

Communications for Accounting
ACCT 351COM - Spring 2011

Individual Assignment I

Assignment Objectives

- To research accounting topics using the FASB Codification system.
- To clearly communicate research findings.
- To document using paraphrasing, direct quotes, citations, and references.
- To write a topic sentence for each response and one more sentence(s) containing relevant, detailed information with proper documentation.

Research Questions

Olive Gulliver, the engagement partner at your firm, has given you a research assignment. She wants to know how to treat the following client accounting issues.

- 1. In 2010, Delicious Fruit Company expanded its operations in California's Central Valley to include growing peaches for commercial canning companies. Land was prepared, irrigation systems installed and 5,000 "whips" (baby trees) were planted. It is expected that the trees will reach commercial viability by 2013. At that time, Delicious will begin selling the entire crop to Dole, Inc. to be canned. The trees will not produce large enough crops for commercial canning purposes before 2013; in 2011 and 2012 small quantities of fruit can be harvested and will be sold at local farmers' markets. Delicious' CFO wants to know how to properly account for the farmers' market sales.*
- 2. Retail-R-Us is a new business that engages in mail order and online retail sales of widgets. As a result, shipping and handling costs are significant. To cover these costs, the company plans to bill its customers for shipping and handling at a fee higher than the actual costs. The controller would like to increase revenues by recognizing these fees as sales revenue. However, one of the accountants thinks there should be a netting of the costs and fees with only the difference treated as revenue. The company manufactures all of its widgets, does all of the billing and collection, and assumes all risks of ownership of the merchandise. How would you advise Retail to account for shipping and handling costs and fees?*
- 3. Home Buying Network (HBN) operates a business in which customers can order products that are not normally available at commercial stores. One of the products is the Widget Juicer. The customer places the order by telephone. HBN sends the order to Widget which, in turn, ships the juicer directly to the customer. The juicer sells for \$350 of which HBN receives \$60 from Widget. HBN is not responsible for customer complaints, maintaining the inventory, setting the price, or collecting from the customer. It has been customary for HBN to report revenue of \$350 for each juicer sold with a corresponding estimated cost of goods sold. How should HBN report the sales of juicers?*
- 4. United Foundation acquired a five-foot-tall Rodin bronze sculpture of a woman, "Eve, the Large Version," for display in the lobby of its office building. The work of art is one of a kind. United purchased the sculpture at a Christie's auction in London for \$18.9 million. The piece was conceived in 1881 and cast in 1887 by Rodin. How should United depreciate this historical treasure?*
- 5. Fantastic Things is the leading manufacturer of Whatchamacallits. In order to stimulate sales, Fantastic has requested better display location and space from its primary retail outlet, Mega Stores, a nationwide chain of stores. Due to the high demand for premium display space from other vendors, Mega will require Fantastic to pay a monthly fee of \$5,000. The agreement between the parties contains no other terms. How should Fantastic report this fee on its income statement?*

Use the FASB online Accounting Standards Codification (ASC) for researching questions 1 through 5. To access the online database and search engine you will need a login name and password. These will be provided to you by your instructor. The login URL for the ASC is <http://aaahq.org/ascLogin.cfm>

Writing Assignment

Write a one-page memo that clearly and concisely answers the five research questions. Use direct quotes and paraphrasing to demonstrate that you understand proper documentation. Use direct quotes to answer research questions 3 and 5; use paraphrasing to answer research questions 1, 2, and 4. Also, use APA style for citations and references. References should be listed on a separate page.

Class Section: _____ Day _____ Time _____

**STUDENT PEER REVIEW FORM
INDIVIDUAL ASSIGNMENT I**

Writer's Name _____ Your Name _____

Has the author numbered the five responses to the research questions? (Do not repeat the research question.) Does each response begin with a topic sentence? Does the topic sentence include the research topic and the conclusion?

Do responses 3 and 5 have at least one direct quote from the accounting standards to explain the treatment? Are the quotes properly formatted and cited using APA style?

Do responses 1, 2, and 4 use only paraphrasing from the accounting standards to explain the treatment. Does the author use his/her own writing style to paraphrase? Is the information clear, concise, and adequate? Are the paraphrases properly cited using APA style?

Do the references appear on a single, separate page? Are the sources formatted in proper APA style? Is there a continuation-page heading in the left-hand corner? Is proper capitalization used for APA style?

Does the document maintain surface level correctness in terms of syntax, grammar, spelling, punctuation, word choice, and format (margins, spacing, and font)? Has proper memo format been used? (Follow the sample format on the course web page.) Is there a purpose paragraph that connects with the reader and goodwill closing?