



## FINAL EXAM

# Course # 171017 Specialized Industry GAAP

based on the electronic .pdf file(s):

### **Specialized Industry GAAP**

by: Dr. Jae K. Shim, Ph.D., 2009, 158 pages

### **Pocket MBA**

by: Dr. Jae K. Shim, Ph.D., 2009, 228 pages



17 CPE Credit Hours  
Accounting & Auditing

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*This exam sheet is made available for your convenience in answering questions while offline.  
Please note that you will still need to enter your answers on the online exam sheet for grading.  
Instructions are provided at the end of this document.*

## Chapter 1 - Banking and Thrift Industry

1. SFAS 72, Accounting for Certain Acquisitions of Banking or Thrift Institutions, states that in a business combination in the acquisition of a banking or thrift institution, the unidentifiable intangible asset that is recognized in the acquisition should be amortized over:
  - Its expected useful life, not exceeding 40 years, using the straight-line method.
  - A period no longer than that over which the discount on the long-term interest-bearing assets acquired is to be recognized as interest income, not to exceed 40 years, using the straight-line method.
  - A period no longer than that over which the discount on the long-term interest-bearing assets acquired is to be recognized as interest income, not to exceed 40 years, using the interest method.
  - Its expected useful life, not exceeding 40 years, using the interest method.
2. Banks, savings institutions, and credit unions are required to report the gross amounts of cash receipts and disbursements from:
  - Deposits placed with other institutions and withdrawals of deposits.
  - Loans made to customers and principal collection of loans,
  - The other investing and financing activities of the consolidated entity when a banking or thrift institution is the reporting entity.
  - Time deposits accepted and repayments of deposits,
3. SFAS 63 requires that a broadcaster's acquisition of a license agreement for program material should be reported as an expense if:
  - When the agreement is reached.
  - If the license period expires within 1 year and as noncurrent if the license period expires in more than 1 year.
  - When the cost of each program is known or determinable, the program material has been acquired for more than the present value of future payments in accordance with the procedures set forth in SFAS 63.
  - Only for the present value of future payments in accordance with the procedures set forth in SFAS 63.
4. Direct selling costs for cable television include all except:
  - Commissions.
  - Salesperson's compensation for obtaining new subscribers.
  - Indirect expenses such as rent and costs of facilities.
  - Costs of processing documents related to new subscribers acquired.
5. Direct selling costs for cable television can include:
  - Supervisory and administrative costs.
  - Costs of processing documents.
  - Rent and facilities cost.

Subscriber installation costs.

6. Ball College, a not-for-profit organization, received a building with no donor stipulations as to its use. Ball should be increased when the building was received?

Temporarily restricted

Unrestricted

Permanently restricted

Partially restricted

7. Coding of computer software refers to

Research and development

Planning and design

Technological feasibility

Product's detailed instructions in computer language

8. Which of the following is not a feature of a software product?

It is complete.

It is compatible with hardware.

It has exchange value.

It consists of a collection of programs (e.g., a series of instructions or statements enabling

9. Three stages of computer software development for internal use are designated: preliminary project stag

Post acquisition-origination stage.

Capitalization stage.

Post-implementation/operation.

Unamortized computer software stage.

10. An area franchise is an agreement that transfers franchise rights within a

Geographic area

Numerical zoned area

Alphabetical area

Competition area

11. Direct loan origination costs can include

Advertising costs.

Soliciting potential borrower's costs.

Cost of evaluating a borrower's financial condition.

Cost of servicing existing loans.

12. Loan origination fees should be recognized over the term of the related loan as A. B. C. D.

Incremental direct costs.

Deferred revenue.

- An adjustment of yield.
- Purchase premiums on loans
13. Fees received under government cost-plus-fixed fee (CPFF) with a reasonable assurance of taking place
- Services rendered.
- Partial expenses.
- Income.
- Prepaid assets.
14. General purpose external financial reporting by a health care organization do not require presentation o
- A statement of cash flows.
- A planned vs. actual performance statement.
- Statement of changes in equity (or net assets/fund balance).
- Footnotes.
15. John Jay community hospital normally includes office space rentals in
- Deductions from dietary service expenses.
- Ancillary service revenues.
- Other revenues.
- Patient service revenues.
16. Health care providers' other revenues do not include
- Cafeteria sales.
- Tuition from educational programs.
- Contributions either unrestricted or for a specific purpose.
- Donated medicine.
17. \_\_\_\_\_ those donor-restricted net assets that can be used by
- Permanently restricted.
- Temporarily restricted.
- Restricted as to use only for board-designated purposes.
- Currently unrestricted.
18. Insurance contracts that do not involve the assumption of significant insurance risks by the insurance c
- Interest-bearing financial instruments.
- Insurance.
- Property and liability contracts.
- Accidental dismemberment contracts.
19. Long duration contracts include
- Credit life insurance.

- Property and liability insurance.
- Whole life insurance.
- Auto insurance.
20. Short duration contracts do not include
- Credit life insurance.
- Universal-life-type contracts.
- Most property and liability insurance.
- Accident and health insurance.
21. The Federal Home Loan Mortgage Corporation is referred to as
- Freddie Mac.
- Ginnie Mae.
- Fannie Mae.
- Sallie Mae.
22. An entity should report its film costs as
- A separate asset of the balance sheet.
- A separate expense item on the income statement.
- A contra asset on the balance sheet.
- An amortization cost.
23. Which of the following is not a form of the license fee?
- Fixed.
- Variable.
- A combination of fixed and variable.
- A percentage of a customer's revenue.
24. Film costs do not include
- Administrative and general expenses.
- Costs of set construction.
- Capitalized interest costs.
- Stage plays.
25. \_\_\_\_\_ is not the costs of producing a film and bringing the film to market.
- Participation costs.
- Life cycle costs.
- Exploitation costs.
- Manufacturing costs.
26. Which of the following circumstances does not require an assessment by an entity of the possibility that

- Actual costs substantially exceed budgeted costs.
  - Actual performance subsequent to release does not meet prior expectations.
  - The delivery is on target.
  - There are significant delays in its completion or release schedule.
27. Film costs should be disclosed as
- Investments on the balance sheet.
  - Noncurrent assets on the entity's classified balance sheet.
  - Cost of sales on the income statement.
  - Current assets on the balance sheet
28. Factors that should be considered in estimating the future cash flows for a film do not include
- The running time of the film.
  - Interest changes on money borrowed.
  - Historical results of similar films.
  - The public's perception of the film's director.
29. The discount rate to determine the fair value of a film using a traditional discounted cash flow approach
- Entity's incremental borrowing rate.
  - Risk-adjusted rate of capital.
  - Liability settlement rate.
  - Weighted average cost of capital.
30. Permanently restricted net assets for a not-for-profit organization include
- Contributions and other inflows of assets whose use by the organization is limited by donor
  - Contributions and other inflows of assets whose use by the organization is limited by donor
  - Other asset augmentations and reductions that occur as a result of the conditions just desc
  - Legal restrictions specified in the entity's articles of incorporation.
31. Which one of the following generally does not constraint unrestricted net assets?
- Broad limits resulting from the nature of the organization.
  - The entity's liquidity position.
  - Legal restrictions specified in the entity's articles of incorporation.
  - Any contracts that the entity may have signed during the course of doing business.
32. The statement of activities does not reports the amount of change in
- Permanently restricted net assets.
  - Temporary restricted net assets.
  - Retained earnings.
  - Unrestricted net assets.

33. Typical users of financial reports of nonbusiness organizations include which of the following?
- Resource providers.
  - Constituents.
  - Governing and oversight bodies.
  - All of the answers are correct.
34. Which one of the following is not a typical user of financial reports of nonbusiness organizations?
- Resource providers.
  - Investors.
  - Constituents.
  - Governing and oversight bodies.
35. In a statement of financial position, a not-for-profit organization should report amounts for which of the
- I, II, and III.
  - I and II only.
  - I and III only.
  - II and III only.
36. A statement of cash flows is to be presented in general-purpose external financial statements by which
- Publicly held business enterprises only.
  - Privately held business enterprises only.
  - All business enterprises.
  - All business enterprises and not-for-profit organizations.
37. According to SFAS 116, Accounting for Contributions Received and Contributions Made, what classification is required for contributions received from a donor who restricts the use of the contributions to support a specific program of the organization?
- No No
  - No Yes
  - Yes No
  - Yes Yes
38. Kendall Foundation, a not-for-profit agency, receives free electricity on a continuous basis from a local utility. The utility has an account for this contribution as a(n)
- Unrestricted revenue only.
  - Restricted revenue only.
  - Unrestricted revenue and an expense.
  - Restricted revenue and an expense.
39. Following the destruction of its house of worship by fire, a religious organization held a rebuilding party. The cost of the party was \$10,000. Capitalization is required for the value of the services provided by
- The professional carpenters only.
  - The members only.

The professional carpenters and the members.

Neither the professional carpenters nor the members.

40. Uptown Church received a donation of equity securities with readily determinable fair values from a church that continued to appreciate through the end of Uptown's fiscal year. At what amount should Midtown report the donation?

Donor's cost.

Fair value at the date of receipt.

Fair value at the balance sheet date.

Fair value at either the date of receipt or the balance sheet date.

41. Niewha, a not-for-profit organization, incurred \$15,000 in management and general expenses during 2008. How should these expenses be reported on the statement of activities as of 12/31/08?

A contra account offsetting revenue and support.

Part of program services.

Part of supporting services.

A direct reduction of net assets.

42. JKS, a nongovernmental not-for-profit art museum, has elected not to capitalize its permanent collection. The collection was paid to JKS in 2008. This transaction would be reported in I. The statement of activities as of 12/31/08 should reflect the collection as:

I Only

II Only

Both I and II

Neither I and II

43. Norman, a nongovernmental not-for-profit organization, is preparing its year-end financial statements. Which of the following statements is most likely to be included in the financial statements?

Statement of changes in financial position.

Statement of cash flows.

Statement of changes in fund balance.

Statement of revenue, expenses, and changes in fund balance.

44. Resource Provider transferred assets to Recipient Organization and specified itself as the beneficiary. The Recipient Organization is a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. Resource Provider should record the transfer as:

Debit an asset and credit equity.

Debit equity.

Debit an interest in net assets of Recipient.

Make no entry.

45. A stated purpose of SFAC 6, Elements of Financial Statements, is to:

Define three classes of net assets for businesses.

Apply the comprehensive income concept to not-for-profit organizations.

Define the elements necessary for presentation of financial statements of both business and not-for-profit organizations.

Apply its principles to reporting by state and local governmental units.

46. SFAS 136, Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Cor organization that agrees to use the assets on behalf of (or to transfer them, the return thereon, or both t variance power, in which circumstances will the specified beneficiary account for its interest in a way that
- The beneficiary has an unconditional right to receive cash flows from a charitable trust.
  - The beneficiary has satisfied the criteria for recognition of a receivable.
  - The beneficiary and the recipient are financially interrelated.
  - The beneficiary has an unconditional right to receive cash flows from an identifiable pool of
47. SOP 94-3, Reporting of Related Entities by Not-for-Profit Organizations, prescribes the reporting when a r separate NPO. Under SOP 94-3, in which of the following circumstances is consolidation permitted but no
- The reporting NPO controls a separate NPO in which it has an economic interest. However,
  - The reporting NPO controls a separate NPO through a majority ownership interest that is n
  - The reporting NPO has a majority voting interest in the board of the other NPO and an eco
  - The reporting NPO has indirect ownership of a majority voting interest in the other NPO, bu
48. A nonprofit organization (NPO) holds an investment in the common stock of a for-profit entity. The NPO
- Controls the other entity and owns 40% of its outstanding voting shares.
  - Has a majority voting interest in the other entity's board of directors, owns 20% of its ou
  - Owns a majority of the other entity's outstanding voting shares, but does not hold an ecc
  - Owns 30% of the other entity's outstanding voting shares and exercises significant influe
49. Estimate of proved reserves include
- Oil that may become available from known reservoirs, but is classifies separately as indic
  - Crude oil, natural gas, and natural oil gas liquids that may occur in undrilled prospects.
  - Reserves that can be produced economically through the application of improved recover
  - Crude oil, natural gas, and natural gas liquids that may be recovered from oil shales, coa
50. SFAS 19 requires that acquisition costs that are incurred to acquire a property (whether unproved or pr
- Lease bonuses.
  - Amortization and depreciation.
  - Options to purchase or lease properties.
  - Portions of costs applicable to minerals when land including minerals rights is purchased.
51. SFAS 19 notes that development costs and should be
- Capitalized whether or not the well is successful.
  - Capitalized only when the well is successful.
  - Expensed whether or not the well is successful.
  - Expensed only whether the well is successful.
52. A significant amount of revenue may be generated by licensing the rights of ownership in
- CD's or DVD's.
  - Cartridges or cassettes.

Record master or music copyright.

Reel tapes.

53. Example of real estate sales transactions that are retail land sales include

Sales of lots to builders.

Sales of homes, buildings, and parcels of land to builders and others.

Large amounts of residential lot sales of subdivisions of large tracts of land.

Sales of corporate stock of enterprises with substantial real estate.

54. For a particular retail land development project, the Reliable Company requires at least a 25% down payment from the sale are not subject to subordination to new loans on the property. Under what additional conditions

The seller is financially capable.

The development is practical.

Progress has been made on improvements.

The development has been completed.

55. According to SFAS 67, preacquisition costs such as payments to obtain an option to acquire real property should be capitalized if certain conditions are met. Which of the following is not one of the conditions

The costs are directly identifiable with a specific property.

The costs would be capitalized if the property had already been acquired.

Acquisition of an option to acquire the property is probable.

Acquisition of the property is reasonably possible.

56. For financial statement purposes, the installment method of accounting may be used if the

Collection period extends over more than 12 months.

Installments are due in different years.

Ultimate amount collectible is indeterminate.

Percentage-of-completion method is inappropriate.

57. According to the installment method of accounting, gross profit on an installment sale is recognized in

On the date of sale.

On the date the final cash collection is received.

In proportion to the cash collection.

After cash collections equal to the cost of sales have been received.

58. Which of the following nongovernmental not-for-profit organizations must report information in matrix format?

Private hospitals.

Voluntary health and welfare organizations (VHWOs).

Colleges and universities.

Museums.

59. Which of the following is not used by voluntary health and welfare organizations?
- Current unrestricted funds.
  - Current restricted funds
  - No-load funds.
  - Endowment funds.
60. SFAS 116 specifies that unconditional promises to give and contributions received (made) are recognized at:
- Fair value.
  - Book value.
  - Present value.
  - Liquidation value.
61. Fees charged for entering into an agreement that obligates the enterprise to make or acquire a loan or other financial instrument are:
- Origination fee.
  - Commitment fee.
  - General reserve fee.
  - Incremental direct cost fee.
62. Banks are not required to report the gross amounts of cash receipts and cash payments for:
- Personal checking account deposit.
  - Time deposits accepted and repayment of deposits.
  - Business account withdrawals.
  - Saving account deposits and withdrawals
63. An exchange of unsold advertising time for products or services is called a:
- Barter.
  - Day part.
  - License agreement.
  - Affiliation exchange.
64. By definition, the pre-maturity period begins with:
- A pre-determined subscribed level.
  - The first earned subscriber revenue.
  - A period that exceeds three years.
  - Subscriber costs that equal or exceed expenses.
65. All nonprofit organizations, including colleges and universities, are required under SFAS 93 to recognize:
- To disclose travel expenses.
  - To disclose cash flow statements.
  - To disclose depreciation expenses.
  - To disclose future revenue.

66. SFAS 116 specifies that unconditional promises to give contributions received (made) are recognized in
- Fair value.
  - Original cost.
  - Market value.
  - Depreciated cost
67. Product master production cost incurred subsequent to the establishment of technological feasibility should be
- Accrued.
  - Recognized.
  - Capitalized.
  - Expensed.
68. The stage of product development that commences when management decides how the internal software development project should be
- Operational stage.
  - Post-implementation stage.
  - Application development stage.
  - Preliminary project stage.
69. Franchise fee revenue from individual franchise sales should be recognized when the franchisor has
- Secured financial credit.
  - Substantially performed and satisfied all material services or conditions.
  - Conducted beta testing.
  - Paid an initial franchise fee.
70. An amount advanced to a client in excess of the amount of uncollected receivables purchased by the franchisor is
- An origination fee.
  - Over advance.
  - Points.
  - Nonrefundable fee
71. Settlements in which the contractor waives the right to make a claim is a
- Disposable credit.
  - No-cost settlement.
  - Cost-plus-fixed-fee contract.
  - Service contract.
72. Fees received under cost-plus-fixed-fee contracts (CPFF) should be credited to income on the basis of
- Partial performance.
  - Full performance.
  - Future performance.
  - Past performance.

73. Contributions made to not-for-profit health care entities should be disclosed from amounts that are per:  
 Increases in equity.  
 Decreases in liabilities.  
 Increases in net assets.  
 Decreases in net worth.
74. Examples of long-duration insurance contracts are  
 Accident and health insurance contracts.  
 Credit life insurance contracts.  
 Property and liability insurance contracts.  
 Endowment, annuity and title insurance.
75. A private organization authorized by Congress to assist in the development and maintenance of second:  
 Fannie Mae.  
 Freddie Mac.  
 Ginnie Mae.  
 Sallie Mae.
76. An entity may license films to such customers as distributors, theaters, exhibitors or licensees for revenue  
 Permanent or temporary basis.  
 Cash or credit basis.  
 Exclusive or non exclusive basis.  
 Wholesale or retail basis.
77. By definition the costs of producing a film and bringing that film to market consists of participation costs:  
 Episodic costs.  
 Film library costs.  
 Historical costs.  
 Manufacturing costs.
78. Not-for-profit organization's classification of net assets, revenues, expenses, gains and losses are based on:  
 Participation.  
 Restrictions.  
 Providers.  
 Exclusions
79. The statement of activities (SOA) enables donors, creditors, and other readers to determine the entity's  
 Appraise the success or failure of management performance.  
 Appraise donor's generosity.  
 Appraise the foreign market activities.  
 Appraise the competition advantages of competing not-for-profit organizations.

80. For oil- and gas-producing activities, SFAS 69 requires the following information annually: revenues, pr  
 Crude gas and oil recoveries.  
 Valuation provisions.  
 Natural oil and gas liquid reserves.  
 Recovery rates from oil shale and coal.
81. SAFS 19 requires that when unproven property is surrendered, abandoned, or determined worthless, al  
 Bad debts.  
 A related allowance provided for impairment.  
 Future potential earnings.  
 Estimated capital gains and losses.
82. A licensor for record masters and music copyright must have: a signed non-cancelable contract, agree t  
 There must be a remaining obligation to increase fees.  
 There must be no remaining significant obligations to furnish music or records.  
 There must be an escape clause.  
 There must be a no liability clause for the licensor signed by the licensee.
83. Retail land sales not accounted for by the full accrual method should be accounted and reported using t  
 Deposit method.  
 Cost recovery method.  
 Installment method.  
 Reduced profit method.
84. There are no exemptions or special provisions for income tax accounting for regulated enterprises unde  
 Future rate increases or decreases.  
 Present earnings and losses.  
 Estimated and recognized revenues.  
 Risk factors incurred by the regulated enterprises.
85. Voluntary health and welfare organizations should present current unrestricted and current restricted fu  
 As income liabilities and equity.  
 As function of classified services.  
 As program contributions and expenditures.  
 Separately in the financial statements.

## Chapter 2 - Broadcasting Industry

**Chapter 3 - Cable Television**

**Chapter 4 - Colleges And Universities**

**Chapter 5 - Development of Computer Software to Be Sold, Leased, or Other**

**Chapter 6 - Accounting for the Costs of Computer Software Developed or C**

**Chapter 7 - Franchises**

**Chapter 8 - Finance Industry**

**Chapter 9 - Government Contracts**

**Chapter 10 - Health Care Industry**

**Chapter 11 - Insurance Industry**

**Chapter 12 - Investment Industry**

**Chapter 13 - Mortgage Banking Industry**

**Chapter 14 - Motion Picture Industry**

**Chapter 15 - Not-For-Profit Organizations**

**Chapter 16 - Oil and Gas Producing Activities**

**Chapter 17 - Record and Music Industry**

**Chapter 18 - Real Estate Transactions**

**Chapter 19 - Pension Funds**

**Chapter 20 - Regulated Operations**

**Chapter 21 - Securities and Commodities Brokers Dealers**

**Chapter 22 - Title Plants**

**Chapter 23 - Voluntary Health and Welfare Organizations**

*Instructions for Submitting Answers Online:*

- *Sign In at [www.ApexCPE.com](http://www.ApexCPE.com)*
- *Click the "My CPE" tab at the top of the page.*
- *Click "My CPE Courses".*
- *Find the current CPE year and click "Go to My Courses".*
- *Find this course and click the "Go to Course" link.*
- *Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.*
- *Enter your answers on the online exam sheet.*
- *Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*
- *A short evaluation page will display. Please provide your feedback for the course.*
- *Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.*
- *You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.*

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