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| Question 1 |  | | | |  |
|  | Trademarks or trade names |  |  |  |  |
| Question 1 answers   |  |  |  | | --- | --- | --- | |  |  | must be renewed every 40 years | |  |  | can be considered intangibles with indefinite lives | |  |  | are developed internally and thus should not have any related costs capitalized and amortized | |  |  | are synonymous with internally developed goodwill | |  |  |  |  |

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| Question 2 text  Question 2 |  | | | |  |
|  | The factors involved in computing periodic depreciation charges for an asset do not include the |  |  |  |  |
| Question 2 answers   |  |  |  | | --- | --- | --- | |  |  | method of cost allocation | |  |  | current value of the asset | |  |  | service life | |  |  | residual value of the asset | |  |  |  |  |

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| Question 3 text  Question 3 |  | | | |  |
|  | Which of the following statements concerning internally developed goodwill is true? |  |  |  |  |
| Question 3 answers   |  |  |  | | --- | --- | --- | |  |  | it is a separately identifiable asset | |  |  | it is capitalized at its cost | |  |  | the costs associated with its development are expensed as incurred | |  |  | measuring its value is relatively easy and reliable | |  |  |  |  |

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| Question 4 text  Question 4 |  | | | |  |
|  | Software production costs related to computer software that is to be sold, leased, or otherwise marketed should be accounted for in which of the following ways: |  |  |  |  |
| Question 4 answers   |  |  |  | | --- | --- | --- | |  |  | all software production costs should be recorded as R&D expense | |  |  | all software production costs should be capitalized | |  |  | all software production costs should be recorded in R&D expense until technological feasibility is established | |  |  | all software production costs should be recorded in R&D expense until the product is available for general release to customers | |  |  |  |  |

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| Question 5 text  Question 5 |  | | | |  |
|  | Which one of the following statements is true? |  |  |  |  |
| Question 5 answers   |  |  |  | | --- | --- | --- | |  |  | The activity method of computing depreciation could result in zero depreciation expense in some periods of time. | |  |  | If the activity method is in use, residual value should not be subtracted from cost to determine the depreciation base. | |  |  | The activity method produces a constant unit cost of depreciation. | |  |  | The activity method should be used when the service life of the asset is affected mostly by the passage of time. | |  |  |  |  |

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| Question 6 text  Question 6 |  | | | |  |
|  | On January 1, 2004, Central Products, Inc., purchased 500 condensers for line use at a cost of $2,000 each. In 2005, two condensers had to be replaced at a cost of $2,500 each. Which one of the following statements is not true? |  |  |  |  |
| Question 6 answers   |  |  |  | | --- | --- | --- | |  |  | in 2005, there will be depreciation expense of $5,000 if the replacement depreciation method is in use | |  |  | in 2004, there will not be any depreciation expense recorded if the retirement depreciation method is in use | |  |  | in 2005, there will be $4,000 of depreciation expense if the replacement depreciation method is in use | |  |  | in 2005, the retirement depreciation method will result in less depreciation expense than the replacement depreciation method | |  |  |  |  |

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| Question 7 text  Question 7 |  | | | |  |
|  | During 2006, Rockon Company, Inc. incurred $240,000 in legal fees in defending a patent against an infringement with a carrying value of $2,500,000. Rockon¿s lawyers were not successful with the defense of the patent. The legal fees should be |  |  |  |  |
| Question 7 answers   |  |  |  | | --- | --- | --- | |  |  | expensed in 2006 and classified as ordinary expense | |  |  | classified as an extraordinary item on the income statement for 2006 | |  |  | capitalized and amortized over the remaining legal life of the patent | |  |  | capitalized and amortized over the remaining economic life or legal life of the patent, whichever is shorter | |  |  |  |  |

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| Question 8 text  Question 8 |  | | | |  |
|  | FASB Statement No. 2 requires that research and development costs be |  |  |  |  |
| Question 8 answers   |  |  |  | | --- | --- | --- | |  |  | capitalized | |  |  | expensed as incurred | |  |  | accumulated until the existence of future benefits is determined | |  |  | expensed in part and capitalized in part | |  |  |  |  |

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| Question 9 text  Question 9 |  | | | |  |
|  | Which depreciation method calculates annual depreciation expense based on the book value of an asset? |  |  |  |  |
| Question 9 answers   |  |  |  | | --- | --- | --- | |  |  | double-declining balance | |  |  | sum-of-the-years'-digits | |  |  | inventory systems | |  |  | group depreciation | |  |  |  |  |

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| Question 10 text  Question 10 |  | | | |  |
|  | Which amortization method should be used for intangibles that are amortized? |  |  |  |  |
| Question 10 answers   |  |  |  | | --- | --- | --- | |  |  | a method based on the expected pattern of benefits to be produced by the asset | |  |  | a method based on an annual review for impairment | |  |  | the straight-line method; all others are inappropriate | |  |  | any method is appropriate | |  |  |  |  |

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| Question 11 text  Question 11 |  | | | |  |
|  | Which one of the following statements is not a disclosure requirement for depreciation? |  |  |  |  |
| Question 11 answers   |  |  |  | | --- | --- | --- | |  |  | the balance of major classes of depreciable assets | |  |  | a general description of the method(s) used for depreciation | |  |  | the accumulated depreciation for each major class of depreciable asset | |  |  | the useful lives for each major class of depreciable asset | |  |  |  |  |

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| Question 12 text  Question 12 |  | | | |  |
|  | Which statement regarding goodwill is true? |  |  |  |  |
| Question 12 answers   |  |  |  | | --- | --- | --- | |  |  | goodwill is an unidentifiable intangible asset | |  |  | internally developed goodwill should be capitalized while purchased goodwill should be expensed | |  |  | goodwill can be defined as the value attached to the ability of a company to earn a higher than normal rate of return on the book value of its identifiable assets | |  |  | in some situations, FASB Statement No. 141 requires that negative goodwill be recorded | |  |  |  |  |

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| Question 13 text  Question 13 |  | | | |  |
|  | What effect does depreciation have on the calculation of the rate of return on total assets? |  |  |  |  |
| Question 13 answers   |  |  |  | | --- | --- | --- | |  |  | affects both the numerator and denominator | |  |  | no effect | |  |  | increases it | |  |  | decreases it | |  |  |  |  |

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| Question 14 text  Question 14 |  | | | |  |
|  | Concerning computer software to be sold, leased, or otherwise marketed, which of the following costs are inventoriable and thus included in cost of goods sold? |  |  |  |  |
| Question 14 answers   |  |  |  | | --- | --- | --- | |  |  | maintenance and customer support costs | |  |  | design, coding, and testing costs incurred before technological feasibility is established | |  |  | costs of software developed for internal use | |  |  | costs of disks, software duplication, and training materials | |  |  |  |  |

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| Question 15 text  Question 15 |  | | | |  |
|  | The Pecan Street Ice Cream Company discovers that depreciation expense was overstated last year. How should this discovery be reported in the current year? |  |  |  |  |
| Question 15 answers   |  |  |  | | --- | --- | --- | |  |  | as a reduction in the current year's depreciation expense | |  |  | as an increase to the retained earnings beginning balance | |  |  | as a miscellaneous item in the Other Revenue/Expense section of the income statement | |  |  | as a footnote only to the current year's financial statements | |  |  |  |  |

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| Question 16 text  Question 16 |  | | | |  |
|  | Which of the following expenditures cannot be included in R&D costs? |  |  |  |  |
| Question 16 answers   |  |  |  | | --- | --- | --- | |  |  | indirect costs | |  |  | intangibles purchased from others | |  |  | personnel costs | |  |  | contract services performed for others | |  |  |  |  |

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| Question 17 text  Question 17 |  | | | |  |
|  | Which of the following is not a required disclosure regarding goodwill for each period a company presents a balance sheet? |  |  |  |  |
| Question 17 answers   |  |  |  | | --- | --- | --- | |  |  | the amount of goodwill acquired | |  |  | the amount of goodwill sold | |  |  | the amount of any impairment loss recognized | |  |  | the amount of any goodwill included in the disposal of a reporting unit | |  |  |  |  |

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| Question 18 text  Question 18 |  | | | |  |
|  | Related to in-process R&D the acquiring company may: |  |  |  |  |
| Question 18 answers   |  |  |  | | --- | --- | --- | |  |  | capitalize it. | |  |  | treat it as an intangible asset. | |  |  | increase the amount of goodwill. | |  |  | establish a patent in the name of the purchased company. | |  |  |  |  |

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| Question 19 text  Question 19 |  | | | |  |
|  | Which one of the following disclosures is required by generally accepted accounting principles? |  |  |  |  |
| Question 19 answers   |  |  |  | | --- | --- | --- | |  |  | depreciation expense for each major class of asset | |  |  | balances of major classes of depreciable assets, by nature or function | |  |  | accumulated depreciation on each depreciable asset | |  |  | an explanation of why the depreciation method used was selected by management | |  |  |  |  |

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| Question 20 text  Question 20 |  | | | |  |
|  | Which of the following methods is used to amortize intangible assets over their useful lives? |  |  |  |  |
| Question 20 answers   |  |  |  | | --- | --- | --- | |  |  | a declining balance method | |  |  | straight line | |  |  | annual review for impairment | |  |  | intangible assets are not amortized | |  |  |  |  |