***Intermediate Accounting, 9e* (Spiceland)**
Chapter 4 The Income Statement, Comprehensive Income, and the Statement of Cash Flows (question numbers are from Mcgraw Hill test source. Thus, the numbers are not consequtive – there are gaps in the numbers)

PICK ANY 45 QUESTIONS FROM THIS TEST AND ANSWER THEM ON A SEPARATE PIECE OF PAPER.

1) Income from continuing operations sometimes includes gains from nonoperating activities.

True False

2) The single-step format of the income statement first lists all the revenues and gains included in income from continuing operations.

True False

3) The single-step format of the income statement does not separately report nonoperating gains in the revenues section of the income statement.

True False

4) The multiple-step format of the income statement reports a series of intermediate subtotals such as gross profit, operating income, and income before taxes.

True False

5) Intraperiod tax allocation is the process of associating income tax effects with the income statement components that create those effects.

True False

6) Material restructuring costs are reported as an element of income from continuing operations.

True False

7) Restructuring costs most often refer to costs associated with management's plans to materially change the scope of business operations or the manner in which they are conducted.

True False

8) Earnings quality refers to the ability of reported earnings (income) to predict future earnings.

True False

9) Income from continuing operations consists only of those items expected to be permanent components of earnings.

True False

10) Interest expense typically is considered a temporary component of earnings.

True False

11) Gains, but not losses, from discontinued operations must be separately reported in an income statement.

True False

12) Income statements prepared according to both U.S. GAAP and International Financial Reporting Standards (IFRS) require the separate reporting of discontinued operations.

True False

13) A change in accounting principle that is implemented using the retrospective approach includes restating financial statements of all periods presented as if the new standard had been used in those periods.

True False

14) A change in accounting principle that is implemented using the modified retrospective approach includes implementing the change in the current period only and not adjusting for the cumulative effects on prior periods.

True False

15) Changes in estimates are accounted for using the prospective approach.

True False

16) Material errors in prior periods' income statements are corrected by making an adjustment to the beginning balance of the current period's retained earnings.

True False

17) Earnings per share disclosure is required only for income from continuing operations.

True False

18) Comprehensive income reports an expanded version of income to include certain types of gains and losses not included in traditional income statements.

True False

19) Comprehensive income is the total change in shareholders' equity that occurred during the period.

True False

21) International Financial Reporting Standards (IFRS) require a company to classify expenses in an income statement by function.

True False

22) In a statement of cash flows prepared under International Financial Reporting Standards (IFRS), interest received is most often classified as an operating cash flow.

True False

24) A decrease in the receivables turnover ratio indicates a decrease in the time between credit sales and cash collection.

True False

25) The decomposition of return on assets illustrates why some companies with low profit margins can be very profitable if their asset turnover is high.

True False

26) A company could improve its return on assets by increasing its income or by increasing its total assets.

True False

27) Return on shareholders' equity is increased if a firm can maintain its return on assets but increase its leverage.

True False

28) Intraperiod income tax presentation is primarily a matter of:
A) Valuation.
B) Going concern.
C) Periodicity.
D) Allocation.

29) The difference between single-step and multiple-step income statements is primarily an issue of:
A) Consistency.
B) Presentation.
C) Measurement.
D) Valuation.

30) Most real-world income statements are presented using which format?
A) Income-step.
B) Single-step.
C) Magnitude-step.
D) Multiple-step.

31) A primary advantage of the multiple-step format of the income statement over the single-step format is that the multiple-step format:
A) classifies expenses by function.
B) results in a higher amount of net income.
C) separately lists income tax expense.
D) lists revenues and expenses in order of their dollar amount.

32) Which of the following profit amounts usually will be listed in both the single-step and multiple-step formats of the income statement?
A) Gross profit.
B) Operating income.
C) Income before taxes.
D) Net nonoperating income.

33) The relationship between revenue from selling inventory and the cost of that inventory is measured as:
A) Net income.
B) Gross profit.
C) Income before taxes.
D) Operating income.

34) Popson Inc. incurred a material loss that was unusual in character. This loss should be reported as:
A) a discontinued operation.
B) a line item between income from continuing operations and income from discontinued operations.
C) a line item within income from continuing operations.
D) a line item in the retained earnings statement.

35) Provincial Inc. reported the following before-tax income statement items:

Operating income	$ 600,000
Loss on discontinued operations	100,000

Provincial has a 30% income tax rate.

Provincial would report the following amount of income tax expense as a separately stated line item in the income statement:
A) $198,000.
B) $180,000.
C) $168,000.
D) $150,000.

36) Freda's Florist reported the following before-tax income statement items for the year ended December 31, 2018:

Operating income	$ 250,000
Income on discontinued operations	70,000

All income statement items are subject to a 40% income tax rate. In its 2018 income statement, Freda's separately stated income tax expense and total income tax expense would be:
A) $128,000 and $128,000, respectively.
B) $128,000 and $100,000, respectively.
C) $100,000 and $128,000, respectively.
D) $100,000 and $100,000, respectively.

37) Earnings quality refers to:
A) the ability of management to budget for expenditures in the following year.
B) the ability of management to sell its inventory for a profit.
C) the ability of management to quickly collect cash from customers.
D) the ability of reported earnings to predict a company's future earnings.

38) Income smoothing refers to:
A) the ability of management to report an earnings amount in each period less than actual earnings.
B) the ability of management to use accruals to reduce the volatility of reported earnings over time.
C) the ability of management to maintain sales to its current customers for several years.
D) the ability of management to report an earnings amount in each period greater than actual earnings.

39) Managers may engage in classification shifting by:
A) reporting sales to fictitious customers to inflate reported revenues.
B) reduce estimates of accrued expenses to inflate reported net income.
C) reporting operating expenses as nonoperating expenses to inflate reported operating income.
D) increasing estimates of accrued expenses to inflate reported net income.

40) Financial statement users typically begin their assessment of permanent earnings with:
A) sales revenue.
B) income from continuing operations.
C) net income.
D) gross profit.

41) Temporary earnings are best characterized as:
A) earnings that do not have corresponding cash flows.
B) earnings from nonoperating activities.
C) earnings that do not conform to Generally Accepted Accounting Principles (GAAP).
D) earnings that arise from events that are not likely to recur in the foreseeable future.

42) Which of the following mostly likely would be classified as restructuring costs?
A) Advertising costs to sell a product recently developed by a company.
B) Severance pay for employee layoffs associated with facility closings.
C) Brokerage fees from the issuance of additional shares of stock.
D) Acquisition fees associated with the purchase of land and buildings.

43) Restructuring costs typically can be defined as:
A) costs of external financing through issuance of debt or equity securities.
B) costs associated safeguarding a company's assets and ensuring accuracy of financial reporting.
C) costs associated with management's plans to materially change the scope of business operations or the manner in which they are conducted.
D) costs of expenditures made on capital projects and executive compensation.

44) Non-GAAP earnings:
A) could be considered management's view of permanent earnings.
B) are needed for the correction of errors.
C) are standardized under generally accepted accounting principles.
D) are useful to compare two different firms' performance.

46) The distinction between operating and nonoperating income relates to:
A) continuity of income.
B) primary activities of the reporting entity.
C) consistency of income stream.
D) reliability of measurements.

47) A company reports the following amounts at the end of the current year:

Sales revenue	$ 860,000
Selling expenses	250,000
Gain on the sale of land	30,000
Interest expense	10,000
Cost of goods sold	520,000

Under normal circumstances (ignoring tax effects), permanent earnings would be computed as:
A) $90,000.
B) $110,000.
C) $80,000.
D) $50,000.

48) The principal benefit of separately reporting discontinued operations is to enhance:
A) predictive ability of future profitability.
B) consistency in reporting.
C) intraperiod continuity.
D) comprehensive reporting.

49) The Claxton Company manufactures children's toys and also has a division that makes automobile parts. Due to a change in its strategic focus, the company sold the automobile parts division. The division qualifies as a component of the entity according to GAAP. How should Claxton report the sale in its 2018 income statement?
A) Report it as restructuring costs.
B) Report it as a discontinued operation.
C) Report the income or loss from operations of the division in discontinued operations.
D) Report it as a gain on sale of investments included in income from continuing operations.

50) On August 1, 2018, Rocket Retailers adopted a plan to discontinue its catalog sales division, which qualifies as a separate component of the business according to GAAP regarding discontinued operations. The disposal of the division was expected to be concluded by June 30, 2019. On January 31, 2019, Rocket's fiscal year-end, the following information relative to the discontinued division was accumulated:

Operating loss Feb. 1, 2018–Jan. 31, 2019	$ 115,000
Estimated operating losses, Feb. 1–June 30, 2019	80,000

Impairment of division assets at Jan. 31, 2019	10,000

In its income statement for the year ended January 31, 2019, Rocket would report a before-tax loss on discontinued operations of:
A) $(115,000).
B) $(195,000).
C) $(65,000).
D) $(125,000).

51) On November 1, 2018, Jamison Inc. adopted a plan to discontinue its barge division, which qualifies as a separate component of the business according to GAAP regarding discontinued operations. The disposal of the division was expected to be concluded by April 30, 2019. On December 31, 2018, the company's year-end, the following information relative to the discontinued division was accumulated:

Operating loss Jan. 1–Dec. 31, 2018	$	65	million
Estimated operating losses, Jan. 1 to April 30, 2019		80	million
Excess of fair value, less costs to sell, over book value at Dec. 31, 2018		15	million

In its income statement for the year ended December 31, 2018, Jamison would report a before-tax loss on discontinued operations of:
A) $65 million.
B) $50 million.
C) $130 million.
D) $145 million.

52) On October 28, 2018, Mercedes Company committed to a plan to sell a division that qualified as a component of the entity according to GAAP regarding discontinued operations and was properly classified as held for sale on December 31, 2018, the end of the company's fiscal year. The division's loss from operations for 2018 was $2,000,000.

The division's book value and fair value less cost to sell on December 31 were $3,000,000 and $2,500,000, respectively. What before-tax amount(s) should Mercedes report as loss on discontinued operations in its 2018 income statement?
A) $2,000,000 loss.
B) $2,500,000 loss.
C) No loss would be reported.
D) $500,000 impairment loss included in continuing operations and a $2,000,000 loss from discontinued operations.

53) On October 28, 2018, Mercedes Company committed to a plan to sell a division that qualified as a component of the entity according to GAAP regarding discontinued operations and was properly classified as held for sale on December 31, 2018, the end of the company's fiscal year. The division's loss from operations for 2018 was $2,000,000.

The division's book value and fair value less cost to sell on December 31 were $3,000,000 and

$3,500,000, respectively. What before-tax amount(s) should Mercedes report as loss on discontinued operations in its 2018 income statement?
A) $2,000,000 loss.
B) $2,500,000 loss.
C) No loss would be reported.
D) $500,000 gain included in continuing operations and a $2,000,000 loss from discontinued operations.

57) On May 1, Foxtrot Co. agreed to sell the assets of its Footwear Division to Albanese Inc. for $80 million. The sale was completed on December 31, 2018.

The following additional facts pertain to the transaction:

- The Footwear Division qualifies as a component of the entity according to GAAP regarding discontinued operations.
- The book value of Footwear's assets totaled $48 million on the date of the sale.
- Footwear's operating income was a pre-tax loss of $10 million in 2018.
- Foxtrot's income tax rate is 40%.

Suppose that the Footwear Division's assets had not been sold by December 31, 2018, but were considered held for sale. Assume that the fair value of these assets was $40 million at December 31, 2018. In the income statement for the year ended December 31, 2018, Foxtrot Co. would report discontinued operations of a:
A) $3 million loss.
B) $10 million loss.
C) $10.8 million loss.
D) $18 million loss.

59) Major Co. reported 2018 income of $300,000 from continuing operations before income taxes and a before-tax loss on discontinued operations of $80,000. All income is subject to a 30% tax rate. In the income statement for the year ended December 31, 2018, Major Co. would show the following line-item amounts for income tax expense and net income:
A) $66,000 and $210,000 respectively.
B) $90,000 and $154,000 respectively.
C) $90,000 and $276,000 respectively.
D) $66,000 and $220,000 respectively.

66) Changes in estimates are accounted for using which approach?
A) Prospective.
B) Retrospective.
C) Modified retrospective.
D) Modified prospective.

67) When a material error is discovered in prior financial statements:
A) prior financial statements are restated to their correct amounts.

B) assets and liabilities in the current period are restated to their appropriate levels.
C) prior income effects are adjusted to the current period's beginning balance of retained earnings.
D) all of these answer choices are correct.

68) Which of the following is **not** true about EPS?
A) It must be reported by all corporations whose stock is publicly traded.
B) It must be reported separately for discontinued operations.
C) It must be reported on operating income.
D) None of these answer choices are correct.

73) Comprehensive income is the change in equity from:
A) Owner transactions.
B) Nonowner transactions.
C) Owner or nonowner transactions.
D) Capital transactions.

74) Reconciliation between net income and comprehensive income would include:
A) unrealized holding losses but not unrealized holding gains on investments.
B) unrealized holding gains but not unrealized holding losses on investments.
C) unrealized holding losses and unrealized holding gains on investments.
D) neither unrealized holding losses nor unrealized holding gains on investments.

75) Change statements include a:
A) retained earnings statement, balance sheet, and cash flow statement.
B) balance sheet, cash flow statement, and income statement.
C) cash flow statement, income statement, and retained earnings statement.
D) retained earnings statement, balance sheet, and income statement.

78) The statement of cash flows reports cash flows from the activities of:
A) operating, purchasing, and investing.
B) borrowing, paying, and investing.
C) financing, investing, and operating.
D) using, investing, and financing.

79) Operating cash flows would **not** include:
A) Interest received.
B) Interest paid.
C) Dividends paid.
D) Dividends received.

80) Operating cash outflows would include:
A) Purchase of investments.
B) Purchase of equipment.
C) Payment of cash dividends.
D) Purchases of inventory.

81) Cash flows from investing do **not** include cash flows from:
A) lending money to another corporation.
B) the sale of equipment.
C) borrowing.
D) the purchase of other corporation's securities.

82) Cash flows from investing do **not** include cash flows from:
A) lending money to another corporation.
B) the purchase of equipment.
C) the sale of a building.
D) the purchase of a corporation's own securities.

88) Schneider Inc. had salaries payable of $60,000 and $90,000 at the end of 2017 and 2018, respectively. During 2018, Schneider recorded $620,000 in salaries expense in its income statement. Cash outflows for salaries in 2018 were:
A) $590,000.
B) $620,000.
C) $650,000.
D) $530,000.

89) Howard Inc. had prepaid rent of $75,000 and $80,000 at the end of 2017 and 2018, respectively. During 2018, Howard recorded $240,000 in rent expense in its income statement. Cash outflows for rent in 2018 were:
A) $235,000.
B) $240,000.
C) $245,000.
D) $250,000.

90) Martel Co. had supplies of $24,000 and $33,000 at the end of 2017 and 2018, respectively. During 2018, Howard paid $128,000 for supplies. Supplies expense in the 2018 income statement was:
A) $119,000.
B) $128,000.
C) $137,000.
D) $110,000.

91) Stinley Co. paid utilities of $134,000 during 2018. At the end of 2018, utilities payable equals $17,000 and utilities expense equals $145,000. What was the balance of utilities payable at the beginning of 2018?

A) $22,000.
B) $6,000.
C) $17,000.
D) $11,000.

92) Tropical Tours reported revenue of $400,000 for its year ended December 31, 2018. Accounts receivable at December 31, 2017 and 2018, were $35,000 and $32,000, respectively. Using the direct method for reporting cash flows from operating activities, Tropical Tours would report cash collected from customers of:
A) $400,000.
B) $397,000.
C) $403,000.
D) $365,000.

93) Shively Mfg. Co. sold for $18,000 equipment that cost $40,000 and had a book value of $30,000. Shively would report:
A) Operating cash inflows of $18,000.
B) Operating cash inflows of $8,000.
C) Financing cash inflows of $18,000.
D) Investing cash inflows of $18,000.

94) Arrow Printers paid $2,000 interest on short-term notes payable, $10,000 interest on long-term bonds, and $6,000 in dividends on its common stock. Arrow would report cash outflows from activities, as follows:
A) Operating, $2,000; financing, $16,000.
B) Operating, $0; financing, $18,000.
C) Operating, $12,000; financing, $6,000.
D) Operating, $18,000; financing, $0.

95) Hong Kong Clothiers reported revenue of $5,000,000 for its year ended December 31, 2018. Accounts receivable at December 31, 2017 and 2018, were $320,000 and $355,000, respectively. Using the direct method for reporting cash flows from operating activities, Hong Kong Clothiers would report cash collected from customers of:
A) $4,965,000.
B) $5,000,000.
C) $5,035,000.
D) $5,045,000.

96) Lucia Ltd. reported net income of $135,000 for the year ended December 31, 2018. January 1 balances in accounts receivable and accounts payable were $29,000 and $26,000, respectively. Year-end balances in these accounts were $30,000 and $24,000, respectively. Assuming that all relevant information has been presented, Lucia's cash flows from operating activities would be:
A) $132,000.
B) $134,000.
C) $136,000.
D) $138,000.

98) Bird Brain Co. reported net income of $45,000 for the year ended December 31, 2018. January 1 balances in accounts receivable and accounts payable were $23,000 and $26,000 respectively. Year-end balances in these accounts were $22,000 and $28,000, respectively. Assuming that all relevant information has been presented, Bird Brain's cash flows from operating activities would be:
A) $48,000.
B) $44,000.
C) $46,000.
D) $45,000.

99) Nevada Boot Co. reported net income of $216,000 for its year ended December 31, 2018. Purchases totaled $152,000. Accounts payable balances at the beginning and end of the year were $36,000 and $33,000, respectively. Beginning and ending inventory balances were $44,000 and $46,000, respectively. Assuming that all relevant information has been presented, Nevada Boot would report operating cash flows of:
A) $155,000.
B) $221,000.
C) $211,000.
D) $151,000.

100) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:	
Customers	$ 1,800
Interest on investments	200
Sale of land	100
Sale of Rowdy's capital stock	600
Issuance of debt securities	2,000
Cash paid for:	
Interest on debt	$ 300
Income tax	80
Debt principal reduction	1,500
Purchase of equipment	4,000
Purchase of inventory	1,000
Dividends on capital stock	200
Operating expenses	500

Rowdy's would report net cash inflows (outflows) from operating activities in the amount of:
A) ($80) millions.
B) $120 millions.
C) $200 millions.
D) $420 millions.

101) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:

Customers	$ 1,800
Interest on investments	200
Sale of land	100
Sale of Rowdy's capital stock	600
Issuance of debt securities	2,000

Cash paid for:

Interest on debt	$ 300
Income tax	80
Debt principal reduction	1,500
Purchase of equipment	4,000
Purchase of inventory	1,000
Dividends on capital stock	200
Operating expenses	500

Rowdy's would report net cash inflows (outflows) from investing activities in the amount of:
A) ($4,000) millions.
B) $100 millions.
C) ($3,900) millions.
D) ($1,900) millions.

102) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:

Customers	$ 1,800
Interest on investments	200
Sale of land	100
Sale of Rowdy's capital stock	600
Issuance of debt securities	2,000

Cash paid for:

Interest on debt	$ 300
Income tax	80
Debt principal reduction	1,500
Purchase of equipment	4,000
Purchase of inventory	1,000
Dividends on capital stock	200
Operating expenses	500

Rowdy's would report net cash inflows (outflows) from financing activities in the amount of:
A) $1,100 millions.
B) ($1,100) millions.
C) $820 millions.
D) $900 millions.

106) During its 2018 fiscal year, Jacobsen Corporation reported before-tax income of $620,000. This amount does not include the following two items, both of which are considered to be material in amount:

Unusual gain	$ 200,000
Loss on discontinued operations	(300,000)

The company's income tax rate is 40%.

Jacobsen Corporation prepares its financial statement applying International Financial Reporting Standards (IFRS). In its 2018 income statement, Jacobsen would report income from continuing operations of:
A) $312,000.
B) $372,000.
C) $492,000.
D) $620,000.

108) A company is effectively leveraging when:
A) the return on assets exceeds the return on shareholders' equity.
B) the return on shareholders' equity exceeds the return on assets.
C) the return on shareholders' equity is increasing.
D) the return on assets is increasing.

109) Excerpts from Dowling Company's December 31, 2018 and 2017, financial statements and key ratios are presented below (all numbers are in millions):

Accounts receivable (net)	$ 20	$ 16
Net sales	$ 115	$ 100
Cost of goods sold	$ 60	$ 55
Net income	$ 20	$ 17
Inventory turnover	5.22	
Return on assets	10.3%	
Equity Multiple	2.36	

Dowling's 2018 profit margin is (rounded):
A) 17.4%.
B) 18.5%.
C) 18.0%.
D) 16.5%.

110) Excerpts from Dowling Company's December 31, 2018 and 2017, financial statements and key ratios are presented below (all numbers are in millions):

	2018	2017
Accounts receivable (net	$ 20	$ 16
Net sales	$ 115	$ 100
Cost of goods sold	$ 60	$ 55
Net income	$ 20	$ 17
Inventory turnover	5.22	
Return on assets	10.3%	
Equity Multiple	2.36	

Dowling's 2018 average collection period is (rounded):
A) 50 days.
B) 63 days.
C) 57 days.
D) 51 days.

111) Excerpts from Dowling Company's December 31, 2018 and 2017, financial statements and key ratios are presented below (all numbers are in millions):

	2018	2017
Accounts receivable (net)	$ 20	$ 16
Net sales	$ 115	100
Cost of goods sold	$ 60	55
Net income	$ 20	17
Inventory turnover	5.22	
Return on assets	10.3%	
Equity Multiple	2.36	

Dowling's return on equity for 2018 is (rounded):
A) 22%.
B) 24.3%.
C) 17.4%.
D) 9%.

112) Excerpts from Dowling Company's December 31, 2018 and 2017, financial statements and key ratios are presented below (all numbers are in millions):

	2018	2017
Accounts receivable (net)	$ 20	$ 16
Net sales	$ 115	100
Cost of goods sold	$ 60	55
Net income	$ 20	17
Inventory turnover	5.22	
Return on assets	10.3%	
Equity Multiple	2.36	

Dowling's average total assets for 2018 is (rounded):
A) 32.
B) 210.
C) 115.
D) 194.

113) Excerpts from Dowling Company's December 31, 2018 and 2017, financial statements and key ratios are presented below (all numbers are in millions):

	2018	2017
Accounts receivable (net)	$ 20	$ 16
Net sales	$ 115	100
Cost of goods sold	60	55
Net income	20	17
Inventory turnover	5.22	
Return on assets	10.3%	
Equity Multiple	2.36	

Dowling's average inventory balance for 2018 is (rounded):
A) 11.
B) 12.
C) 11.5.
D) 12.5.

114) Excerpts from Hulkster Company's December 31, 2018 and 2017, financial statements are presented below:

	2018	2017
Accounts receivable	$ 40,000	$ 36,000
Merchandise inventory	$ 28,000	35,000
Net sales	190,000	186,000
Cost of goods sold	114,000	108,000
Total assets	425,000	405,000
Total shareholders' equity	240,000	225,000
Net income	32,500	28,000

Hulkster's 2018 receivables turnover is:
A) 2.85.
B) 4.70.
C) 5.00.
D) 10.63.

115) Excerpts from Hulkster Company's December 31, 2018 and 2017, financial statements are presented below:

	2018	2017
Accounts receivable	$ 40,000	$ 36,000
Merchandise inventory	$ 28,000	35,000
Net sales	190,000	186,000
Cost of goods sold	114,000	108,000
Total assets	425,000	405,000
Total shareholders' equity	240,000	225,000
Net income	32,500	28,000

Hulkster's 2018 inventory turnover is (rounded):
A) 3.62.
B) 3.96.
C) 4.07.
D) 6.03.

116) Excerpts from Hulkster Company's December 31, 2018 and 2017, financial statements are presented below:

	2018	2017
Accounts receivable	$ 40,000	$ 36,000
Merchandise inventory	$ 28,000	35,000
Net sales	190,000	186,000
Cost of goods sold	114,000	108,000
Total assets	425,000	405,000
Total shareholders' equity	240,000	225,000
Net income	32,500	28,000

Hulkster's 2018 asset turnover is (rounded):
A) 3.73.
B) 2.79.
C) 2.24.
D) 0.46.

117) Excerpts from Hulkster Company's December 31, 2018 and 2017, financial statements are presented below:

	2018	2017
Accounts receivable	$ 40,000	$ 36,000
Merchandise inventory	$ 28,000	35,000
Net sales	190,000	186,000
Cost of goods sold	114,000	108,000
Total assets	425,000	405,000
Total shareholders' equity	240,000	225,000
Net income	32,500	28,000

Hulkster's 2018 average collection period is:
A) 73 days.
B) 104 days.
C) 109 days.
D) 128 days.

118) Excerpts from Hulkster Company's December 31, 2018 and 2017, financial statements are presented below:

	2018	2017
Accounts receivable	$ 40,000	$ 36,000
Merchandise inventory	$ 28,000	35,000
Net sales	190,000	186,000
Cost of goods sold	114,000	108,000
Total assets	425,000	405,000
Total shareholders' equity	240,000	225,000
Net income	32,500	28,000

Hulkster's 2018 average days in inventory is (rounded):
A) 61 days.
B) 92 days.
C) 101 days.
D) 90 days.

119) Excerpts from Hulkster Company's December 31, 2018 and 2017, financial statements are presented below:

	2018	2017
Accounts receivable	$ 40,000	$ 36,000
Merchandise inventory	$ 28,000	35,000
Net sales	190,000	186,000
Cost of goods sold	114,000	108,000
Total assets	425,000	405,000
Total shareholders' equity	240,000	225,000
Net income	32,500	28,000

Hulkster's 2018 profit margin is (rounded):
A) 17.1%.
B) 13.5%.
C) 7.6%.
D) 4.5%.

121) Excerpts from Hulkster Company's December 31, 2018 and 2017, financial statements are presented below:

	2018	2017
Accounts receivable	$ 40,000	$ 36,000
Merchandise inventory	$ 28,000	35,000
Net sales	190,000	186,000
Cost of goods sold	114,000	108,000
Total assets	425,000	405,000
Total shareholders' equity	240,000	225,000
Net income	32,500	28,000

Hulkster's 2018 return on shareholders' equity is (rounded):
A) 17.1%.
B) 14.0%.
C) 12.6%.
D) 7.1%.

Listed below are five terms followed by a list of phrases that describe or characterize each of the terms. Match each phrase with the correct term.

A) Total nonowner changes in equity for a reporting period.
B) Reported net of tax immediately after income from continuing operations.
C) Reports intermediate subtotals in arriving at net income.
D) Reported in the nonoperating section of the income statement.
E) Reports the cash effects of each operating activity directly on the statement.

137) Comprehensive income ____
138) Discontinued operations _____
139) Gain/loss from sale of investments _____
140) Multiple-step income statement _____
141) Direct method _____

165) The Filzinger Corporation's December 31, 2018 year-end trial balance contained the following income statement items:

Account Title	**Debits**	**Credits**
Sales revenue		6,700,000
Interest revenue		70,000
Gain on sale of investments		52,000
Cost of goods sold	4,200,000	
Selling expenses	350,000	
General and administrative expenses	948,000	
Interest expense	30,000	
Research and development expense	600,000	

Income tax expense	145,000

Required: Calculate the company's operating income for the year using a single-step income statement format.

Use this information to answer the following questions:

Plano Co. 12/31/2018 Partial Trial Balance Data	Debits	Credits
Sales revenue		700,000
Interest revenue		60,000
Gain on sale of investments		110,000
Cost of goods sold	500,000	
Selling expenses	150,000	
Interest expense	30,000	
General and administrative expenses	100,000	

Plano had 50,000 shares of stock outstanding throughout the year. Income tax expense has not yet been accrued. The effective tax rate is 30%.

167) **Required**: Prepare a single-step income statement with earnings per share disclosure.

Plano Co.
Income Statement
For the Year Ended December 31, 2018

Revenues and gains:
Sales revenue
Gain on sale of investments
Interest revenue
Total revenues and gains
Expenses:
Cost of goods sold
Selling
General and administrative
Interest expense
Total expenses
Income before income taxes
Income tax expense
Net income

Earnings per share

168) **Required**: Prepare a multiple-step income statement with earnings per share disclosure.

Answer:

Plano Co.
Income Statement
For the Year Ended December 31, 2018

Sales revenue
Cost of goods sold
Gross profit
Operating expenses:
Selling
General and administrative
Total operating expenses
Operating income (loss)
Other income (expense):
Gain on sale of investments
Interest revenue
Interest expense
Total income, net
Income before income taxes
Income tax expense
Net income

Earnings per share

Use this information to answer the following questions:

The trial balance of Kroeger Inc. included the following accounts as of December 31, 2018:

	Debits	Credits
Sales revenue		8,200,000
Interest revenue		60,000
Gain on sale of investments		120,000
Unrealized gains on investments		140,000
Foreign currency translation adjustment	160,000	
Cost of goods sold	6,100,000	
Selling expenses	600,000	
Goodwill impairment loss	500,000	
Interest expense	30,000	
General and administrative expenses	500,000	

Kroeger had 300,000 shares of stock outstanding throughout the year. Income tax expense has not yet been accrued. The effective tax rate is 40%.

169) **Required**: Prepare a 2018 multiple-step income statement for Kroeger Inc. with earnings per share disclosure.

Kroeger Inc.
Income Statement
For the Year Ended December 31, 2018

Sales revenue
Cost of goods sold
Gross profit
Operating expenses:
Selling
General and administrative
Goodwill impairment loss
Total operating expenses
Operating income
Other income (expense):
Gain on sale of investments
Interest revenue
Interest expense
Total other income, net
Income before income taxes
Income tax expense
Net income

Earnings per share

170) **Required**: Prepare a 2018 separate statement of comprehensive income for Kroeger Inc.

Kroeger Inc.
Statement of Comprehensive Income
For the Year Ended December 31, 2018
Net income
Other comprehensive income:
Unrealized gains on investments, net of tax
Foreign currency translation adjustment, net of tax
Total other comprehensive loss
Comprehensive income

179) The following information is for Redwood Inc. for the year ended December 31, 2018. Redwood had a balance for cash and cash equivalents of $5,200 on January 1, 2018.

Cash received from:	
Customers	$ 1,900
Interest on investments	200
Sale of land	100
Sale of common stock	600
Issuance of debt securities	2,000

Cash paid for:	
Interest on debt	$ 300
Income tax	80
Debt principal reduction	1,500
Purchase of equipment	4,100
Purchase of inventory	1,000
Dividends on common stock	200
Operating expenses	500

Required: Prepare a statement of cash flows for the year using the direct method for operating activities.

Use this information to answer the following questions:

Missoula Inc. reported the following selected financial statement data:

	Dec 31, 2017	Dec 31, 2018
Cash	$ 30,000	$ 32,000
Accounts receivable (net)	48,000	52,000
Inventory	68,000	72,000
Plant assets (net)	210,000	218,000
Total assets	405,000	395,000
Liabilities	145,000	145,000
Shareholders' equity	260,000	250,000
Net sales	340,000	400,000
Cost of goods sold	220,000	280,000
Net income	20,000	25,000

183) Required: Compute the receivables turnover ratio for 2018.

184) Required: Compute the inventory turnover ratio for 2018.

185) Required: Compute the asset turnover ratio for 2018.

186) Required: Compute the average collection period (rounded to one decimal place) for 2018.

187) Required: Compute the average days in inventory for 2018.

188) Required: Compute the profit margin on sales for 2018.

189) Required: Compute the return on assets for 2018.

190) Required: Compute the return on shareholders' equity for 2018. Round your answer to one decimal place, e.g., .1234 as 12.3%.

Use this information to answer the following questions:

The following information (in $ millions) comes from the Annual Report of Saratoga Springs Co. for the year ending 12/31/2018:

	Year ended 12/31/2018
Net sales	7,949
Cost of goods sold	4,767
Sales, general & administrative	1,909
Interest expense	416
Income before tax	857
Net income	458

	12/31/2018	12/31/2017
Cash and cash equivalents	975	64
Receivables, net	1,010	664
Inventories	1,055	519
Land, buildings and equipment at cost, net	13,500	3,844
Total assets	16,540	5,091
Total current liabilities	5,747	2,209
Long-term debt	5,591	2,221
Total liabilities	11,338	4,430
Total stockholders' equity	5,202	661

Required: Compute the following amounts for Saratoga Springs Co.

191) Its profit margin on sales for 2018. Round your answer to one decimal place, e.g., 0.1234 as 12.3%.

192) Its receivables turnover ratio for 2018. Round your answer to one decimal place.

193) Its inventory turnover ratio for 2018. Round your answer to one decimal place.

194) Its asset turnover ratio for 2018. Round your answer to two decimal places.

195) Its average collection period for 2018. Round your final answer to one decimal place.

196) Its average days in inventory for 2018. Round your final answer to one decimal place.

197) Its return on assets for 2018. Round your answer to one decimal place, e.g., 0.1234 as 12.3%.

198) Its return on stockholders' equity for 2018. Round your answer to one decimal place, e.g., 0.1234 as 12.3%.