SIMULATION STRATEGIES: FINANCIAL ACCOUNTING AND REPORTING

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Editor's Note: This viewer guide is not intended to be a complete set of notes. Rather, it is a framework for viewers to supplement with their own notes. Add notes as appropriate to your learning style.

INTRODUCTION

A. Optimal Program Use

1. Bob assumes viewer has done considerable exam preparation before using this program.

2. Use of this program should be at the end of your exam preparation to test your strengths and weaknesses.

B. Exam Time Allocation

1. Don't just react: think through your timing strategy and develop a plan. Be sure you leave enough time for the last testlet, which contains the simulations.

2. FAR Test Format (4 hours = 240 minutes)

   a. Three multiple-choice question (MCQ) testlets, 30 questions each for a total of 90 questions (60% of score)

   b. One simulation testlet (40% of score)

      (1) Seven task-based simulations

      (2) Including one research simulation

3. One Way to Organize Time

   a. Simulation Testlet: 240 minutes – 150 minutes = **90 minutes remaining**

   b. Three MCQ Testlets: 150 minutes total; 50 minutes per MCQ testlet.

   c. Single MCQ Testlet: 50/30 questions = 10 questions every 16 minutes

   d. Research Simulation = 6 minutes; this leaves 84 minutes left

   e. Nonresearch Simulation: 84 minutes / 6 = 14 minutes

Editor's Note: Bob discusses items B.3.d. and B.3.e. at the beginning of Simulation 2.

Notes:

Independently answer Simulation 1 and then review with Bob.

SIMULATION 1

On January 1 of year 5, Columbo Co. hired a new controller. During the year, the controller, working closely with Columbo's president and outside accountants, made changes in existing accounting policies, instituted new accounting policies, and corrected several errors from prior to year 5.

For Items 1 and 2, select a classification from List A and the general accounting treatment required to report the change from List B. Place the letter answers in the cells next to each item.

Item	List A	List B
1. Columbo manufactures customized equipment to customer specifications on a contract basis. Columbo changed its method of accounting for these long-term contracts from the completed contract method to the percentage of completion method because Columbo is now able to make reasonable estimates of future construction costs.		
2. Based on improved collection procedures, Columbo changed the percentage of credit sales used to determine the allowance for uncollectible accounts from 3% to 2%.		

List A—Type of Change		List B—General Accounting Treatment	
A.	Change in accounting principle	Y.	Retrospective application
B.	Change in accounting estimate	Z.	Prospective application
C.	Correction of an error in previously presented financial statements		
D.	Neither an accounting change nor an error correction		

List A represents possible classifications of these transactions as a change in accounting principle, a change in accounting estimate, correction of an error in previously presented financial statements, or neither an accounting change nor an error correction.

List B represents the general accounting treatment required for these transactions. These treatments are:

- Retrospective application—Apply the cumulative effect resulting from the accounting change or error correction to the carrying amounts of assets and liabilities, with an adjustment to opening balance of retained earnings, in the current financial statements. Also apply adjustments to the financial statements for each individual prior period presented.

- Prospective approach—Report current year and future financial statements on the new basis, but do not adjust beginning retained earnings or include the cumulative effect of the change in the current year income statements.

For Items 3 and 4, in addition to selecting from List A and from List B, a **third** response is required. For these items, determine the amount of the change, if any, ignoring income tax effects. Place the letter and numerical answers in the cells provided next to the item.

Item	List A	List B	Amount
3. Effective January 1, year 5, Columbo changed from average cost to FIFO to account for its inventory. Cost of goods sold under each method was as follows: <u>Time Frame</u> — <u>Average cost</u> — <u>FIFO</u> Years prior to year 4 — $63,000 — $68,000 Year 4 — 66,000 — 72,000			
4. In January of year 4, Columbo purchased a machine with a four-year life and no salvage value for $50,000. The machine was depreciated using the straight-line method. In February of year 5, Columbo discovered that depreciation on the machine had been calculated using a 30% rate.			

(ID 6492)

Work Space:

The items listed below represent various transactions that occurred during year 9.

For Items 5 through 8, the following two responses are required for each item:

- Compute the amount of gain, loss, or adjustment to be reported in the year-end financial statements. Disregard income taxes and round all computations to the nearest dollar.
- Select from the list below the financial statement category in which the gain, loss, or adjustment should be presented. A category may be used once, more than once, or not at all.

	Category
A.	Income from continuing operations
B.	Extraordinary item
C.	Prior period adjustment to beginning retained earnings
D.	Other comprehensive income

Item	**Amount**	**Category**
5. On June 30, after paying the semiannual interest due and recording amortization of bond discount, Columbo redeemed its 10-year, 10%, $500,000 par bonds at 103. The bonds, which had a carrying amount of $460,000 on January 1, had originally been issued to yield 12%. Columbo uses the effective interest method of amortization, and had paid interest and recorded amortization on June 30. Compute the amount of gain or loss on redemption of the bonds and select the proper category.		
6. In October, Columbo paid $275,000 to a former employee to settle a lawsuit out of court. The lawsuit had been filed in year 8, and at December 31, year 8, Columbo had recorded a liability from lawsuit based on legal counsel's estimate that the loss from the lawsuit would be between $100,000 and $500,000. Compute the amount of gain or loss from settlement of the lawsuit and select the proper category.		

Work space and notes:

<table>
<tr><th>Item</th><th>Amount</th><th>Category</th></tr>
<tr><td>7. In November, Columbo purchased two marketable equity securities, I and II, which it bought and held principally to sell in the near term. Relevant data is as follows:

<table>
<tr><th>Cost</th><th>Fair Value 12/31, yr 9</th><th>Holding Gain or Loss 12/31, yr 9</th></tr>
<tr><td>I. $150,000</td><td>$175,000</td><td>$ ______</td></tr>
<tr><td>II. 275,000</td><td>225,000</td><td>______</td></tr>
</table>
Compute the amount of holding gain or loss at December 31, year 9, and select the proper category.</td><td></td><td></td></tr>
<tr><td>8. During the year, Columbo received $1,500,000 from its insurance company to cover losses suffered during a hurricane. This was the first hurricane ever to strike in Columbo's area. The hurricane destroyed a warehouse with a carrying amount of $640,000, containing equipment with a carrying amount of $370,000 and inventory with a carrying amount of $785,000 and a fair value of $900,000. Compute the amount of gain or loss from the hurricane and select the proper category.</td><td></td><td></td></tr>
</table>

(ID 5607)

For Item 9, indicated in the space provided whether the statement is True or False.

9. Under International Financial Reporting Standards (IFRS), no gains or losses may be considered extraordinary.	

Work space and notes:

Additional Notes:

A. Change in Accounting Principle

1. A change from one generally accepted accounting principle to another generally accepted accounting principle when there are two or more generally accepted accounting principles that apply or when the accounting principle formerly used is no longer generally accepted.

2. A change in the method of applying an accounting principle also is considered a change in accounting principle.

3. A change in the method of inventory pricing, such as from LIFO to FIFO, and a change in the method of accounting for long-term construction contracts, such as from the completed contract method to the percentage of completion method.

4. A change in accounting principle is reported through retrospective application of the new accounting principle to all prior periods.

5. Cumulative effect of the change on all prior periods is reported on the Statement of Retained Earnings, net of tax.

B. Change in Accounting Estimate

1. A change that adjusts the carrying amount of an existing asset or liability or alters the subsequent accounting for existing or future assets or liabilities.

2. Changes in accounting estimates result from new information. Some items for which estimates are necessary include: uncollectible receivables, inventory obsolescence, service lives and salvage values of depreciable assets, and warranty obligations.

3. A change in estimate does not require restatement or retrospective adjustment to prior period financial statements; it is prospective only.

C. Correction of an Error in Previously Issued Financial Statements

1. Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or the oversight or misuse of facts that existed at the time the financial statements were prepared.

2. Errors commonly found in financial statements include the following.

   a. Estimates based on unreasonable assumptions. For example, the use of an unrealistic depreciation rate.

b. Recording erroneous amounts for assets and equities. For example, incorrect footing of inventory totals would cause inventories to be misstated on the balance sheet.

c. Failure to record prepaid and accrued expenses.

d. The improper classification of assets as expenses and vice versa.

3. Any error in the financial statements of a prior period discovered subsequent to their issuance shall be reported as a prior-period adjustment by restating the prior period financial statements.

D. Income From Continuing Operations

1. Revenue and expense items (and gains and losses) that are considered to be of a usual and recurring nature are reported as income from continuing operations.

2. Items that are considered to be either unusual in nature or infrequent in occurrence are reported as a separate component of income from continuing operations.

E. Extraordinary Items

For an occurrence to be classified as extraordinary, it must be both unusual in nature AND infrequent in occurrence.

F. Prior Period Adjustment

1. A prior period adjustment consists of adjusting the financial statements of some prior period and restating those financial statements.

2. Several items qualify to be treated as prior period adjustments. They include: errors of a material nature; mistakes and oversights; and misapplied GAAP.

G. Other Comprehensive Income (OCI)

1. Items that previously were included in the equity section as a separate component of owners' equity are required to be reported in other comprehensive income.

2. Other comprehensive income has no effect on direct adjustments to equity accounts, such as capital stock transactions and transactions related to retained earnings.

3. An entity must classify items of other comprehensive income by their nature in one of these classifications: foreign currency items, pension

adjustments, unrealized gains and losses on certain investments in debt and equity securities, and gains and losses on cash flow hedging derivative instruments.

4. An entity is required to display the accumulated balance of OCI separately from retained earnings, capital stock, and additional paid-in capital in the equity section of a statement of financial position.

Work space and notes:

Independently answer simulation 2 and then review with Bob.

SIMULATION 2

The following information relates to Dane City during its fiscal year ended December 31:

- On October 31, to finance the construction of a city hall annex, Dane issued 8% 10-year general obligation bonds at their face value of $600,000. Construction expenditures during the period equaled $364,000.
- Dane reported $109,000 from hotel room taxes, restricted for tourist promotion, in a special revenue fund. The fund paid $81,000 for general promotions and $22,000 for a motor vehicle.
- The general fund revenues of $104,500 were transferred to a debt service fund and used to repay $100,000 of 9% 15-year term bonds, and to pay $4,500 of interest. The bonds were used to acquire a citizens' center.
- At December 31, as a consequence of past services, city firefighters had accumulated entitlements to compensated absences valued at $86,000. General fund resources available at December 31 are expected to be used to settle $17,000 of this amount, and $69,000 is expected to be paid out of future general fund resources.
- At December 31, Dane was responsible for $83,000 of outstanding general fund encumbrances, including the $8,000 for supplies indicated below.
- Dane uses the purchases method to account for supplies. The following information relates to supplies:

Inventory—1/1	$ 39,000
12/31	42,000
Encumbrances outstanding—1/1	6,000
12/31	8,000
Purchase orders during the year	190,000
Amounts credited to vouchers payable during the year	181,000

For Items 1 through 10, based solely on the above information, select the appropriate amount from the list below and enter the solution in the space provided. A choice may be used once, more than once or not at all.

Amount Choices						
$ 0	$ 8,000	$39,000	$ 81,000	$104,500	$169,000	$236,000
$3,000	$17,000	$42,000	$ 83,000	$109,000	$181,000	$364,000
$4,500	$22,000	$69,000	$ 86,000	$125,000	$187,000	$386,000
$6,000	$28,000	$75,000	$100,000	$139,000	$190,000	$600,000

	Amount
1. What is the amount of general fund operating transfers out?	
2. How much should be reported as general fund liabilities from entitlements for compensated absences?	
3. What is the reserved amount of the general fund balance? (Under GASB Statement No. 54, outstanding obligations at year-end are reported on the entity's fund balance sheet as a *committed* or *assigned* fund balance, reducing the unassigned portion of fund balance.)	
4. What is the capital projects fund balance?	
5. What is the fund balance on the special revenue fund for tourist promotion?	
6. What is the amount of debt service fund expenditures?	
7. What amount should be included in the general fund for capital assets acquired in the year?	
8. What amount stemming from transactions and events decreased the long-term liabilities reported in the government activities column of the government-wide statements?	
9. Using the purchases method, what is the amount of supplies expenditures?	
10. What was the total amount of supplies encumbrances?	

(ID 5860 - 5869)

Items 11 through 20 represent the funds and accounts used by the Dane City. Select the appropriate accounting treatment from the list provided below. A selection may be used once, more than once, or not at all.

Accounting Treatment	
A. Accounted for in a fiduciary fund.	F. Accounts for major construction activities.
B. Accounted for in a proprietary fund.	G. Accounts for property tax revenues.
C. Accounted for in a quasi-endowment fund.	H. Accounts for payment of interest and principal on tax supported debt.
D. Accounted for in a self-balancing account group.	I. Accounts for revenues from earmarked sources to finance designated activities.
E. Accounted for in a special assessment fund.	J. Reporting is optional.

Item	Accounting Treatment
11. Enterprise fund fixed assets.	
12. Capital projects fund.	
13. Internal service fund fixed assets.	
14. Private-purpose trust fund cash.	
15. Enterprise fund cash.	
16. General fund.	
17. Agency fund cash.	
18. Pension trust fund cash.	
19. Special revenue fund.	
20. Debt service fund.	

Work space and notes:

Additional Notes:

1. A specific governmental unit is not accounted for through a single accounting entity. Instead, the accounts of a government are divided into several funds.

2. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities and balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

3. A government should have only one general fund. It may have one, none, or several of the other types of funds, depending on its activities.

4. Governmental funds are used to finance general government activities such as police and fire protection, courts, inspection, and general administration. Governmental fund types include the general fund, special revenue funds, capital project funds, debt service funds, and permanent funds.

    a. The general fund should be used to account for and report all financial resources not accounted for and reported in another fund. This primary governmental fund is used to account for most routine operations of the governmental entity, including property tax revenues.

    b. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or earmarked for specified purposes other than debt service or capital projects.

    c. Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

    d. Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on tax supported debt.

    e. Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

5. Proprietary funds are used to finance a government's self-supporting business-type activities (for example, utilities). Proprietary fund types include enterprise funds and internal service funds.

   a. Internal service funds are used to account for *in-house* business enterprise activities; that is, to account for the financing of goods or services provided by **one** government department or agency to **other** departments or agencies of the government (and perhaps also to other governments) on a **cost reimbursement** basis. Common examples of internal service funds (ISF) are those used to account for government motor pools, central repair shops and garages, data processing departments, and photocopy and printing shops.

   b. Enterprise funds **must** be used to account for a government's business-type operations that are financed and operated like private businesses—where the government's **intent** is that **all** costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges (operating revenue). Interest income, interest expense, gain or loss on sales of capital assets, unrestricted grants to or from other governments, and transfers to or from other funds are examples of transactions that are reported as nonoperating revenue. Most government-owned public utilities (e.g., electricity, gas, water, and sewage systems) must be accounted for in enterprise funds under this criteria.

6. Fiduciary funds account for resources (and related liabilities) held by governments in a trustee capacity (trust funds) or as an agent for others (agency funds). Fiduciary fund types include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

   a. Pension trust funds are used to account for a government's fiduciary responsibilities and activities in managing pension or retirement trust funds for its retired, active, and former employees and their beneficiaries.

   b. Investment trust funds are used to account for a government's fiduciary responsibilities and activities in managing an investment plan.

   c. Private purpose trust funds are used to account for fiduciary responsibilities and activities in managing all other trust arrangements that benefit individuals, private organizations, or other governments.

   d. Agency funds are used to account for the custodial activities of a government serving as an agent for other governments, private organizations, or individuals. Agency funds are purely custodial (assets equal liabilities). The government has no equity in agency funds. Further, agency funds do not have operating accounts (for instance, *Revenues*). No operating statement is prepared for agency funds.

7. The modified accrual basis is used in the governmental fund type statements (general, special revenue, capital projects, and debt service funds), where revenues and **expenditures** are recorded.

8. The accrual basis is used in proprietary fund statements, where revenues and **expenses** are recorded and net income (loss) is reported. The accrual basis is also used in fiduciary fund statements, except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans.

Work space and notes:

Independently answer simulation 3 and then review with Bob.

SIMULATION 3

Following are selected balance sheet accounts of Flagg Corp. at December 31, year 4 and year 3, and the increases or decreases in each account from year 3 to year 4. Also presented is selected income statement information for the year ended December 31, year 4, and additional information.

Selected balance sheet amounts	Year 4	Year 3	Increase (Decrease)
Assets:			
Accounts receivable	$ 38,000	$ 26,000	$ 12,000
Property, plant, and equipment	293,000	254,000	39,000
Accumulated depreciation	(187,000)	(173,000)	(14,000)
Liabilities and stockholder's equity:			
Bonds payable	52,000	48,000	4,000
Dividends payable	9,000	6,000	3,000
Common stock, $1 par	25,000	20,000	5,000
Additional paid-in capital	11,000	4,000	7,000
Retained earnings	113,000	97,000	16,000

Selected information for year 4	
Sales revenue	$ 175,000
Depreciation	39,000
Gain on sale of equipment	17,000
Net income	44,000

- Accounts receivable relate to sales of merchandise.
- During year 4, equipment costing $50,000 was sold for cash.
- During year 4, $25,000 of bonds payable were issued in exchange for property, plant, and equipment. There was no amortization of bond discount or premium.

For Items 1 through 5, determine the amount and category in which the amount should be reported in Flagg's statement of cash flows for year 4. Selections may be used once, more than once or not at all.

Amount		
$ 0	$25,000	$ 97,000
$ 4,000	$32,000	$113,000
$17,000	$42,000	$163,000
$21,000	$64,000	$175,000

Category
O. Operating activity
I. Investing activity
F. Financing activity

Activity	Amount	Category
1. Cash collections from customers (direct method)		
2. Payments for purchase of property, plant, and equipment		
3. Proceeds from sale of equipment		
4. Cash dividends paid		
5. Redemption of bonds payable		

(ID 9014)

Accounts Receivable

Property, Plant & Equipment

Accumulated Depreciation

Bonds Payable

Dividends Payable

Retained Earnings

Sales Revenue

Depreciation Expense

Gain on Sale of Equipment

Additional Notes:

1. The primary purpose of a statement of cash flows is to provide relevant information about the cash receipts and cash payments of an enterprise during a period.

2. The information provided in a statement of cash flows helps investors, creditors, and others to assess the following:

   a. The enterprise's ability to generate positive future net cash flows

   b. The enterprise's ability to meet its obligations, its ability to pay dividends, and its needs for external financing

   c. The reasons for differences between net income and associated cash receipts and payments

   d. The effects on an enterprise's financial position of both its cash and non-cash investing and financing transactions during the period

3. A statement of cash flows should classify cash receipts and cash payments as resulting from investing, financing, or operating activities. A statement of cash flows should report the following:

   a. Net cash provided or used by operating, investing, and financing activities

1. Operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. Operating activities generally involve producing and delivering goods and providing services, and relate to the income statement.

2. Investing activities include cash inflows and outflows from purchases and sales on long-term assets on the balance sheet.

3. Financing activities include repayment of long-term debt principal, dividends, stock and treasury stock cash activities from the balance sheet.

b. The net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents

4. Under the direct method, enterprises are encouraged to report major classes of gross cash receipts and gross cash payments and their arithmetic sum—the net cash flow from operating activities. Enterprises are encouraged to provide further breakdowns of operating cash receipts and payments that they consider meaningful and feasible; for example, a retailer or manufacturer might decide to further divide cash paid to employees and suppliers into payments for costs of inventory and payments for selling, general, and administrative expenses. At a minimum, the following classes of operating cash receipts and payments should be separately reported.

   a. Cash collected from customers

   b. Interest and dividends received

   c. Other operating cash receipts, if any

   d. Cash paid to employees and other suppliers of goods or services, including suppliers of insurance, advertising, and the like

   e. Interest paid

   f. Income taxes paid

   g. Other operating cash payments, if any

5. Net cash flow from operating activities may also be reported under the indirect method by adjusting net income to reconcile it to net cash flow from operating activities. That requires adjusting net income to remove the effects of the following.

a. All deferrals of past operating cash receipts and payments, such as changes during the period in inventory and deferred income

b. All accruals of expected operating cash receipts and payments, such as changes during the period in receivables and payables

c. Items whose cash effects are investing cash flows, such as depreciation and gains and losses on sales of property, plant, and equipment and discontinued operations

d. Items whose cash effects are financing cash flows, such as gains and losses on extinguishment of debt

6. Both investing cash inflows and outflows and financing cash inflows and outflows should be reported **separately** in a statement of cash flows.

7. Investing activities include:

a. Collections or sales of loans (excluding certain loans that are acquired specifically for resale) that were purchased.

b. Acquiring and disposing of property, plant, and equipment, and other productive assets (assets held for or used in the production of goods or services by the enterprise other than materials that are part of the enterprise's inventory).

CASH FLOWS FROM INVESTING ACTIVITIES	
H	HELD TO MATURITY
A	AVAILABLE FOR SALE
P	PROPERTY
P	PLANT
E	EQUIPMENT
E	EQUITY INVESTMENTS

c. Purchases, sales, and maturities of debt and equity securities (excluding those acquired specifically for resale). These would include available-for-sale and held-to-maturity securities.

8. Financing activities include:

a. Obtaining resources from owners and providing them with a return on, and a return of, their investment.

b. Borrowing money and repaying amounts borrowed, or otherwise settling the obligation.

CASH FLOWS FROM FINANCING ACTIVITIES	
PRINC	DEBT PRINCIPAL
DIV	PAY DIVIDENDS
I	ISSUE STOCK
TS	TREASURY STOCK

c. Obtaining and paying for other resources obtained from creditors on long-term credit.

d. Cash flows from derivatives that contain a financing component and are accounted for as fair-value or cash-flow hedges are required to be classified in the same cash flow category as the items being hedged. When a hedge of an identifiable transaction or event is discontinued, the subsequent cash flows are to be classified consistent with the nature of the instrument.

9. Information about all investing and financing activities of an enterprise during a period that affects recognized assets or liabilities, but does not result in cash receipts or cash payments in the period, should be reported in related disclosures. Examples include:

   a. Converting debt to equity;

   b. Acquiring assets by assuming *directly related liabilities,* such as purchasing a building by incurring a mortgage to the seller;

   c. Obtaining an asset by entering into a capital lease;

   d. Exchanging non-cash assets or liabilities for other non-cash assets or liabilities.

10. If a transaction is part cash and part non-cash, only the cash portion should be reported in a statement of cash flows.

Work space and notes:

Independently answer simulation 4 and then review with Bob.

SIMULATION 4

On January 2 of the current year, South Co. issued bonds payable with a face value of $540,000 at a discount. The bonds are due in 12 years and interest is payable semiannually every June 30 and December 31.

On June 30, and on December 31, South made the semiannual interest payments due and recorded interest expense and amortization of bond discount.

For each shaded cell below, select and place the correct response into the partially-completed amortization table. Selections may be made from the list below. Any choice may be used once, more than once, or not at all.

Rates	Amounts		
4%	$ 2,400	$21,600	$137,600
6%	$ 2,544	$22,472	$140,000
8%	$ 3,612	$24,000	$400,000
10%	$ 4,800	$24,144	$402,400
12%	$10,800	$43,200	$513,600
14%	$12,000	$45,000	$540,000

Date	Cash	Interest Expense	Amortization	Discount	Carrying Amount
1/2					(3)
6/30	(2)	24,000	2,400	(1)	402,400
12/31	$21,600	(6)	(7)		
Annual Interest Rates:		Stated	(4)	Effective	(5)

(ID 6191)

Editor's Note: The work space provided on the next page follows the order in which Bob answered the simulation questions.

Item 2: Recreate the June 30 interest payment journal entry to find Cash paid:

6/30 JE: ______________________________

____

____

Item 3: Work backwards to find the Carrying Value at January 2 of the debt:

Carrying Value at June 30:	________
Less: June 30 Amortization	________
Carrying Value at January 2:	________

Work space:

____

____

____

____

Item 1: Two steps are needed to find the Unamortized Discount as of June 30:

a. Recreate the original January 2 entry:

1/2 JE: ______________________________

____

____

b. Work backwards to find the Unamortized Discount at June 30

Unamortized Discount at Jan. 2:	________
Less: June 30 Amortization	________
Unamortized Discount at June 30	________

Work space:

____

____

____

____

Item 5: Effective Interest Rate on the Bond:

a. Effective yield × carrying value = 6 month interest expense

b. The effective 6 month yield: ___________ ÷ ___________ = _____%

c. Double the 6 month rate: ______% × 2 = ______%

Work space:

Item 4: Stated Interest Rate on the Bond:

a. Stated interest rate × face value = 6 month interest check

b. The stated 6 month rate: ___________ ÷ ___________ = _____%

c. Double the 6 month rate: ______% × 2 = ________%

Work space:

Item 6: Interest Expense at December 31:

Carrying Value at June 30:	______________
Times the 6 month effective interest rate	______________
Interest Expense at December 31:	______________

Work space:

Item 7 Amortization Expense at December 31:

Recreate the December 31 interest payment journal entry to find Discount Amortization Expense:

12/31 JE: ______________________________

____

____

Work space:

Independently answer simulation 5 and then review with Bob.

SIMULATION 5

Community Service, Inc. is a nongovernmental not-for-profit voluntary health and welfare calendar-year organization that began operations on January 1, year 1. It performs voluntary services and derives its revenue primarily from voluntary contributions from the general public. Community implies a time restriction on all promises to contribute cash in future periods. However, no such policy exists with respect to gifts of long-lived assets.

Items 1 through 4 are based on the following selected transactions that occurred during Community's year 2 calendar year:

• Unrestricted written promises to contribute cash—year 1 and year 2	
— Year 1 promises (collected in year 2)	$22,000
— Year 2 promises (collected in year 2)	95,000
— Year 2 promises (uncollected)	28,000
• Written promises to contribute cash restricted to use for community college scholarships (year 1 and year 2)	
— Year 1 promises (collected and expended in year 2)	10,000
— Year 2 promises (collected and expended in year 2)	20,000
— Year 2 promises (uncollected)	12,000
• Written promise to contribute $25,000 if matching funds are raised for the capital campaign during year 2	
— Cash received in year 2 from contributor as a good faith advance	25,000
— Matching funds received in year 2	0
• Cash amount of $37,000 received in year 1 with donor's only stipulation that a bus be purchased	
— Expenditure of full amount of donation July 1, year 2	37,000

Items 1 through 4 represent the year 2 amounts that Community reported for selected financial statement elements in its December 31, year 2, statement of financial position and year 2 statement of activities. For each item, indicate whether the amount was Overstated, Understated, or Correctly stated.

Item	Choice
1. Community reported $28,000 as contributions receivable.	
2. Community reported $37,000 as net assets released from restrictions (satisfaction of use restrictions).	
3. Community reported $22,000 as net assets released from restrictions (due to the lapse of time restrictions).	
4. Community reported $97,000 as contributions—temporarily restricted.	

(ID 6656)

Items 5 through 11 are based on the following selected transactions that occurred during Community Service's year 2 calendar year:

• Debt security endowment received in year 2 income to be used for community service	
— Face value	$90,000
— Fair value at time of receipt	88,000
— Fair value at December 31, year 2	87,000
— Interest earned in year 2	9,000
• 10 concerned citizens volunteered to serve meals to the homeless	
— 400 hrs. free; fair market value of services $5 per hr.	2000
• Short-term investment in equity securities in year 2	
— Cost	10,000
— Fair value December 31, year 2	12,000
— Dividend income	1,000
• Music festival to raise funds for a local hospital	
— Admission fees	5,000
— Sales of food and drinks	14,000
— Expenses	4,000
• Reading Material donated to Community Service and distributed to the children in year 2	
— Fair market value	8,000
• Federal youth training fee for service grant	
— Cash received during year 2	30,000
— Instructor salaries paid	26,000
• Other cash operating expenses	
— Business manager salary	60,000
— General bookkeeper salary	40,000
— Director of community activities salary	50,000
— Space rental (75% for community activities, 25% for office activities)	20,000
— Printing and mailing costs for pledge cards	2,000
• Short-term bank loan in year 2	
— Interest payment in year 2	1,000
— Principal payment in year 2	20,000

For Items 5 through 11, determine the amounts for the following financial statement elements in the year 2 statement of activities. Select your answer from the following list of amounts and place it in the space provided. An amount may be selected once, more than once, or not at all.

Choices					
A.	$0	F.	$ 9,000	K.	$87,000
B.	$2,000	G.	$14,000	L.	$88,000
C.	$3,000	H.	$16,000	M.	$90,000
D.	$5,000	I.	$26,000	N.	$94,000
E.	$8,000	J.	$50,000	O.	$99,000

Item	Amounts
5. Contributions—permanently restricted	
6. Revenues—fees	
7. Investment income—debt securities	
8. Program expenses	
9. General fund-raising expenses (excludes special events)	
10. Income on long-term investments—unrestricted	
11. Contributed voluntary services	

(ID 6674)

Work space and notes:

For Items 12 through 17, indicate the manner in which the transaction impacts Community's financial statements. Select the **best** answer for each item. Choices may be used once, more than once, or not at all.

	Choices
A.	Increase in unrestricted revenues, gains, and other support
B.	Decrease in an expense
C.	Increase in temporarily restricted net assets
D.	Increase in permanently restricted net assets
E.	No required reportable event

Item	Choice
12. Community's board designates $1,000,000 to purchase investments whose income will be used for capital improvements.	
13. Income from investments in item 12, which was not previously accrued, is received.	
14. A benefactor provided funds for building expansion.	
15. The funds in item 14 are used to purchase a building in the fiscal period following the period the funds were received.	
16. An accounting firm prepared Community's annual financial statements without charge to Community.	
17. Community's received investments subject to the donor's requirements that investment income be used to pay for outpatient services.	

(ID 5854)

Additional Notes:

1. Voluntary health and welfare organizations (VHWOs) offer free or low cost services to the general public or to certain segments of society, and are supported primarily by public contributions. Examples include the United Way, the American Heart Association, Girl Scouts, Boy Scouts, the YMCA, and the YWCA.

2. Four statements are required for VHWOs: a Statement of Financial Position, a Statement of Activities, a Statement of Cash Flows, and the Statement of Functional Expenses.

3. Entities report assets, liabilities, and net assets in the Statement of Financial Position.

   a. Entities are required to classify net assets based upon the existence or absence of donor-imposed restrictions.

b. Net assets are classified into at least three categories: permanently restricted, temporarily restricted, and unrestricted.

c. Assets are arranged by relative liquidity. Assets restricted to a particular use assume the liquidity of that use. For instance, cash and marketable securities restricted for the purchase of property, plant, and equipment (PPE) are presented below inventories.

4. The Statement of Activities is similar to a for-profit entity's income statement. Its primary purpose is to provide relevant information about the effects of transactions and other events that change the amount and nature of net assets, the relationships of those transactions and other events to each other, and how the organization's resources are used in providing various programs or services.

5. The Statement of Cash Flows reports the change in cash and cash equivalents similar to commercial enterprises.

   a. The description of cash flows from financing activities is expanded to include receiving restricted resources that by donor stipulation must be used for long-term purposes.

   b. Interest and dividend that are donor restricted for these long-term purposes are not part of operating activities.

6. The Statement of Functional Expenses is required only for Voluntary Health and Welfare Organizations (VHWO). This details the expenses on the Statement of Activities by functional and natural (or object) classification.

   a. Functional Classification: A method of grouping expenses according to the purpose for which costs are incurred. The primary functional classifications are program services and supporting activities, as described in the Statement of Activities section.

   b. Natural Classification: Regular items such as salaries, rent, electricity, interest expense, depreciation, awards and grants to others, and professional fees.

   c. Presentation: The expenses and classifications must be presented in a matrix format.

7. Contributions are unconditional transfers of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Other assets include, securities, land, buildings, use of facilities or utilities, materials and supplies, intangible assets, services (within certain limited circumstances), and unconditional promises to give those items in the future.

a. Accounting for contributions is important because for many NPOs contributions are a significant source of revenue.

b. Generally, contributions received are measured at their fair values and recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. They shall be reported as restricted support or unrestricted support.

c. Contributions of services are measured at their fair values and recognized as revenues for the period only if (1) nonfinancial assets are created or enhanced, or (2) special skills are required, are provided by individuals possessing those skills, and would otherwise need to be purchased if not provided by donation.

d. Contributed collection items are recognized as revenues or gains if collections are capitalized and not recognized as revenues or gains if collections are not capitalized. An entity need not recognize contributions of works of art, historical treasures, and similar assets if the donated items are added to collections that meet all of the following conditions:

1. Are held for public exhibition, education, or research in furtherance of public service rather than financial gain

2. Are protected, kept unencumbered, cared for, and preserved

3. Are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

8. A pledge is a conditional promise to give. A written or oral agreement to contribute cash or other assets to another entity that depends on the occurrence of a specified future and uncertain event to bind the promisor.

a. To be recognized in financial statements, there must be sufficient evidence in the form of verifiable documentation that a promise was made and received.

b. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. Conditional pledges are not recorded until they become unconditional.

9. An unconditional promise to give is a written or oral agreement to make a contribution that depends only on passage of time or demand by the promisee for performance. It may be difficult to determine whether donor stipulations are conditions or restrictions. In cases of ambiguous donor

stipulations, a promise containing stipulations that are not clearly unconditional shall be presumed to be a conditional promise.

10. A donor stipulation on a transfer of assets or promise to give that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets transferred or releases the promisor from its obligation to transfer assets promised.

11. A donor-imposed restriction is a donor stipulation that limits the use of contributed assets. It specifies a use for the contributed asset that is more specific than the broad limits of the organization. A restriction on an organization's use of the asset contributed may be temporary or permanent.

    a. A permanent restriction is a donor-imposed restriction that stipulates that resources be maintained permanently but permits the organization to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.

    b. A temporary restriction is a donor-imposed restriction that will lapse upon occurrence of conditions specified by the donor. The principal of a temporary endowment or donation may be used after the conditions of the restriction are fulfilled. The allowable use of the income of a temporarily restricted asset may also be restricted by the terms of the donation.

12. Unrestricted assets are the assets from donations unrestricted by the donors, and assets formerly temporarily restricted by the donors that have since become unrestricted. Unrestricted assets include board-restricted assets.

13. Board-restricted assets have been earmarked by the governing board of an entity for specific purposes. These purposes cannot conflict with donor conditions. These assets may be designated board-restricted in the financial statements, but they remain in the unrestricted category.

14. An endowment fund is a fund of assets to provide support for the activities of a not-for-profit organization. Endowment funds are typically composed of donor-restricted gifts to provide a permanent source of support. However, use of the fund assets may also be temporarily restricted or unrestricted.

Independently answer simulation 6 and then review with Bob.

SIMULATION 6

Paxton Co.'s income statement for its first year of operations showed pretax income of $750,000. The following items are treated differently on the tax return and in the accounting records:

	Accounting Records	Tax Return
Premiums on officers' life insurance	$25,000	None
Depreciation expense	40,000	$100,000
Warranty expense	60,000	10,000

The current year enacted tax rate was 30% and the enacted tax rate for future years is 35%. Paxton estimates that 10% of any deferred tax asset will never be realized.

Also, on December 31 of the current year, Paxton Co. leased equipment from Victor Leasing Co. The following information relating to the lease transaction is available:

- The lease requires ten equal annual payments of $26,000, beginning immediately.
- The lease specifies an interest rate of 10%.
- The lease contains a purchase option of $15,000 at the end of the lease when the equipment is expected to have an estimated value of $32,000.
- Paxton's incremental borrowing rate is 12%.

Information of present value factors is as follows:

Present value of $1 for ten periods at 12%	0.322
Present value of $1 for ten periods at 10%	0.386
Present value of an annuity of $1 in advance for ten periods at 12%	6.330
Present value of an annuity of $1 in advance for ten periods at 10%	6.760

Work space and notes:

For Items 1 through 7, using the above information, select the appropriate amount from the menu below and enter it in the space provided. Selections may be used once, more than once or not at all.

Choices									
A.	$0	F.	$16,500	K.	$ 26,000	P.	$147,145	U.	$224,250
B.	$ 9,445	G.	$17,500	L.	$ 28,000	Q.	$152,750	V.	$225,000
C.	$10,445	H.	$18,250	M.	$ 31,000	R.	$155,550	W.	$229,500
D.	$14,750	I.	$19,250	N.	$136,000	S.	$181,550	X.	$234,750
E.	$15,750	J.	$21,000	O.	$145,105	T.	$214,550	Y.	$235,500

	Amount
1. What amount should Paxton report as deferred income tax asset at 12/31?	
2. What amount should Paxton report as deferred income tax liability at 12/31?	
3. What amount should Paxton report as the current provision for taxes as of 12/31?	
4. What amount should Paxton report as total income tax expense as of 12/31?	
5. What amount should Paxton report for leased equipment on the balance sheet at December 31?	
6. What amount should Paxton report as current lease liability on the balance sheet at December 31?	
7. What amount should Paxton report as noncurrent lease liability on the balance sheet at December 31?	

Work space and notes:

For Items 8 and 9, determine if the statement is True or False and enter the appropriate response in the space provided.

	Response
8. Under IFRS, a lease is considered a capital or finance lease if the term of the lease is at least 25% of the economic life of the asset.	
9. Under IFRS, if a sale-leaseback transaction results in an operating lease, any profit or loss from the sale is deferred and amortized over the term of the lease.	

Additional Notes on Income Taxes:

1. A *temporary difference* is a difference between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years when the reported amount of the asset is recovered or the liability is settled.

2. The tax consequences of most events recognized in the current year's financial statements are included in determining income taxes currently payable. Because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities, equity, revenues, expenses, gains, and losses, differences arise between the following.

   a. The amount of taxable income and pretax financial income for a year

   b. The tax basis of assets or liabilities and their reported amounts in financial statements

3. Some events recognized in financial statements do not have tax consequences under the regular U.S. tax system. Certain revenues are exempt from taxation and certain expenses are not deductible. Events that do not

have tax consequences do not give rise to temporary differences and, therefore, do not give rise to deferred tax assets or liabilities. These differences that will not have future tax consequences are often referred to as *permanent differences.*

4. Deferred tax liabilities or assets are recognized for the future tax consequences of the following:

    a. Temporary Differences

    b. Operating Loss or Tax Credit Carrybacks

5. A deferred tax expense or benefit is the change during the year in an enterprise's deferred tax liabilities and assets.

6. Total income tax expense (provision) or benefit for the year is the sum of deferred tax expense or benefit and current tax expense or benefit (income taxes currently payable or refundable).

7. The recognition and measurement of a deferred tax liability or asset is based on the future effects on income taxes, as measured by the provisions of enacted tax laws, resulting from temporary differences and operating loss and tax credit carryforwards at the end of the current year.

8. The tax rate that is used to measure deferred tax liabilities and deferred tax assets is the enacted tax rate(s) expected to apply to taxable income in the years that the liability is expected to be settled or the asset recovered.

Additional Notes on Capital Leases:

1. A lease is an agreement conveying the right to use property, plant, or equipment (land and/or depreciable assets) usually for a stated period of time.

    a. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property should be accounted for as an acquisition of an asset and the incurrence of a liability by the lessee, and as a sale or financing agreement by the lessor.

    b. All other leases should be accounted for as operating leases.

2. Classify and account for the lease as a capital lease if at the date of the lease agreement (date of lease inception), the lease satisfies at least one of the following four criteria. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased asset, then criteria c. and d. listed below are inapplicable. The lease then should be classified as a capital lease only if it meets a. or b.

a. The lease transfers ownership of the property to the lessee by the end of the lease.

b. The lease contains a bargain purchase option.

c. The lease term is equal to 75% or more of the estimated economic life of the leased property (as determined at the inception of the lease).

d. The present value of the minimum lease payments (excluding executory costs) equals or exceeds 90% of the fair value of the leased property at lease inception.

3. If a lease does not satisfy at least one of the four criteria for a capital lease, then the lessee must classify and account for the lease as an operating lease.

4. Lessee must record a capital lease in an amount equal to (a) the fair value of the leased property at the inception date or, (b) the present value of the minimum lease payments (using the present value discount rate), whichever is lower. The same amount is recorded on the lessee's books both as an asset, "Leased Asset Under Capital Leases" and as a liability, "Obligations Under Capital Leases."

5. Where the annual rental is payable at the beginning of each lease year, the factor for the present value of annuity in advance (also referred to as an annuity due) is to be used to determine the present value of the minimum lease payments. If, however, the annual rental is payable at the end of each lease year, the factor for the present value of ordinary annuity (also referred to as an annuity in arrears) should be used.

6. The payment called for by a bargain purchase option should be capitalized at its present value. A purchase option is considered to be a bargain purchase option when the lessee can purchase the leased property for significantly less than the expected fair value of the property at the date the option becomes exercisable.

7. Any guarantee of the residual value of the leased property by the lessee or a third party related to the lessee should be capitalized at its present value. A guarantee of the residual value of the leased property by a third party unrelated to the lessee should not be capitalized.

8. The obligation under capital lease is classified as both current and noncurrent, with the current portion being that amount that will be paid on the principal during the next year.

9. The overall accounting for leases under U.S. GAAP and IFRS is similar, although U.S. GAAP has more specific application guidance than IFRS.

Both focus on classifying leases as either capital (IFRS uses the term "finance") or operating, and both separately discuss lessee and lessor accounting.

The criteria or indicators of a capital lease are similar in that both standards include the transfer of ownership to the lessee at the end of the lease term and a purchase option that, at inception, is reasonably expected to be exercised. Further, U.S. GAAP requires capital lease treatment if the lease term is equal to or greater than 75% of the asset's economic life, while IFRS requires such treatment when the lease term is a "major part" of the asset's economic life. U.S. GAAP specifies capital lease treatment if the present value of the minimum lease payments exceeds 90% of the asset's fair value, while IFRS uses the term "substantially all" of the fair value.

Lessor accounting under U.S. GAAP and IFRS is similar and uses the above tests to determine whether a lease is a sales-type/direct financing lease or an operating lease. U.S. GAAP specifies two additional criteria (that is, collection of lease payments is reasonably expected and no important uncertainties surround the amount of unreimbursable costs to be incurred by the lessor) for a lessor to qualify for sales-type/direct financing lease accounting that IFRS does not have. Although not specified in IFRS, it is reasonable to expect that if these conditions exist, the same conclusion may be reached under both standards. If a lease is a sales-type/direct financing lease, the leased asset is replaced with a lease receivable. If a lease is classified as operating, rental income is recognized on a straight-line basis over the lease term and the leased asset is depreciated by the lessor over its useful life.

Work space and notes:

ORDER TO ANSWER SIMULATIONS

A. The order that simulations are completed is critical.

B. Triage

1. Quick look at simulations
2. Make notes on each simulation (content, difficulty)
3. Start with research simulation first (5 minutes maximum)
4. Rank the remaining 6 simulations into 3 categories, based on personal strengths
5. Work on simulation in strongest topic area first
    a. Maximize your points
    b. Build your confidence
6. Be working on simulation in weakest topic area last and/or finish the research simulation

Notes:

Independently answer simulation 7 and then review with Bob.

SIMULATION 7

The separate condensed income statements of Parker Co. and Sunny Corp. are as follows:

	Parker	Sunny
Sales	$300,000	$600,000
Cost of goods sold	210,000	540,000
Gross Margin	$ 90,000	$ 60,000
Merchandise acquired from outside parties in ending inventory	$ 40,000	$ 75,000
Intercompany purchases in ending inventory	$ 50,000	$ 10,000

Additional information

- On December 31, 2015, Parker Co. purchased 80% of Sunny's outstanding shares for $1,750,000. On the purchase date, the book value of Sunny's net assets was $1,800,000 and the fair value of Sunny's property, plant and equipment exceeded this carrying amount by $100,000.
- On July 1, 2016, Sunny purchased in the open market, $1,000,000 of Parker Co.'s 12% bonds at par plus accrued interest. The bonds pay interest semi-annually on May 1 and November 1.
- During 2016, Parker sold $100,000 of merchandise to Sunny, which included a gross profit of $30,000. Also, during 2016, Sunny sold $200,000 of merchandise to Parker, which included a gross profit of $20,000.

For items 1 through 7, using the above information, select the appropriate amount from the menu below and enter it in the space provided. Selections may be used once, more than once or not at all.

Choices									
A.	$0	F.	$120,000	K.	$183,000	P.	$380,000	U.	$458,000
B.	$10,000	G.	$148,000	L.	$230,000	Q.	$387,500	V.	$466,000
C.	$20,000	H.	$159,000	M.	$287,500	R.	$422,500	W.	$600,000
D.	$40,000	I.	$167,000	N.	$310,000	S.	$437,500	X.	$700,000
E.	$60,000	J.	$175,000	O.	$360,000	T.	$450,000	Y.	$750,000

Item	Answer
1. In the December 31, 2015, consolidated balance sheet, what should be reported as goodwill?	
2. In the December 31, 2015, consolidated balance sheet, what should be reported as noncontrolling interest?	
3. In the December 31, 2016, consolidated worksheet, how much inter-company interest receivable should be eliminated?	
4. In the December 31, 2016, consolidated worksheet, how much inter-company interest revenue should be eliminated?	
5. In the consolidated income statement for the year ended December 31, 2016, what should be reported as Sales?	
6. In the consolidated income statement for the year ended December 31, 2016, what should be reported for the Cost of Goods Sold?	
7. In the December 31, 2016, consolidated balance sheet, what should be reported for inventory?	

For item 8, determine if the statement is True or False and enter the appropriate response in the space provided.

8. Under IFRS, it is possible for a parent company to control a subsidiary company even though the parent owns less than 50% of the voting shares of the subsidiary company.	

Additional Notes:

1. The purpose of consolidated financial statements is to present the results of operations and the financial position of a parent company and all its subsidiaries as if the consolidated group were a single economic entity.

2. Consolidated financial statements are considered more meaningful than separate financial statements and are usually necessary for a fair presentation when one of the entities in the consolidated group directly or indirectly has a controlling financial interest in the other entities.

3. A controlling financial interest is usually ownership of a majority voting interest, generally ownership by one entity of more than 50 percent of the outstanding voting shares of another entity.

4. The acquirer is the entity that obtains control of the acquiree. The acquirer is usually the entity that transfers cash or other assets, or incurs liabilities, or issues its equity interests.

5. The acquisition date is the date on which the acquirer obtains control of the acquiree. Generally, the date on which the acquirer transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree—the closing date.

6. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree.

7. The acquirer shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values.

8. Goodwill is an asset representing future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

9. Intercompany balances and transactions are eliminated in consolidation. The eliminations and adjustments made as part of the consolidation procedures are not entered into the books of any of the companies; these are simply worksheet entries that are never formally journalized. Consolidation procedures involve the following: eliminate capital and investment accounts, eliminate intercompany balances, and eliminate intercompany transactions

CLOSING COMMENTS

A. Timing

1. Have at least **90 minutes** left for the final simulation testlet
2. Research Simulation = 6 minutes; this leaves 84 minutes remaining
3. Nonresearch Simulation: 84 minutes / 6 = 14 minutes each
4. Single MCQ Testlet: 10 questions every 16 minutes

B. Exam Tips

1. Don't be afraid to get your hands dirty. Use scrap paper, T-accounts, journal entries, to help your solve simulations.
2. Strengthen any weak areas
3. Make up numbers to fit facts for theory-type questions
4. Practice, practice, practice.

C. Triage

1. Get research simulation done first (5 - 6 minutes)
2. Rank remaining 6 simulations into 3 categories, based on personal strengths
3. Work on simulation in strongest topic first; maximize your points and build your confidence. Work on weakest simulation last.

D. Keep studying and Good Luck!

Additional notes:

SOLUTION WORKSHEET

Editor's Note: In accordance with Dr. Monette's instructions, the answers are omitted intentionally from this viewer guide. The question numbers here are for candidates to note answers while watching the video, so as to avoid marking the question pages. This allows candidates to view the program and answer the questions again without previous marks influencing responses.

Simulation 1:

Item 1 _____ _____
Item 2 _____ _____
Item 3 _____ _____ __________
Item 4 _____ _____ __________
Item 5 __________ _____
Item 6 __________ _____
Item 7 __________ _____
Item 8 __________ _____
Item 9 __________ _____

Simulation 2:

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Simulation 3:

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Simulation 4:

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7. __________________

Simulation 5:

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Simulation 6:

1. ____________________ 4. ____________________ 7. ____________________
2. ____________________ 5. ____________________ 8. ____________________
3. ____________________ 6. ____________________ 9. ____________________

Simulation 7:

1. ________________ 4. ________________ 7. ________________
2. ________________ 5. ________________ 8. ________________
3. ________________ 6. ________________

APPROXIMATE TIMES

Ch.	Minutes	Topic	Ch.	Minutes	Topic
1	1:00	Introduction	14	6:00	Simulation 4, Items 4-7
2	8:00	Exam Time Allocation	15	11:00	Simulation 5, Items 1-4
3	6:00	Simulation 1, Item 1-4	16	6:30	Simulation 5, Items 5-11
4	7:00	Simulation 1, Items 5-6	17	5:30	Simulation 5, Items 12-17
5	4:00	Simulation 1, Items 7-9	18	9:00	Simulation 6, Items 1-4
6	7:00	Simulation 2, Items 1-2	19	8:00	Simulation 6, Items 5-7
7	7:30	Simulation 2, Items 3, 9 & 10	20	5:00	Simulation 6, Items 8-9
8	6:30	Simulation 2, Item 4-8	21	7:00	Order to Simulations
9	6:00	Simulation 2, Items 11-20	22	6:00	Simulation 7, Items 1-2
10	7:00	Simulation 3, Items 1	23	6:00	Simulation 7, Items 3-4
11	7:30	Simulation 3, Items 2-3	24	10:30	Simulation 7, Items 5-8
12	4:00	Simulation 3, Items 4-5	25	2:30	Closing Comments
13	5:30	Simulation 4, Items 1-3			