

ACC421 – Intermediate Accounting II Individual Assignments – Week 2

This assignment is worth a total of 75 points distributed evenly among the four problems. It will be graded based upon both the accuracy of your solutions (2/3) and effort (1/3). Points for effort will be impacted by poor formatting, poor organization, clear lack of effort, and careless errors. Any simple arithmetic errors, unbalanced journal entries, or unbalanced schedules will result in a significant point reduction for that problem. Show your work and double check your math and entries!

Problem 1:

Grading: This problem is worth a total of 18.75 points. There are 10 **grading elements** each worth $18.75 \times 2/3 / 10 = 1.25$ points. There are $18.75 \times 1/3 = 6.25$ points available for effort.

Consider each one of the following in light of the characteristics of accounting:

- A: The economic consequences of a standard or rule are not considered.
- B: Two other qualitative characteristics related to both reliability and relevance.
- C: Exists when a particular measurement is agreed to by the majority.
- D: Two large retail chains employ the same accounting principles.
- E: Accounting information is useful because of these two primary qualities.
- F: Users' expectations are confirmed by accounting information.
- G: This primary quality has predictive value as a component.
- H: This primary component of relevance is illustrated by quarterly financial statements issued in addition to annual financial statements.
- I: A component of this primary quality of accounting information is neutrality.
- J: This quality is necessary in order to compare the results of a company over time.

Instructions:

Identify which of the following qualitative characteristics of accounting is appropriate for each item above.

Comparability
Neutrality
Reliability
Verifiability

Consistency
Predictive value
Representational faithfulness

Feedback Value
Relevance
Timeliness

Solution:

A: Neutrality.

B: Comparability and Consistency.

C: Verifiability.

D: Comparability.

E: Relevance and Reliability.

F: Feedback Value.

G: Relevance.

H: Timeliness.

I: Reliability.

J: Consistency.

Problem 2:

Grading: This problem is worth a total of 18.75 points. There are 10 **grading elements** each worth $18.75 \times 2/3 / 10 = 1.25$ points. There are $18.75 \times 1/3 = 6.25$ points available for effort.

Consider each of the following in light of accounting assumptions, principles, and constraints:

A: Potential gains are not recorded in the financial records; however potential losses are recorded in the financial records.

B: Financial information for personal finances and financial information for business finances are kept separate.

C: The value of land increases after it was purchased, however the increase in value is not recorded in the financial records. (Do not use the revenue recognition principle.)

D: In the United States, the dollar is the quantitative measure used in financial statements.

E: Allows a dealer in gold to revalue gold inventory up to market value, for instance.

F: Requires the recording of expenses in the same period the revenue resulting from those expenses is recorded.

G: A company's assets are not reported at liquidation value. (Do not use the historical cost principle.)

H: Allows information that will not influence the decisions of reasonably informed users to be omitted from the financial statements but requires the inclusion of information that will affect such decisions. (Do not use the full disclosure principle.)

I: Financial statements are issued at regular intervals.

J: Financial statements contain all relevant information.