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[Finance](#)



he goals of the International Accounting Standards Committee include all of the following except a. To improve international accounting. b. To formulate a single set of auditing standards to be applied in all countries. c. To promote global acceptance of its standards. d. To harmonize accounting practices between countries.

2. Which of the following is true about the FASB after the mandatory adoption of IFRS by US companies a. The FASB will serve in an advisory capacity to the IASB. b. The FASB will remain the designated standard-setter for US companies, but incorporate IFRS into US GAAP. c. The role of the FASB post-IFRS adoption has not been determined. d. The FASB will cease to exist.

3. Milestones in the transition plan for mandatory adoption of IFRS by US companies include all of the following except a. Improvements in accounting standards. b. Limited early adoption of IFRS in an effort to enhance comparability for US investors c. Mandatory use of IFRS by US entities. d. All of the above are milestones in the transition plan for mandatory adoption of IFRS by US companies.

4. The roles of the IASC Foundation include a. establishing global standards for financial reporting. b. coordinating the filing requirements of stock exchange regulatory agencies. c. financing IASB operations. d. all of the above are roles of the IASC Foundation.

5. Which of the following statements is true regarding the IASC a. The IASC is a public-sector, not-for-profit organization. b. The IASC is accountable to an international securities regulator. c. The IASC is a stand-alone, private-sector organization. d. The IASC funds the operations of the IASB through filing fees paid to national securities regulators.

6.. Concerns of the SEC with regard to the mandatory adoption of IFRS by US entities include all of the following except a. the extent to which

the standard-setting process addresses emerging issues in a timely manner.

b. the security and stability of IASC funding. c. the enhancement of IASB independence through a system of voluntary contributions from firms in the accounting profession. d. the degree to which due process is integrated into the standard-setting process . 7.. Under the staged transition to mandatory adoption of IFRS being considered by the SEC, a. large, accelerated filers would begin IFRS filings for fiscal years beginning on or after December 31, 2011. b. non-accelerated filers would begin IFRS filings for fiscal years beginning on or after December 31, 2015. c. large non-accelerated filers would have until fiscal years beginning on or after December 15, 2017 to adopt IFRS. d. smaller reporting companies would begin IFRS filings for fiscal years beginning on or after December 15, 2016. . 8. In order to complete its first IFRS filing, including three years of audited financial statements, according to the staged transition to mandatory adoption of IFRS considered by the SEC, a large accelerated filer would need to adopt IFRS beginning in fiscal year a. 2011. b. 2012.

2013. d. 2014. 9. Benefits of the FASB Accounting Standards Codification (ASC) include all of the following except a. increases the independence of the FASB. b. aids in the convergence of US GAAP with IFRS. c. reduces time and effort required to research accounting issues. d. clearly distinguishes between authoritative and non-authoritative guidance. 10. SFAS No. 162, the Accounting Standards Codification, is directed to a. auditors. b. Boards of Directors. c. securities regulators. d. entities. 11. IFRS and US GAAP differ with regard to financial statement presentation in all of the following except a. IFRS generally requires that assets be listed in order of increasing liquidity

while US GAAP requires that assets be listed in order of decreasing liquidity.

b. US GAAP requires expenses to be listed by function while IFRS requires expenses to be listed by nature. c. IFRS prohibits extraordinary items which are allowed by US GAAP. d. IFRS requires two years of comparative income statements while under US GAAP, three years of income statements are required. 12. The major difference between IFRS and US GAAP in accounting for inventories is that a. US GAAP prohibits the use of specific identification. b. IFRS requires the use of the LIFO cost flow assumption.

US GAAP prohibits the use of the LIFO cost flow assumption d. US GAAP allows the use of the LIFO cost flow assumption. 13. One difference between IFRS and GAAP in valuing inventories is that a. IFRS, but not GAAP, allows reversals so that inventories written down under lower-of-cost-or-market can be written back up to the original cost . b. GAAP defines market value as replacement cost where IFRS defines market as the selling price. c. GAAP strictly adheres to the historical cost concept and does not allow for write-downs of inventory values while IFRS embraces fair value. d. IFRS, but not GAAP, requires that inventories be valued at the lower of cost or market. 14. In accounting for research and development costs. a. the general rule under both US GAAP and IFRS is that research and development costs should be expensed as incurred . b. IFRS generally expenses all research and development costs while US GAAP expenses research costs as incurred but capitalizes development costs once technological and economic feasibility has been demonstrated. c. US GAAP generally expenses all research and development costs while IFRS expenses research costs as incurred but capitalizes development costs once technological and economic feasibility

has been demonstrated. d. both US GAAP and IFRS expense research costs as incurred but capitalize development costs once technological and economic feasibility has been demonstrated.

Property, plant and equipment are valued at a. historical cost under both IFRS and US GAAP. b. historical cost or revalued amounts under both IFRS and US GAAP. c. revalued amounts under IFRS. d. historical cost under US GAAP while IFRS allows the assets to be valued at either historical cost or revalued amounts. 16. The amount of a long-lived asset impairment loss is generally determined by comparing a. the assets carrying amount and its fair value under US GAAP. b. the assets carrying amount and its discounted future cash flows less cost to sell under IFRS. c. the assets carrying amount and its undiscounted future cash flows under US GAAP. d. the assets carrying amount and its undiscounted future cash flows less disposal cost under IFRS. 17. In accounting for liabilities, IFRS interprets probable as a. likely. b. more likely than not. c. somewhat possible. d. possible and not remote. 18.

Accounting under IFRS and US GAAP is similar for all of the following topics except a. changes in estimates. b. related party transactions. c. research and development costs. d. changes in methods. Use the following information to answer the next three questions. c. the use by IFRS of other capital reserves for retained earnings. d. the use by IFRS of issued capital for common stock.

New terminology introduced under the joint IFRS- US GAAP Customer Consideration (Allocation) Model includes all of the following except a. revenue recognition voids. b. contract rights. c. net contract asset/ liability. d. performance obligations. 24. Under IFRS, the criteria to determine whether a lease should be capitalized include a. the present value of the minimum <https://assignbuster.com/test-bank-advanced-accounting-essay-sample/>

lease payments is 90 or more of the fair value of the asset at the inception of the lease. b. the term of the lease is 75 or more of the economic life of the asset. c. the term of the lease is equal to substantially all of the economic life of the asset. d. the present value of the minimum lease payments is equal to substantially all of the fair value of the asset at the inception of the lease.

Use the following information to answer the next three questions. Bellingham Electronics Inc. offers one model of laptop computer for 1000 and a two-year warranty for 250. The retailer, as part of a Boxing Day promotion, offers a limited-time offer for the laptop, including delivery and the two-year warranty for 1, 180. The cost of the computer to Bellingham is 700. Any warranty repairs are assumed to be done ratably over time. Bellingham accounts for transactions using the customer consideration model. In the first twelve months following the sale, Bellingham incurred 980 of costs servicing the computers under warranty. 25. Bellingham sells ten laptops to Bertram Inc. under the limited-time promotion.

Upon delivery of the laptops to Bertram, Bellingham will recognize revenue of a. 9, 300. b. 9, 440 c. 10, 000. d. 11, 800. 26. In the first twelve months following the sale, Bellingham would reduce the Contract liability warranty account by a. 784. b. 980 c. 1, 180. d. 1, 380. 27. In the first twelve months, Bellingham would record warranty expense of a. 784. b. 980 c. 1, 180. d. 1, 380. 28. Significant differences between IFRS and Chinese GAAP include all of the following except a. Chinese GAAP allows the use of LIFO while IFRS prohibits it. b. Chinese GAAP has different related party disclosure requirements. c. Chinese GAAP follows the cost principle while IFRS allows for revaluations and recoveries of impairment losses. d. Chinese GAAP uses the

equity method of accounting for jointly controlled entities while IFRS also allows proportionate consolidation. 29. All of the following are options for non-US companies who wish to list securities on a US exchange except a. The company can use either IFRS or their local GAAP. b. If a company uses their local GAAP they must reconcile net income and shareholders equity or fully disclose all financial information required of US companies. c. If a company uses their local GAAP they must reconcile net income and shareholders equity and fully disclose all financial information required of US companies d. The company must file a form 20-F with the SEC.

All of the following are true regarding American Depository Receipts (ADRs) except a. Most ADRs are unsponsored, meaning that the DR bank creates a DR program without a formal agreement with the issuing non-US company. b. An ADR is a derivative instrument traded in the US that usually represents a fixed number of publicly traded shares of a non-US company. c. ADRs are denominated in US dollars. d. A Level 1 sponsored ADR is the easiest way for a non-US company to access US markets. Exercise from the Textbook

Exercise 11-1 Component Depreciation SMC Company purchases a building for 100, 000. Included in this cost are 12, 000 for electrical systems and 15, 000 for the roof. The building is expected to have a 40 year useful life, but the electrical system will last for 20 years and the roof will last 15 years.

Required Part A Assuming that straight-line depreciation is used, compute depreciation expense assuming that U. S. GAAP is used. Part B Assuming that straight line depreciation is used, compute depreciation expense for year one assuming IFRS is used (assume component depreciation). " Problem from the Textbook Problem 11-4 Prepare a statement of financial position

using the proposed new format as described in the chapter. " Questions from the Textbook As mentioned in Chapter 1, the project on business combinations was the first of several joint projects undertaken by the FASB and the IASB in their move to converge standards globally. Nonetheless, complete convergence has not yet occurred, and there are those who believe it to be a poor idea.

Discuss the reasons for and against global convergence. In recent months, virtually every topic that has come to the attention of the standard setters has been undertaken as a joint effort of the FASB and the IASB rather than as an individual effort by one of the two boards. List and discuss some of the joint projects that fall into this category. What is the rationale for the harmonization of international accounting standards Why is the SEC, once so reluctant to accept IAS, now very willing to allow firms using IFRS to issue securities in the U. S. stock market without reconciling to U. S. GAAP Discuss the types of ADRs that non-U. S. companies might use to access the U. S. markets. Describe the attitude of the FASB toward the IASB (International Accounting Standards Board). How does the FASB view its role in the development of an international accounting system Currently, two members of the IASB board were affiliated with the FASB. Comment on what effect this might have on the likelihood that the U. S. standard setters will accept the new IASB statements, if any List some of the major differences in accounting between IFRS and U. S. GAAP.

Business Ethics Question from the Textbook A vice president of marketing for your company has been charged with embezzling nearly 100, 000 from the company. The vice president allegedly submitted fraudulent vendor invoices <https://assignbuster.com/test-bank-advanced-accounting-essay-sample/>

in order to receive payments. As the vice president of marketing for the company, the vice president is authorized to approve the payment of invoices submitted by third-party vendors who did work for the company. After the activities were uncovered, the company responded by stating All employees are accountable to our ethics guidelines and procedures. We do not tolerate violations of our ethics policy and will consistently enforce these policies and procedures. How would you evaluate the internal controls of the company Do you think there are companies that develop comprehensive ethics and compliance pro-grams for mid- and lower-level employees and ignore upper-level executives and managers Is it an ethical issue if companies are not forth-coming concerning fraudulent activities of top executives in an effort to minimize negative publicity.

Solution to Exercise 11-1 Exercise 11-1. The following entries would be recorded assuming either U. S. GAAP or IFRS is used. U. S. GAAP Asset 100, 000 Cash 100, 000 IFRS Building electrical systems 12, 000 Building roof 15, 000 Building Other 73, 000 Bank/Liability 100, 000 The entry to record depreciation expense would be Part A Depreciation expense U. S. GAAP Depreciation (100, 000/40)2, 500 Accumulated Depreciation 2, 500 Part B Depreciation expense IFRS Depreciation Building electrical systems (12, 000/20)600 Depreciation Building roof (15, 000/15)1, 000 Depreciation Building Other (73, 000/40)1, 825 Accumulated Depreciation building 3, 425 " Solution to Problem 11-4 BUSINESS20102011Operating assets and liabilitiesShort-termAccounts Receivable97, 20090, 600Allowance for doubtful accounts (14, 400) (12, 600)Inventory518, 400 562, 800 Prepaid insurance24, 600 21, 600 Short-term assets625, 800 662, 400 Accounts

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Payable - trade (195, 600)(178, 800)Accrued interest payable (11, 400) (16, 800)Short-term liabilities (207, 000)(195, 600)Long-termPlant equipment735, 600 780, 000

Accumulated depreciation (120, 000)(126, 000)Net long-term assets615, 600 654, 000 Net operating assets1, 034, 400 1, 120, 800 Investing assetsShort-termInvestment (trading)16, 800 20, 400 Long-term Investments (equity method)16, 800 18, 000 Net investing assets33, 600 38, 400 Net business assets1, 068, 000 1, 159, 200 FINANCING Financing assets Short-termCash49, 200 40, 800 Financing liabilities Short-termDividend payable (24, 000) (19, 200)Short-term loan payable (66, 000) (84, 000)Short-term liabilities (90, 000)(103, 200)Long-termBond payable, net of discount (120, 000)(174, 000)Net financing liabilities (160, 800)(236, 400)Problem 11-4 (continued) INCOME TAXESShort-termIncome taxes payable (19, 200) (13, 200)Long-termDeferred tax liability (66, 000) (45, 600)Net income tax liability (85, 200) (58, 800)NET ASSETS822, 000 864, 000 EQUITYCommon Stock paid in capital264, 000 264, 000 Retained Earnings582, 000 606, 000

Less Treasury stock (24, 000) (6, 000)TOTAL EQUITY822, 000 864, 000
 Accounts payable195, 600 178, 800 Dividends payable24, 000 19, 200
 Accrued interest payable11, 400 16, 800 Income taxes payable19, 200 13, 200
 Short-term loan payable66, 000 84, 000 Bond payable135, 000 186, 000
 Discount on bond payable(15, 000) (12, 000)Deferred taxes66, 000 45, 600
 Common stock108, 000 108, 000 Capital-in-excess of par156, 000 156, 000
 Retained earnings582, 000 606, 000 Less treasury stock(24, 000) (6, 000)

Total liabilities and equity1, 324, 200 1, 395, 600 The solution listed above is in agreement with the discussion paper issued by the FASB in October 2008.

However, in a subsequent meeting (November 2009), the FASB changed some of the aspects of the draft. The following are the changes that the FASB proposed to the original discussion paper on October 2008. Equity will no longer be a separate category, but will be included within the Financing Section.

Cash and short-term financial assets (or financial liabilities) used as a substitute for cash will be included in the business section (rather than reported in the financing section). " Solutions to Questions from the Textbook 1. There might be considerable training costs in switching to IFRS because U. S. investors and accountants will need to learn how to apply and interpret IFRS. The use of IFRS might also reduce the quality of financial reports and impede comparability as the IFRS GAAP allows more judgment by management. Managers may choose to use methods that make them look better. Finally, it is not clear who will handle the enforcement of the international rules and how violators might be punished. 2. Two major projects are revenue recognition and financial statement presentation. Currently, U. S. GAAP provides significant guidance for revenue recognition, specifically with regards to some industries. It is hoped that the joint effort can lead to a joint revenue recognition standard that might eliminate guidance required for different industries. A second joint project is the financial statement presentation project.

This project would provide consistent presentation of the financial statement and eliminate alternative reporting options. 3. The interest in harmonizing international accounting standards is due to many factors. Currently, most countries have their own accounting standard setting bodies resulting in a <https://assignbuster.com/test-bank-advanced-accounting-essay-sample/>

divergence of accounting practices in the world. In addition, the application of principles varies. As international trade and cross-border financing increase, it is difficult to evaluate the financial status of firms. The divergent accounting standards reduce the efficiency of the capital markets. 4. The SEC has been reluctant to accept IAS because they are more general and often provide little guidance on applying the methods. The SEC believes that the efficiency of the US markets is partly due to the high level of reporting required in the US and that any reduction in this quality would result in less efficient markets. However, over the last several years, the international rules and the U. S. rules have been converging and many of the significant differences that existed in the past have been eliminate.

ADRs are classified as either sponsored or unsponsored. Unsponsored ADRs are becoming less popular. These occur when a bank offers a DR program without an agreement with the issuing non-US company. Sponsored programs require an exclusive agreement between a bank and the non-US company. There are four types of sponsored ADR programs for firms not issuing capital there are Level I and Level II ADR programs, and for firms issuing capital, there are Level III and Rule 144 A programs. 6. In a 1998 report of the FASB regarding the future of international accounting, the FASB described its vision of a successful international accounting system. The FASB stated its belief that the worldwide use of a single set of accounting standards is desirable and eventually attainable, but that the ideal outcome will result from pursuing the overall objective of increasing international compatibility while maintaining the highest quality accounting standards in

the United States. Over the last five years, the FASB has worked jointly with the IASB on issuing new standards and converging accounting standards.

Solution to Business Ethics Question from the Textbook Business

ethics solutions are merely suggestions of points to address. The objective is to raise the students awareness of the topics, and to invite discussion. In most cases, there is clear room for disagreement or conflicting viewpoints. Unfortunately there are instances where ethics and compliance programs are designed for mid- and lower-level employees. This should not lead anyone to believe that upper-level managers are always ethical. This is a very difficult issue for companies to balance. On one hand, the managers of these companies do not want stockholders and other users of the financial statements to have a mistaken belief concerning the issues at hand. If the information is not reliably disclosed, there might be an adverse impact on the firms stock price. But at the same time, they dont want to appear to be hiding information. In this case, the users might believe that more significant issues are being withheld, and a negative stock price reaction might occur regardless.