

THE PREFERRED STOCK DILEMMA OF APPLLO TECHNOLOGY: THE IMPACT OF SFAS #150 ACCOUNTING CASE AND INSTRUCTOR NOTES

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ABSTRACT

This case involves applying the requirements of SFAS #150: *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* to a company that has recently gone public. As part of its IPO, Appllo Technology has issued two series of Preferred Stock that may fall under the reporting requirements of SFAS #150. The case requires students (who take the role of a staff auditor) to read SFAS #150, critically apply its requirements to Appllo Technology, and summarize their findings in a memo. Further, the case requires that the company's yearly financial statements be adjusted to conform with the recommendations in the audit memo previously completed.