Q-1. Solution: A.

Information about management compensation and any potential conflicts of interest that may exist between management and shareholders is typically provided in the proxy statement.

Q-2. Solution: B.

Given Assets = Liabilities + Equity First calculate ending equity ($318,000,see calculation below) $800,000=Liabilities + $318,000 Total Liabilities = $ 482,000		
Contributed capital		$ 50,000
Initial retained earnings		225,000
Sales revenues	450,000	
Investment income	5,000	
Expenses	(402,000)	
Net income for the year	53,000	
Dividends paid	(10,000)	
Increase in retained earnings	43,000	43,000
Ending owners' equity		$ 318,000

Q-3. Solution: A.

POC (reliably measured)	Costs Incurred / Total Costs Anticipated × 100%	
Gross Profit	%Complete × Future Anticipated Profit – Profit Already Recognized	
	Year 1	Year2
Percent Completed	6,235,000 / 14,500,000 = 43.0%	(6,235,000+5,165,000) / 15,200,000 = 75.0%
Gross Profit	43.0% × (20,000,000 – 14,500,000) = 2,365,000	75.0% × (20,000,000 –15,200,000) – 2,365,000 = 1,235,000

Q-4. Solution: C.

Wage expenses that have been incurred but not yet paid are an example of an accrued expense: a liability that has not yet resulted in a cash payment.

Q-5. Solution: B.

Under the installment method, the portion of the total profit that is recognized in each period is determined by the percentage of the total sales price for which the seller has received cash. For Company A 2/10 x 4 = $0.8 million. Note, cost recovery method could be used in this case, but the reported profit would be $0.