Q1. Company 'X' incurred $3,000,000 ($8,00,000 in 2007 and $2,200,000 in 2008) to develop a computer software. $1,000,000 of this amount was expended before technological feasibility was established in early 2008. The product will earn future revenue of $8,000,000 over its 5-year life, as follows: 2008 - $2,000,000; 2009 - $2,000,000; 2010 - $1,600,000; 2011 - 1,600,000 and 2012; $800,000. What portion of $3,000,000 computer software cost should be expended in 2008?

a) $500,000
b) $600,000
c) $700,000
d) $2,300.000

Q2. Mining company acquired a patent on an oil extration techniques on January 1, 2006 for $5,000,000. It was expected to have a 10 year life and no residual value. Mining uses straight line amortization for patents. On December 31, 2007, the expected future cash flows expected from the patent were expected to be $600,000 per year for the next 8 years. The Present Value of these cash flows, discounted at mining market interest rate, is 2, 800,000. At what amount the patent be carried on the December 31, 2007 balance sheet:

a) $5,000,000
b) $4,800,000
c) $4,000,000
d) $2,800,000

Q3. On June 30, 2007, Cey Inc, exchanged 2,000 shares of Seely Corp - $30 par value common stock for a patent owned by Gore Company. The Seely stock was acquired in 2007 at a cost of $55,000. At the exchange date, Seely common stock had a fair value of $45 per share, and the patent had a net carrying value of $110,000 on Gore's books. Cey should record the patent at:

a) $55,000
b) $60,000
c) $90,000
d) $110,000

Q4. On October 1, 2007, Lyman Co. purchased to "hold to Maturity", 200, $1,000, 9% bonds for $208,000. An additional $6,000 was paid for accrued interest. Interest is paid semiannually on December 1, and June 1 and the bonds mature and bonds mature on December 1, 2011. Lyman uses straight line amortization. Ignoring income taxes, the amount reported in Lyman's 2007 income statement from this investment should be:

a) $4,500
b) $4,020
c) $4,980
d) $5,460

Q5. Garrison Co. owns 20,000 of the 50,000 outstanding shares of Steele inc. common stock. During 2008, sSteele earns $800,000 and pays cash dividends of $640,000 Garrison should report investment revenue for 2008 of:

a) $320,000
b) $256,000
c) $64,000
d) -0-

Q6. Kennett Corporation purchased 25,000 shares of common stock of the Swenson Corporation for $40 per share on January 2, 2008. Swenson Corporation had 100,000 shares of common stock outstanding during 2008, paid cash dividends of $60,000 during 2008 and reported net income of $200,000 for 2008. Kennett Corporation should report revenue from investment for 2008 in the amount of:

a) $15,000
b) $35,000
c) $50,000
d) $55,000

Q7. During 2007, ellis Company purchased 20,000 shares of Hillelr Corp common stock for $315,000 as an "Available-for-Sale" investment. The fair value of these share was $300,000 at December 31, 2007. Ellis sold all of

Hillers stock for $17 per share on December 3, 2008, incurring $14,000 in brockage commissions. Ellis company should report a realized gain on the sale of stock in 2008 of:

a) $11,000
b) $25,000
c) $26,000
d) $40,000

Q8. Two independent companies, Mintz Co. and Pine Co. are in the home building business. Each owns a tract of land held for development, but each would prefer to build on other's land. They agree to exchange their land. An appraiser was hired, and from her report and the companies' records, the following information was obtained:

$192,000 $120,000
Fair value based $240,000 $210,000
on appraisal

	Mintz's Land	Pine's Land
Cost and Book Value	$192,000	$120,000
Fair value based on appraisal	$240,000	$210,000

Q9. The exchange was made and based on the difference in appraised fair values, Pine paid $30,000 to Mintz. The exchange lacked commercial substance: The new land should be recored on Mintz's Books at:

a) $168,000
b) $192,000
c) $210,000
d) $240,000

Q10. Hinrich company traded machinery with a book value of $120,000 and a fair value of $200,000. It received in exchnage from Noach Company a machine with a fair value of $180,000 and cash of $20,000. Noach's machine has a book value of $190,000. What amount of gain should Hinrich recognize on the exchange?

a) $-0-
b) $8,000
c) $20,000
d) $80,000

MaBelle Corporation incurred the following costrs in 2008:	
Acquisition of R&D Equipment with a useful life of 4 years in R&D projects	600000
Startup cost incurred when opening a new plant	140000
Advertising expense to introduce a new product	700000
Engineering cost incurred to advance a product to full production stage	350000
What amount MaBelle should record as research and development cost in 2008:	

a) $ 500,000
b) $640,000
c) $950,000
d) $1,340,000

ANSWERS

1	B				
	Total Cost of Computer Software			$3,000,000	
	Useful Life				5 years
	Amont to be expended per year (Amortization Amount)			$600,000	
	Amount to be expended in 2008			$600,000	
2	c				

	Acquired Cost of patent			$5,000,000	
					10
	Residual Value			$0	
	Amortization per annum			$500,000	
	Total Amortization for 2006 and 2007			$1,000,000	
	Value to be carried in the Balance Sheet of Dec 31, 2007			$4,000,000	
3	a				
	Exchange Value of Pares acquired			$55,000	
4	b				
	Face Value of 200 bonds			$200,000	
	Acquired Value			$208,000	
	Amount to be amortized			$8,000	
	Months to Maturity				50
	Amortization per month			$160	
	Interest per half year			$9,000	
	Interest received on Dec 1, 2007			$9,000	
	Interest due for Dec, 2007			$1,500	
	Total Interest receivable			$10,500	
	Less: paid towards accrued interest			6000	
	Net Interest receivable			$4,500	
	Amortization for 3 months			$480.00	
	Interest Income for Dec 2007			$4,020.00	
5	b				
	Total Dividend paid by eSteele			$640,000	
	Total number of shares of eSteele				50000
	Number of Shares owned by Garrison Co.				20000
	Dividend received by Garrison			$256,000	
	Investment Revenue of Garrison			$256,000	
6	a				
	Total Dividend paid by Swenson			$60,000	
	Total number of shares of Swenson				100000
	Number of Shares owned by Kennet				25000
	Dividend received by Garrison			$15,000	

	Investment Revenue of Garrison			$15,000	
7	a				
	Purchase Cost			$315,000	
	Sale Value		$340,000		
	Less: Brokerage		$14,000		
	Net Sales Value			$326,000	
	Gain on Sale of Stock			$11,000	
8	b				
	The new land should be recorded at the bbok value of				
	the land exchanged, since the exchange lacked commercial substance.				
9					
	Fair Value of Machine received in exchange			$180,000	
	Cash Received			$20,000	
	Total Value of Exchange			$200,000	
	Book Value of Nachine exchanged			$120,000	
	Gain in Exchange			$80,000	
10	c				
	Acquisition Cost of R & D Equipment			600000	
	Engineering Cost to advance the product to its				
		full production stage		350000	
	Total research and Development Cost			950000	