Bessrawl corporation case study examples

Technology, Internet

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Reconciliation Income Statement

For the year ended 31 Dec 2011 .

Profit as per GAAP $1, 000, 000

Add

Inventory (realizable) 190, 000

Deducted impairment loss 6, 000

Gain from sale and lease back 150, 000

Total income1, 346, 000

Deduct

Inventory (historical)(152, 000)

Impairment loss(5, 000)

Net Income (IFRS)1, 189, 000

Reconciliation Statement of Stockholder’s Equity

For the year ended 31 Dec 2011 .

Stockholder's equity as per GAAP $8, 000, 000

Add

Revaluation gain720, 000

Intangible assets fair value adjustment1, 000

Total8, 721, 000

Deduct

Development cost capitalization adjustment (120, 000)

Stockholder's equity as per IFRS8, 601, 000

Notes

The addition of inventory at net realizable value 190, 000 is because the international financial reporting standards treats inventory based on their realizable value. Generally accepted principle treats inventory based on their net realizable value less gross profit margin, and this is the reason the there is a deduction of 152, 000.

International financial reporting standards recognize value impaired as the difference between realizable amount at the beginning of the year and the net realizable value at the end of the year. The generally accepted accounting principle, on the other hand, recognizes the value impaired as the difference between the realizable amount during the commencement of the year and the present value of the anticipated cash flows at the end of the period. This explains why there is an addition of 6, 000 and a deduction of 5, 000.

International financial reporting standards recognize gain on sale and lease back as an addition of income in the income statement. On the other hand, generally accepted accounting principle does not recognize gain on sale and lease back as income in the income statement. This is the reason there is an addition to the amount of 150, 000 in the income statement adjustment. Generally accepted accounting principle does not capitalize revaluation gain instead it writes it off against the profit and loss account. On the other hand, International financial reporting standards capitalize the gain on revaluation, and this are the reason there is an addition of 720, 000 in the statement of stockholder’s equity recognition.

References

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Roberts, L. (2012). Principles of accounting. Journal of Accounting and Finance, 22-76.

Sueng, Y. (2012). Changes in Accounting Standards . Journal of Economics and Accounting, 23-65.