

ACCT 504 Final Exam (3 different finals)



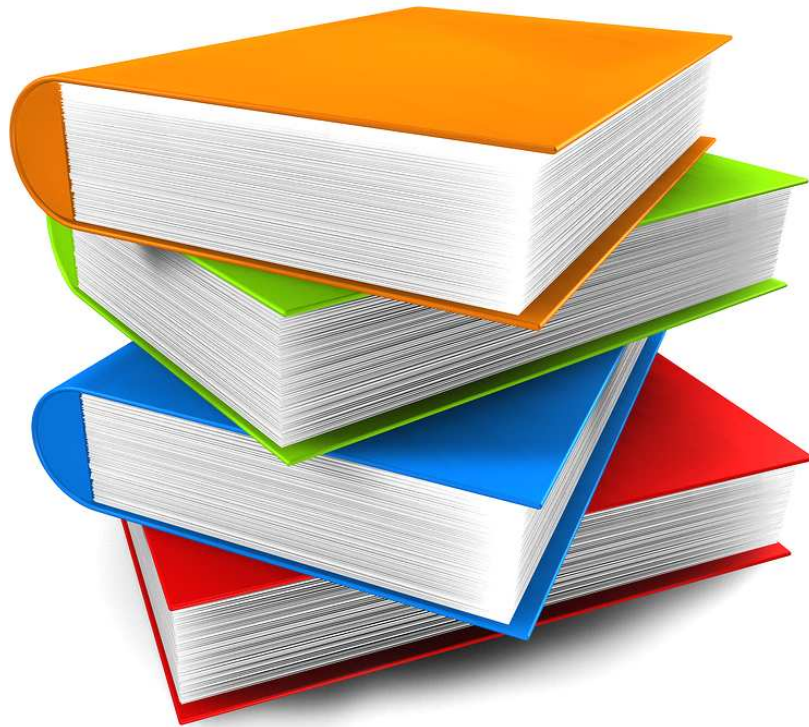
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1. (TCO A) Which one of the following is an advantage of corporations relative to partnerships and sole proprietorships?

(Points : 5)

Reduced legal liability for investors

Harder to transfer ownership

Lower taxes

Most common form of organization

2. (TCO A) When a corporation distributes a dividend, _____.

(Points : 5)

the most common form of distribution is a cash dividend

the Dividends account will be increased with a credit

the Retained Earnings account will be directly increased with a debit

the Dividends account will be decreased with a debit

3. (TCOs A, B) Below is a partial list of account balances for Cerner Company:

Cash \$5,000

Prepaid insurance 500

Accounts receivable 2,500

Accounts payable 2,000

Notes payable 3,000

Common stock 1,000

Dividends 500

Revenues 15,000

Expenses 12,500

What did Cerner Company show as total credits? (Points : 5)

\$21,500

\$21,000

\$20,500

\$22,000

4. (TCOs B, E) Using accrual accounting, expenses are recorded and reported only _____. (Points : 5)

when they are incurred, whether or not cash is paid

when they are incurred and paid at the same time

if they are paid before they are incurred
if they are paid after they are incurred

5. (TCO D) Three companies report the same cost of goods available for sale, but each employs a different inventory costing method. If the price of goods has increased during the period, then the company using _____ . (Points : 5)

LIFO will have the highest ending inventory

FIFO will have the highest cost of goods sold

All three companies will have the same value for ending inventory.

average cost will have an ending inventory value that falls between FIFO and LIFO

6. (TCOs A, E) Equipment with a cost of \$192,000 has an estimated salvage value of \$18,000 and an estimated life of 4 years or 12,000 hours. It is to be depreciated by the straight-line method. What is the amount of depreciation for the first full year, during which the equipment was used 3,300 hours? (Points : 5)

\$48,000

\$52,500

\$49,500

\$43,500

7. (TCOs D, G) Joyce Corporation issues 1,000 ten-year, 8%, \$1,000 bonds dated January 1, 2007, at 102. The journal entry to record the issuance will show a _____ . (Points : 5)

debit to Cash of \$1,020,000

debit to Discount on Bonds Payable for \$20,000

credit to Bonds Payable for \$1,020,000

credit to Cash for \$1,000,000. (TCO C) Accounts receivable arising from sales to customers amounted to \$80,000 and \$70,000 at the beginning and end of the year, respectively. Income reported on the income statement for the year was \$240,000. Exclusive of the effect of other adjustments, the cash flows from operating activities to be reported on the statement of cash flows is _____ . (Points : 5)

\$240,000

\$250,000

\$310,000

\$230,000

9. (TCO F) One variation of the horizontal analysis is known as _____ . (Points : 5)

nonlinear analysis

vertical analysis

trend analysis

common-size analysis

10. (TCO F) Comparisons of data within a company are an example of the following comparative basis. (Points : 5)

Industry averages

Intercompany

Intracompany

Interregional

11. (TCO F) Which one of the following is not a characteristic generally evaluated in ratio analysis? (Points : 5)

Liquidity

Profitability

Marketability of the product

Solvency

12. (TCO F) Short-term creditors are usually most interested in assessing _____. (Points : 5)

solvency

liquidity

marketability

profitability

13. (TCO F) Long-term creditors are usually most interested in evaluating _____. (Points : 5)

liquidity

marketability

profitability

solvency

14. (TCO G) To calculate the market value of a bond, we need to
 . (Points : 5)

*find out the present value of all of the future cash payments promised
by the bond*

calculate the present value of the principal only

calculate the present value of the interest only

multiply the bond price by the interest rate

1. (TCO A) Which one of the following is an advantage of
corporations relative to partnerships and sole proprietorships?
(Points : 5)

Reduced legal liability for investors

Harder to transfer ownership

Lower taxes

Most common form of organization

2. (TCO A) When a corporation distributes a dividend, _____.
(Points : 5)

the most common form of distribution is a cash dividend

the Dividends account will be increased with a credit

the Retained Earnings account will be directly increased with a debit

the Dividends account will be decreased with a debit

3. (TCOs A, B) Below is a partial list of account balances for Cerner
Company:

Cash \$5,000

Prepaid insurance 500

Accounts receivable 2,500

Accounts payable 2,000

Notes payable 3,000

Common stock 1,000

Dividends 500

Revenues 15,000

Expenses 12,500

What did Cerner Company show as total credits? (Points : 5)

\$21,500

\$21,000

\$20,500

\$22,000

4. (TCOs B, E) A small and private company may be able to justify using a cash basis of accounting if it has _____. (Points : 5)

sales under \$1,000,000

no accountants on staff

insignificant receivables and payables

all sales and purchases on account

5. (TCO D) Three companies report the same cost of goods available for sale, but each employs a different inventory costing method. If the price of goods has increased during the period, then the company using _____. (Points : 5)

LIFO will have the highest ending inventory

FIFO will have the highest cost of goods sold

All three companies will have the same value for ending inventory.

average cost will have an ending inventory value that falls between

FIFO and LIFO

6. (TCOs A, E) Equipment was purchased for \$60,000. Freight charges amounted to \$2,800 and there was a cost of \$8,000 for building a foundation and installing the equipment. It is estimated that the equipment will have a \$12,000 salvage value at the end of its 5-year useful life. Depreciation expense each year using the straight-line method will be _____. (Points : 5)

\$14,160

\$11,760

\$9,840

\$9,600

7. (TCOs D, G) Mendez Corporation issues 2,000 ten-year, 8%, \$1,000 bonds dated January 1, 2007, at 103. The journal entry to record the issuance will show a _____. (Points : 5)

debit to Cash of \$2,000,000

debit to Premium on Bonds Payable for \$60,000

credit to Bonds Payable for \$2,000,000

credit to Cash for \$2,060,000

8. (TCO C) Accounts receivable arising from sales to customers amounted to \$35,000 and \$40,000 at the beginning and end of the year, respectively. Income reported on the income statement for the year was \$120,000. Exclusive of the effect of other adjustments, the cash flows from operating activities to be reported on the statement of cash flows is _____. (Points : 5)

\$120,000

\$125,000

\$155,000

\$115,000

9. (TCO F) One variation of the horizontal analysis is known as _____. (Points : 5)

nonlinear analysis

vertical analysis

trend analysis

common-size analysis

10. (TCO F) In a common-size balance sheet, the 100% figure is _____. (Points : 5)

total current assets

total property, plant, and equipment

total liabilities

total assets

11. (TCO F) In vertical analysis, the base amount for studying salary and wages expense is generally _____. (Points : 5)

net sales

salary and wages expense in a previous year

gross profit

net income

12. (TCO F) A common measure of profitability is the _____. (Points : 5)

current ratio

current cash debt coverage ratio

return on common stockholder's equity ratio

debt to total assets

13. (TCO F) Return-on-assets ratio is most closely related to _____. (Points : 5)

profit margin and debt-to-total-assets ratio

profit margin and asset-turnover ratio

times interest earned and debt-to-stockholders equity ratio

profit margin and free cash flow

14. (TCO G) To calculate the market value of a bond, we need to _____. (Points : 5)

find out the present value of all of the future cash payments promised by the bond

calculate the present value of the principal only

calculate the present value of the interest only

multiply the bond price by the interest rate

1. (TCO A) An advantage of the corporate form of business is that _____. (Points : 5)

it has limited life

its owner's personal resources are at stake

its ownership is easily transferable via the sale of shares of stock

it is simple to establish

2. (TCO A) When a corporation distributes a dividend, _____. (Points : 5)

the most common form of distribution is a cash dividend

the Dividends account will be increased with a credit

the Retained Earnings account will be directly increased with a debit

the Dividends account will be decreased with a debit

3. (TCOs A, B) Below is a partial list of account balances for Denton Company:

Cash \$7,000
Prepaid insurance 700
Accounts receivable 3,500
Accounts payable 2,800
Notes payable 4,200
Common stock 1,400
Dividends 700
Revenues 21,000
Expenses 17,500

What did Denton Company show as total credits? (Points : 5)

\$30,100

\$29,400

\$28,700

\$30,800

4. (TCOs B, E) A small and private company may be able to justify using a cash basis of accounting if it has _____ . (Points : 5)

sales under \$1,000,000

no accountants on staff

insignificant receivables and payables

all sales and purchases on account

5. (TCO D) In a period of increasing prices, which inventory cost flow assumption will result in the lowest amount of income tax expense? (Points : 5)

FIFO

LIFO

The average cost method

Income tax expense for the period will be the same under all assumptions.

6. (TCOs A, E) Equipment was purchased for \$60,000. Freight charges amounted to \$2,800 and there was a cost of \$8,000 for building a foundation and installing the equipment. It is estimated that the equipment will have a \$12,000 salvage value at the end of its 5-year useful life. Depreciation expense each year using the straight-line method will be _____. (Points : 5)

\$14,160

\$11,760

\$9,840

\$9,600

7. (TCOs D, G) Lopez Corporation issues 500 ten-year, 8%, \$1,000 bonds dated January 1, 2007, at 96. The journal entry to record the issuance will show a _____ . (Points : 5)

debit to Cash of \$500,000

credit to Discount on Bonds Payable for \$20,000

credit to Bonds Payable for \$480,000

debit to Cash for \$480,000

8. (TCO C) Accounts receivable arising from sales to customers amounted to \$35,000 and \$40,000 at the beginning and end of the year, respectively. Income reported on the income statement for the year was \$120,000. Exclusive of the effect of other adjustments, the cash flows from operating activities to be reported on the statement of cash flows is _____ . (Points : 5)

\$120,000

\$125,000

\$155,000

\$115,000

9. (TCO F) Which one of the following is not a tool in financial statement analysis? (Points : 5)

Horizontal analysis

Circular analysis

Vertical analysis

Ratio analysis

10. (TCO F) In vertical analysis, the base amount for studying salary and wages expense is generally _____ . (Points : 5)

net sales

salary and wages expense in a previous year

gross profit

net income

11. (TCO F) Ratios are most useful in identifying _____ . (Points : 5)

trends

differences

causes

relationships among different numbers

12. (TCO F) A common measure of liquidity is _____ . (Points : 5)

return on assets

current ratio

profit margin

debt to equity

13. (TCO F) Return-on-assets ratio is most closely related to _____.

(Points : 5)

profit margin and debt-to-total-assets ratio

profit margin and asset-turnover ratio

times interest earned and debt-to-stockholders equity ratio

profit margin and free cash flow

14. (TCO G) To calculate the market value of a bond, we need to

_____ . (Points : 5)

find out the present value of all of the future cash payments promised by the bond

calculate the present value of the principal only

calculate the present value of the interest only

multiply the bond price by the interest rate

1. (TCO A) Below you will find selected information (in millions) from Coca-Cola Co.'s 2012 Annual Report:

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Required:

1. Using the information provided prepare a Balance Sheet. Separate the current assets from non-current assets and provide a total for each. Also separate the current liabilities from the non-current liabilities and provide a total for each.

2. Using the Balance Sheet from your answer above calculate; Current Ratio, Days in Inventory, Average Collection Period, Return on Assets Ratio, Debt to Total Assets and Return on common stockholders' equity ratio. (Make sure to show all your work)

2. (TCO B) The following selected data was retrieved from the Wal-Mart, Inc. financial statements for the year ending January 31, 2013:

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Required:

Using the information provided above:

- 1. Prepare a multiple-step income statement*
 - 2. Calculate the Profit Margin, and Gross profit rate for the company. Be sure to provide the formula you are using, show your calculations, and discuss your findings/results.*
 - 3. (TCO C) Please review the following real-world Hewlett Packard Statement of Cash flows and address the 2 questions below:*
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.....

Required:

- 1) Please calculate the percentage increase or decrease in cash for the operating, investing, and financing sections and explain the major reasons for the increase or decrease for each of these sections.*
- 2) Please calculate the free cash flow for 2012 and explain the meaning of this ratio.*
- 4. (TCO D) You are CFO of Goforit, Inc., a wholesale distribution company specializing in emerging technologies. Your CEO is a brilliant marketer, but relies on you to explain issues and choices in accounting and finance. She has heard from other members of a CEO organization to which she belongs that a company's net income can vary widely depending on which accounting choices are made from the "GAAP menu."*

Assuming the goal is to maximize net income, choose an accounting treatment from each of the following scenarios, and explain to your CEO why the choice will produce the desired effect on reported Net Income for the current year. Include in your answer the effect of the choice on both the income statement and balance sheet.

Required:

- a. Goforit carries significant electronics inventory in a competitive environment where prices are actually falling. Which inventory*

valuation method would you choose—LIFO, FIFO, or average cost? Assume that unit purchases exceed unit sales.

b. Goforit has a large investment in warehouse equipment including conveyor belts, forklifts, and automated packaging systems. Which depreciation method would you choose: Straight line (SL) or double declining balance (DDB)?

5. (TCO F) Please review the following real-world ratios for Johnson & Johnson and Pfizer for the year ended 2012 and address the 2 questions below.

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Required:

- 1) Please explain the meaning of each of the Pfizer ratios above.*
- 2) Please state which company performed better for each ratio.*