

Name:

B-12.09

Date:

Section:

Each of Wilson's comments was wrong. Following is an evaluation of the incorrect statements:

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!"

Correction

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!"

Correction

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!"

Correction

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."

Correction