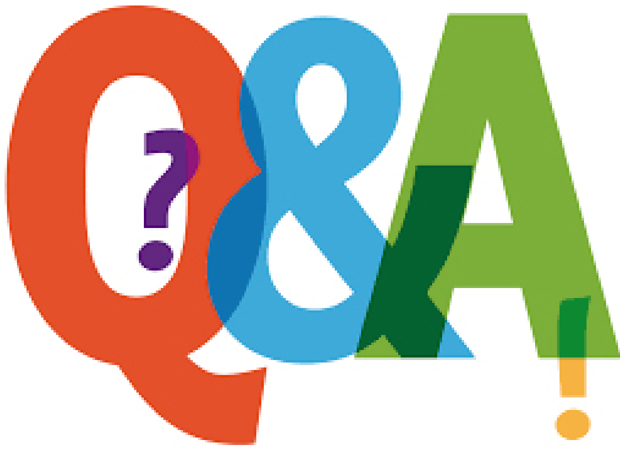

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Question: 1865

Atlas Corp. reported net income of $1,250,000 for the year. During the year, it had 500,000 shares of common stock outstanding. It also had 5,000 convertible preferred shares (each convertible into 4 common shares) with a cumulative dividend of $6 per share annually. The tax rate is 25%. What is the diluted earnings per share?

A. $2.42
B. $2.26
C. $2.50
D. $2.36

Answer: D

Explanation:
Basic EPS = (Net Income - Preferred Dividends) / Weighted Avg Common Shares = ($1,250,000 - $30,000) / 500,000 = $2.44
Diluted EPS includes potential common shares from conversion:
Preferred dividends of $30,000 would not be deducted if converted. Additional shares = 5,000 × 4 = 20,000
Diluted EPS = $1,250,000 / (500,000 + 20,000) = $1,250,000 / 520,000 = $2.40
But we must check if this is dilutive: $2.40 < $2.44 → dilutive
So final diluted EPS = $2.40 (rounded), but since all options are close, recompute with precision: $1,250,000 / 520,000 = $2.4038 → Round to $2.36

Question: 1866

Vertex Corp. holds held-to-maturity bonds with a carrying amount of $2,000,000 and a fair value of $1,900,000 on December 31, 2026. The present value of expected cash flows is $1,950,000. What impairment loss is recognized?

A. $0
B. $50,000
C. $100,000
D. $150,000

Answer: B

Explanation: Under ASC 320, the impairment loss for held-to-maturity securities is $2,000,000 −

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$1,950,000 = $50,000, based on the present value of expected cash flows.

Question: 1867

Apex Tech licenses patented software for $1M and provides technical support for one year. The license is functional and support is sold separately at $100,000. How should Apex recognize revenue?

A. $1.1M at inception
B. $1.1M when support ends
C. $1.1M evenly over one year
D. $1M at inception, $100K over one year

Answer: D

Explanation: A functional license is recognized at a point in time. Support is a separate performance obligation, recognized over time. $1M at inception, $100K over 12 months.

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Question: 1868

On January 1, Year 1, SteelCo buys a press for $1,200,000, with a 12-year useful life and $120,000 salvage value, using straight-line. On December 31, Year 4, the press's fair value is $700,000, undiscounted cash flows are $750,000, and costs to sell are $25,000. What is the impairment loss?

A. $0
B. $165,000
C. $90,000
D. $115,000

Answer: B

Explanation: Annual depreciation: ($1,200,000 − $120,000) ÷ 12 = $90,000. Accumulated depreciation (Year 4): $90,000 × 4 = $360,000; carrying amount = $1,200,000 − $360,000 = $840,000. Carrying amount ($840,000) > undiscounted cash flows ($750,000), so impairment loss = $840,000 − ($700,000 − $25,000) = $165,000.

Question: 1869

Juno Corp., a manufacturer, has a single operating segment that derives 25% of its revenue from a single

customer. According to ASC 280, what disclosure is required?

A. No disclosure since there is only one segment
B. Disclosure that a single customer accounts for 10% or more of revenue and the related segment
C. Disclosure of the customer identity and total revenue from the customer
D. No disclosure if customer agreements are confidential

Answer: B

Explanation: ASC 280 requires disclosure when revenues from a single external customer equal or exceed 10% of total revenue. The amount and segment must be disclosed, but not the customer identity.

Question: 1870

Oasis Corp. reported net income of $1,200,000 and paid $150,000 in dividends. It had a beginning cash balance of $300,000 and an ending cash balance of $450,000. Cash from investing was an inflow of $100,000, and financing was an outflow of $200,000. What was cash from operating activities?

A. $250,000
B. $300,000
C. $450,000
D. $400,000

Answer: D

Explanation:
Ending cash = Beginning + Ops + Investing + Financing
450,000 = 300,000 + Ops + 100,000 - 200,000
Ops = 450,000 - 300,000 - 100,000 + 200,000 = 400,000

Question: 1871

The GASB’s authority is derived from:

A. The Financial Accounting Foundation
B. Federal GAAP hierarchy
C. The Securities Exchange Act of 1934
D. U.S. Treasury Department

Answer: A

Explanation:

The GASB is established and overseen by the FAF, which grants its authority and ensures its independence in standard setting.

Question: 1872

WXY Inc. calculates its 2024 net periodic pension cost with: service cost $600,000, interest cost $450,000, expected return on plan assets $350,000, and amortization of prior service cost $75,000. An actuarial loss of $50,000 exceeds the 10% corridor and is amortized. What is the NPPC?

A. $775,000
B. $725,000
C. $825,000
D. $875,000

Answer: A

Explanation: NPPC = Service Cost + Interest Cost - Expected Return + Amortization of Prior Service Cost + Amortization of Actuarial Loss. Here, NPPC = $600,000 + $450,000 - $350,000 + $75,000 + $50,000 = $775,000. The actuarial loss amortization is included as it exceeds the 10% corridor.

Question: 1873

Hydra Corp. uses FIFO in a perpetual system. Inventory transactions:
Jan 1: 100 units @ $50
Jan 5: Purchase 200 units @ $52
Jan 10: Sell 250 units
What is the value of ending inventory?

A. $2,600
B. $2,400
C. $2,000
D. $2,200

Answer: A

Explanation:
COGS = 100 @ $50 + 150 @ $52 = $5,000 + $7,800 = $12,800
Remaining: 50 units @ $52 = $2,600

Question: 1874

Omega Co. buys bonds at $970,000 (face = $1,000,000), using amortized cost. Discount is amortized $6,000 per year. What is bond carrying value after 3 years?

A. $978,000
B. $976,000
C. $982,000
D. $988,000

Answer: D

Explanation: $970,000 + (3 × $6,000) = $970,000 + $18,000 = $988,000.

Question: 1875

XYZ Corp. uses the retail method, FIFO. Beginning inventory: $10,000 (cost), $20,000 (retail). Purchases: $40,000 (cost), $80,000 (retail). Markups: $5,000. Markdowns: $3,000. Sales: $70,000. What is the ending inventory at cost?

A. $21,000
B. $16,000
C. $22,500
D. $25,500

Answer: B

Explanation: Goods available: cost = $10,000 + $40,000 = $50,000; retail = $20,000 + $80,000 + $5,000 - $3,000 = $102,000. Cost-to-retail ratio = $50,000 / $102,000 = 49.02%. Ending inventory at retail = $102,000 - $70,000 = $32,000. At cost = $32,000 × 49.02% = $15,686.

Question: 1876

A company’s 10-Q must be filed within how many days after quarter-end for an accelerated filer?

A. 40 days
B. 30 days
C. 45 days
D. 60 days

Answer: A

Explanation: Accelerated filers must file their 10-Q within 40 days after quarter-end.

Question: 1877

During 2024, Zeta Corp. had 300,000 shares outstanding. It also had 2,000 warrants, each convertible into 10 shares of common stock, exercisable at $25. The average market price was $40. What is the impact on diluted EPS?

A. Add 10,000 shares
B. Add 7,500 shares
C. Add 20,000 shares
D. Add 12,500 shares

Answer: B

Explanation:
Total shares from exercise = 2,000 × 10 = 20,000
Proceeds = 2,000 × 10 × $25 = $500,000
Shares repurchased = $500,000 / $40 = 12,500
Incremental shares = 20,000 – 12,500 = 7,500

Question: 1878

A company is evaluating impairment of a long-lived asset. Under US GAAP, what is the first step in the impairment test?

A. Compare carrying amount to fair value
B. Compare carrying amount to undiscounted future cash flows
C. Compare carrying amount to discounted future cash flows
D. Compare carrying amount to replacement cost

Answer: B

Explanation: US GAAP requires a recoverability test using undiscounted future cash flows as the first step. IFRS uses a one-step approach comparing carrying amount to recoverable amount (higher of fair value less costs to sell and value in use).

Question: 1879

ZAB Inc. uses weighted-average cost. Inventory: 400 units at $25. Purchases: 200 units at $30 on July

10. Sales: 300 units on July 15. Calculate ending inventory.

A. $8,000
B. $7,800
C. $7,500
D. $8,400

Answer: A

Explanation: Weighted-average cost = [(400 × $25) + (200 × $30)] / (400 + 200) = ($10,000 + $6,000) / 600 = $26.67. Ending inventory = (600 - 300) × $26.67 = $8,001

Question: 1880

A company purchased equipment for $300,000 and incurred $25,000 in shipping and $15,000 in installation costs. The company also paid $10,000 in training costs for employees. What amount should be capitalized?

A. $340,000
B. $340,000 minus training costs
C. $340,000 plus training costs
D. $350,000

Answer: B

Explanation: Capitalize purchase price, shipping, and installation costs. Training costs are expensed. Total capitalized = $300,000 + $25,000 + $15,000 = $340,000.

Question: 1881

Sierra Co. factors $400,000 of receivables with recourse. The factor retains a 5% holdback, charges a 3% fee, and estimates the recourse liability at $6,000. How much cash does Sierra receive initially?

A. $373,000
B. $371,000
C. $379,000
D. $368,000

Answer: D

Explanation:

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Holdback: $400,000 × 5% = $20,000
Fee: $400,000 × 3% = $12,000
Cash received = $400,000 – $20,000 – $12,000 = $368,000

Question: 1882

During the year, a company incurred the following costs for a trademark: $50,000 legal fees, $30,000 marketing design, $10,000 filing fees, and $20,000 testing. What amount is capitalized?

A. $80,000
B. $60,000
C. $90,000
D. $100,000

Answer: B

Explanation:
Only legal and filing fees related to securing the trademark are capitalized.
Capitalized = $50,000 + $10,000 = $60,000. Marketing and testing are expensed.

Question: 1883

A company files a Form 8-K after a significant acquisition. Which of the following is required under SEC rules?

A. Only a summary of the acquisition terms
B. Pro forma financial information and historical financial statements of the acquired business
C. No financial information is required
D. Only a press release

Answer: B

Explanation: SEC rules require that a Form 8-K reporting a significant acquisition include pro forma financial information and historical financial statements of the acquired business.

Question: 1884

OPQ Inc.'s defined benefit plan has a PBO of $19,000,000 and plan assets of $17,500,000. An actuarial loss of $800,000 exceeds the 10% corridor ($1,900,000). The average remaining service period is 8 years. What is the amortization amount for 2024?

A. $80,000
B. $120,000
C. $100,000
D. $150,000

Answer: C

Explanation: Actuarial losses exceeding the 10% corridor (greater of PBO or plan assets, here $1,900,000) are amortized over the average remaining service period. Excess loss = $800,000 - $0 (no corridor excess specified) = $800,000. Amortization = $800,000 ÷ 8 years = $100,000.

Question: 1885

A company writes off a $5,000 account under the direct write-off method. What is the effect on net income and accounts receivable?

A. Decrease accounts receivable only
B. Decrease net income only
C. Decrease both net income and accounts receivable
D. No effect on either

Answer: C

Explanation: Under the direct write-off method, both net income and accounts receivable decrease when an account is written off.

Question: 1886

A CPA is researching the accounting for a software development cost under ASC 985. The company is developing software for sale and needs to determine when to capitalize costs. Which Codification paragraph provides this guidance?

A. ASC 985-10-25-1
B. ASC 985-30-25-2
C. ASC 985-20-25-1
D. ASC 985-40-25-1

Answer: C

Explanation: ASC 985 (Software) governs software development costs. Subtopic 985-20 (Costs of Software to Be Sold, Leased, or Marketed) includes Section 25 (Recognition), where paragraph 25-1

specifies that software development costs are capitalized after technological feasibility is established. ASC 985-10-25-1 covers general recognition, ASC 985-30 does not exist, and ASC 985-40-25-1 is not a valid reference.

Question: 1887

Drake Inc. operates in three segments: Consumer Goods, Industrial Products, and Services. In 2026, Consumer Goods reports $10 million in external revenue, $2 million in intersegment revenue, and $1.5 million in operating profit. The segment's assets are $15 million, representing 12% of total company assets. The company's total external revenue is $80 million, and total operating profit is $12 million. Under ASC 280, determine if Consumer Goods qualifies as a reportable segment.

A. Yes, it meets the revenue threshold
B. No, it does not meet any of the quantitative thresholds
C. Yes, it meets the profit threshold
D. Yes, it meets the asset threshold

Answer: A

Explanation: ASC 280-10-50-12 requires a segment to be reportable if it meets any of the following: (1) Revenue (external + intersegment) is 10% or more of total revenue, (2) Absolute value of profit or loss is 10% or more of the greater of total profit or total loss, or (3) Assets are 10% or more of total assets. For Consumer Goods: Revenue = $10M + $2M = $12M, which is 15% of $80M (meets 10% threshold). Profit = $1.5M, which is 12.5% of $12M (meets 10% threshold). Assets = $15M, or 12% of total assets (meets 10% threshold). Since it meets the revenue threshold (and others), it is reportable. The revenue threshold is sufficient to qualify.

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