

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.pass2lead.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

- ⚙️ **Instant Download** After Purchase
- ⚙️ **100% Money Back** Guarantee
- ⚙️ **365 Days** Free Update
- ⚙️ **800,000+** Satisfied Customers



D. \$442,000

Correct Answer: B

Beginning balance - RE 12-31-91	\$400,000
Add: Prior period adjustment - Net of tax:	
\$60,000 3-year insurance policy 1-1-91 to 1-1-94	
Expensed in 1991. 2/3 prepaid at	
1-1-92. ($\$60,000 \times 2/3 = \$40,000 \times 70\%$ net of tax)	<u>28,000</u>
Adjusted balance - RE 1-1-92	\$428,000
	B

Choice "b" is correct. \$428,000 net of tax.

QUESTION 5

In general, an enterprise preparing interim financial statements should:

- A. Defer recognition of seasonal revenue.
- B. Disregard permanent decreases in the market value of its inventory.
- C. Allocate revenues and expenses evenly over the quarters, regardless of when they actually occurred.
- D. Use the same accounting principles followed in preparing its latest annual financial statements.

Correct Answer: D

Choice "d" is correct. Generally accepted accounting principles that were used in the most recent annual report of an enterprise should be applied to interim financial statements of the current year, unless a change in accounting principle is adopted in the current year.

Choices "a", "b", and "c" are incorrect, per above.

QUESTION 6

Terra Co.'s total revenues from its three operating segments were as follows: Which operating segment(s) is (are) deemed to be reportable segments?

<u>Segment</u>	<u>Sales to unaffiliated customers</u>	<u>Intersegment sales</u>	<u>Total revenues</u>
Lion	\$ 70,000	\$ 30,000	\$ 100,000
Monk	22,000	4,000	26,000
Nevi	8,000	16,000	24,000
Combined	\$100,000	\$ 50,000	\$ 150,000
Elimination	-	(50,000)	(50,000)
Consolidated	<u>\$100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

- A. None.
- B. Lion only.
- C. Lion and Monk only.
- D. Lion, Monk, and Nevi.

Correct Answer: D

Choice "d" is correct. A reportable operating segment is one having 10% of all revenue, including revenue from unaffiliated sales and from intersegment sales:

Lion's revenue percentage is 66.7% [$\$100,000/\$150,000$].

Monk's revenue percentage is 17.3% [$\$26,000/\$150,000$].

Nevi's revenue percentage is 16% [$\$24,000/\$150,000$].

Thus, all three segments meet the 10% of total revenues test and are reportable as operating segments.

SFAS 14 para. 10 and 15 as amended by SFAS 131 Choice "a" is incorrect. All segments with revenue percentages exceeding 10% of total revenues are reportable operating segments.

Choice "b" is incorrect. Lion is not the only segment with revenue percentages exceeding 10% of total revenues.

Choice "c" is incorrect. Nevi has a revenue percentage exceeding 10% of total revenues.

QUESTION 7

In September 1996, Koff Co.'s operating plant was destroyed by an earthquake. Earthquakes are rare in the area in which the plant was located. The portion of the resultant loss not covered by insurance was \$700,000. Koff's income tax rate for 1996 was 40%. In its 1996 income statement, what amount should Koff report as extraordinary loss?

- A. \$0

- B. \$280,000
- C. \$420,000
- D. \$700,000

Correct Answer: C

Choice "c" is correct. For a loss to be reported as an extraordinary loss, the event causing the loss must be both unusual in nature and infrequent in occurrence. The earthquake in this case does meet these criteria so the loss is reported net of income tax effect as an extraordinary loss of \$420,000 (60% of the total \$700,000 loss). APB 30.11, .19-.26 Choice "a" is incorrect. Review the criteria for reporting an extraordinary loss. Choice "b" is incorrect. This is the tax effect of the loss. Review your calculations. Choice "d" is incorrect. It is not appropriate to report the full loss as an extraordinary loss.

QUESTION 8

A material loss should be presented separately as a component of income from continuing operations when it is:

- A. An extraordinary item.
- B. A cumulative effect type change in accounting principle.
- C. Unusual in nature and infrequent in occurrence.
- D. Not unusual in nature but infrequent in occurrence.

Correct Answer: D

Choice "d" is correct. Gains or losses that are unusual in nature or occur infrequently but not both, are presented as a component of income from continuing operations. Choice "a" is incorrect. Extraordinary items are shown net of tax in a separate section of the income statement after income from continuing operations. Choice "b" is incorrect. Cumulative effects of changes in accounting principle are now shown net of tax as an adjustment to the opening balance of retained earnings in the retained earnings statement. This treatment is called retrospective application. There really are no longer any cumulative effect types of changes in accounting principle. The cumulative effect is merely how the amount of the change is measured. Choice "c" is incorrect. This is the definition of an extraordinary item.

QUESTION 9

An inventory loss from a permanent market decline of \$360,000 occurred in May 1989. Cox Co. appropriately recorded this loss in May 1989 after its March 31, 1989 quarterly report was issued. What amount of inventory loss should be reported in Cox's quarterly income statement for the three months ended June 30, 1989?

- A. \$0
- B. \$90,000
- C. \$180,000
- D. \$360,000

Correct Answer: D

Choice "a" is correct. Information presented in notes to the financial statements have the purpose of providing disclosures required by generally accepted accounting principles. SFAC 5 para. 7

QUESTION 14

Taft Corp. discloses supplemental industry segment information. The following information is available for 1992: Additional 1992 expenses, not included above, are as follows:

<u>Segment</u>	<u>Sales</u>	<u>Traceable operating expenses</u>
A	\$ 20,000	\$ 12,000
B	16,000	10,000
C	12,000	7,000
	<u>\$ 48,000</u>	<u>\$ 29,000</u>

Indirect operating expenses \$7,200 General corporate expenses 4,800

Segment C's 1992 operating profit was:

- A. \$5,000
- B. \$3,200
- C. \$2,600
- D. \$2,000

Correct Answer: A

Choice "a" is correct. \$5,000 operating profit for Segment C.

Rule: Operating profit by segments is based on the measure of profit reported to the "Chief Operating Decision Maker."

Interest expense, income taxes, and general corporate expenses are not allocated to the divisions solely for the purposes of segment disclosures; they may be allocated if that is how the segments report to the "Chief Operating Decision Maker."

Segment C's sales	\$12,000
Less traceable operating expenses	(7,000)
Segment C operating profit	<u>\$ 5,000</u>

QUESTION 15

The cumulative effect of a change in accounting estimate should be shown separately: A. On the income statement above income from continuing operations.

B. On the income statement after income from continuing operations and before extraordinary items.

C. On the retained earnings statement as an adjustment to the beginning balance.

D. It should not be recorded separately on any financial statement.

Correct Answer: D

Choice "d" is correct. A change in estimate is handled prospectively. No cumulative effect adjustment is made and no separate line item presentation is made on any financial statement. If a material change is being made, appropriate footnote disclosure is necessary.

Choices "a", "b", and "c" are incorrect, per the above Explanation: .

[FINANCIAL-ACCOUNTING-AND-REPORTING PDF Dumps](#)

[FINANCIAL-ACCOUNTING-AND-REPORTING Exam Questions](#)

[FINANCIAL-ACCOUNTING-AND-REPORTING Braindumps](#)