

Q-1. Information about management compensation and any potential conflicts of interest that may exist between management and shareholders is most likely found in the:

- A. proxy statement.
- B. notes to the financial statements.
- C. management discussion and analysis.

Q-2. The following information is available about a company:

Contributed capital, beginning of the year	\$50,000
Retained earnings, beginning of the year	\$225,000
Sales revenues earned during the year	\$450,000
Investment income earned during the year	\$5,000
Expenses paid during the year	\$402,000
Dividends paid during the year	\$10,000
Total assets, end of the year	\$800,000

Total liabilities at the end of the year are closest to:

- A. \$472,000.
- B. \$482,000.
- C. \$487,000.

Q-3. A company signed a three-year contract for €20 million with a 30% gross profit margin as expected and could reliably measure the cost and revenue during the construction process. At the end of the second construction year, the following information is collected of the construction project.

	Year 1	Year 2
Costs incurred during year	€ 6,235,000	€ 5,165,000
Estimated total costs	€ 14,500,000	€ 15,200,000

The gross profit (in €) recognized in year 2 is *closest* to:

- A. 1,235,000.
- B. 1,760,000.
- C. 1,920,000.

Q-4. A company pays its workers on the 1st and the 15th of each month. Employee wages earned from the 15th to the 30th of September are best described as a(n):

- A. unearned expense.
- B. prepaid expense.
- C. accrued expense.

Q-5. During 2010, Company A sold a piece of land with a cost of \$6 million to Company B for \$10 million. Company B made a \$2 million down payment with the remaining balance to be paid over the next 5 years. It has been determined that there is significant doubt about the ability and commitment of the buyer to complete all payments. Company A would *most likely* report a profit in 2010 of:

- A. \$4 million using the accrual method.
- B. \$0.8 million using the installment method.
- C. \$2 million using the cost recovery method.

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