Question #1 of 14

Question ID: 1573610

Mammoth, Inc. reports under U.S. GAAP. Mammoth has begun a long-term project to develop inventory control software for external sale. On its financial statements, Mammoth should:

A) capitalize all costs of this project.

B) expense all costs of this project in the periods incurred.

C) expense all costs of this project until technological feasibility has been established.

Question #2 of 14

Question ID: 1573619

The average age of a firm's property, plant, and equipment can be estimated by dividing:

A) accumulated depreciation by depreciation expense.

B) gross PP&E by depreciation expense.

C) net PP&E by depreciation expense.

Question #3 of 14

Question ID: 1573608

Which of the following items is *least likely* an example of an intangible asset with an indefinite life?

A) Acquired patents.

B) Goodwill.

C) Trademarks that can be renewed at minimal cost.

Question #4 of 14

Question ID: 1573617

An impairment write-down is *least likely* to decrease a company's:

A) assets.

B) debt-to-equity ratio.

C) future depreciation expense.

Question #5 of 14

Question ID: 1573616

Marcel Inc. is a large manufacturing company based in the U.S. but also operating in several European countries. Marcel has long-lived assets currently in use that are valued on the balance sheet at $600 million. This includes previously recognized impairment losses of $80 million. The original cost of the assets was $750 million. The fair value of the assets was determined in a professional appraisal to be $690 million. Assuming that Marcel reports under U.S. GAAP, the new appraisal of the assets' value most likely results in:

A) a $90 million gain in other comprehensive income.

B) an $80 million gain on income statement and $10 million gain in other comprehensive income.

C) no change to Marcel's financial statements.

Question #6 of 14

Question ID: 1573620

Which of the following is *best* estimated by the ratio of net PP&E to annual depreciation expense?

A) Remaining useful life.

B) Average age.

C) Total useful life.

Question #7 of 14

Question ID: 1573621

An analyst will *most likely* use the average age of depreciable assets to estimate the company's:

A) cash flows.

B) earnings potential.

C) near-term financing requirements.

Question #8 of 14

Question ID: 1573612

Which of these intangible assets is *most likely* to be amortized?

A) Purchased franchise right with a useful life of two years.

B) Internally developed trademark with a useful life of 20 years.

C) Purchased patent that will expire in the current period.

Question #9 of 14

Question ID: 1573609

The amortized cost of a trademark is *least likely* to appear on a firm's balance sheet if the trademark was:

A) developed internally.

B) obtained in the acquisition of another firm.

C) purchased from another firm.

Question #10 of 14

Question ID: 1573615

Three years ago, Ranchero Corporation purchased equipment for a process used in production, for £3 million. At the end of last year, Ranchero determined the fair value of the equipment was greater than its book value. No impairment losses have been recognized on the equipment. Assuming Ranchero follows International Financial Reporting Standards, what is the impact on its total asset turnover ratio and return on equity of reporting the value of the equipment on the balance sheet at fair value?

A) Only one will increase.

B) Both will increase.

C) Both will decrease.

Question #11 of 14

Question ID: 1573611

Varin, Inc. purchases franchise rights with an estimated useful life of ten years and a trademark that can be renewed every five years for a nominal fee. Under IFRS, Varin will recognize amortization expense on:

A) both of these assets.

B) neither of these assets.

C) only one of these assets.

Question #12 of 14

Question ID: 1573618

Taking an impairment of long-lived assets will result in:

A) higher future return on assets.

B) a lower debt-to-equity ratio.

C) higher deferred tax liabilities.

Question #13 of 14

Question ID: 1573613

When comparing the financial statement effects of expensing versus capitalizing an expenditure, capitalizing will *most likely* result in which of the following effects in the years after the expenditure is incurred?

A) Lower net income and higher return on assets.

B) Higher net income and lower return on assets.

C) Lower net income and lower return on assets.

Question #14 of 14

Question ID: 1573614

A firm revalues its long-lived assets upward. All other things equal, which of the following financial impacts is *least likely* to occur?

A) Higher earnings in the revaluation period.

B) Higher profitability in the periods after revaluation.

C) Lower solvency ratios.