

Name: (First and Last) _____

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You can either fax the exam back to 1-317-219-3223 or scan it and email it back to info@cpaselfstudy.com. You will be notified of results within one week. A passing grade is 70%. You have one year from date of course purchase to complete the exam. If you prefer instant results, take the on-line exam and receive an instant grade and certificate for passing. Just click on the **Take EXAM** button on the www.cpaselfstudy.com website and enroll (at no additional cost) in the course. There is an answer key on the last page so please just fax the last 2 pages if you decide to fax.

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REVENUE RECOGNITION: RULES AND STANDARDS AACDPRR09- 2 1/2 CPE CREDITS

Exam: Please circle the most appropriate response. Please make sure to clearly circle only one answer.

1. _____ is NOT a leading cause for financial restatements.
 - A. Revenue recognition.
 - B. Equity accounting.
 - C. Depreciation accounting.
 - D. reserves, accruals and contingencies.

2. When goods or services are exchanged for cash or claims to cash (receivables), revenues are
 - A. Earned.
 - B. Realized.
 - C. Recognized.
 - D. Accrued.

3. When the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues, revenues are
 - A. Earned.
 - B. Realized.
 - C. Recognized.
 - D. Known.

4. Revenue is recognized when
 - A. It is cashed.
 - B. It is received.
 - C. It is realized, or realizable and earned.
 - D. It is accrued.

5. The completed performance method should be used to recognize revenue upon completing
 - A. The final/critical action, without which the entire transaction would be considered incomplete.
 - B. More than 90% of the work.
 - C. More than 50% of the work.
 - D. Less than 50% of the work.

6. The _____ method is used to recognize revenue when there is significant uncertainty regarding the collection of revenue.
 - A. Specific performance.
 - B. Completed performance.
 - C. Collection.
 - D. Proportional performance.

7. The _____ requires that revenues should be recognized in the same period as their associated expenses.
 - A. Cost principle.
 - B. Matching principle.
 - C. Periodicity principle.
 - D. Revenue recognition principle.

8. The criteria for recognition of revenue at completion of production of precious metals and agricultural products do NOT include
 - A. A reasonably assured sales price.
 - B. Future costs are predictable
 - C. No significant costs involved in distributing the product.
 - D. Units are interchangeable.

9. The installment method of recognizing profit for accounting purposes is acceptable if
 - A. Collections in the year of sale do not exceed 30% of the total sales price.

- B. An unrealized profit account is credited.
 - C. Collection of the sales price is not reasonably assured.
 - D. The method is consistently used for all sales of similar merchandise.
10. _____ is NOT a method used to recognize revenue from service transactions.
- A. The collection method.
 - B. The specific identification method.
 - C. The completed performance method .
 - D. The proportional performance method.
11. Under the cost recovery method of revenue recognition,
- A. Profit is recognized on a proportionate basis as the cash is received on the sale of the product.
 - B. Profit is recognized when the cash received from the sale of the product is greater than the cost of the product.
 - C. Profit is recognized immediately.
 - D. Profit is recognized at the completion of sales.
12. Winser, Inc. is engaged in extensive exploration for water in Utah. If, upon discovery of water, Winser does not recognize any profit from water sales until cash collections exceed the exploration costs, the basis of revenue recognition being employed is the
- A. Completion of production basis.
 - B. Installment sales basis.
 - C. Sales (or accrual) basis.
 - D. Cost recovery basis.
13. The principal disadvantage of using the percentage-of-completion method of recognizing revenue from long-term contracts is that it
- A. Is unacceptable for income tax purposes.
 - B. Gives results based upon estimates which may be subject to considerable uncertainty.
 - C. Is likely to assign a small amount of revenue to a period during which much revenue was actually earned.
 - D. Is too difficult to estimate the percentage of completion.
14. In selecting an accounting method for a newly contracted long-term construction project, the principal factor to be considered should be
- A. The terms of payment in the contract.
 - B. The degree to which a reliable estimate of the costs to complete and extent of progress toward completion is practicable.

- C. The method commonly used by the contractor to account for other long-term construction contracts.
 - D. The inherent nature of the contractor's technical facilities used in construction.
15. The profession requires that the percentage-of-completion method be used when certain conditions exist. Which of the following is *NOT* one of those necessary conditions?
- A. Estimates of progress toward completion, revenues, and costs are reasonably dependable.
 - B. The contractor can be expected to perform the contractual obligation.
 - C. The customer does not have to satisfy some of the obligations under the contract.
 - D. The contract clearly specifies the enforceable rights of the parties, the consideration to be exchanged, and the manner and terms of settlement.
16. When work to be done and costs to be incurred on a long-term contract can be estimated dependably, which of the following methods of revenue recognition is preferable?
- A. Installment method.
 - B. Percentage-of-completion method.
 - C. Completed-contract method.
 - D. Normal costing method.
17. Cost estimates on a long-term contract may indicate that a loss will result on completion of the entire contract. In this case, the entire expected loss should be
- A. Recognized in the current period, regardless of whether the percentage-of-completion or completed-contract method is employed.
 - B. Recognized in the current period under the percentage-of-completion method, but the completed-contract method should defer recognition of the loss to the time when the contract is completed.
 - C. Recognized in the current period under the completed-contract method, but the percentage-of-completion method should defer the loss until the contract is completed.
 - D. Deferred and recognized when the contract is completed, regardless of whether the percentage-of-completion or completed-contract method is employed.
18. Under the completed-contract method
- A. Revenue, cost, and gross profit are recognized during the production cycle.
 - B. Revenue and cost are recognized during the production cycle, but gross profit recognition is deferred until the contract is completed.
 - C. Revenue, cost, and gross profit are recognized at the time the contract is completed.
 - D. Revenue, cost, and gross profit are recognized at the completion of sales.

19. A sale should NOT be recognized as revenue by the seller at the time of sale if
- A. Payment was made by check.
 - B. The selling price is less than the normal selling price.
 - C. The buyer has a right to return the product and the amount of future returns cannot be reasonably estimated.
 - D. Payment was made by wire.
20. According to AICPA Statement of Position No. 97-2, *Software Revenue Recognition*, revenue should be recognized when the contract for software does not involve major production, alteration, or customization. Which of the following is *not* one of the conditions?
- A. Receipt of payment is probable.
 - B. The selling price is unknown.
 - C. The software has been delivered.
 - D. The contract is enforceable.

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REVENUE RECOGNITION: RULES AND STANDARDS

1	A	B	C	D
2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D
6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D
11	A	B	C	D
12	A	B	C	D
13	A	B	C	D
14	A	B	C	D
15	A	B	C	D
16	A	B	C	D
17	A	B	C	D
18	A	B	C	D
19	A	B	C	D
20	A	B	C	D

Program Evaluation Form

Participant Name (optional): _____

Program Name: Revenue Recognition: Rules and Standards

Program Date: _____ Program Instructor (if applicable) _____

Instructions: Please comment on all of the following evaluation points for this program and assign a number grade, using a 1-5 scale with 5 as the highest by circling it.

1. **Were the stated learning objectives met?**

1 2 3 4 5 N/A

2. **If applicable, were prerequisite requirements appropriate?**

1 2 3 4 5 N/A

3. **Were program materials accurate?**

1 2 3 4 5 N/A

4. **Were program materials relevant and did they contribute to the achievement of the learning objective?**

1 2 3 4 5 N/A

5. **Was the recommended study time appropriate?**

1 2 3 4 5 N/A

6. **If applicable, were the individual instructors effective?**

1 2 3 4 5 N/A

7. **Were the facilities and/or technological equipment appropriate?**

1 2 3 4 5 N/A

8. **Were the handout and/or advance preparation materials satisfactory?**

1 2 3 4 5 N/A

9. **Were the audio and visual materials effective?**

1 2 3 4 5 N/A

10. **What was your estimated completion time in hours?**

11. **How did you find our website?**

12. **What courses would you like to see added?**

13. **What can we do to improve our courses?**

14. **What can we do to improve our website?**

15. **Other Comments?**
