

York University
Ak/Adms 2500.03
Introductory Financial Accounting
Final Examination

Name: _____

Student Number: _____

Time: **3.0 hours**

Questions: **50**

Instructions:

1. Record your name and student number and answer all questions on the computer mark sense sheet provided. **The exam questions and booklets will be collected - you may NOT keep this final examination paper.**
2. Record your name and student number and answer all questions on the computer mark sense sheet provided.
 - a) Use an HB pencil
 - b) Fill in the bubbles for your name and student number (your phone number is not required).
 - c) **Test Form** is as shown at the top of this examination paper
 - d) **Code** is your Section
 - e) **Leave the last column of the student number blank.**
 - f) Calculators are the only aid allowed.
 - g) The exam is three hours in length. Budget your time wisely.
 - h) It is prudent practice to transfer your answers to the grading sheet after each question, and to proof your transfers.
 - i) The proctors will announce when there are 10 minutes remaining and any answers not transferred should be recorded at this time.
 - j) No one is to leave their seats in the last 10 minutes.
 - k) When time is called, the proctors will direct collection of your answer sheet AND this exam paper. Failure to comply promptly with the proctors directions for collection will result in a zero grade being recorded for this examination.
 - l) You are reminded that cheating is a serious offense which can result in expulsion from university.

Choose the best answer to each of the following:

1. Which of the following accounts would be increased by a credit?
 - a) Accounts Receivable
 - b) Premium on Bonds Payable
 - c) Loss on Disposition of Equipment
 - d) Sales Returns and Allowances
 - e) None of the above

2. Which of the following are contra accounts?
 - a) Allowance for Uncollectible Accounts
 - b) Accumulated Depreciation
 - c) Discount on Bonds Payable
 - d) All of the above

3. When ABC Corporation received cash from a supplier to pay for an account payable related to a defective merchandise purchase ABC corporation had returned; the bookkeeper debited Cash and credited Sales. As a result of this error
 - a) Assets and Liabilities would be understated
 - b) Cash and Sales would be overstated
 - c) Sales and Liabilities would be overstated
 - d) Assets and Sales would be understated
 - e) None of the above

Use the following information to answer questions 4 and 5:

Toasters Only Company (TO) began business on March 1st. It sells toasters for a great price. On March 5th, TO recorded the receipt of 500 toasters, the **second** shipment it received from its supplier, by debiting Inventory and crediting Accounts Payable \$5,000. This second shipment brought the total Inventory of toasters to 1000 units with a weighted average cost of \$9 each. On March 8th, TO made its very first sale, shipped 400 toasters to a customer (a restaurant chain) and recorded the sale with a journal entry that included a debit to Accounts Receivable of \$9,000 (ignore sales taxes).

4. Based on the above information for TO, TO records inventory transactions using the
- a) perpetual bookkeeping method
 - b) periodic bookkeeping method
 - c) just in time inventory method
 - d) the cash basis method
 - e) none of the above
5. Based on the above information for TO, the Cost of Goods Sold recorded on March 8th under the FIFO cost flow assumption would be
- a) \$0
 - b) \$3,200
 - c) \$3,600
 - d) \$4,000
 - e) none of the above

----- end of TO questions -----

Questions 6 – 10 use financial information extracted from Transat A.T.'s 2006 financial statements attached at the end of this exam and information in the following article by Fabrice Taylor published in The Globe and Mail newspaper early this semester. [You may detach Transat A.T.'s financial statement information attached as the last three pages of this exam. This information will be used again for questions 41 – 50.]

**Attention, investors, cash-flow machine Transat is now boarding
- Fabrice Taylor**

The tour package industry... [is] a nasty business that brooks no compassion. But it can be a very rewarding investment, as shareholders of Transat A.T. Inc. know. The shares are up more than 50 per cent in the last year....

The company operates a fleet of airlines offering tour packages. Business is good right now. First-quarter revenue, released last week, showed a 23-per-cent increase year over year, mostly from organic growth (this is, not on the back of acquisitions, although Transat is a serial acquirer).

On paper, the earnings didn't look as impressive as the top line. Before interest, taxes and amortization they were up a feeble 7 per cent to \$15-million. But scratch beneath the surface

and you learn that a change in the way the company accounts for its fuel hedges is largely to blame. Adjusting for that, EBITDA rose 64 per cent.

Profit, meanwhile, was also lower because of higher amortization and foreign exchange matters. In this case, EBITDA is a better signal of how the first is doing: very well.

And there seems to be an accelerating trend in the numbers. Neither sales nor earnings were up as sharply in fiscal 2006 (the year-end is October 31), which is encouraging. The long-term outlook is also bright based on the demographic profile of the markets Transat serves (North America and Europe). We're getting older, wealthier and we want to travel more, farther and for longer.

So what about the valuation? ... [T]here is a good case to be made for buying Transat despite its strong run, and it's all in the numbers.

Transat's earnings, at \$1,80 a share in the past 12 months, put the trailing price-to-earnings multiple at 19 times....

But the numbers look even better when you use free cash flow instead of accounting earnings.

Transat has generated almost \$3 a share in free cash flow over the past 12 months (a little more or less depending on how you calculate it.) The stock, then, is quoted at about 9 times free cash flow.

You'd be right to ask how free cash can differ from earnings. In this case it's because amortization expense is higher than cash spent on new planes. That, in turn, is partly because of acquisitions. There are also other accounting quirks (such as the treatment of derivatives). Eventually, of course, free cash flow and earnings converge. What's interesting here is that the divergence is relatively new: in 2005, by my math, they were almost identical. If the earnings trend toward cash flow over time, the stock will start to look cheap to the computerized screening models so many big investors use (and with a market cap now above \$1-billion, Transat will start to attract the attention of big investors). Get in early and you'll gain attitude on their bids.

In the meantime, management can make excellent use of excess cash: reduce debt, pay dividends and buy back stock (worth a total of \$335-million in the past couple of years). That helps earnings catch up to free cash. It can also make more acquisitions in this fragmented market.

Plenty can go wrong with this thesis, of course. Air travel is cyclical. Fuel costs, which consume a tenth of Transat's revenue, are volatile. Terrorist attacks, or even threats, can ground air travel stocks in a hurry. Management could make a bad acquisition (generally they're good at it, but they've made mistakes). And did we mention competition is brutal and that Transat plans to gain market share with aggressive pricing?

That said, the thesis has another leg to stand on: private equity firms have started to take a shining to travel businesses. They tend to like companies whose earnings are lower than cash flow. Transat might be just the ticket.

6. Given the information in the newspaper article and what you have studied in adms2500,
- Earnings is a better estimate of free cash than EBITDA
 - EBITDA is a better estimate of free cash than earnings
 - Net Income is the same as EBITDA
 - EBITDA is the top line
 - None of the above
7. Given the information in the newspaper article the first quarter results revenue that showed a 23-per-cent increase year over year was earned
- Jan 1 – March 31, 2007
 - Jan 1 – March 31, 2006
 - Nov 1 – December 31, 2006
 - None of the above
8. According to the information in the newspaper article, volatility in fuel costs could have a significant impact on Transat A.T.'s earnings. Given the information in Transat A.T.'s financial statement information attached at the end of this exam, if fuel costs had been 10% higher in fiscal 2006 (and there were no other changes in earnings), income before taxes would have been
- \$74,310-thousand
 - \$123,848-thousand
 - \$272,466-thousand
 - \$41,001-thousand
 - None of the above
9. Given the information in Transat A.T.'s financial statement information attached at the end of this exam, if all Accounts Receivable are amounts due from customers, there were no Uncollectible Accounts and one half of Transat A.T.'s Sales were paid in Cash, cash collections from customers in 2006 was
- \$2,622,131 - thousand
 - \$2,585,361 - thousand
 - \$1,283,488 - thousand
 - \$18,385 – thousand
 - none of the above

10. The following information is extracted from Jean-Marc Eustache's (Chairman of the Board, President and Chief Executive Officer) "message to the shareholders" in Transat A.T.'s 2006 annual report:

In accordance with our three-year strategic plan, we have significantly strengthened our presence on the Canadian market with the acquisition of 191 Marlin Travel and Thomas Cook travel agencies, primarily in Ontario and Western Canada, at a total cost of \$8.3 million. We have thus become the largest network of travel agencies in Canada....

Given the information in the Transat A.T. financial information attached, any excess of the \$8.3 million paid over the fair values of the net assets of Marlin Travel and Thomas Cook travel agencies described in the paragraph above would be reported in the 2006 financial statements in the line item

- a) Gain on disposal of investment
- b) Premium paid on share purchase
- c) Goodwill and other intangible assets
- d) Non-controlling interest in subsidiaries' results
- e) none of the above

----- end of Transat A.T. newspaper article questions -----

Use the following information for Questions 11 - 13

TTS Company's account balances at December 31, 2005 of the Accounts Receivable and Allowance for Uncollectible Accounts were \$184,000 and \$6,000 respectively. In January, 2006, credit sales totaled \$140,000 and customer payments on account totaled \$118,000. Other information about customer payments/indebtedness is as follows:

- o January 9: an account receivable of \$11,000 was deemed uncollectible and written off
- o January 15: a \$750 cheque received from a customer as a payment on account (and included in the \$118,000) was returned by the bank an NSF. Ignore any service charges.
- o January 31: 10% of the \$118,000 received from customers as payment on account, was received January 31st and did not clear the bank until February
- o It was estimated at January 31st, that \$7,500 of the outstanding accounts receivable were uncollectible.

11. Given the information for TTS Company, TTS's Account Receivable account balance at January 31st is
- a) \$11,000
 - b) \$195,750
 - c) \$66,000
 - d) \$91,800
 - e) None of the above

12. Given the information for TTS Company, TTS's Uncollectible Account Expense for January is
- a) \$7,500
 - b) \$12,500
 - c) \$750
 - d) \$1,500
 - e) none of the above
13. Given the information for TTS Company, TTS's bank reconciliation for January would include
- a) an addition of \$11,800 to the 'balance per bank'
 - b) an addition of \$11,800 to the 'balance per the general ledger'
 - c) an addition of \$750 to the 'balance per bank'
 - d) both (a) and (c) above
 - e) none of the above

----- end of TTS Company questions -----

14. Which of the following statements is true?
- a) The FIFO cost flow assumption best matches current expense with current revenue
 - b) For a product with an inventory-turn-over ratio of 7 any errors in Cost of Goods Sold, due to problems in counting ending inventory, will be reversed within one fiscal year of the inventory count
 - c) Application of the lower-of-cost-or-market rule most frequently results in an adjustment to increase inventory values at year-end
 - d) None of the above are true
15. Big Sale Ltd. had a \$48,000 beginning inventory and a \$57,000 ending inventory. Sales were \$370,000; sales returns and allowances \$10,000; purchases \$267,000; and freight-in \$12,000. Gross profit percentage (rounded to the nearest percent) for the period is
- a) 72%
 - b) 73%
 - c) 75%
 - d) 78%
 - e) none of the above

16. A company purchases land with a building on it and immediately tears down the building. The entry for the cost of the tearing down of the building should include a
- Debit to Tearing Down Expense
 - Debit to Land
 - Debit to Building
 - Debit to Other Expenses
 - None of the above

17. The issue price of \$2,000,000 (face) ten-year bonds that pay \$100,000 every six months when the market rate is 8% compounded semi-annually, given the time value of money factors in the table below, is

Number of periods	Rate	Future value of \$1	Future value of an annuity of \$1	Present value of an ordinary annuity of \$1
10	8%	2.159	14.487	6.710
20	4%	2.191	29.778	13.590
10	10%	2.594	15.549	6.145
20	5%	2.653	33.066	12.462

- \$2,000,000
 - \$2,271,825
 - \$6,833,000
 - \$2,268,354
 - none of the above is within \$1,000 of the issue price
18. To compute depreciation expense on a building, you must know all of the following except
- Cost
 - Estimated useful life
 - Estimated residual value
 - Estimated market value
 - You must know all of the above

19. Information that, if known, would alter the decision of a decision maker is called
- a) relevant
 - b) reliable
 - c) comparable
 - d) not timely
 - e) none of the above
20. The body responsible for appointing the members of the Accounting Standards Board (ASB) and providing input to the AcSB, primarily in terms of its strategic direction and priorities is the
- a) Accounting Standards Oversight Council (ASOC)
 - b) Emerging Issues Committee (EIC)
 - c) International Standards Accounting Board (ISAB)
 - d) Ontario Securities Commission (OSC)
 - e) None of the above
21. A building cost \$120,000 and has a residual value of \$16,000 and an expected useful life of ten years. The depreciation expense in Year 2, if the company computes depreciation using the declining-balance method at the straight-line rate, is
- a) \$12,000
 - b) \$10,400
 - c) \$10,800
 - d) \$10,960
 - e) none of the above

22. A copy machine cost \$65,000 and has an estimated residual value of \$5,000. It was expected to last about ten years and to make a total of 3,000,000 copies. 200,000 copies were made in year 1 and 300,000 copies were made in year 2. Units-of-activity depreciation is used. The copier was sold at the beginning of year 3 for \$53,000. The entry to record the disposition would include
- a) A credit to the Copy Machine account of \$55,000
 - b) A debit to Loss on Disposition of Copy Machine account of \$5,000
 - c) A debit to Gain on Disposition of Copy Machine account of \$2,000
 - d) A credit to the Copy Machine account of \$65,000
 - e) None of the above
23. On July 1, 2003, equipment is purchased for \$9,000. It has an expected useful life of nine years and no residual value. On January 1, 2005, the company decides the equipment will last five more years. What amount of depreciation expense should be recorded on December 31, 2005 if the straight-line method is used?
- a) \$1,500
 - b) \$1,800
 - c) \$1,400
 - d) \$1,000
 - e) none of the above
24. Big Stuff Ltd. trades a computer with a book value of \$4,000 for a new truck with a fair market value of \$13,000. \$10,000 cash is paid and there is a \$3,000 trade-in allowance. The gain or loss recorded by Big Stuff on this transaction is
- a) \$0
 - b) \$4,000 loss
 - c) \$1,000 loss
 - d) \$1,000 gain
 - e) none of the above

25. Company A acquires Company B for \$300,000. Company B's assets have a market value of \$380,000 and Company B's liabilities have a market value of \$105,000. What is the amount of Goodwill Company B will record as a result of this purchase?
- a) \$0
 - b) \$25,000
 - c) \$105,000
 - d) \$80,000
 - e) none of the above

26. You are the Chief Financial Officer of Super Contractor Ltd. Super Contractor is bidding for a road building contract in Sterling, the neighbouring town. While preparing the financial statements you notice that a very large payment was made to the Mayor of Sterling, without supporting documentation. When you ask the Chair of the Board of Director about the payment you are told, 'Record it as an Advertising and Promotion Expense and don't ask any more questions'.

As an accounting professional, the best course of action from amongst the following would be to

- a) record it as directed and ask no other questions
 - b) record it as Prepaid Advertising instead
 - c) wait until after the contract for the road building in Sterling is awarded before issuing the financial statements
 - d) report the payment to Super Contractor's independent audit committee
 - e) none of the above
27. Growing Corporation financed a \$500,000 expansion by mortgaging their head office building for four years. They negotiated a rate of 10% per annum and agreed to make annual payments of \$157,734 per annum at the end of each of the next four years.

The interest expense for year two, rounded to the nearest \$10, would be

- a) \$50,000
- b) \$39,230
- c) \$157,730
- d) \$15,770

- e) none of the above
28. A company purchases merchandise for \$200 on account. Later, the merchandise is found to be defective, and the vendor reduces the price to \$190. The journal entry for this reduction would include
- a) Credit Accounts Payable \$190
 - b) Debit Purchase Discounts \$10
 - c) Credit Purchase Returns and Allowances \$10
 - d) Credit Trade Discounts \$10
 - e) None of the above
29. Best of Luck Limited owed Estimated Warranty Payables of \$4,000 at the end of 2007. During 2008, Best of Luck made sales of \$100,000 and expects the cost of repairs for products sold under warranty to cost the company 3% of sales. During 2008, Best of Luck labour and supplies to repair products sold under warranty cost \$5,000. Best of Luck's Estimated Warranty Payables at the end of 2008 are
- a) \$7,000
 - b) \$5,000
 - c) \$3,000
 - d) \$2,000
 - e) none of the above
30. Objectivity is a cornerstone of professionalism but no accountant can be truly objective if his/her pay cheque depends on the success of the corporation. This is lack of objectivity is best mitigated by:
- a) the technical foundations of accounting
 - b) audits
 - c) accounting systems
 - d) financial statements
 - e) all of the above

31. When a bond is issued the amount received by the borrower will usually differ from the par value of the bonds issued. Which of the following best describes the reason for this difference:
- a) the annual cash payments of the bond are made at market rates
 - b) market conditions and the issuing corporation's financial position may change significantly between the time when the interest rate is decided and bonds are issued
 - c) the stated interest rate differs from the interest rate the market requires given the risk of the borrower
 - d) only b & c
 - e) all of the above
32. Which of the following best describes the main benefit of using the direct method for the cash flow statement.
- a) the preparation costs are lower than those of the indirect method
 - b) it communicates more clearly than the indirect method, information about the operating inflows and outflows of cash
 - c) it is the only method currently allowed under GAAP
 - d) only a and b
 - e) all of the above
33. A effective or market rate is
- a) the interest rate used to convert future payments on a bond or note to present value
 - b) the interest rate used to compute the cash interest payments on a bond or note
 - c) the appraisal value of assets used to record asset purchases
 - d) Sales revenue less Sales Discounts and Returns
 - e) none of the above

34. XYZ Company signed a \$5,000, 90-day, non-interest-bearing note payable at the bank and agreed to a discount rate of 10%. Which of the following journal entries should XYZ Company use to record the note?

a)	Cash	4,875.00	
	Discount on Notes Payable	125.00	
	Notes Payable		5,000.00
b)	Cash	5,000.00	
	Notes Payable		5,000.00
c)	Cash	4,875.00	
	Accounts Payable		4,875.00
d)	Cash	4,500.00	
	Discount on Notes Payable	500.00	
	Notes Payable		5,000.00
e)	Cash	5,000.00	
	Accounts Payable		5,000.00

35. The accounting guideline that requires financial statement information to be supported by evidence other than someone's imagination or opinion is the:

- a) Business entity principle
- b) Going-concern principle
- c) Historical cost principle
- d) Objectivity principle
- e) none of the above

36. The following transactions occurred during February:

- (1) Received \$700 cash for photography services provided to customer during the month.
- (2) Received \$1,500 cash from Wei Wong, the owner of the business.
- (3) Received \$800 from a customer in partial payment of his account receivable which arose as a result of sales during January.
- (4) Rendered photography services to a customer on credit, \$500.
- (5) Borrowed \$2,500 from the bank by signing a promissory note.
- (6) Received \$1,000 from a customer in payment for services to be rendered next year.

What was the amount of revenue for February?

- a) \$7,000
- b) \$5,500
- c) \$3,000
- d) \$1,200
- e) none of the above

37. Of the following errors, which one by itself will cause the trial balance to be out of balance?
- a) A \$200 salary payment posted as a \$200 debit to Cash and a \$200 credit to Salaries Expense.
 - b) A \$100 receipt from a customer in payment of his account posted as a \$100 debit to Cash and a \$10 credit to Accounts Receivable.
 - c) A \$75 receipt from a customer in payment of his account posted as a \$75 debit to Cash and a \$75 credit to Cash.
 - d) A \$50 cash purchase of office supplies posted as a \$50 debit to Office Equipment and a \$50 credit to Cash.
 - e) All of the above errors will cause the trial balance to be out of balance.
38. The appropriate statement of cash flow activity category for the proceeds from the sale of capital assets is:
- a) operating
 - b) financing
 - c) investing
 - d) schedule of non-cash investing or financing activities
 - e) not reported on the statement of cash flows
39. Tumult Corporation's income statement showed the following: net income, \$124,000; amortization expense, \$36,000; and gain on sale of plant assets, \$14,000. An examination of the company's current assets and current liabilities showed the following changes as a result of operating activities: accounts receivable decreased \$9,400; merchandise inventory increased \$18,000; prepaid expenses decreased \$6,200; accounts payable increased \$3,400. Calculate the net cash provided (or used) by operating activities.
- a) \$137,600
 - b) \$165,000
 - c) \$133,000
 - d) \$147,000
 - e) none of the above

40. Intangible indefinite life assets:
- a) Are rights, privileges and competitive advantages to the owner of long-term assets used in operations that have no physical substance
 - b) Include air routes and trademarks when the cost of renewal is minimal and renewal is expected
 - c) Are amortized
 - d) Both (a) and (b) above
 - e) All of the above

Questions 41 – 50 require information from Transat A.T. Inc.'s audited consolidated financial statements for the year ended October 31, 2006. The Consolidated Statements of Retained Earnings, Consolidated Statements of Income and Consolidated Balance Sheets are provided as the last three pages of this exam. You may detach these pages. [Consolidated financial statements disregard the distinction between separate legal entities and treat the parent and subsidiary corporations as a single economic entity.]

41. Based on the information provided for Transat A.T., if the amount of Accrued Liabilities that related to Salaries and Employee Benefits costs totaled \$73,000-thousand at October 31, 2005 and \$58,000-thousand at October 31, 2006 then the cash paid (in thousands of dollars) to employees, the Canada Revenue Agency and other third parties for payroll costs in 2006 was
- a) \$15,000
 - b) \$305.385
 - c) \$290,385
 - d) \$275.385
 - e) none of the above

42. Based on the information provided for Transat A.T., the ratio of aircraft and navigation fees expense to revenues
- decreased in 2006
 - increased in 2006
 - is a measure of liquidity
 - (a) and (c) above
 - none of the above
43. One measure of liquidity might be the ratio of long-term debt to total assets (long-term liabilities/total assets). Using this ratio and the information for Transat A.T. Inc. provided, Transat A.T. would be
- more liquid at October 31, 2006 than October 31, 2005
 - less liquid at October 31, 2006 than October 31, 2005
 - neither more nor less liquid at October 31, 2006 than October 31, 2005
 - can not be determined from the information given
44. Based on the information provided for Transat A.T., if Transat A.T. had not reduced Prepaid Insurance included in 'Prepaid expenses' to recognize the cost of expired premiums it would have violated the
- profit maximization principle
 - matching principle
 - revenue recognition principle
 - expense recording constraint
 - none of the above
45. Transat A.T. presents cash flow information using the
- note disclosure method
 - direct method
 - indirect method
 - aggregated method
 - none of the above
46. Note 6 to the October 31, 2006 Transat A.T. financial statements discloses the following details for Transat's Aircraft:

Cost	October 31, 2006	\$150,937-thousand
Accumulated Amortization	October 31, 2006	\$50,230 -thousand
Cost	October 31, 2005	\$150,937 – thousand
Accumulated Amortization	October 31, 2005	\$47,479 - thousand

Given the above information and Transat A.T.'s financial statement information at the end of this exam, the cost of Aircraft acquired during fiscal 2006 was

- a) \$0
- b) can not be determined since the cost of aircraft disposed of is not given
- c) \$2,751 - thousand
- d) \$150,937 - thousand
- e) none of the above

47. Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer of Transat A.T., has stated:

The contribution of our employees in all our offices worldwide is crucial. We currently employ approximately 6,000 people. In 2006, the total value of our payroll and benefits amounts to approximately \$290 million. We will continue to work relentlessly to build and maintain an organization which, in spite of borders, remains united, focused and loyal to our basic values: efficiency, teamwork and customer focus. In that respect, we have three major priorities, namely communication, training and succession management. Programs have been developed for each priority area and are overseen directly the President and Chief Executive Officer. As an example, the Académie Air Transat, a partnership between Air Transat and Université de Sherbrooke, in Quebec, enables groups of employees to take management courses during business hours in the Air Transat offices.

This quote from Jean-Marc Eustache most likely appeared in Transat A.T.'s 2006 annual report as part of

- a) The income statement
- b) The notes to the financial statements
- c) The message to the shareholders
- d) The auditor's report
- e) None of the above

48. The costs of operating the Académie Air Transat described in question 48 above would most likely, in accordance with GAAP, be

- a) expensed
- b) capitalized as the Intangible Asset – Investment in Employees
- c) capitalized as Property, Plant and Equipment
- d) recorded as an increase in Contributed Surplus
- e) none of the above

49. Note 1, Significant Accounting Policies, to the October 31, 2006 Transat A.T. financial statements discloses the following details for Transat's provision for engine and airframe overhaul expenses:

The Corporation provides for engine and airframe overhaul expenses for its aircraft based on an estimate of all such future expenses until the expiry of the leases for these aircraft, or for their estimated useful lives anticipated for the Corporation while held, amortized over the total number of engine cycles and the total number of months anticipated for the airframe over the same periods.

These expenses are charged to income according to the number of cycles used or over the completed fiscal months, by a provision for future costs or the amortization of the capitalized overhaul costs, as the case may be. Actual results could differ from those estimates and differences could be significant.

Given the information in Transat's financial information attached and the information in the paragraph above extracted from Transat's financial statement notes, the amount of the Aircraft maintenance expenses reported in the 2006 Income Statement

- a) is the amount of cash paid on Aircraft maintenance in 2006
 - b) may be overstated or understated
 - c) should not be reported until actual results are known
 - d) violate GAAP
 - e) none of the above
50. The most likely explanation for why some terms in the Transat A.T. financial information attached, such as 'accumulated translation adjustments' and 'interest on equity component of debentures', were not studied in adms2500 is because:
- a) Transat A.T. has chosen to disclose more account detail than most companies (because of the recent changes in management and investor and regulatory concerns about their financial reporting) and have listed all of the account balances in their general ledgers instead of combining them into fewer line items
 - b) The text is out of date: these are not required disclosure under GAAP but are required under IFRS (international financial reporting standards) that replaced GAAP in Canada and the United States in 2006.
 - c) *because this is an introductory financial accounting course, it does not include many topics studied in later courses
 - d) none of the above

- 1b
- 2d
- 3c
- 4?
- 5b
- 6b
- 7c

8a
9b
10c
11b
12b
13a
14b
15c
16b
17b
18d
19a
20a
21c
22d
23a
24c
25b
26d
27b
28c
29d
30b
31d
32b
33a
34d
35d
36d
37b
38c
39d
40e
41b
42a
43a
44b
45c
46a
47?
48?
49b
50c