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1. **MCQ-14828**

A nongovernmental not-for-profit organization may report on which of the following basis and remain in compliance with generally accepted accounting principles (GAAP)?

1. Cash
2. Accrual
3. Modified cash
4. Modified accrual
5. **MCQ-14829**

LLA Inc. was capitalized through the issuance of 10,000 shares of $30 par common stock that was sold at $50 per share. LLA had net income as follows:

|  |  |  |
| --- | --- | --- |
| Year 1 $100,000  Year 2 200,000 | | |
| If, during Year 2. LLA paid dividends to its shareholders at $25 per share, what amount was LLA's | | |
| retained earnings balance and shareholders' equity balance at the end of Year 2? | | |
|  | *Retained earnings* | *Shareholders' equity* |
| A. | $50,000 | $550,000 |
| B. | $50,000 | $800,000 |
| C. | S300.000 | $550,000 |
| D. | S300.000 | $800,000 |

**3.MCQ-14830**

A statement of activities prepared by a nongovernmental not-for-profit organization is most similar to which of the following financial statements prepared by a for-profit entity?

1. Income statement
2. Balance sheet
3. Statement of cash flows
4. Statement of changes in stockholders' equity

**4.MCQ-14832**

Alpha Co. has $100 billion in assets, $100 billion in revenues, and $10 billion in profits for the current year. There are four operating segments that report directly to the chief operating officer. Which of the following segments is required to present key disclosures?

|  |  |  |  |
| --- | --- | --- | --- |
| *Segment* | *Assets (in billions)* | *Revenues (in billions)* | *Profits (in billions)* |
| 1 | $40 | S70 | $10.5 |
| 2 | 30 | 16 | 0.5 |
| 3 | 21 | 9 | (1.5) |
| 4 | 9 | 5 | 0.5 |

1. Segment 1
2. Segments 1 and 2
3. Segments 1,2, and 3
4. Segments 1,2, 3, and 4

**5.MCQ-14833**

A company reports on the cash basis. During the company's first year of business, it had sales on account of $1,000,000, inventory purchases on account of $400,000, and other expenses of $200,000. At the end of the year, the company had accounts receivable, inventory, and inventory-related accounts payable of $100,000, $10,000, and $50,000, respectively. What is the company's cash basis income for its first year of operations?

1. $300,000
2. $350,000
3. $400,000
4. $450,000

**6.MCQ-14834**

A company uses a periodic inventory system and has its cost of ending inventory understated by $4,000. Which of the following describes the effects of this error on the company's current year's cost of goods sold and net income, respectively?

|  |  |  |
| --- | --- | --- |
|  | *Cost of goods sold* | *Net income* |
| A. | Understated | Understated |
| B. | Understated | Overstated |
| C. | Overstated | Understated |
| D. | Overstated | Overstated |

1. **MCQ-14835**

On January 1, Lyle Co. purchased a manufacturing facility. After remodeling was completed, the facility was ready for use on March 1. On April 1, production began. Interest costs were incurred as follows:

|  |  |  |
| --- | --- | --- |
|  | *January 1* to *March 1* | *March 1* to *April 1* |
| Building | $10,000 | $5,000 |
| Remodeling | 2,000 | 3,000 |

What amount of interest should Lyle capitalize during the current year?

1. $10.000
2. $12,000
3. $15,000
4. $20,000
5. **MCQ-14836**

The equity method would be used if a company owned what percentage of its investee company's stock?

1. 5%
2. 15%
3. 25%
4. 75%
5. **MCQ-14838**

Dale Corp, successfully patented a medical diagnostic machine. Five years after receiving the patent, Dale was legally challenged by Bisk Corp., which had a similar machine. Dale spent $600,000 to successfully defend the patent. How should Dale treat the $600,000?

1. Record it as a research and development expense.
2. Create a separate intangible account and amortize it.
3. Debit the patent account and amortize it.
4. Reduce the stockholders' equity by a prior period adjustment.
5. **MCQ-14839**

Which of the following statements describes the relationship of interest expense related to bonds payable when a discount on bonds payable has been recorded using the effective interest method?

1. Interest expense will be the same each year.
2. Interest expense will decrease each year.
3. Interest expense will increase by the same amount each year.
4. Interest expense will increase by a larger amount each year.
5. **MCQ-14840**

Alder Corp, had the following stockholders' equity balances at the beginning of the current year:

Common stock 200,000 shares authorized, $1 par

15,000 shares issued and outstanding $15,000

Additional paid-in capital 24,000

Retained earnings 11,000

During the current year, Alder issued 2,000 shares of common stock with a fair value of $35 per share to Terry Brady on a subscription basis. Terry made a down payment of S3,500, but shortly thereafter defaulted on the subscription. What would be the debit to additional paid-in capital if Alder returned the $3,500 to Terry?

1. $73,500
2. $70,000
3. $68,000
4. S66.500
5. **MCQ-14841**

Nelson Corp, paid $1,000,000 cash to purchase 100 percent of the outstanding common stock of Orange Corp, on April 1 of the current year. Examination of Orange's assets and liabilities reveals the following:

|  |  |  |
| --- | --- | --- |
|  | *Book value* | *Fair value on April 1* |
| Cash | $100,000 | $100,000 |
| Marketable securities | 200,000 | 250,000 |
| Land | 50.000 | 300,000 |
| Accounts payable | 75.000 | 75,000 |
| Stockholder equity | 275,000 |  |

Nelson should record what amount of goodwill as a result of this acquisition?

1. S350.000
2. $425,000
3. $725,000

D S1.000.000

1. **MCQ-14842**

Thompson Corp. owned a machine that cost $80,000 and had accumulated depreciation of $50,000, an estimated salvage value of $5,000, and a fair value of $150,000. In January, the machine was damaged by Snow Corp, and became worthless. In October, a court awarded damages of $150,000 against Snow in favor of Thompson. On December 31, the final outcome of the case was awaiting appeal. Thompson's attorney believes Snow's appeal will be denied. What amount should Thompson accrue for this gain contingency on December 31?

1. $0
2. $5,000
3. $125,000
4. $150,000
5. **MCQ-14843**

Arctic Corp., located in India, was a wholly-owned foreign subsidiary of Axis Corp. Arctic's primary economic environment was within the country of India. On a limited basis. Axis made transactions with its subsidiary denominated in U.S. dollars. At year-end, what would be the functional currency for Arctic?

1. The U.S. dollar
2. The local currency
3. Dependent on each transaction
4. The parent company's currency
5. **MCQ-14844**

Arc Hospital received an unconditional pledge for $1 million, which will be paid in four installments of $250,000 over four years. What amount of installment pledge revenue should be recognized in the second year?

1. $0
2. $250,000
3. $500,000
4. $1,000,000

