FINANCIAL-ACCOUNTING-AND-REPORTING Q&As

Certified Public Accountant (Financial Accounting & Reporting)

Pass Test Prep FINANCIAL-ACCOUNTING-AND-REPORTING Exam with 100% Guarantee

Free Download Real Questions & Answers **PDF** and **VCE** file from:

https://www.passapply.com/financial-accounting-and-reporting.html

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by Test Prep Official Exam Center

QUESTION 1

Tanker Oil Co., a development stage enterprise, incurred the following costs during its first year of operations:

Legal fees for incorporation and other related matters	55,000
Underwriters' fees for initial stock offering	40,000
Exploration costs and purchases of mineral rights	60,000

Tanker had no revenue during its first year of operation. What amount may Tanker capitalize as organizational costs?

A. $115,000

B. $95,000

C. $55,000

D. $0

Correct Answer: D

	Capitalize as organizational costs
Legal fees for incorporation and other related matters should be expensed as start-up costs	-
Underwriting fees for initial stock offering should be recorded as a reduction of contributed capital	-
Exploration costs should be expensed as research & development	-
Purchases of mineral rights should be capitalized as fixed assets	-
Capitalize as organizational costs	0

Choice "d" is correct. $0.

All organizational costs (start-up costs) should be expensed when incurred (per SOP 98-5).

Fair Value Measurements

QUESTION 2

On January 2, 1993, Quo, Inc. hired Reed to be its controller. During the year, Reed, working closely with Quo\\'s president and outside accountants, made changes in accounting policies, corrected several errors dating from 1992 and before, and instituted new accounting policies. Quo\\'s 1993 financial statements will be presented in comparative form with its 1992 financial statements. This question represents one of Quo\\'s transactions. List A represents possible clarifications of these transactions as: a change in accounting principle, a change in accounting estimate, a correction of an error in previously presented financial statements, or neither an accounting change nor an accounting error.

Item to Be Answered Quo manufactures heavy equipment to customer specifications on a contract basis. On the basis that it is preferable, accounting for these long-term contracts was switched from the completed-contract method to the percentage-of-completion method.

List A (Select one)

A. Change in accounting principal.

B. Change in accounting estimate.

C. Correction of an error in previously presented financial statements.

D. Neither an accounting change nor an accounting error.

Correct Answer: A

Choice "a" is correct. Switching from the completed-contract method of accounting to the percentageofcompletion method is a "change in accounting principle."

QUESTION 3

A segment of Ace Inc. was discontinued during 1992. Ace\\'s loss from discontinued operations should not:

A. Include employee relocation costs associated with the decision to dispose.

B. Exclude operating losses from the date the decision to dispose of the segment was made until the end of 1992.

C. Include additional pension costs associated with the decision to dispose.

D. Include operating losses of the current period up to the date the decision to dispose of the segment was made.

Correct Answer: B

Choice "b" is correct. Ace\\'s loss on discontinued operations should not exclude operating losses from the date the decision to dispose of the segment was made until the end of 1992. All 1992 operating losses should be included. Choice "a" is incorrect. Employee relocation costs associated with the decision to dispose should be included in the loss from discontinued operations. Choice "c" is incorrect. Additional pension costs associated with the decision to dispose should be included in the loss from discontinued operations. Choice "d" is incorrect. Ace\\'s loss on discontinued operations should include operating losses of the current period up to the date the decision to dispose of the segment was made and also after that date. All 1992 operating losses should be included.

QUESTION 4

A planned volume variance in the first quarter, which is expected to be absorbed by the end of the fiscal period, ordinarily should be deferred at the end of the first quarter if it is:

	Favorable	Unfavorable
A.	Yes	No
B.	No	Yes
C.	No	No
D.	Yes	Yes

A. Option A

B. Option B

C. Option C

D. Option D

Correct Answer: D

Choice "d" is correct. Yes - Yes.

Rule: Volume variances that are planned or expected to be absorbed by the end of the year should be

deferred at interim whether favorable or unfavorable.

QUESTION 5

Goddard has used the FIFO method of inventory valuation since it began operations in 1987. Goddard decided to change to the weighted-average method for determining inventory costs at the beginning of 1990. The following schedule shows year-end inventory balances under the FIFO and weighted-average methods:

Year	FIFO	Weighted-average
1987	$45,000	$54,000
1988	78,000	71,000
1989	83,000	78,000

What amount, before income taxes, should be reported in the 1990 retained earnings statement as the

cumulative effect of the change in accounting principle?

A. $5,000 decrease.

B. $3,000 decrease.

C. $2,000 increase.

D. $0.

Correct Answer: A

Choice "a" is correct. $5,000 decrease. The cumulative effect of change in accounting principle is determined as of the beginning of the year of change if comparative financial statements are not presented. In this case, the year of change is 1990, so the cumulative effect is the difference in inventory as of the end of 1989. [Note that inventory is a balance sheet item, so the change is based on the balances at the end of the last year the prior method was used. Had this question shown annual income statement amounts of cost of goods sold, we would have had to look at all the past years in the aggregate.] This will allow us to arrive at the adjustment to obtain the amount of retained earnings that would have been reported at the beginning of the period of change if the new accounting principle had been used for all prior periods.

	1989
FIFO (current method)	$83,000
Weighted average - new method	(78,000)
Decrease in 1990 retained earnings	$ 5,000

[FINANCIAL-ACCOUNTING-AND-REPORTING PDF Dumps] [FINANCIAL-ACCOUNTING-AND-REPORTING Practice Test] [FINANCIAL-ACCOUNTING-AND-REPORTING Braindumps]