
Becker CPA Review

Puerto Rico Division

2018

The CPA Profession



The USA CPA Designation

- Highly respected and valued credential in accounting and business – the Gold Standard
- All US CPAs are accountants, but not all accountants are US CPAs
- US CPAs are licensed to practice according *to state-specific requirements for education and experience and by passing the CPA Exam*
- Passport to advancement within the accounting profession
 - *Multinational corporations from US*
 - *Overseas companies listed on the US stock exchange*



Where CPAs Work

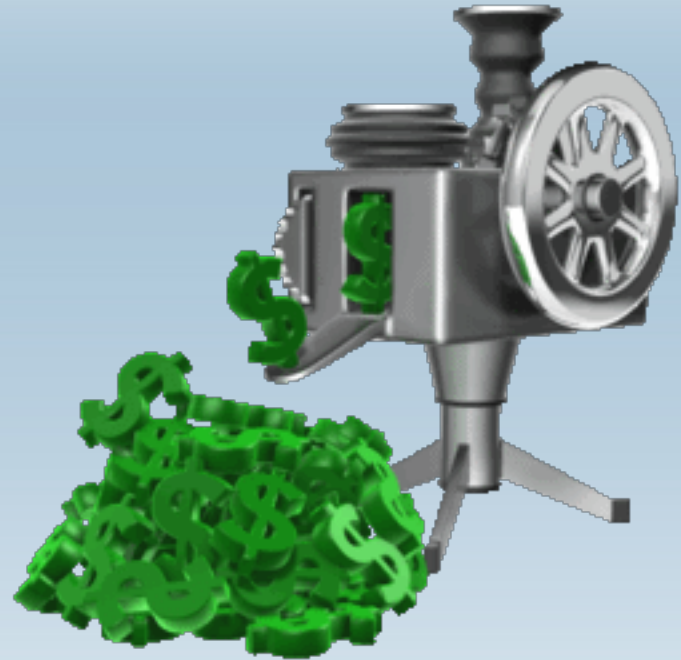
- US CPAs typically begin their career in public accounting because it gives them the fastest and broadest exposure to a variety of businesses
 - *Big Four - E&Y, PWC, KPMG, Deloitte*
- May move into corporate positions as they advance in their career, or pursue opportunities with:
 - *Corporations – GE, Caterpillar, Procter and Gamble*
 - *Governmental entities – IRS, Defense Accounting Service, Department of Energy*
 - *Not-for-profit entities*
 - *Academia*



What US CPAs Do

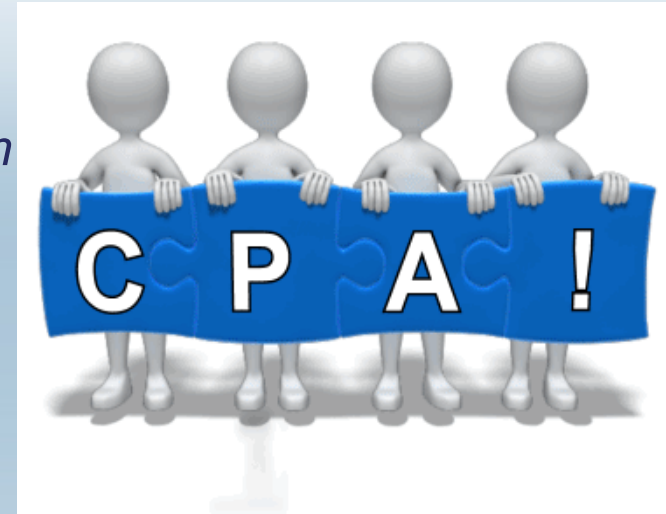
The roles and career paths for US CPAs have expanded.

- Audit & Assurance
- Corporate Accounting
- Consulting Services
- Environmental Accounting
- Forensic Accounting
- International Accounting
- Tax Accounting
- Teaching



Why Become a US CPA?

- Globalization
 - *Convergence of U.S. Accounting Standards with*
 - *Push to align all new US CPA pronouncements with International standards*
 - *US CPA exam now includes IFRS content*
 - *Growing demand for international accounting skills*
- Multinational corporations from USA
- Overseas companies are listed on the US stock exchange
- Expanded career options, both locally and internationally
- Provides professionals with greater earning potential
- Candidates can prepare for and pass the US CPA Exam in 6 to 18 months



US CPAs are in Demand

- U.S. Bureau of Labor Statistics expects employment of accountants and auditors to grow faster through 2018 than for any other occupation
 - *Best prospects are for those “who have a college degree and professional certification, especially a CPA.”*
 - *According to the American Institute of Certified Public Accountants, 75 percent of today’s CPAs will retire over the next 15 years*
- Ranked 6th on list of 10 hottest jobs by CNNMoney.com for “great pay and superior growth prospects” and “work that's meaningful”



Earnings Potential

- 2014 projected accounting salaries (US \$)

Large Public Firms	Non-CPA Salaries Up To	CPA Salaries** Up To
Senior Manager/Director***	---	\$175,000
Manager***	---	\$122,750
Senior	\$94,250	\$103,675
1 to 3 Years	\$75,250	\$82,775
Up to 1 Year	\$63,500	\$69,850

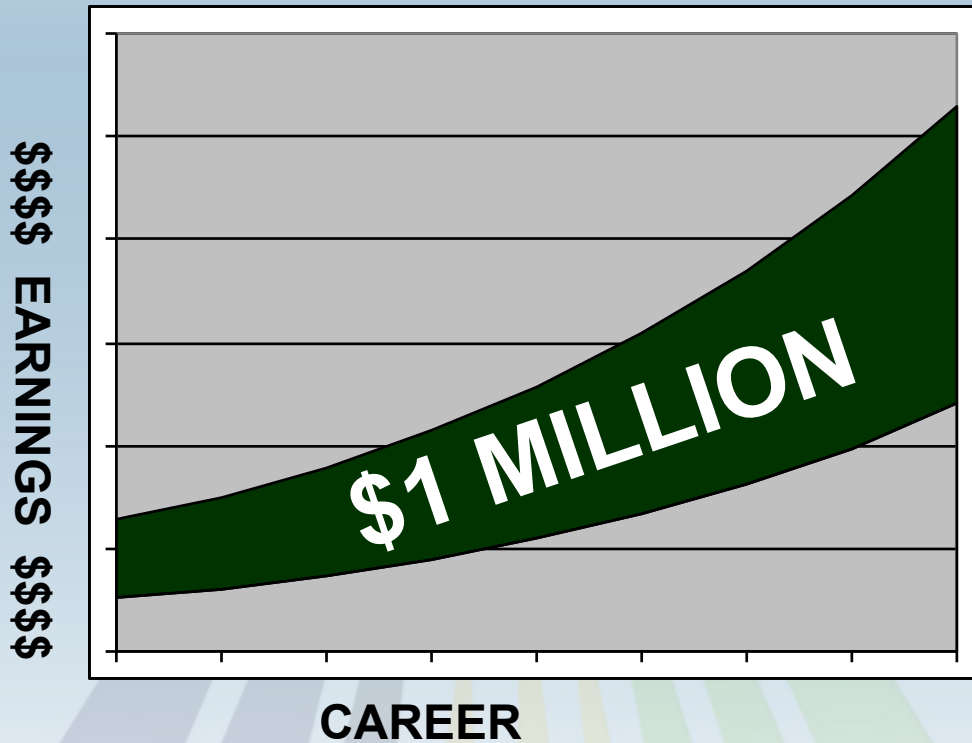
Corporate Accounting	Non-CPA Salaries Up To	CPA Salaries** Up To
Chief Financial Officer***	---	\$411,000
Tax Director***	---	\$233,500
Controller***	---	\$199,000
IT Auditor - Manager	\$140,250	\$154,275
Financial Analyst - Manager	\$114,500	\$125,950
General Accountant - 1 to 3 Years	\$62,000	\$68,200

- *Licensed CPAs may earn 10% more than unlicensed accountants*

- Potential for faster promotions
- Greater mobility and job security

Professionals in Demand

Earning Power - CPA vs non-CPA



Numerous Opportunities

+

Demand

Career Passport



Exam Structure and Content



Exam

4 Independent Sections



Financial Accounting and Reporting (FAR)
4 hours

Auditing and Attestation (AUD)
4 hours

Regulation (REG)
4 hours

Business Environment and Concepts (BEC)
4 hours

Exam can be taken in any state or jurisdiction

Exam is administered at Prometric Testing Centers

- Passing score is 75 on a 0-99 scale
- 18 months to pass all four parts

Fare - Structure

4 Hours

33 Multiple Choice Questions



Testlet # 1

33 Multiple Choice Questions



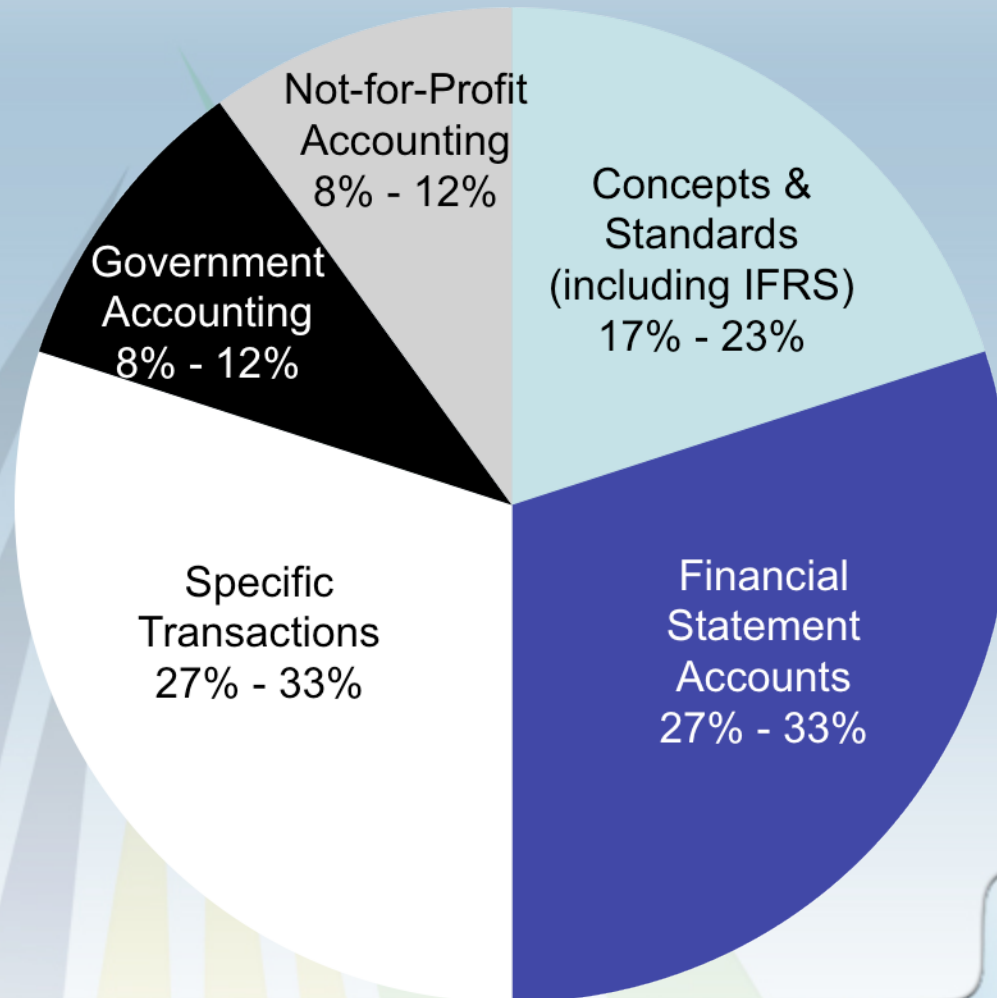
Testlet # 2

9 Task based Simulations



Testlet # 3-# 5

Financial - Content



Financial - IFRS

- Candidates will be expected to identify and understand the differences between financial statements prepared under U.S. GAAP and under IFRS.
- First-time adoption of IFRS related to financial reporting, presentation and disclosures in general-purpose financial statements will also be tested.

Regulation - Structure

4 Hours

38 Multiple Choice Questions



Testlet # 1

38 Multiple Choice Questions



Testlet # 2

9 Task based Simulations



Testlet # 3-# 5

Regulation - Content



Auditing - Structure

4 Hours

36 Multiple Choice Questions



Testlet # 1

36 Multiple Choice Questions



Testlet # 2

9 Task based Simulations



Testlet # 3-# 5

Audit - Content



Business - Structure

4 Hours



Testlet # 1

31 Multiple Choice Questions



Testlet # 2

31 Multiple Choice Questions



Testlet # 3-# 4

5 Task based Simulations

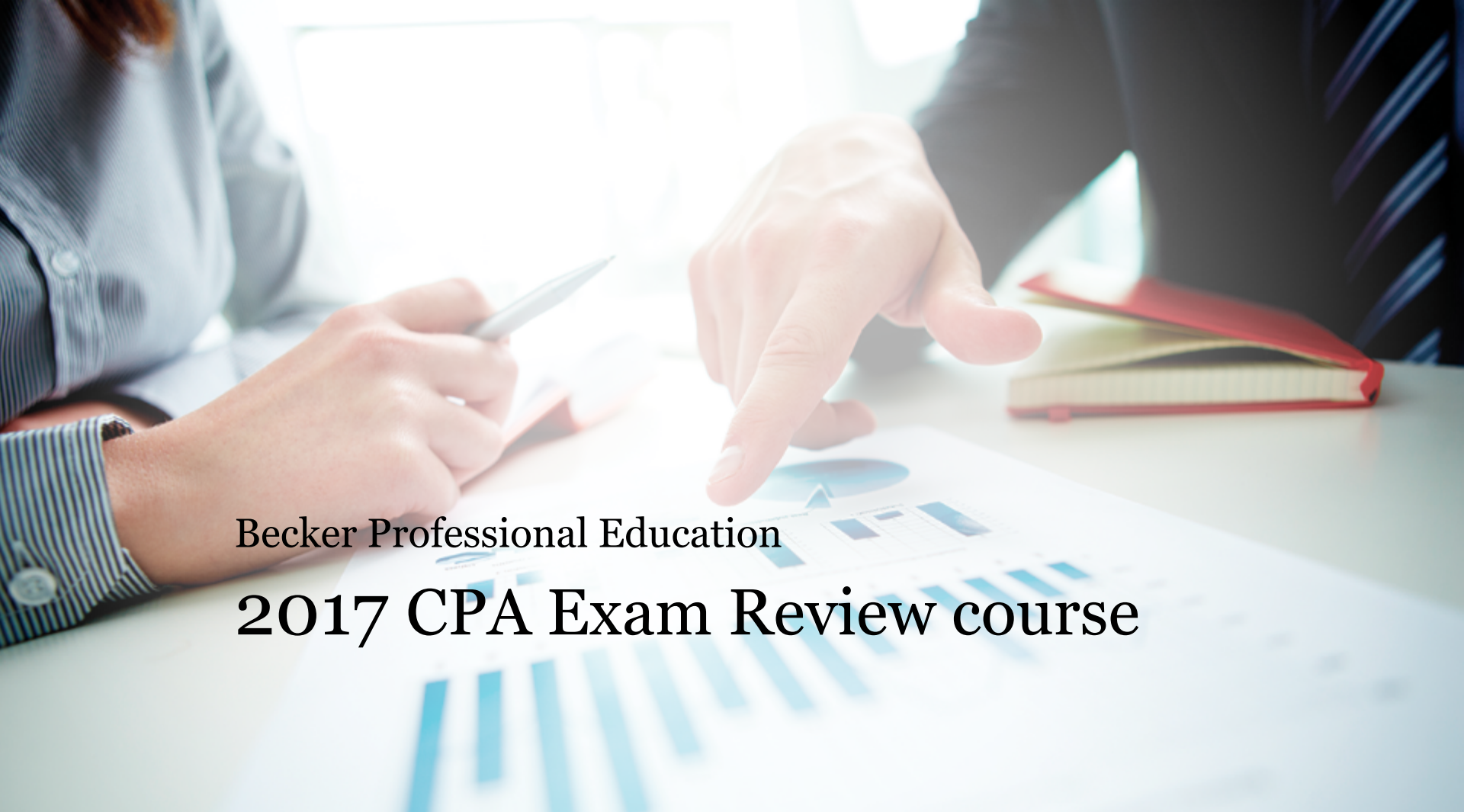


Testlet # 5

3 Written Communications tasks

Business - Content



A photograph of two people in business attire sitting at a desk. One person is pointing at a document with a bar chart and a pie chart, while the other holds a pen. The background is bright and slightly blurred.

Becker Professional Education
2017 CPA Exam Review course



2017 course redesign

What's Driving the Course Redesign?

Increasingly
Competitive
environment

Advances in
learning
technologies

Voice of the
student
identifying
desire for
tools to drive
efficient study

Next Version
of **CPA Exam**
to launch April
2017

Overview of the 2017 Exam

Proposed changes may make the CPA Exam more difficult

- A focus on more higher-order cognitive skills

- More Task-Based Simulations (TBS)
- Fewer Multiple-Choice Questions
- Written Communication remains unchanged
- 5 testlets per section – 2 MCQ & 3 TBS

- The Exam will get longer, increasing from 14 to 16 hours
- Students may test 10 days into the dark month, except for June 2017

Course Design Concept

New Design & Navigation

The interface displays a 'Sections' page with a sidebar on the left containing navigation icons (home, books, calendar, folder, pie chart, magnifying glass, cloud). The main content area is titled 'Sections' and features four course cards, each with a grid of section identifiers (F1-F10, A1-A6, R1-R8, B1-B6) at the top. The 'Auditing' card (AUD) is highlighted with a green checkmark. Each card includes a course icon, title, unit/hour information, expiration date, and a call-to-action button.

Section	Course Title	Units/Hours	Expiration	Action
F1-F10	Financial (FAR)	10 units, 100 to 200 hours	12/12/2016	BEGIN COURSE
A1-A6	Auditing (AUD)	8 units, 100 to 200 hours	12/12/2016	SEE COURSE
R1-R8	Regulation (REG)	8 units, 100 to 200 hours	12/12/2016	BEGIN COURSE
B1-B6	Business (BEC)	6 units, 100 to 200 hours	12/12/2016	BEGIN COURSE

Progress bar: You have completed 1 of 4 sections. The bar shows 'START', 'FAR', 'AUD' (highlighted), 'REG', and 'BEC', ending at 'GOAL'.

Course Design Concept

New Design & Navigation

The screenshot shows a course navigation interface for 'INDIVIDUAL TAX - INCOME [v 1.2]'. The interface includes a sidebar with navigation icons, a main content area with a progress bar, and a list of modules. The progress bar shows 'Total study time: 13 - 15 hours' and 'You have completed: 0 of 8 steps'. The modules listed are:

- M1 Individual Taxation: Filing Status (100%)
- M2 Individual Taxation: Exemptions (0%)
- M3 Individual Taxation: Gross Income (0%)
- M4 Employee Stock Options (0%)
- SIM Simulations (0%)
- SQ Supplemental Multiple Choice Questions (0%)
- FC Flashcards (0%)
- PT Progress Tests (0%)

The M2 module is currently selected and expanded, showing a 'PRE-ASSESSMENT' button and three sub-sections: 'Lecture' (12 Pages, 1 video, 20-30 min), 'Skills Practice' (7 Exercises, 1 video, 20-60 min), and 'MCQs' (4 Questions, 5-6 hours). Each sub-section has a 'START' button.

- Course structure
 - 30 units
 - 214 modules
- New Adapt2U Adaptive learning technology
 - *Pre-assessments provide a recommended study path*
- Short lectures that average 30-45 minutes

Course design concept

Enhanced Performance Reports

Sections > Regulation > R1 : Individual Tax - Income > Progress Test Reports

Progress test Reports

History

Date	Units	Reports	?	✓	✖	Score %
10th Jun, 2016	R1 R2 R3 R4 R5 R6 R7 R8	View Report	108	76	32	74% ▲
R1 - Individual Tax - Income						
			18	13	5	72%
M1 - Individual Taxation: Filing Status						
			4	3	1	75% Review
M2 - Individual Taxation: Exemptions						
			4	2	2	50% Review
M3 - Individual Taxation: Gross Income						
			3	2	1	67% Review
M4 - Employee Stock Options						
			5	4	1	80% Review
M5 - Items from Other Entities						
			2	2	0	100% Review
R2 - Individual Tax - Adjustments, Deductions, and Credits						
			12	8	4	67%
R3 - C and S Corporation Taxation and Exempt Organizations						
			15	9	6	60%
R4 - Property, Partnership, and Estate and Gift Taxation						
			12	9	3	75%
R5 - Professional Responsibilities and Securities Regulation						
			18	14	4	78%
R6 - Business Law 1						
			15	10	5	67%
R7 - Business Law 2						
			8	6	2	75%
R8 - Business Law 3						
			10	7	3	70%

Sections > Regulation > R1 : Individual Tax - Income > Progress Test Reports

Progress test Reports

History

Date	Units	Reports	?	✓	✖	Score %
10th Jun, 2016	R1 R2 R3 R4 R5 R6 R7 R8	View Report	108	76	32	74% ▲
2nd Jun, 2016	R1 R2 R3 R4	View Report	51	22	29	43% ▼
27th May, 2016	R1 R2	View Report	26	17	9	65%

Progress Tests Chart

last attempt 74% ▲

Unit	10th Jun, 16	2nd Jun, 16	27th May, 16
R1	76%	22%	17%
R2	76%	60%	17%
R3	76%	75%	17%
R4	76%	75%	17%
R5	76%	40%	17%
R6	76%	55%	17%
R7	76%	60%	17%
R8	76%	60%	17%

Unit Detail

R4 Property, Partnership, and Estate and Gift Taxation

M1 - Individual Taxation: Filing Status
100% ▲
TOTAL - 3 Questions
3 ✓

M2 - Individual Taxation: Exemptions
100% ▲
TOTAL - 3 Questions
3 ✓

M3 - Individual Taxation: Gross Income
66%
TOTAL - 3 Questions
2 ✓ 1 ✖

M4 - Employee Stock Options
33% ▼
TOTAL - 3 Questions
1 ✓ 2 ✖

Course Design Concept

New Multi-media Lectures and Textbook Design

Module 4 Acquisition Method Part 1

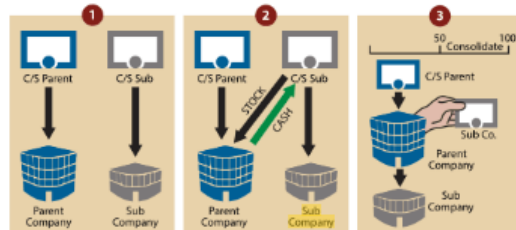
Lecture Notes

FAR 4

1 Calculating the Acquisition Price

Content Group/Topic	Skill Level	Representative Task
AREA III Select Transactions B. Business Combinations	Application 	Calculate the consideration transferred in a business combination.

In a business combination accounted for as an acquisition, the subsidiary may be acquired for cash, stock, debt securities, etc.



The investment is valued at the fair value of the consideration given or the fair value of the consideration received, whichever is the more clearly evident. The accounting for an acquisition begins at the date of acquisition.

Journal entry to record the acquisition for cash:

DR	Investment in subsidiary	\$	XXX	
CR	Cash			\$ XXX

Journal entry to record the acquisition for parent common stock (use FV at date transaction closes):

DR	Investment in subsidiary	\$	XXX	
CR	Common stock (parent at par)			\$ XXX
CR	A.P.I.C. (parent/FV - par)			XXX

Question 1

CPA-00430

Company J acquired all of the outstanding common stock of Company K in exchange for cash. The acquisition price exceeds the fair value of net assets acquired. How should Company J determine the amounts to be reported for the plant and equipment and long-term debt acquired from Company K?

- | | | |
|-----------------------|---------------------|---------------------|
| <input type="radio"/> | Plant and equipment | Long-term debt |
| <input type="radio"/> | K's carrying amount | K's carrying amount |
| <input type="radio"/> | K's carrying amount | Fair value |
| <input type="radio"/> | Fair value | K's carrying amount |
| <input type="radio"/> | Fair value | Fair value |

Answer
Explanation

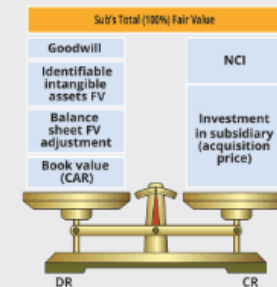
3 Consolidated Workpaper Eliminating Journal Entry

The year-end consolidating journal entry known as the consolidating workpaper eliminating journal entry (EJE) is:

<input type="radio"/>	DR	Common stock - subsidiary	\$	XXX	
<input type="radio"/>	DR	A.P.I.C. - subsidiary			XXX
<input type="radio"/>	DR	Retained earnings - subsidiary			XXX
<input type="radio"/>	CR	Investment in subsidiary			\$ XXX
<input type="radio"/>	CR	Noncontrolling interest			XXX
<input type="radio"/>	DR	Balance sheet adjustments to FV	\$	XXX	
<input type="radio"/>	DR	Identifiable intangible assets to FV			XXX
<input type="radio"/>	DR	Goodwill			XXX



Pass Key



Designed to help you pass!



COMING JANUARY 2017

Becker's CPA Exam Review, **MORE POWERFUL** than ever!

Becker Professional Education helps ensure candidates make the most of their valuable study time. Our innovative new Adapt2U Adaptive Learning Technology is **personalized, effective and efficient**. Designed to prepare students for the 2017 CPA Exam, this **interactive technology** begins with a specially designed pre-assessment that provides a recommended learning path focusing on key areas where students need the most help. What's more, Progress Tests track development and give feedback along the way to continue to build knowledge and confidence to ensure success on the CPA Exam.

For more information or to enroll, visit becker.com or call 877.CPA.EXAM

Designed to Prepare Students for the 2017 CPA Exam

Make Better Use of Study Time

Short lectures fit easily with busy schedules.

Develop Higher-Order Skills Thinking

Interactive simulations and videos are specially designed to help candidates go beyond memorization and use their knowledge in situations that require higher-order skills - which is an essential part of the 2017 CPA Exam.

Learn Exactly What Is Needed

New lectures and textbooks filled with relevant content for the 2017 Exam is easy to read and understand.

Study Tools Make Learning Efficient

Seamless navigation and effective learning tools make it easy to take notes, highlight text, search for key words and control video speed.

Becker CPA Exam Review.
MORE POWERFUL than ever!

Becker is Invested
in Your Success

NEARLY
\$3M
INVESTED

NEARLY
50K
MAN-HOURS
IN DEVELOPMENT

HUNDREDS
OF HOURS
OF RESEARCH



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Passing Rates



Exam Pass Rates

2006 - AICPA Pass Rates



44%

Audit

43%



Business



45%

Financial



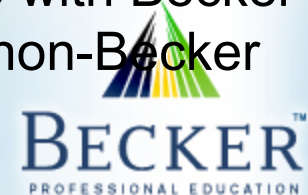
42%

Regulation

2x

Students who prepare with Becker pass at **double** the rate of non-Becker candidates.*

Becker Professional Education students pass at double the rate of all CPA exam candidates who did not take a Becker course, based on averages of AICPA-published pass rates. Data verified by an independent third-party research firm.



Exam Pass Rates

2007 - AICPA Pass Rates



47.57 %

Audit



46.56%

Business



48.15%

Financial



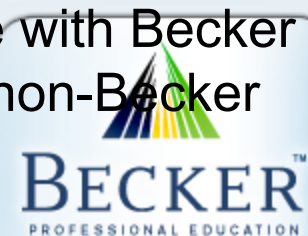
47.03%

Regulation

2x A large blue checkmark icon.

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Exam Pass Rates

2008 - AICPA Pass Rates



49.10 %

Audit

47.49%



Business



49.21%

Financial



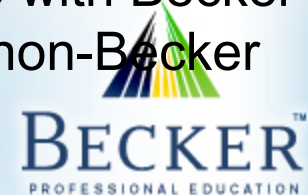
48.74%

Regulation

2x 

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Exam Pass Rates

2009 - AICPA Pass Rates



50%

Audit



48%

Business



48%

Financial



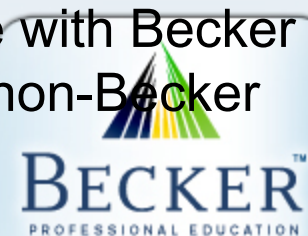
50%

Regulation

2x 

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Exam Pass Rates

2010 - AICPA Pass Rates



47.8%

Audit



47.29%

Business



47.81%

Financial



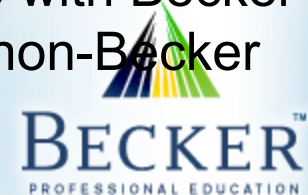
50.66%

Regulation

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Exam Pass Rates

2011 - AICPA Pass Rates



45.62

Audit

47.13%



Business



45.51%

Financial



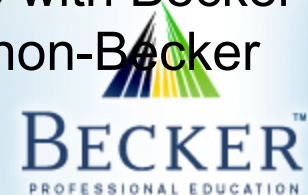
44.22%

Regulation

2x 

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Exam Pass Rates

2012 - AICPA Pass Rates



46.89

Audit

52.83%



Business



47.97%

Financial



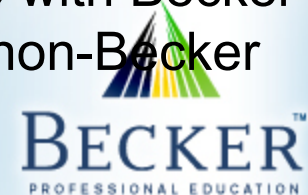
48.15%

Regulation

2x 

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Exam Pass Rates

2013 - AICPA Pass Rates



45.87%

Audit



55.83%

Business



48.32%

Financial



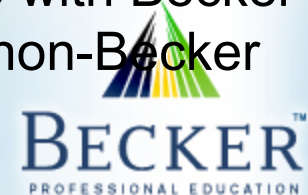
48.48%

Regulation

2x 

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Exam Pass Rates

2014 - AICPA Pass Rates



47.92%

Audit



56.72%

Business



48.20%

Financial



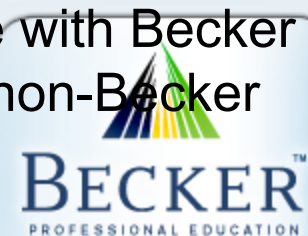
57.21%

Regulation

2x A large blue checkmark icon.

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Exam Pass Rates

2015 AICPA Pass Rates



47.28%

Audit



56.48%

Business



46.75%

Financial



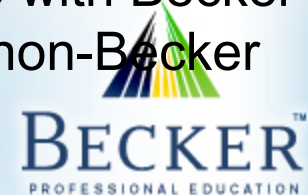
49.43%

Regulation

2x A large blue checkmark icon.

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Exam Pass Rates

2016 AICPA Pass Rates



45.86%

Audit

55.41%



Business



45.55%

Financial



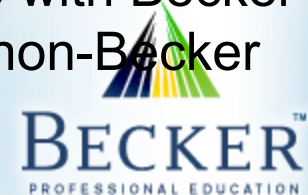
48.45%

Regulation

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Exam Pass Rates

2017 AICPA Pass Rates



48.59%

Audit

52.99%



Business



44.42%

Financial



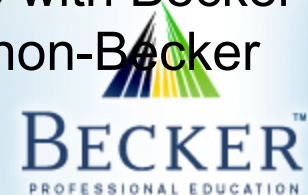
47.24%

Regulation

2x

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DO THE MATH

In 2014, **53** out of **59** Elijah Watt Sells Award winners prepared for their CPA Exam with **Becker**.

Why study with anybody else?

Más del 90% de los que aprobaron la reválida en PR en el 2014, 2015, 2016 y 2017 son de Becker incluyendo las notas más altas.

En la pasada entrega de Certificados de CPA, 28 de 32 son de Becker CPA Review, incluyendo la nota más alta.

53



Becker le da la bienvenida a 45 nuevos colegiados

El viernes, 7 de noviembre, se celebró la actividad de Bienvenida al Colegio de CPA de Puerto Rico en la cual juramentó un grupo de 45 nuevos colegiados. La nota más alta en la reválida fue la colegiada Natalia I. Herrero Rodríguez. Natalia tomó el curso con Becker CPA Review!

Nuevos colegiados que tomaron el curso con Becker CPA Review:

Ricardo J. Martínez Sierra
Alexander F. Molano Santana
Jesús Narváez Rodríguez
Abigail Nieves Motta
Carmen M. Núñez Feliz
Adalina Pagán Díaz
Sheila M. Pedrogo Casillas
José Penabaz Casablanca
Elisa D. Quintana Rondón
Maritrini Ramírez García
Jazmarie Rivera Rodríguez
Benjamín R. Roque Acevedo

Ricardo J. Saavedra Mora
Jorge L. Sálamo Pacheco
Gerardo M. Santiago Rodríguez
Natalia Solís Martínez
Rosangela Torres Torres
Dennis Orlando Torres Rivera
María De Lourdes Adorno Santos
Rafael E. Álvarez Rodríguez
Edgar N. Arroyo Luján
Kareli A. Avilés Flores
Aliette C. Bofill García
Jean D.F. Botello Arzón
Gabriel A. Bravo Castañeda

Milagros Centeno Padilla
Iván A. Colón Vega
José E. Díaz Del Valle
Estefanía Díaz García
Raúl S. Echeandia Esquilí
Vicky M. Fagés Marín
Ana D. Feliciano Tirado
Yaritza Figueroa Hernández
Natalia J. Herrero Rodríguez
Larissa B. Jiménez Umpie
Aileen J. López Toribio
María S. Martínez Correa
Neishka M. Martínez Ferrer

Otros cursos:

Patricia Cañellas Hernández
Christina M. Clemente Muñiz
Elsie Miranda Vélez

José A. Rosado Serra
María Del C. Álvarez Esparra

Naida L. Santiago Pacheco
Lizdelia Meléndez Cintró

El 87% son ex-alumnos de
Becker CPA Review
incluyendo la
nota más alta!!

The Exam



The Exam – Administrative Issues

- Calendar year divided into quarters. Testing occurs in the first two months of each quarter and third month is “closed”.
- Candidates can sit for one or more parts during any testing window, but not the same part more than once in a testing window.
- Candidates can generally sit at any Prometric site authorized to administer the CPA Exam.

The Application Process

- Key is applying early!!!
- Candidates apply to CPA Examination Services.
- Expectation is that new applications will take approximately 4-6 weeks to process at state level. Re-examination candidates will take considerably less time.



Application Process – As of Today

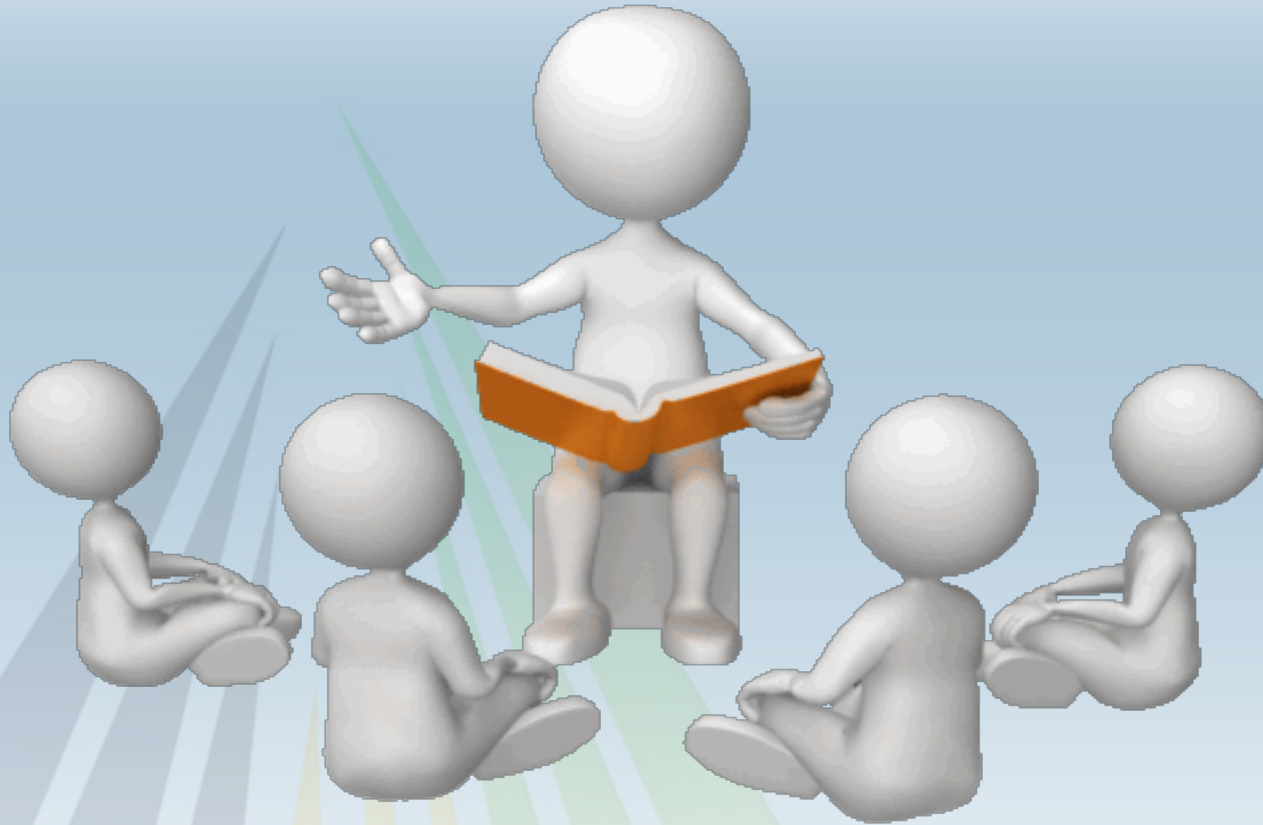
- *150 credits*
- *32 accounting credits*
- *CPA Review*
 - 4 credits toward the 150 credits
 - 3 credits toward the 32 accounting credits (Fare, Regulation, and Auditing only)
- *Students will be allowed to sit for the CPA exam while studying his/her final semester*
 - 3.00 GPA minimums
 - Letter from Accounting Department Head
 - 32 accounting credits completed



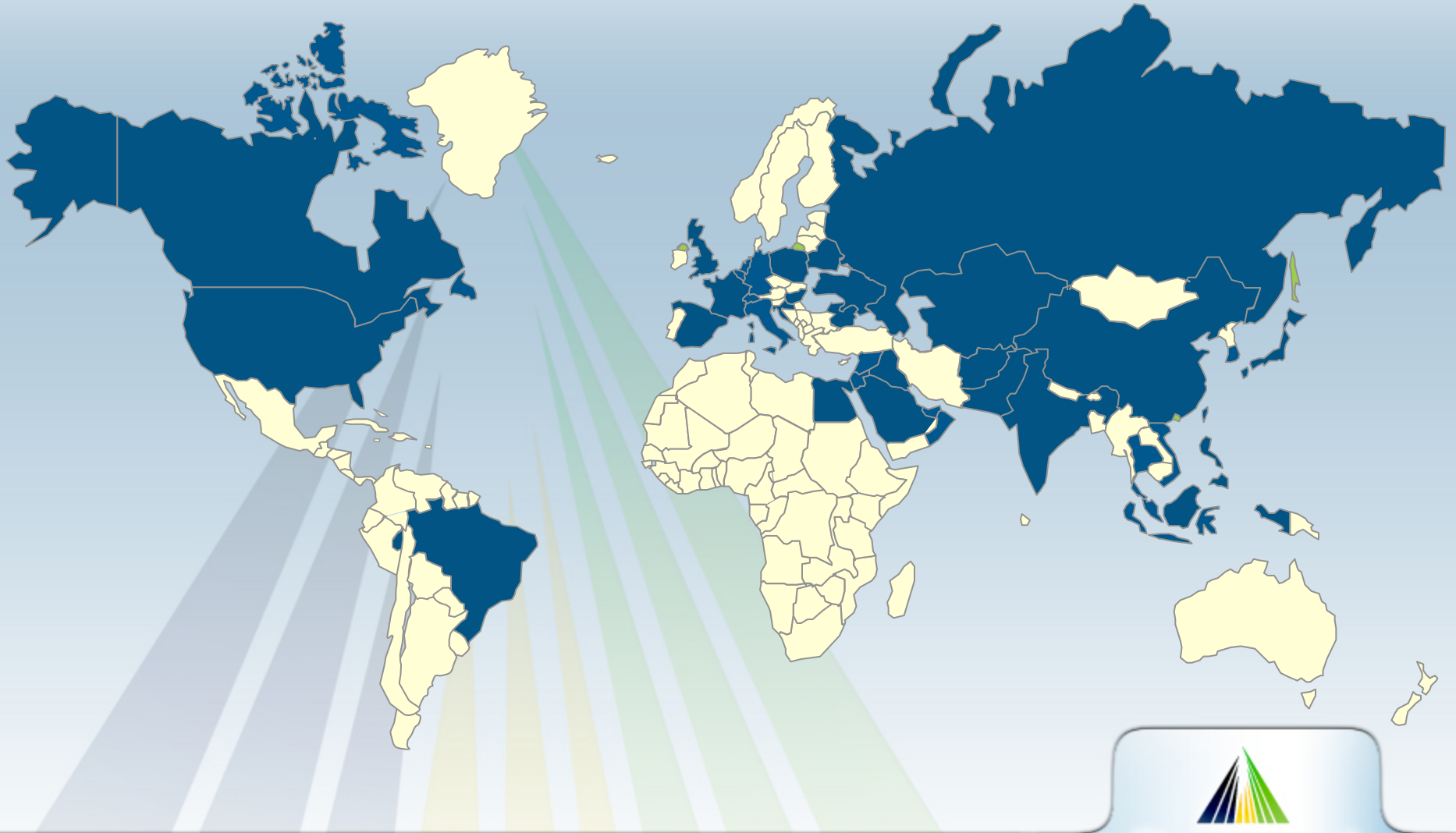
Granting of Credits

- Candidates will be allowed to sit for each section individually, and in any order
- Candidates will retain credit for any section(s) passed for 18 months.
- Candidates will not be allowed to retake a failed section(s) within the same examination window
- 75 points (out of 100) – to pass

How Becker Can Help You



Becker Worldwide – Over 50 Countries



Becker Live Courses – Offered Worldwide

- Beijing, China
- Guam, US
- Hong Kong
- Macau, China
- Manila, Philippines
- Seoul, South Korea
- Shanghai, China
- Taipei, Taiwan
- Tokyo, Japan
- Puerto Rico
- Bahamas
- Cayman Islands
- Mexico
- Curacao
- Bermuda



Becker CPA Exam Review

- The leader in CPA review for more than 50 years
- Over 400,000 candidates have passed the CPA exam using Becker, more than any other review provider
- Double the pass rate of non-Becker candidates*
- Partnerships with the Big 4 and 98 of the top 100 accounting firms
- 15 of the 15 top scorers on the 2011 CPA exam prepared with Becker



Flexible Course Formats



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**Over 250
worldwide
locations**



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**Dedicated
online
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Self-Study

**Anytime
anywhere**

A Complete CPA Review Focusing on Your Success

- **Expert Instruction** and **Unlimited Academic Support**
- **Lecture's** by **National Instructors**
- **Textbooks** for each exam part
- **Interactive Study Planner** and **Exam** and **Writing Tutorials**
- **Becker Software** with resources that replicate the functionality of the CPA Exam.
 - **PassMaster™**
 - **Simulations**
 - **Final Exams**

Textbooks

Financial 1

Becker Professional Education | CPA Exam Review

3. An active program to locate a buyer has been initiated.
4. The sale of the component is probable and the sale is expected to be complete within one year.
5. The sale of the component is being actively marketed.
6. Actions required to complete the sale make it unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

U.S. GAAP VS. IFRS

Under IFRS, **before** a component can be classified as held-for-sale, the individual assets and liabilities of the component must be measured in accordance with applicable standards and any resulting gains and losses must be recognized. After classification as held-for-sale, the component is reported at the lower of carrying value and fair value less costs to sell. U.S. GAAP does not require remeasurement of individual assets and liabilities before classification as held-for-sale, but the classification of a component as held-for-sale does trigger an impairment analysis of the component.

III. ACCOUNTING RULES

A. Types of Entities to be Considered

The results of operations of a component of an entity will be reported in discontinued operations if either the component:

1. Has been disposed of, or
2. Is classified as held for sale.







B. Conditions that Must be Present

All related costs shall be recognized when the obligations to others exist, not necessarily in the period of commitment to a plan. **Both** of the following conditions must be met in order to report in discontinued operations the results of operations of a component that has been disposed of or is held for sale:

- Hard copy and “pre-annotated” e-Book included with every course.
- Comprehensive and exceptionally easy to use.
- Organized by the topics tested on the CPA exam.
- Includes hundreds of past exam questions.

Course Software & Course Manual

- Course Software contains:
 - Introductory video & tutorials
 - Multiple choices and simulations
 - Scheduling software
 - CPA Simulation and Final Exam
- Software
- Videos
 - E-books

	CPA PassMaster
	Course Introduction and Tutorials - Start Here
	Export Homework Statistics for Online Course
	CPA Simulations and Final Exam (CBT)
	Remove Authorization Before Un-Install
	Software Authorization Status Check

Study Road Map

The screenshot shows a web browser window titled "Becker's CPA Exam Review". The main content area is titled "STUDY CENTER F1 : Standard Setting, Income Statement, and Reporting Requireme...". Below the title bar, there are navigation icons for "eBook", "My Notes", and "Home". The main heading is "Study Roadmap" with a sub-heading "Total study time: 13 - 15 hours". The interface is divided into three main sections, each with a progress bar:

- 1. Learn** (4 hours): View Lecture. Overall Status: 0%.
- 2. Practice** (5 - 6 hours): Complete Homework. Overall Status: 0%. Below this, there is a section for "Complete Simulations" (1 - 2 hours) with "Simulation 1" at 0%.
- 3. Review** (1 hour): Review Flashcards.

The footer of the browser window shows the date "Tuesday, Nov 29, 2011 4:33 PM", the version "2012 (v5.3.0)", and the user "NUM".

- Provides guidance on what to study and how much time to devote to each topic.
- Fully integrates all course elements.

Multiple Choice Questions

Becker Professional Education
Becker's CPA Exam Review

HOMEWORK: F5, Leases, Liabilities, and Bonds / Accounting for Leases

Question Statistics
Question 2 of 50
CPA-00396
FARE R99 #19
Times Worked: 0
First Attempt: N/A
Last Attempt: N/A
Overall: N/A
W = Wrong, C = Correct
N/A = Not Attempted

Keyboard Navigation
Left Arrow: Prev. Question
Right Arrow: Next Question
A ... Z: Select Answer

Session Statistics
Q's Worked: 1
Correct: 0
% Correct: 0%

Time Spent
Question: 00:38
Session: 00:41

Back Next Question
Zoom level 100%
Answer eBook Lecture
Options...
SC Calc SSheet Print

Cott, Inc. prepared an interest amortization table for a five-year lease payable with a bargain purchase option of \$2,000, exercisable at the end of the lease. At the end of the five years, the balance in the leases payable column of the spreadsheet was zero. Cott has asked Grant, CPA, to review the spreadsheet to determine the error. Only one error was made on the spreadsheet. Which of the following statements represents the best explanation for this error?

a. The beginning present value of the lease did **not** include the present value of the bargain purchase option.

b. Cott subtracted the annual interest amount from the lease payable balance instead of adding it.

c. The present value of the bargain purchase option was subtracted from the present value of the annual payments.

d. Cott discounted the annual payments as an ordinary annuity, when the payments actually occurred at the beginning of each period.

Choice "a" is correct. Cott, Inc. made the error of not including the present value of the bargain purchase option in the beginning present value of the lease that it used on the schedule. A bargain purchase option payment is included as part of the minimum lease payments to be discounted to the date of inception of the lease because it is a future cash flow that is considered certain. When the spreadsheet showed zero at the bottom, Cott, Inc. still was required to make the bargain purchase option payment of \$2,000, yet there was no liability left on the books to pay. The \$2,000 should have been capitalized as part of the cost of the equipment (or whatever was purchased under the capital lease).

Choice "b" is incorrect. Interest is neither subtracted nor added to the lease payable balance, which is maintained at the present value (or carrying value) of the lease. Interest is in a separate column on the spreadsheet for the effective interest method calculation.

Choice "c" is incorrect. If the present value of the bargain purchase option were subtracted from the present value of the annual payments, the balance could not have been zero at the end of five years, it would have been a debit balance (i.e., negative).

Choice "d" is incorrect. This option would have caused the amount capitalized at the lease inception to be lower than it should have been (i.e., the present value of an ordinary annuity for the same interest rate and amount of payments is lower than the present value of an annuity due). However, the schedule would not have become zero at the end because the interest calculation would have been based on the date of payment, which was not consistent with the method of discounting used to produce the schedule.

Friday, Dec 9, 2011 9:41 AM | 2012 (v5.3.0) | NUM

- Over 6,500 questions.
- Link to lecture and link to text features provide clarification on challenging topics.
- Complete answer explanations.
- Timer allows you to stay on pace.

Simulations

Becker Professional Education
Becker's CPA Exam Review

Financial 5 - Bonds Payable

Time Elapsed
0 hours 0 minutes

Bond Issue Price (AICPA Adapted) | PV and FV Tables | Authoritative Literature | Help

Solution | Unsplit | Split Horiz | Split Vertical | Spreadsheet | Calculator | Exit

On January 2, Year 1, the Lyndhurst Company, Inc. a privately-held company, issued \$1,000,000, five-year, 10.00% bonds, dated January 2, Year 1. The bonds provided for semi-annual interest payments to be made on June 30 and December 31 of each year. Terms of the bond indenture allowed the company to call the bonds at 102 after one year. The bonds were issued when the market interest rate was 8.00%.

- Lyndhurst uses the effective interest method for amortizing bond discounts and premiums.
- The bonds are term bonds that mature on December 31, Year 5.
- Lyndhurst's fiscal year for financial reporting purposes is December 31.
- The company called the bonds at 102 on June 30, Year 2.

Use the following spreadsheet to calculate the present values of the principal and interest cash flows related to the bonds, and the resulting bond issue price. For each shaded cell in columns B, C, and D, enter the appropriate figures in the shaded cells. For cells C2 and C3, enter the amortization interest rate (as a decimal). For column E, find the appropriate time value factors in the references located in the "Resources" tab and enter those into the shaded cells. The spreadsheet will automatically calculate the bond issue price based on your entries (cell F4).

	A	B	C	D	E	F
1	Payment Type	Compounding Period(s)	Interest Rate	Payment Amount	Factor	Present Value
2	Principal					\$0
3	Interest					\$0
4	Bond Issue Price					\$0

Directions 1 2 3 4 5

Previous Next

- Over 250 task-based simulations.
- Functionality mirrors the CPA Exam.
- Timer allows you to stay on pace.

Final Exams

The screenshot shows a web application window titled "Becker's CPA Exam Review". The main content area is divided into three vertical panels, each with a light blue background and a white border. The top of the window has a blue header with the text "Becker's CPA Exam Review" and a "Help" button. Below the header, there is a yellow banner with the text "REVIEW BEFORE EXAM : Financial" and icons for "eBook" and "Back".

1. Rework
Rework all homework questions and rework the simulations
Buttons: Rework Homework, Rework Simulations

2. Take Final Exams
Complete both Final Exams
Buttons: Final Exam 1, Final Exam 2

3. Comprehensive Progress Tests
Take as many comprehensive progress tests as time permits
Button: Progress Tests

At the bottom of the window, there is a status bar with the text: "Friday, Oct 7, 2011 11:34 AM | 2012 (v5.3.0) | Sims created: 9/23/2011 | NUM"

- Provides direction on how to prepare in your final days leading up to the exam.
- Includes two full final exams per part that mirror the CPA Exam.

Study Planner

Becker Professional Education
Becker's CPA Exam Review
Create Study Plan

CUSTOMIZE YOUR STUDY PLAN

Below is your recommended study plan and exam date(s). Drag and drop lectures to make any final adjustments.

Financial List Auto-arrange

	5 Dec	12 Dec	19 Dec	26 Dec	2 Jan	9 Jan	16 Jan	23 Jan	30 Jan	6 Feb
F1: Standard Setting, Income Statement, an...		F1								
F2: Matching (Revenue & Expenses), Foreign...		F2								
F3: Marketable Securities and Business Com...			F3							
F4: Working Capital and Fixed Assets			F4							
F5: Leases, Liabilities, and Bonds				F5						
F6: Pensions and Income Tax Accounting				F6						
F7: Stockholders' Equity, Cash Flows, and Ra...					F7					
F8: Governmental Accounting					F8					
F9: Governmental and Not-for-Profit Organiz...						F9				
F10: FV, Partnerships, VIEs, AROs, Liabilities,...						F10				
Review Before Financial Exam								Review		
Exam - Financial (Suggested exam date peri...									Exam	

[Revert Changes](#)

[Back](#) [Next](#) [Cancel](#)

- Creates a customized preparation plan that fits your needs.
- Drag and drop functionality allows you to easily address schedule changes.
- Export capability to MS Outlook.

Flash Cards

With their portability and ease-of-use, flashcards are a highly flexible preparation resource:

- Use flashcards as a study group resource.
- Find a study partner and alternate between asking and answering.
- Keep cards handy to study whenever you have downtime.
- Pack them in your briefcase or luggage with you when you travel.



Our “Package”

- Up-to date Books
- Software
- Flash cards
- Powerpoint presentations
- Live instructors



Regulation Instructor – Puerto Rico



- CPA
- Lawyer
- Regulation instructor
- Since 1998 – 18 years
- President of the PR CPA State Society 2012-2013
- Part-time instructor at the University of Puerto Rico Law School and at the Business Administration School
- Tax partner at a local accounting firm
- Was tax manager at Deloitte and Touche Puerto Rico Offices

Audit Instructor – Puerto Rico



- Juan M. Garcia
- CPA
- MBA – Madison WI 1985
- Audit instructor
- Since 1988 – 28 years
- UPR instructor – San Juan campus
- Treasurer of the PR Society of CPAs (2012-2013)

FARE & Business Instructor – Puerto Rico



- Eva Quinones
- CPA
- MBA – Texas at Austin
- Fare & Business instructor
- Since 1995 – 21 years
- UPR instructor – Mayaguez Campus
- Part time instructor at Grant Thornton Puerto Rico Division

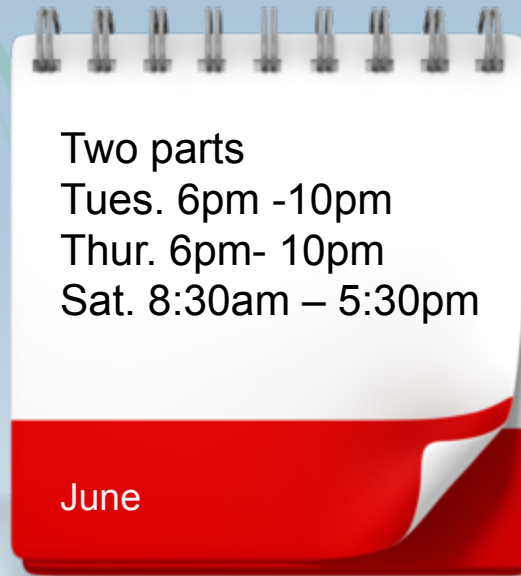
Our Local Pricing Arrangements



- 4 parts – First time candidates (Live or Home study)
 - \$1,750
 - Full payment or 4 equal installments w/o interests
 - One year for final enrollment
- In the USA, the regular price for the same package is more than \$3,200.

Our Live Offering per Year

Please visit us at www.cpareviewpr.com for current schedules



Puerto Rico Marketing & Competition



Becker at the Annual Students Conference



Becker at the Annual Students Conference



Becker at the Annual Students Conference



Becker at the Annual Students Conference



Becker at the Annual Students Conference



PR State Society of CPA's Agreement

- 3 year contract for CPE online
- They use to use RIA Thomson on line courses
- Exclusive rights to sell our online CPE seats
- Pricing - \$300 per one year unlimited license
- Number of CPA's in PR = 4,200
- Number of CPA's with a valid & current CPA license = 3,876
- We donate two full scholarships for the CPA Review course. They have a committee for the selection of the low income candidates
- We have sold hundreds of seats under this arrangement



Questions? More Information?



- CPA Juan M. Garcia Merced
- Certified Public Accountant
- President
- www.cpareviewpr.com
- info@cparviewpr.com