franchise agreement with Arnolds Crispy Fry that expires in seven years, but is renewable at each expiration date for a nominal fee. If the franchise agreement is initially valued at $60,000:

A) amortization expense in the first year will be one-seventh of $60,000.

B) amortization expense in the sixth year will be zero.

C) an accelerated amortization method is more appropriate than the straight-line method.

Question #81 of 159

Question ID: 414479

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

A) Both IFRS and U.S. GAAP.

B) Neither IFRS nor U.S. GAAP.

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

Question #82 of 159

Question ID: 695547

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) Increase.

B) Decrease.

C) No effect.

Question #83 of 159

Question ID: 414497

A company is switching from straight-line depreciation to an accelerated method of depreciation. Assuming all other revenue and expenses are at the same levels for the next period, switching to an accelerated method will *most likely* increase the company's:

A) total assets on the balance sheet.

B) net income/sales ratio.

C) fixed asset turnover ratio.

Question #84 of 159

Question ID: 434295

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) $3,015.

B) $4,824.

C) $6,160.

Question #85 of 159

Question ID: 683862

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

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

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

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

Question #86 of 159

Question ID: 598966

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 #87 of 159

Question ID: 598965

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 #88 of 159

Question ID: 414488

Capitalizing interest costs related to a company's construction of assets for its own use is *required* by:

A) U.S. GAAP only.

B) both IFRS and U.S. GAAP.

C) IFRS only.

Question #89 of 159

Question ID: 448956

Lakeside Co. recently determined that one of its processing machines has become obsolete after 7 years of use and, unexpectedly, has no salvage value. The machine was being depreciated over a useful economic life of 10 years. Which of the following statements is *most* consistent with this discovery?

A) Historically, economic depreciation was overstated in the financial statements.

B) Lakeside Co. will owe back taxes.

C) Historically, economic depreciation was understated in the financial statements.

Question #90 of 159

Question ID: 414466

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

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

Question #91 of 159

Question ID: 414525

Felker Inc. owns a piece of specialized machinery. The original cost of the machinery was $500,000 and to date there is an accumulated depreciation balance of $140,000. Which of the following will Felker recognize on its income statement if it sells the machinery for $400,000?

A) Gain of $40,000.

B) Loss of $100,000.

C) Loss of $360,000.

Question #92 of 159

Question ID: 414529

A firm acquires investment property for 3 million and chooses the fair value model for financial reporting. In Year 1 the market value of the investment property decreases by 150,000. In Year 2 the market value of the investment property increases by 200,000. On its financial statements for Year 2, the firm will recognize a:

A) 200,000 gain on its income statement.

B) 150,000 increase in shareholders' equity.

C) 150,000 gain on its income statement and a 50,000 revaluation surplus in shareholders' equity.

Question #93 of 159

Question ID: 498758

A company acquires an intangible asset for $100,000 and expects it to have a value of $20,000 at the end of its 5-year useful life. If the company amortizes the asset using the double-declining balance method, amortization expense in year 4 of the asset's useful life is *closest* to:

A) $6,910.

B) $8,640.

C) $1,600.

Question #94 of 159

Question ID: 414524

Spenser Inc. owns a piece of specialized machinery with a current fair value of $400,000. The original cost of the machinery was $500,000 and to date has generated accumulated depreciation of $140,000. Which of the following must Spenser record on the income statement if it decides to abandon the asset?

A) Loss of $100,000.

B) Gain of $40,000.

C) Loss of $360,000.

Question #95 of 159

Question ID: 550541

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) may be revalued up to 10 million.

B) may be revalued up to 11 million.

C) must remain valued at 9 million.

Question #96 of 159

Question ID: 434294

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 first in, first out (FIFO) method is:

A) $5,248.

B) $4,351.

C) $4,133.

Question #97 of 159

Question ID: 683858

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

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

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

Question #98 of 159

Question ID: 414508

Intangible assets with finite useful lives are:

A) amortized over their expected useful lives.

B) not amortized, but are tested for impairment at least annually.

C) amortized over their actual lives.

Question #99 of 159

Question ID: 414520

Under U.S. GAAP, an asset is impaired when:

A) the firm can no longer fully recover the carrying amount of the asset.

B) accumulated depreciation plus salvage value exceeds acquisition costs.

C) the present value of future cash flows exceeds the carrying amount of the asset.

Question #100 of 159

Question ID: 414528

A building owned by a firm is *most likely* to be classified as investment property if:

A) space in the building is rented to other firms.

B) the firm uses the building for its corporate headquarters.

C) the building is a manufacturing plant or distribution center.

Question #101 of 159

Question ID: 414445

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

A) specific units available for sale.

B) most recent purchases.

C) earliest purchases.

Question #102 of 159

Question ID: 498760

In accounting for PP&E using the cost model, companies are required to disclose both gross asset value and accumulated depreciation under:

A) both IFRS and U.S. GAAP.

B) IFRS but not U.S. GAAP.

C) U.S. GAAP but not IFRS.

Question #103 of 159

Question ID: 414474

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

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

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

Question #104 of 159

Question ID: 598958

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 #105 of 159

Question ID: 414492

Which of the following items is *least likely* an example of an intangible asset with an indefinite life?

A) Trademarks that can be renewed at minimal cost.

B) Acquired patents.

C) Goodwill.

Question #106 of 159

Question ID: 414480

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

A) Low inventory turnover ratio.

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

C) Low number of days in inventory.

Question #107 of 159

Question ID: 598971

Which of the following is *best* estimated by the ratio of net PP&E to annual depreciation expense?

A) Remaining useful life.

B) Total useful life.

C) Average age.

Question #108 of 159

Question ID: 414505

This information pertains to equipment owned by Brigade Company.

- Cost of equipment: $10,000.
- Estimated residual value: $2,000.
- Estimated useful life: 5 years.
- Depreciation method: straight-line.

The accumulated depreciation at the end of year 3 is:

A) $5,200.

B) $4,800.

C) $1,600.

Question #109 of 159

Question ID: 414499

On January 1, 2004, JME purchased a truck that cost $24,000. The truck had an estimated useful life of 5 years and $4,000 salvage value. The amount of depreciation expense recognized in 2006 assuming that JME uses the double declining balance method is:

A) $3,456.

B) $5,760.

C) $4,000.

Question #110 of 159

Question ID: 414486

Which of the following statements regarding capitalizing versus expensing costs is *least* accurate?

A) Total cash flow is higher with capitalization than expensing.

B) Cash flow from investing is higher with expensing than with capitalization.

C) Capitalization results in higher profitability initially.

Question #111 of 159

Question ID: 683845

In an inflationary environment, a company's:

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

B) net income will be larger 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 #112 of 159

Question ID: 485777

A company purchased inventory on January 1, 20X2, for 600,000. On December 31, 20X2, the inventory had a net realizable value 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 prepared under:

	IFRS?	U.S. GAAP?
A)	525,000	550,000
B)	550,000	525,000
C)	525,000	525,000

Question #113 of 159

Question ID: 414460

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) $3,780.

B) $3,760.

C) $3,500.

Question #114 of 159

Question ID: 598976

With a finance lease, which party recognizes depreciation expense on the leased asset?

A) Both the lessor and the lessee.

B) The lessee.

C) The lessor.

Question #115 of 159

Question ID: 434287

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 #116 of 159

Question ID: 414449

Blocher Company is evaluating the following methods of accounting for depreciation of long-lived assets and inventory:

- Depreciation: straight-line; double-declining balance (DDB)
- Inventory: first in, first out (FIFO); last in, first out (LIFO)

Assuming a deflationary environment (prices are falling), which of the following combinations will result in the highest net income in year 1?

A) Straight-line; FIFO.

B) DDB; FIFO.

C) Straight-line; LIFO.

Question #117 of 159

Question ID: 414519

Marcel Inc. is a large manufacturing company based in the U.S. but also operating in several European countries. Marcel has long-lived assets currently in use that are valued on the balance sheet at $600 million. This includes previously recognized impairment losses of $80 million. The original cost of the assets was $750 million. The fair value of the assets was determined in a professional appraisal to be $690 million. Assuming that Marcel reports under U.S. GAAP, the new appraisal of the assets' value most likely results in:

A) an $80 million gain on income statement and $10 million gain in other comprehensive income.

B) no change to Marcel's financial statements.

C) a $90 million gain in other comprehensive income.

Question #118 of 159

Question ID: 434288

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 first in, first out (FIFO) method is *closest* to:

A) $2,004.

B) $2,830.

C) $8,730.

Question #119 of 159

Question ID: 485775

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)	$1,112,000	$279,000

C)	$1,138,000	$255,000

Question #120 of 159

Question ID: 683850

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) $18,500.

B) $12,000.

C) $13,500.

Question #121 of 159

Question ID: 414446

JME purchased 400 units of inventory that cost $4.00 each. Later the firm purchased an additional 500 units that cost $5.00 each. JME sold 700 units of inventory for $7.00 each. If JME uses a first in, first out (FIFO) cost flow method, the amount of gross profit appearing on the income statement is:

A) $1,800.

B) $3,100.

C) $2,400.

Question #122 of 159

Question ID: 460646

In the early years of an asset's life, a firm that chooses an accelerated depreciation method instead of using straight-line depreciation will tend to have:

A) lower depreciation expense and lower turnover ratios.

B) higher return on equity and higher return on assets.

C) lower net income and lower equity.

Question #123 of 159

Question ID: 434298

Three years ago, Ranchero Corporation purchased equipment for a process used in production, for £3 million. At the end of last year, Ranchero determined the fair value of the equipment was greater than its book value. No impairment losses have been recognized on the equipment. Assuming Ranchero follows International Financial Reporting Standards, what is the impact on its total asset turnover ratio and return on equity of reporting the value of the equipment on the balance sheet at fair value?

A) Both will increase.

B) Only one will increase.

C) Both will decrease.

Question #124 of 159

Question ID: 485778

The *most likely* result of increasing the estimated useful life of a depreciable asset is that:

A) net profit margin will increase.

B) asset turnover will increase.

C) return on assets will decrease.

Question #125 of 159

Question ID: 414502

Novak, Inc. owns equipment with a historical cost of $20,000, a useful life of 5 years, and an estimated salvage value of $5,000. Using the double declining balance method, depreciation expense in Year 3 for this equipment is:

A) $2,200.

B) $3,000.

C) $2,880.

Question #126 of 159

Question ID: 684024

Selected information from the financial statements of Salvo Company for the years ended December 31, 20X3 and 20X4 is as follows (in $ millions):

	20X3	20X4
Sales	$21	$23
Cost of Goods Sold	(8)	(9)
Gross Profit	13	14
Cost of Franchise	(6)	0
Other Expenses	(6)	(6)
Net Income	$1	$8
Cash	$4	$5

Accounts Receivable	$6	5
Inventory	9	7
Property, Plant & Equip. (net)	12	15
Total Assets	$31	$32
Accounts Payable	$7	$5
Long-term Debt	10	5
Common Stock	8	8
Retained Earnings	6	14
Total Liabilities and Equity	$31	$32

If Salvo had amortized the cost of the franchise acquired in 20X3 over six years instead of expensing it, Salvo's return on average total equity for 20X4 would have been *closest* to:

A) 35.6%.

B) 38.9%.

C) 31.1%.

Question #127 of 159

Question ID: 683851

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) $2,400.

C) $2,800.

Question #128 of 159

Question ID: 414526

Which set of accounting standards requires firms to disclose estimated amortization expense for the next five years on intangible assets?

A) Both IFRS and U.S. GAAP.

B) IFRS.

C) U.S. GAAP.

Question #129 of 159

Question ID: 414484

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) quick ratio.

C) inventory turnover ratio.

Question #130 of 159

Question ID: 414509

Under normal circumstances, intangible assets with indefinite lives are:

A) amortized over a reasonable period but not subject to impairment.

B) amortized over a reasonable period and subject to impairment.

C) not amortized but subject to impairment.

Question #131 of 159

Question ID: 683855

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) $77,000.

C) $91,000.

Question #132 of 159

Question ID: 598968

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

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

B) Finished goods inventory increasing faster than sales.

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

Question #133 of 159

Question ID: 598975

Cash flows from an operating lease are recognized as:

A) CFF by the lessee and CFO by the lessor.

B) CFO by both the lessor and the lessee.

C) CFO by the lessee and CFI by the lessor.

Question #134 of 159

Question ID: 414452

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 #135 of 159

Question ID: 598973

Compared to a firm that purchases a long-lived asset for cash and capitalizes the asset, a firm that leases the same asset with a finance lease will have:

A) higher liabilities.

B) lower expenses in the period the asset is acquired.

C) higher long-lived assets.

Question #136 of 159

Question ID: 598960

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 #137 of 159

Question ID: 414465

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 FIFO, as they more closely reflect the current costs.

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

Question #138 of 159

Question ID: 414511

Stannum Records obtains two intangible assets in a business acquisition: legal rights to reproduce songs, valued at $5 million, and a trademark valued at $1 million. The trademark expires in 10 years and can be renewed at a minimal cost. Stannum estimates a 5-year useful life for the song rights. Because much of the songs' economic value is realized in their early years, Stannum uses double-declining balance amortization. Amortization expense in the first year after the acquisition is *closest to*:

A) $2.0 million.

B) $2.2 million.

C) $2.1 million.

Question #139 of 159

Question ID: 434291

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	

What is the ending inventory level in dollars using the FIFO method?

A) $1,744.

B) $3,604.

C) $1,836.

Question #140 of 159

Question ID: 414477

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

A) disclose the carrying value of the pledged inventories.

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

C) offset the pledged inventories against current liabilities.

Question #141 of 159

Question ID: 414523

U.S. GAAP *least likely* requires property, plant, and equipment to be tested for impairment:

A) when an asset is reclassified as held-for-sale.

B) when events indicate the firm may not recover the asset's carrying value.

C) at least annually.

Question #142 of 159

Question ID: 414470

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 gross profit compared to first-in first-out.

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

Question #143 of 159

Question ID: 414453

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	$990
B)	$677	$650	$677
C)	$650	$750	$677

Question #144 of 159

Question ID: 414467

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

A) the same for both LIFO and FIFO.

B) higher under LIFO than FIFO or average cost.

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

Question #145 of 159

Question ID: 414459

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)	Last-in, first-out	Average cost
B)	Last-in, first-out	Last-in, first-out
C)	First-in, first-out	First-in, first-out

Question #146 of 159

Question ID: 414503

Czernezyk Company buys a delivery vehicle for 60,000. Czernezyk expects to drive the vehicle 400,000 kilometers over 4 years, at the end of which the firm expects to be able to sell the vehicle for 10,000. At the end of Year 2, the vehicle has been driven 250,000 kilometers. If Czernezyk depreciates the vehicle by the units of production method, its carrying value at the end of Year 2 is:

A) 31,250.

B) 15,000.

C) 28,750.

Question #147 of 159

Question ID: 434293

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 ending inventory value in dollars using the FIFO method is:

A) $6,160.

B) $4,824.

C) $4,582.

Question #148 of 159

Question ID: 683854

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) $800,000.

C) $1.1 million.

Question #149 of 159

Question ID: 462071

Compared with firms that expense costs, firms that capitalize costs can be expected to report:

A) lower asset levels and higher equity levels in the early years of the asset's life.

B) higher asset levels and higher equity levels in the early years of the asset's life.

C) higher asset levels and lower equity levels in the early years of the asset's life.

Question #150 of 159

Question ID: 414447

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) $3,850.

B) $3,250.

C) $3,200.

Question #151 of 159

Question ID: 652914

Davis Inc. is a large manufacturing company operating in several European countries. Davis has long-lived assets that are valued on the balance sheet at $600 million. This includes previously recognized revaluation losses of $80 million. In the most recent accounting period, the fair value of these assets in an active market is $690 million. Which of the following entries will Davis record under the IFRS revaluation model?

A) Gain on income statement only.

B) Gain on income statement and a revaluation surplus.

C) Revaluation surplus only.

Question #152 of 159

Question ID: 414482

When analyzing profitability ratios, which inventory accounting method is preferred?

A) Last in, first out (LIFO).

B) Weighted average.

C) First in, first out (FIFO).

Question #153 of 159

Question ID: 434290

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)	$4,150	$3,400
C)	$3,600	$3,400

Question #154 of 159

Question ID: 448955

Which of the following statements comparing straight-line depreciation methods to alternative depreciation methods is *least* accurate? Companies that use:

A) accelerated depreciation methods for tax purposes will decrease the amount of taxes paid in early years.

B) accelerated depreciation methods will have lower asset turnover ratios than if they used straight line depreciation.

C) straight-line depreciation methods will have higher book values for the assets on the balance sheet than companies that use accelerated depreciation.

Question #155 of 159

Question ID: 652915

On January 1, 20X4, Cayman Corporation bought manufacturing equipment for $30 million. On December 31, 20X6, Cayman determined the equipment was impaired and recognized a $5 million impairment loss in its income statement. As of December 31, 20X7, the fair value of the equipment exceeded the book value by $7 million. Cayman may recognize a gain in its 20X7 income statement if it reports under:

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

B) neither IFRS nor U.S. GAAP.

C) either IFRS or U.S. GAAP.

Question #156 of 159

Question ID: 683849

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

A) higher inventory.

B) lower earnings.

C) higher earnings.

Question #157 of 159

Question ID: 598959

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

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

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

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

Question #158 of 159

Question ID: 414469

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 higher, resulting in a higher gross profit.

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

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

Question #159 of 159

Question ID: 414506

Slovac Company purchased a machine that has an estimated useful life of eight years for $7,500. Its salvage value is estimated at $500.

What is the depreciation expense for the second year, assuming Slovac uses the double-declining balance method of depreciation?

A) $1,875.

B) $1,406.

C) $1,438.