Question 1 of 20

On January 2, Year 3, Paye Co. purchased Shef Co. at a cost of $500,000 that resulted in recognition of goodwill of $200,000. During the first quarter of Year 3, Paye spent an additional $80,000 on expenditures intended to maintain goodwill. On December 31, Year 3, the fair value of the reporting unit with which the goodwill is associated was $505,000. The change in fair value was attributed to the unidentifiable assets acquired from Shef. In its December 31, Year 3 balance sheet, what amount should Paye report as goodwill?

A. $200,000

B. $205,000

C. $280,000

D. $285,000

Question 2 of 20

Tech Co. bought a trademark on January 2, Year 2. The intangible was being amortized over its useful life of 40 years. The carrying value at the beginning of Year 2 was $38,000. It was determined during the current year that the cash flow from the trademark will be generated indefinitely at the current level. What amount should Tech report as amortization expense on its December 31, Year 4, income statement?

A. $0

B. $950

C. $1,000

D. $38,000

Question 3 of 20

For a public business entity, the goodwill impairment test is required to be performed

A. Only at the end of the fiscal year.

B. Only at the beginning of the fiscal year.

C. Any time during the last quarter of the fiscal year.

D. Any time during the fiscal year, provided it is performed at the same time every year.

Question 4 of 20

After an impairment loss is recognized, the adjusted carrying amount of an intangible asset shall be its new accounting basis. Which of the following statements about subsequent reversal of a previously recognized impairment loss is correct?

A. It is prohibited.

B. It is required when the reversal is considered permanent.

C. It must be disclosed in the notes to the financial statements.

D. It is encouraged, but not required.

Question 5 of 20

X Company, a public entity, has goodwill that consists of five reporting units from three acquisitions. In the first acquisition, the assets and liabilities of the subsidiary were integrated into X Company's books. The second acquisition involves an additional payment to the seller if certain results are achieved. As a result, separate books are maintained for the subsidiary. The third acquisition involves three separate managers, each running a different department. As a result, three separate sets of books and records are being maintained for this acquisition, one for each department, with goodwill separately allocated to each one. X Company is preparing financial statements and performing an impairment evaluation on its reported goodwill. How many separate impairment evaluations is X Company required to perform?

A. One.

B. Three.

C. Four.

D. Five.

Question 6 of 20

A company reported $6 million of goodwill in last year's statement of financial position. How should the company account for the reported goodwill in the current year?

A. Determine the current year's amortizable amount and report the current-year's amortization expense.

B. Determine whether the fair value of the reporting unit is greater than the carrying amount, including goodwill, and report any gain on goodwill in the income statement.

C. Determine whether the fair value of the reporting unit is less than the carrying amount, including goodwill, and report any impairment loss on goodwill in the income statement.

D. Determine whether the fair value of the reporting unit is greater than the carrying amount, including goodwill, and report the recovery of any previous impairment in the income statement.

Question 7 of 20

Goodwill should be tested for value impairment at which of the following levels?

A. Each identifiable long-term asset.

B. Each reporting unit.

C. Each acquisition unit.

D. Entire business as a whole.

Question 8 of 20

Northstar Co. acquired a registered trademark for $600,000. The trademark has a remaining legal life of five years, but can be renewed every 10 years for a nominal fee. Northstar expects to renew the trademark indefinitely. What amount of amortization expense should Northstar record for the trademark in the current year?

A. $0

B. $15,000

C. $60,000

D. $120,000

Question 9 of 20

Which of the following is an intangible asset that is subject to the recoverability test?

A. A patent.

B. Goodwill.

C. R&D costs for a patent.

D. A trademark with indefinite useful life.

Question 10 of 20

On December 31, Year 2, Company X paid $360,000 for 100% of the stock of Company Y. On the purchase date, the fair value of Company Y's assets and liabilities were $320,000 and $40,000, respectively. On January 10, Year 3, Company X paid $24,000 for an advertising campaign to maintain the newly acquired goodwill from the purchase. How much will be reported as goodwill on Company X's December 31, Year 3 balance sheet?

A. $40,000

B. $64,000

C. $80,000

D. $104,000

Question 11 of 20

A company should recognize goodwill in its balance sheet at which of the following points?

A. Costs have been incurred in the development of goodwill.

B. Goodwill has been created in the purchase of a business.

C. The company expects a future benefit from the creation of goodwill.

D. The fair value of the company's assets exceeds the book value of the company's assets.

Question 12 of 20

If both an asset group in a company and goodwill in one of its reporting units have to be tested for impairment, which of the following statements is correct regarding impairment testing and impairment losses?

A. The other asset group should be tested for an impairment loss before goodwill is tested.

B. Impairment testing may be conducted concurrently for the other asset group and goodwill.

C. If the other asset group is impaired, the loss should *not* be recognized prior to goodwill being tested for impairment.

D. If goodwill is impaired, the loss should be recognized prior to testing the other assets for impairment.

Question 13 of 20

A private company that reports goodwill on its balance sheet is

	Exempt from goodwill impairment testing	*Allowed to amortize the goodwill*
A.	Yes	Yes
B.	Yes	No
C.	No	Yes
D.	No	No

Question 14 of 20

Maple Co. has a patent on its primary product, and Pine Co. has goodwill associated with a recent acquisition. Which company should report amortization in its financial statements?

	Maple	*Pine*
A.	Yes	Yes
B.	Yes	No
C.	No	Yes
D.	No	No

Question 15 of 20

On September 29, Year 5, Wall Co. paid $860,000 for all the issued and outstanding common stock of Hart Corp. On that date, the carrying amounts of Hart's recorded assets and liabilities were $800,000 and $180,000, respectively. Hart's recorded assets and liabilities had fair values of $840,000 and $140,000, respectively. In Wall's September 30, Year 5, balance sheet, what amount should be reported as goodwill?

A. $20,000

B. $160,000

C. $180,000

D. $240,000

Question 16 of 20

Tech Co. bought a trademark on January 2, two years ago. The intangible was being amortized over 40 years. The carrying value at the beginning of the current year was $38,000. It was determined that the cash flow will be generated indefinitely at the current level for the trademark. What amount should Tech report as amortization expense for the current year?

A. $0

B. $922

C. $1,000

D. $38,000

Question 17 of 20

In which of the following circumstances would a trademark acquired by an entity most likely be deemed to have an indefinite useful life?

- **A.** The entity pays substantial amounts of money to renew the trademark.
- **B.** The entity operates in an industry with a rapidly changing regulatory environment governing trademarks.
- **C.** The entity plans to use the trademark until the planned phase-out date of the underlying asset.
- **D.** The entity's trademark has a remaining legal life of five years but is renewable at very little cost.

Question 18 of 20

A public business entity recorded goodwill as a result of purchasing an existing business. In addition to capitalizing the goodwill, the entity should account for it with which of the following accounting treatments?

- **A.** Expense the goodwill over 20 years.
- **B.** Expense the goodwill over its estimated useful life.
- **C.** Recognize a loss on the goodwill when annual testing indicates impairment.
- **D.** Expense the goodwill over the useful life of the assets of the acquired business.

Question 19 of 20

Which of the following intangible assets is subject to the recoverability test?

- **A.** Goodwill.
- **B.** A trademark with indefinite useful life.
- **C.** A copyright.
- **D.** A broadcast license that may be renewed indefinitely.

Question 20 of 20

Which of the following is a pair of values that are compared to determine the amount of a possible impairment loss on an intangible asset, with an indefinite life, other than goodwill?

A. Fair value, present value.

B. Carrying value, book value.

C. Future value, carrying value.

D. Fair value, carrying value.