Question #1 of 34

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

	Trading securities	Fair value through OCI
A)	Increase	Increase
B)	No effect	Increase
C)	Increase	No effect

Question #2 of 34

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

A) manufacturer.

B) retailer.

C) bank.

Question #3 of 34

Consider the following statements.

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

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

With respect to these statements:

A) only statement #1 is correct.

B) only statement #2 is correct.

C) both statements are correct.

Question #4 of 34

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

A) Investing cash in an exchange-traded fund.

B) Declaring a dividend on common shares.

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C) Buying a machine from an equipment dealer.

Question #5 of 34

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

A) fair value of firm PPE.

B) market value of the firm’s equity.

C) market value of inventory.

Question #6 of 34

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

A) accounts receivable.

B) cash equivalents.

C) marketable securities.

Question #7 of 34

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Balance sheet data for two comparable firms are presented below:

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

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

A) is more financially leveraged than Brevis Company.

B) has a greater investment in working capital than Brevis Company.

C) uses relatively more fixed assets then Brevis Company.

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Question #8 of 34

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

	Bad debt expense	Warranty expense
A)	No effect	Increase
B)	No effect	No effect

C) Increase Increase

Question #9 of 34

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

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

During 2007, Carpenter:

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

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

	Retained earnings	Accumulated other comprehensive income
A)	$12,125,000	$515,000
B)	$11,900,000	$515,000
C)	$11,900,000	$65,000

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Question #10 of 34

Consider the following:

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

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

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

A) only statement #1 is incorrect.

B) only statement #2 is incorrect.

C) both are incorrect.

Question #11 of 34

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

A) solvency.

B) internal controls.

C) operating profitability.

Question #12 of 34

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

A) different balance sheet items may be measured differently.

B) liquidity and solvency ratios require information from other financial statements.

C) some items are recognized when they are unlikely to reflect a flow of economic benefits.

Question #13 of 34

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

	Treasury shares	Reported as an asset
A)	600,000	No
B)	1.6 million	No
C)	600,000	Yes

Question #14 of 34

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

	Voting rights	Cash dividends paid
A)	No	Yes
B)	No	No
C)	Yes	No

Question #15 of 34

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

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

B) Both should be classified as current.

C) Both should be classified as non-current.

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Question #16 of 34

Two of the elements of a balance sheet are:

A) assets and equity.

B) equity and cash flows.

C) income and liabilities.

Question #17 of 34

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

A) repayment of bond principal.

B) payment of dividends.

C) comprehensive income.

Question #18 of 34

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

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

B) distinguishes between current and noncurrent assets.

C) groups accounts by subcategories.

Question #19 of 34

Selected balance sheet data for Parker Company are as follows:

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

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

A) 33%.

B) 67%.

C) 20%.

Question #20 of 34

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

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

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

	Income Statement	Balance Sheet
A)	$30,000 unrealized gain	$980,000

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

Question #21 of 34

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

Balance Sheet

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

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

What is the current ratio for 2004?

A) 0.331.

B) 3.018.

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C) 2.018.

Question #22 of 34

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

	Goodwill	Amortization required
A)	$2.2 million	No
B)	$1.8 million	No
C)	$1.8 million	Yes

Question #23 of 34

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

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

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

	Liabilities	Stockholders' equity
A)	$3,790 million	$7,420 million
B)	$3,790 million	$3,420 million

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C)	$3,550 million	$7,840 million

Question #24 of 34

Do the following characteristics have to be met in order to classify a liability as current on the balance sheet?

Characteristic #1 – Settlement is expected within one year or operating cycle, whichever is less.

Characteristic #2 – Settlement will require the use of cash within one year or operating cycle, whichever is greater.

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

Question #25 of 34

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

A) assets.

B) equity.

C) sales.

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Question #26 of 34

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

A) zero.

B) $5 million.

C) $3 million.

Question #27 of 34

An analyst has gathered the following information about a company:

Balance Sheet	
Assets	
Cash	100
Accounts Receivable	750
Marketable Securities	300
Inventory	850
Property, Plant & Equip	900
Accumulated Depreciation	(150)
Total Assets	2750
Liabilities and Equity	
Accounts Payable	300
Short-Term Debt	130
Long-Term Debt	700
Common Stock	1000
Retained Earnings	620
Total Liab. and Stockholder's equity	2750

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

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What is the quick ratio?

A) 2.67.

B) 1.53.

C) 0.62.

Question #28 of 34

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

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

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

A) 2.0.

B) 1.0.

C) 1.5.

Question #29 of 34

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

A) U.S. GAAP only.

B) Both IFRS and U.S. GAAP.

C) IFRS only.

Question #30 of 34

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

A) assets.

B) equity.

C) liabilities.

Question #31 of 34

According to the Financial Accounting Standards Board, what is the appropriate measurement basis for equipment used in the manufacturing process and inventory that is held for sale?

	Equipment	Inventory
A)	Historical cost	Historical cost

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B)	Fair value	Lower of cost or market
C)	Historical cost	Lower of cost or market

Question #32 of 34

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

	Available-for-sale	Trading security
A)	$2,000	$22,000
B)	$2,000	$20,000
C)	$0	$22,000

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Question #33 of 34

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

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

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

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

Question #34 of 34

Liabilities are *best* described as:

A) obligations that are expected to require a future outflow of resources.

B) residual ownership interest.

C) resources that are expected to provide future benefits.

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