

B-12.09

Wild Man Wilson hosts a television show where he gives investment opinions about companies to call-in-viewers. Below is the transcript of a portion of one of his shows that focused on employee benefits. Evaluate Wilson's Responses to the callers' questions, and identify the errors.

Caller 1 "Wilson, tell me about Xyloclick!"

Wilson "The company is a fraud! It has a defined contribution plan for its employees and does not list the pension assets and liabilities on its books! Sell, sell, sell!"

Caller 2 "Wilson, tell me about Fling Media!"

Wilson "You have to love this company. They are very conservative. They even accrue a liability for health insurance coverage relating to future retirees. Nobody does that! This company's real earnings are much higher than they are letting on. Buy, buy, buy!"

Caller 3 "Wilson, tell me about Big Foot Shoe!"

Wilson "Well, it's true that peoples' feet are growing larger, so maybe this a good play. But, beware because the company is not accruing costs related to employee sick leave. They offer some lame excuse about not meeting all four criteria of an applicable accounting rule. Wrong, you only need to meet one of the criteria! Sell, sell, sell!"

Caller 4 "Wilson, tell me about Optic Sky!"

Wilson "Buy! The company offers employees a defined benefit pension plan. The pension trust is loaded with loot, yet the company continues to show a pension liability on its books. It's a hidden asset."