

Lesson 4

20. Foreign currency monetary assets and liabilities are translated using the _____ rate of exchange as of the balance sheet date.

- _____ a. current
- _____ b. historic
- _____ c. present value
- _____ d. temporal

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15. Refer to Exhibit 4-4. The entry to recognize (record) Daniel's share of Matthew's earnings for the year would be which one of the following?

_____ a.	DR Cash		
	CR Investment income	7,000	
			7,000
_____ b.	DR Investment in Matthew Co.	7,000	
	CR Investment income		7,000
_____ c.	DR Dividend receivable	7,000	
	CR Cash		7,000
_____ d.	DR Investment income	7,000	
	CR Investment in Matthew Co.		7,000

16. Refer to Exhibit 4-4. The entry made by Daniel to record Matthew's dividend declaration on Daniel's books would be which one of the following?

_____ a.	DR Dividends receivable	3,500	
	CR Cash		3,500
_____ b.	DR Dividends receivable	3,500	
	CR Dividend income		3,500
_____ c.	DR Dividends receivable	3,500	
	CR Investment in Matthew Co.		3,500
_____ d.	DR Cash	3,500	
	CR Dividend income		3,500

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12. Refer to Exhibit 4-3. Bowers should record the declaration of the JOE dividend as shown in which one of the following entries?

- | | | | |
|----------|-------------------------|-----|-----|
| _____ a. | DR Cash | | |
| | CR Dividend income | 500 | 500 |
| _____ b. | DR Dividends receivable | 600 | |
| | CR Dividend income | | 600 |
| _____ c. | DR Dividend income | 500 | |
| | CR Dividends receivable | | 500 |
| _____ d. | DR Dividend income | 600 | |
| | CR Dividends receivable | | 600 |

13. Refer to Exhibit 4-3. Which one of the following entries is appropriate for the mark to market adjustment made by Bowers at the end of Year 1?

- | | | | |
|----------|--|-----|-----|
| _____ a. | DR Market adjustment—trading securities | 500 | |
| | CR Unrealized holding gain on trading securities | | 500 |
| _____ b. | DR Unrealized holding gain on trading securities | 500 | |
| | CR Market adjustment—trading securities | | 500 |
| _____ c. | DR Market adjustment—trading securities | 500 | |
| | CR Unrealized holding loss on trading securities | | 500 |
| _____ d. | DR Market adjustment—trading securities | 500 | |
| | CR Realized holding gain on trading securities | | 500 |

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8. On May 5, 1980, the Marr Company issued a 5-year stock option to the Chief Financial Officer. The option entitled the employee to buy 1,000 shares of stock for \$4 per share when the stock was selling for \$4 per share. Under APB Opinion No. 25, what is the compensation expense to be recorded by Marr in total over the 5-year vesting period?
- ☐ a. \$0
 - ☐ b. \$1,000
 - ☐ c. \$2,000
 - ☐ d. \$4,000
9. Over the vesting period for employee stock options, SFAS No. 123 requires that the entire compensation expense be recognized:
- ☐ a. equally in each year of the vesting period.
 - ☐ b. in the first year of the vesting period.
 - ☐ c. in the last year of the vesting period.
 - ☐ d. only if the options are exercised.
10. By using the book value method to record the conversion of convertible bonds, managers are able to protect themselves from recording:
- ☐ a. extraordinary gains.
 - ☐ b. extraordinary losses.
 - ☐ c. miscellaneous profits.
 - ☐ d. ordinary losses.

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4. Refer to Exhibit 4-1. Which one of the following is the correct entry to record the sale of Treasury Stock?

a.	DR Treasury stock		
	CR Common stock	16,000	
			16,000

b.	DR Cash		
		16,000	
	CR Treasury stock		12,000
	CR Paid-in capital in excess of par		4,000

c.	DR Cash	
	CR Treasury stock	16,000
	CR Paid-in capital in excess of par	4,000
		12,000

_____ d.	DR Common stock		
	CR Treasury stock	16,000	
			16,000

5. When a dividend is not declared on preferred stock, and the common shareholders cannot receive a dividend until all past and current dividends are paid to the preferred shareholders, the preferred stock is:

_____ a. cumulative.

_____ b. noncumulative.

_____ c. nonparticipating.

_____ d. participating.