

AICPA Released Questions from the 2023 Uniform CPA Exam - Released April 2023 -

FINANCIAL ACCOUNTING AND REPORTING



2023 AICPA Released Questions for FAR

The Key gives the correct letter answer for each question.

Key: A

The numbering system indicates the AICPA Blueprint Representative Task and Skill Level for each question.

FAR.CSO.20190701: FAR.002.001.000

FAR.SSO.20190701: Application:2

MULTIPLE CHOICE - MODERATE

Kringle Co.'s statement of cash flow contains the following:

<u>Description</u>	<u>Amount</u>
Increased accounts receivables	\$4,000
Purchase of fixed assets	\$14,000
Sale of equipment	\$25,000
Payment of dividends	\$8,000
Increased accounts payable	\$12,000
Proceeds from borrowing	\$3,000

What amount is the net increase or decrease in cash?

- A. (\$8,000)
- B. (\$2,000)
- C. \$14,000
- D. \$22,000

Item ID: 52263

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.002.005

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.001.005

Skill: Application

A nongovernmental, not-for-profit entity recorded the following transactions during its first year of operation:

- Donor A contributed \$1,000,000 to acquire the necessary assets to expand the entity's services to a nearby city. The project was completed during year 1 at total cost of \$1.25 million.
- The entity's board of directors designated \$250,000 of net assets to complete the expansion project.
- Donor B contributed \$500,000 to establish a perpetual endowment fund whose investment returns must be used for the maintenance of a building owned by the entity.

What amount should be reported as the balance in net assets with donor restrictions in the year-end statement of financial position?

- A. \$500,000
- B. \$750,000
- C. \$1,500,000
- D. \$1,750,000

Item ID: 98606

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.003.001

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.002.001

Skill: Application

A nongovernmental, not-for-profit entity should report a reclassification of net assets in its statement of activities if a donor

- A. Makes payment on an outstanding pledge.
- B. Contributes cash for a perpetual endowment.
- C. Withdraws previously imposed restrictions on a gift of cash.
- D. Pledges equity stock for the purchase of equipment in two years.

Item ID: 74799

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.003.002

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.002.002

Skill: Remembering and Understanding

U.S. GAAP requires the financial statements of a defined contribution pension plan to be prepared using which basis of accounting?

- A. Cash.
- B. Accrual.
- C. Modified accrual.
- D. Other comprehensive.

Item ID: 77648

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.005.000

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.002.011.000

Skill: Remembering and Understanding

Each of the following titles is appropriate for financial statements prepared on the modified cash basis of accounting, except

- A. Balance sheet - modified cash basis.
- B. Statement of comprehensive income.
- C. Statement of assets and liabilities arising from cash transactions.
- D. Statement of revenue collected and expenses paid.

Item ID: 50383

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.006.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.005.000

Skill: Remembering and Understanding

At the end of year 1, a privately-held company has two checking accounts, a money market account, and three U.S. Treasury bills. The U.S. Treasury bills were purchased on November 30, year 1, and have maturity dates of January 15, year 2, November 30, year 2, and March 31, year 3, respectively. Which of the following is a complete and accurate list of the cash and cash equivalents that the company should report at the end of year 1?

- A. The two checking accounts and the money market account.
- B. The two checking accounts, the money market account, and the U.S. Treasury bills with maturity dates of January 15, year 2, and November 30, year 2.
- C. The two checking accounts, the money market account, and all of the U.S. Treasury bills.
- D. The two checking accounts, the money market account, and the U.S. Treasury bill with a maturity date of January 15, year 2.

Item ID: 48029

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.001.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.001.000

Skill: Application

Ask Co. contracted with a company to have a building constructed for \$3,600,000. Ask financed \$2,700,000 of the cost with a 10%, 13-month note and \$900,000 of the cost with a 9%, one-year note. Both notes were outstanding for the entire year. What is the weighted-average interest rate to be used in capitalizing interest on the construction for the entire year?

- A. 9.500%
- B. 9.625%
- C. 9.750%
- D. 10.375%

Item ID: 45737

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.004.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.004.000

Skill: Application

A company has a long-lived asset with a carrying amount of \$5,000. The future nondiscounted cash flow from the use of the long-lived asset is estimated to be \$6,000. The discounted cash flow from the use of the long-lived asset is estimated to be \$2,000. What amount should the company recognize as an impairment loss?

- A. \$0
- B. \$1,000
- C. \$3,000
- D. \$4,000

Item ID: 47031

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.004.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.004.000

Skill: Application

On January 1, year 1, a nonpublic company acquired an equity security investment for \$5,000. On December 31, year 1, the fair value of the security was \$5,200. On June 30, year 2, when the fair value of the security was \$5,750, the company's management planned to sell the security, and on December 31, year 2, the company did sell it for \$5,800. What amount should the company recognize in year 2 net income related to the investment?

- A. \$50
- B. \$200
- C. \$600
- D. \$800

Item ID: 92231

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.005.001

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.005.001

Skill: Application

The equity method of accounting for investments should be used when an investor owns

- A. 1% to 9% of the voting common stock of a corporation and does **not** exercise significant influence over the corporation.
- B. 10% to 19% of the voting common stock of a corporation and exercises significant influence over the corporation.
- C. 20% to 50% of the voting common stock of a corporation and does **not** exercise significant influence over the corporation.
- D. More than 50% of the voting common stock of a corporation and exercises significant influence over the corporation.

Item ID: 49235

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.005.003

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.005.003

Skill: Remembering and Understanding

If the pattern in which the economic benefits of an intangible asset are consumed or otherwise used up cannot be readily determined, which of the following methods should be used to amortize intangible assets?

- A. Straight-line.
- B. Double-declining balance.
- C. Sum-of-the-years' digits.
- D. Productive-use.

Item ID: 44197

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.006.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.006.000

Skill: Remembering and Understanding

During year 2, a company identified a year 1 error that resulted in a \$132,000 overstatement of depreciation expense. The company's effective tax rate for years 1 and 2 was 30%. Correcting the error on the opening year 2 balance of retained earnings will result in

- A. An increase of \$132,000.
- B. A decrease of \$132,000.
- C. An increase of \$92,400.
- D. A decrease of \$92,400.

Item ID: 50131

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.001.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.003.001.000

Skill: Application

Marlon Co. acquired the net assets of Seinver Co. in a business combination. On the acquisition date, Seinver had the following assets:

<u>Asset description</u>	<u>Fair value</u>	<u>Cost</u>
Building	\$500,000	\$250,000
Equipment	\$200,000	\$100,000
Vehicles	\$150,000	\$200,000
Computers	\$50,000	\$75,000

What amount should Marlon recognize for the assets purchased as a result of the acquisition of Seinver?

- A. \$550,000
- B. \$625,000
- C. \$900,000
- D. \$975,000

Item ID: 48529

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.002.006.000

Skill: Application

On April 30, year 2, a company sold equipment with a carrying amount of \$15,000 for \$20,000, which was equal to its fair value. The buyer leased the equipment back to the company for a period of seven years. Additionally, the company determined that the lease was an operating lease and that the present value of the lease payments was \$14,000. What journal entry should the company record to account for this transaction in its entirety?

- A. Debit: Right-of-use asset \$14,000
Credit: Lease liability \$14,000
- B. Debit: Cash \$20,000
Credit: Equipment \$15,000
Credit: Gain \$5,000
- C. Debit: Cash \$20,000
Debit: Right-of-use asset \$14,000
Credit: Equipment \$20,000
Credit: Lease liability \$14,000
- D. Debit: Cash \$20,000
Debit: Right-of-use asset \$14,000
Credit: Equipment \$15,000
Credit: Lease liability \$14,000
Credit: Gain \$5,000

Item ID: 502913

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.006.000

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.002.009.000

Skill: Application

Little Corp. is preparing its December 31 current-year financial statements, which will be issued March 15 of the subsequent year. On March 1 of the subsequent year, Little issued 50,000 shares of its \$1 par common stock for \$40 per share. Little incurred transaction costs of \$100,000 related to the stock issuance. How should Little report the stock issuance on its December 31 current-year financial statements?

- A. As an increase of paid-in capital of \$50,000.
- B. As an increase of paid-in capital of \$1,900,000.
- C. As an increase of paid-in capital of \$2,000,000.
- D. As a note disclosure only.

Item ID: 46025

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.010.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.003.007.000

Skill: Application

Which of the following bases of accounting is required to be used in the government-wide financial statements?

- A. Modified cash basis for both governmental activities and business-type activities.
- B. Modified accrual basis for both governmental activities and business-type activities.
- C. Accrual basis for business-type activities and modified accrual basis for governmental activities.
- D. Accrual basis for both governmental activities and business-type activities.

Item ID: 51173

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.004.001.002

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.003.001

Skill: Remembering and Understanding

Which of the following statements is correct regarding a primary government?

- A. It is limited to business-type activities.
- B. All component units are blended with the primary government's funds.
- C. It must have a separately elected governing body.
- D. It uses a single criterion to measure control.

Item ID: 43181

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.004.002.009

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.003.001.009

Skill: Remembering and Understanding

MULTIPLE CHOICE - HARD

Effective October 1, year 1, Page Co. acquired 80% of subsidiary Sage Co.'s common stock outstanding. At the date of acquisition, Sage had retained earnings of \$2,000,000 and current-year net income of \$500,000. At the end of year 1, Page has retained earnings of \$6,000,000 and current-year net income of \$1,000,000, and Sage has retained earnings of \$2,800,000 and a current-year net income of \$800,000. What are the consolidated retained earnings and net income for year 1?

- A. Retained earnings, \$8,800,000; current-year net income, \$1,800,000.
- B. Retained earnings, \$8,240,000; current-year net income, \$1,640,000.
- C. Retained earnings, \$6,240,000; current-year net income, \$1,300,000.
- D. Retained earnings, \$6,300,000; current-year net income, \$1,300,000.

Item ID: 47971

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.002.007

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.001.006

Skill: Application

A reporting entity might own a majority voting interest of an investee and yet **not** have a controlling financial interest in the investee if a noncontrolling shareholder has the right to block which of the following?

- A. Liquidation of the investee.
- B. Issuance or repurchase of equity interests.
- C. Decisions made in the ordinary course of business.
- D. Amendments to the articles of incorporation of the investee.

Item ID: 88192

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.002.007

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.002.007.000

Skill: Remembering and Understanding

A nongovernmental, not-for-profit health care entity reported the following items in its trial balance:

<u>Account</u>	<u>Amount</u>	<u>Notes</u>
Cash and cash equivalents	\$98,000	Includes \$22,000 restricted for building improvements
Grants receivable	\$20,000	Owed by the state for specified capital expenditures incurred during the year
Land, buildings, and equipment	\$250,000	
Long-term investments	\$130,000	
Marketable securities	\$90,000	The donor allowed this temporary investment in high quality debt investments until the cash is needed for building construction. Construction is scheduled to begin late in the next fiscal year.
Prepaid insurance	\$15,000	Remaining term of policy is two years from fiscal year end

What amount should the entity report as total noncurrent assets in its year-end statement of financial position?

- A. \$499,500
- B. \$477,500
- C. \$507,000
- D. \$519,500

Item ID: 90916

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.003.001

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.002.001

Skill: Application

Which of the following statements about a nongovernmental not-for-profit organization's financial reporting is correct?

- A. Supporting services are activities other than program services.
- B. Program service expenses include only direct costs relating to providing program services.
- C. Organizations are required to report expenses by functional classification in the notes to financial statements.
- D. Organizations are required to report expense information by functional and natural classification in a separate financial statement using a matrix format.

Item ID: 52627

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.003.002

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.002.002

Skill: Remembering and Understanding

How should a nongovernmental, not-for-profit organization report amounts paid for interest in a statement of cash flows prepared using the indirect method?

- A. As a disclosure in the required supplemental information section of the financial statements.
- B. As a supplemental disclosure of cash flow information.
- C. As a cash flow from operating activities.
- D. As a cash flow from investing activities.

Item ID: 44695

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.003.003

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.002.003

Skill: Remembering and Understanding

A company that uses a periodic inventory system had inventory on January 1, year 1, of \$450,000. During the first six months of year 1, the company had purchases of \$500,000 and sales of \$600,000. The company's average markup on cost is 25%. No physical inventory was taken. At what amount should the company value the inventory as of June 30, year 1?

- A. \$500,000
- B. \$470,000
- C. \$450,000
- D. \$350,000

Item ID: 50861

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.003.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.003.000

Skill: Application

On January 1, year 1, a company acquires machinery for \$60,000 and depreciates it using the straight-line method with a half-year convention and an estimated useful life of five years. The company estimates that the machinery will have no salvage value. During year 3, the company determines that the machinery has appreciated and has a value of \$65,000. What amount should the company report as depreciation expense for the year ended December 31, year 3, for the machinery?

- A. \$6,000
- B. \$12,000
- C. \$13,000
- D. \$15,000

Item ID: 48901

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.004.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.004.000

Skill: Application

An investor discontinued application of the equity method because the carrying amount of the investment was reduced to zero as a result of recording the investor's share of the investee's losses. At what point, if any, should the investor resume applying the equity method to the investment after the investee returns to profitability?

- A. Immediately, by reporting the resumption as a change in accounting principle.
- B. When the investor has recorded its share of net losses that were **not** recognized during the equity-method suspension period.
- C. When the investor's share of net income equals its share of net losses that were **not** recognized during the equity-method suspension period.
- D. At **no** point should the investor resume application of the equity method.

Item ID: 93882

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.005.003

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.005.003

Skill: Remembering and Understanding

On November 30, year 1, a company communicated a plan to close a distribution facility and terminate all 50 employees of the facility in 10 months, on September 30, year 2. The company offered the employees working at the facility a termination benefit of \$10,000 each if they would stay until September 30, year 2, but no benefit will be paid to employees who terminate voluntarily before that date. The company estimates that 40 employees will receive the termination benefit. What amount, if any, should be recognized as a liability related to the termination benefit at December 31, year 1?

- A. \$0
- B. \$40,000
- C. \$50,000
- D. \$400,000

Item ID: 75329

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.007.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.007.000

Skill: Application

On April 1, Martin Co. issued 1,000 of its \$1,000 face amount 10% bonds at 97. The bonds are dated January 1 of the same year, and will mature in 10 years. Martin pays interest semiannually on January 1 and July 1. What amount of cash did Martin receive at the time of issuance?

- A. \$1,050,000
- B. \$995,000
- C. \$971,500
- D. \$970,000

Item ID: 45357

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.008.001

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.008.001

Skill: Application

A company sold a machine to a customer, which contains the warranty required by state statute that the machine will perform at the agreed-upon level of specifications for a period of one year after purchase. In addition, the customer paid separately for the company to install the machine at its facility. The installation does not significantly modify the machine, and the installation services are readily available from third-party providers. The customer also paid for online access to a technical website maintained by the company; this service is offered separately to customers and gives them unlimited online access for two years after the purchase date. How many performance obligations should the company identify for the transaction?

- A. One.
- B. Two.
- C. Three.
- D. Four.

Item ID: 96005

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.010.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.003.003.000

Skill: Application

On December 31, year 1, Bailiff Co. acquired Green Co. As part of the acquisition, Bailiff acquired a patent and internally developed software with fair values of \$5,000,000 and \$3,000,000, respectively. The patent and the software have a remaining useful life of two years and will be amortized using the straight-line method. Bailiff incurred the following costs in connection with the acquisition: \$100,000 to a consulting firm to determine the patent's fair value, \$200,000 to a consulting firm to determine the software's fair value, and \$400,000 to an audit firm to assist in the acquisition due diligence. What is the aggregate carrying amount of the patent and the software, net of accumulated amortization on December 31, year 2?

- A. \$4,000,000
- B. \$4,150,000
- C. \$4,200,000
- D. \$4,400,000

Item ID: 56103

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.002.006.000

Skill: Application

Which of the following contracts is most appropriately determined to be a lease?

- A. A contract that is with another lessee for use of a specified property being leased by the lessee.
- B. A contract that is for use of a portion of the capacity of an asset that is **not** physically distinct from other portions.
- C. A contract that is for a specific amount of space, the location of which may be selected and changed by the lessor.
- D. A contract that is for use of defined equipment that may be substituted by the lessor when economically beneficial to the lessor.

Item ID: 505994

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.006.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.003.006.000

Skill: Remembering and Understanding

A company appropriately capitalized \$150,000 as the costs of a new software product that it began selling on July 1, year 1. The sales for year 1 were \$200,000, and maintenance and customer support costs were \$25,000. The company anticipates a product life through the end of year 4 and estimates that future sales and costs will be the following:

	<u>Sales</u>	<u>Maintenance, customer support</u>
Year 2	\$250,000	\$36,000
Year 3	180,000	39,000
Year 4	120,000	30,000

What amount of software amortization should be reported in the income statement for the year ended December 31, year 1?

- A. \$21,429
- B. \$28,846
- C. \$40,000
- D. \$42,339

Item ID: 92093

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.009.000

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.002.002.000

Skill: Application

Which of the following statements is correct regarding the decision to elect the fair value option for valuing financial assets and liabilities?

- A. It must be applied to all assets of similar characteristics.
- B. It must be applied to an entire instrument, and **not** to specific risks.
- C. It can be applied to obligations for postretirement benefits other than pensions.
- D. It can be applied to financial assets and financial liabilities recognized under leases.

Item ID: 504023

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.003.011.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.003.005.000

Skill: Remembering and Understanding

Which of the following is required in the basic financial statements of a state or local government?

- A. The government-wide statement of cash flows.
- B. The statement of net position for proprietary funds.
- C. The statement of cash flows for governmental funds.
- D. Budgetary comparison information for major special revenue funds.

Item ID: 45081

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.004.002.001

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.003.001.001

Skill: Remembering and Understanding

A city utility is accounted for as an enterprise fund. The following balances are derived from the utility fund's year-end trial balance:

<u>Account</u>	<u>Balance Dr. (Cr.)</u>
Capital assets	\$4,800,000
Accumulated depreciation, capital assets	(\$1,500,000)
Bond payable, acquisition of capital assets	(\$2,000,000)
Maintenance and repair expense, capital assets	\$300,000
Depreciation expense, capital assets	\$400,000

What amount should be reported as net investment in capital assets in the utility fund's statement of net position?

- A. \$1,300,000
- B. \$2,100,000
- C. \$2,400,000
- D. \$3,300,000

Item ID: 506018

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.004.002.003

Uniform CPA Examination Blueprints effective January 1, 2024: BAR.003.001.003

Skill: Application

TASK BASED SIMULATIONS

Item: 500116_01

Scroll down to complete all parts of this task.

During years 1 and 2, JLC Corp., a calendar-year-end company, had several transactions related to raising capital. The exhibit above contains the JLC stock information used in the capital transactions.

For each situation in the table below, click the cell in the Amount column and enter the appropriate value as it relates to JLC's diluted-earnings-per-share computation for the six months ended June 30, year 2. Use the facts in the exhibit above and assume no income taxes. Round all amounts to the nearest whole number, except for diluted earnings per share. Round diluted earnings per share to two decimal places. If an amount is zero, enter a zero (0).

Diluted earnings-per-share worksheet
For the six months ended June 30, year 2

	<i>A</i>	<i>B</i>
<i>1</i>	Situation	Amount
<i>2</i>	Income available to stockholders plus assumed conversions	\$6,800,000 ¹²³
<i>3</i>	Weighted-average number of shares outstanding	3,450,000 ¹²³
<i>4</i>	Dilutive effect of incremental shares from assumed conversion:	
<i>5</i>	Warrants	0 ¹²³
<i>6</i>	Convertible preferred stock	600,000 ¹²³
<i>7</i>	Convertible debentures	200,000 ¹²³
<i>8</i>	Dilutive potential common shares	800,000
<i>9</i>	Total adjusted weighted-average shares after dilution	4,250,000
<i>10</i>	Diluted earnings per share	\$1.60 ¹²³

END OF CONTENT -----

Exhibits Information

Exhibits included in this item

1. JLC Capital Transactions

Exhibit 1: JLC Capital Transactions

JLC Capital Transactions

The following information relates to JLC stock used in capital transactions:

- In the second quarter of year 1, JLC issued 600,000 shares of convertible preferred stock for assets in a purchase transaction. The quarterly dividend on the convertible stock is \$0.05 per share, payable at the end of each quarter. Each share is convertible into one share of common stock.
- Common shares outstanding at January 1, year 2, were 3,300,000.
- Warrants to buy 500,000 shares of common stock at \$60 per share for five years were issued on January 1, year 2.
- 300,000 shares of common stock were issued for cash on March 31, year 2.
- The average market price for common stock for the first six months of year 2 was \$59 per share.

Additionally:

- In the last quarter of year 1, JLC issued 4% convertible debentures with a principal of \$10,000,000, due in 20 years, at \$1,000 (par). Interest is payable annually on November 1. Each \$1,000 debenture is convertible into 20 shares of common stock.
- JLC did not declare or pay any dividends on its common stock for year 2.
- JLC's quarterly net income for year 2 was:

	Year 2
1st quarter	\$3,000,000
2nd quarter	\$3,600,000
3rd quarter	\$2,900,000
4th quarter	\$3,100,000

Blueprint Information

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.004.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.001.004.000
(Note: Row 5 will not be eligible for testing effective January 1, 2024)

Skill: Application

Item: 500174_01

Scroll down to complete all parts of this task.

Diamond Furniture Co., a wholesale company, is preparing financial statements as of and for the year ended December 31, year 5. You have been asked to review the unadjusted gross accounts receivable balance and determine the necessary adjustments to properly state the adjusted gross accounts receivable balance as of December 31, year 5, using the information in the exhibits above.

To arrive at the adjusted gross accounts receivable balance:

- For each customer in column A, enter the necessary adjustment to the unadjusted gross accounts receivable balance as of December 31, year 5, in the appropriate cell.
- Enter additions to the unadjusted gross accounts receivable balance as positive, whole values, and enter deductions from the unadjusted gross accounts receivable balance as negative, whole values.
- If a customer does not require an adjustment, then enter a zero (0) in the appropriate cell.
- The adjusted gross accounts receivable balance in cell B15 will automatically calculate.

	<i>A</i>	<i>B</i>
1	Customer	Amount
2	Unadjusted gross accounts receivable balance – 12/31/year 5	378,470
3	Lair Corp.	25,000 ¹²³
4	Limb Co.	(15,000) ¹²³
5	Orange, Inc.	0 ¹²³
6	Panther Co.	0 ¹²³
7	Par Co.	(50,000) ¹²³
8	Peach Furniture	0 ¹²³
9	Prestige Co.	(30,000) ¹²³
10	Ray, Inc.	(11,200) ¹²³
11	Rock Co.	0 ¹²³
12	Rose Corp.	0 ¹²³
13	Tangent Co.	0 ¹²³
14	Tree Co.	10,800 ¹²³
15	Adjusted gross accounts receivable balance – 12/31/year 5	308,070

END OF CONTENT -----

Exhibits Information

| Exhibits included in this item

2. Accounts Receivable Balance by Customer
3. Sales Journal
4. Cash Receipts Journal
5. Email Regarding Limb Co. Payment
6. Receiving Report - Customer Return from Ray, Inc.
7. Email Regarding Prestiges Co. Receivable
8. Packing Slip - Shipment to Par Co.
9. Email Regarding Year-End Close

Exhibit 1: Accounts Receivable Balance by Customer

Accounts Receivable Balance by Customer

Diamond Furniture Co.
Accounts Receivable Balance by Customer
as of December 31, year 5

Customer	Invoice number	Customer ID	Invoice date	Amount
Lair Corp.		225		(25,000)
Limb Co.	4555	343	11/10/year 5	15,000
Panther Co.	4661	254	11/15/year 5	12,000
Par Co.	4890	051	12/5/year 5	100,000
Peach Furniture	4891	355	12/8/year 5	22,000
Prestige Co.	2234	125	6/25/year 5	30,000
Ray, Inc.	4888	022	12/2/year 5	28,000
Rock Co.	4893	231	12/18/year 5	16,250
Rose Corp.	4889	289	12/3/year 5	64,520
Tangent Co.	4442	134	10/10/year 5	22,100
Tree Co.	4892	322	12/10/year 5	93,600
Total				378,470

Exhibit 2: Sales Journal

Sales Journal

Diamond Furniture Co.
Sales Journal
12/1/year 5 - 12/31/year 5

Date	Invoice number	Customer	Transaction	Amount
12/2/year 5	4888	Ray, Inc.	Sale - 40 desks	28,000
12/3/year 5	4889	Rose Corp.	Sale - 250 benches	64,520
12/5/year 5	4890	Par Co.	Sale - 100 dressers	100,000
12/8/year 5	4891	Peach Furniture	Sale - 100 bed frames	22,000
12/10/year 5	4892	Tree Co.	Sale - 78 cabinets	93,600
12/18/year 5	4893	Rock Co.	Sale - 65 tables	16,250
Total				324,370

Exhibit 3: Cash Receipts Journal

Cash Receipts Journal

**Diamond Furniture Co.
Cash Receipts Journal
12/1/year 5 - 12/31/year 5**

Deposit date	Deposit #	Invoice date	Customer	Amount
12/1/year 5	003496	10/25/year 5	Tree Co.	145,000
12/6/year 5	003497	11/9/year 5	Orange, Inc.	35,000
12/9/year 5	003498	11/15/year 5	Tree Co.	65,000
12/13/year 5	003499	11/10/year 5	Limb Co.	15,000
12/20/year 5	003500		Lair Corp.	25,000
Total				285,000

Exhibit 4: Email Regarding Limb Co. Payment

Email Regarding Limb Co. Payment

From: accountsreceivableaccountant@diamondfurnitureco.com

Sent: December 21, year 5

To: collections@diamondfurnitureco.com

Subject: RE: Limb Co. payment

Collections:

Limb was recently extended credit in November after previously being required to pay cash upon delivery. Limb's payment on invoice 4555 was received after the change in terms was effective but was incorrectly recorded as revenue. We will adjust Limb's balance, and the credit will be reflected in the company's next statement.

Accounts Receivable Accountant

Diamond Furniture Co.

P: 121.123.5511

accountsreceivableaccountant@diamondfurnitureco.com

From: collections@diamondfurnitureco.com

Sent: December 20, year 5

To: accountsreceivableaccountant@diamondfurnitureco.com

Subject: Limb Co. payment

Accounts Receivable Accountant:

We called Limb to pursue collection on invoice 4555. Limb claims payment for that invoice was mailed on 12/8/year 5. Can you please look into this so that I can get back to Limb as soon as possible?

Thanks,

Collections

Diamond Furniture Co.

P: 121.123.7778

Exhibit 5: Receiving Report - Customer Return from Ray, Inc.

Receiving Report - Customer Return from Ray, Inc.

Diamond Furniture Co.

42 Firth Drive

Town, CA 23123

Phone: 121.123.1234

Receiving Report -
Customer Return

Date: December 29, year 5

Customer ID: 022

CUSTOMER:

Ray, Inc.

123 Long Road

Centreville, VA 12121

Period	Item #	Description	Retail Price
December, year 5	002350	16 desks returned	(\$11,200)

TOTAL (\$11,200)

Receiving Department Comments or Special Instructions

16 of the 40 desks sold on invoice #4888 were returned due to damage. The return was approved by the sales manager on December 22, year 5.

Exhibit 6: Email Regarding Prestiges Co. Receivable

Email Regarding Prestiges Co. Receivable

From: controller@diamondfurnitureco.com
Sent: December 29, year 5
To: accountsreceivable@diamondfurnitureco.com
Subject: FW: Prestige Co. Receivable

Accounts Receivable:

Our allowance for doubtful accounts currently includes \$27,500 for Prestige. Please record the necessary journal entries to reflect the bankruptcy court's ruling on our accounts receivable.

Thank you,

Controller
Diamond Furniture Co.
P: 121.123.4444
controller@diamondfurnitureco.com

From: legal@diamondfurnitureco.com
Sent: December 28, year 5
To: controller@diamondfurnitureco.com
Subject: Prestige Co. Receivable

Controller:

On September 3, year 5, Prestige Co. declared bankruptcy. Today we were notified that the bankruptcy court ruled that we will not collect any amounts from Prestige.

Thank you,

Legal
Diamond Furniture Co.
P: 121.123.5555
legal@diamondfurnitureco.com

Exhibit 7: Packing Slip - Shipment to Par Co.

Packing Slip - Shipment to Par Co.

Diamond Furniture Co.

42 Firth Drive

Town, CA 23123

Phone: 121-123-1234

Packing Slip

DATE: December 5, year 5

Sold To:

Par Co.

222 Day Drive

Center, WA 33312

ORDER DATE	P.O. #	F.O.B.	CUSTOMER CONTACT
12/2/year 5	1165	Shipping point	Sales Dept.

ITEM #	DESCRIPTION	ORDER QTY	SHIPPING QTY
002345	Dressers	100	50

TOTAL: 100 50

COMMENTS:

Per your purchase order, 50 dressers are included in this shipment; another 50 will be shipped in January, year 6.

Exhibit 8: Email Regarding Year-End Close

Email Regarding Year-End Close

From: controller@diamondfurnitureco.com
Sent: January 3, year 6
To: senioraccountant@diamondfurnitureco.com
Subject: Year-end close

Senior Accountant:

Please verify that the following transactions have been appropriately accounted for as part of the December, year 5, close:

Lair Corp.

On December 20, year 5, we received a 20% deposit on a \$125,000 order received from Lair Corp. on December 10, year 5. The order is for furniture to be shipped in February, year 6. Shipping terms are f.o.b. destination. We have extended Lair Corp. credit according to our standard terms.

Peach Furniture

On December 1, year 5, we signed a contract with Peach Furniture, a new customer. That company's first order for \$22,000 was shipped f.o.b. shipping point on December 8, year 5. Although we typically provide customers 30 days to return inventory, we extended Peach's return period to 120 days in order to win the account.

Tree Co.

I analyzed the customer account activity for Tree Co. during the month of December and compared it to the prior six-month sales volume and noticed a decrease in sales volume. Upon further review, the warehouse confirmed that 87 cabinets were shipped in December, year 5, but only 78 cabinets were entered on invoice number 4892. I have also confirmed that the order from Tree was for 87 cabinets at \$1,200 per piece.

Thank you,

Controller
Diamond Furniture Co.
P: 121.123.4444
controller@diamondfurnitureco.com

Blueprint Information

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.002.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.002.002.000

Skill: Analysis

Item: 500459_01

The Write Group, a nongovernmental not for profit organization, transferred \$900,000 to Precise Group with the intention that Precise Group will invest the assets and then transfer the return on investment of those assets to the Correct Organization, an affiliate of the Write Group. Which section of the authoritative guidance best defines the disclosure requirements for the transferred assets by the Write Group?

Enter your response in the answer fields below. Unless specifically requested, your response should not cite implementation guidance. Guidance on correctly structuring your response appears above and below the answer fields.

Type the paragraph here.

Correctly formatted FASB ASC paragraphs are 1, 2, or 3 digits followed in some cases by 1, 2, 3, or 4 upper case letters. Note: Correct paragraph responses appear in bold font in FASB ASC and do not include subparagraphs denoted by a lower case letter.

FASB ASC ☒ - ☒ - ☒ - ☒

i Some examples of correctly formatted FASB ASC responses are 205-10-05-1, 323-740-S25-1, 260-10-60-1A, 715-30-35-95, 820-10-35-16BB, 810-10-55-205AE, 815-10-50-4EEE, and 815-10-50-4EEEE.

END OF CONTENT -----

Exhibits Information

There are no exhibits for this item.

Blueprint Information

Uniform CPA Examination Blueprints effective July 1, 2021: FAR.001.002.006

Uniform CPA Examination Blueprints effective January 1, 2024: FAR.009.009.009

Skill: Application