

1. Answer briefly:

- a) Reasons for major international differences in accounting practices in the world. (8 p)
- b) Underlying rules and regulations of financial accounting in the USA. Give also 3 examples of differences in US GAAP standards compared to IFRS. (8 p)

2. Inventory Valuation (7 p)

- a) Consider the information provided at 30 June: Replacement Cost Value 29 euro/item, Net Realizable Value 53 euro/item and Current Sales price 62 euro/item. How will this information affect your calculations?
- b) Calculate the cost of sales and gross profit based on:
 - i) FIFO,
 - ii) Moving-Average Cost assumption
 - iii) Weighted-Average Cost assumption from the given data below
- c) Comment upon the differences and discuss their implications in practice.

	Transaction	Amount	Unit price (€)	Total EUR (€)
January	Opening Balance	10	25	250
February	Purchase	15	30	450
March	Sales	15		750
April	Purchase	20	35	700
May	Sales	18		1080

- 3. a)** Calculate and show the amount of revenue, expenses and profit recognized in the income statement in each year (year 1-4) in the case below. (7 p)

A construction contractor Z has a fixed price contract for 80 m€ (revenue) to build a ship. The building time is estimated to four years. The contractor's contract costs are 72 m€ by the end of the fourth year. Below you can find detailed data for each year. The company uses percentage-of-completion method in accordance with IAS 11. The degree of completion is based on costs incurred in relation to total estimated contract costs.

	Year 1	Year 2	Year 3	Year 4
Costs incurred during year (m€)	18	22	18	14
Accumulated costs incurred (m€)	18	40	58	72
Year end estimate of costs to complete (m€)	50	30	14	
Bills raised during year (m€)	20	20	20	20
Cash received during year (m€)	16	24	16	24

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- b) An enterprise is facing a substantial legal claim for 5 M€. The lawyers estimate that there is a 60 % chance of successfully defending the claim. How should this issue be dealt with in the financial statements? (5 p)

4. How should goodwill be dealt with in accordance with IAS 36? (10 p)

5. Direct Taxes (10p)

Describe the three alternative solutions for managing the relationship between financial accounting and tax accounting. Also illustrate and explain the difference between the models in the financial reports (Income Statement and Balance Sheet). (10 p)

6. Valuation choices – risks and possibilities. (15 p) (ESSAY)

GOOD LUCK! Maximum 70 points, a minimum of 35 points required to pass