

INTERNATIONAL ACCOUNTING

Exam 21.12.2012

2191 / 22E00400

time: 4h

Equipment: English
vocabulary, calculator

All five questions are worth 20 points each – answer in English !

1. International accounting classifies lease contracts into operating leases and finance (capital) leases. What are the *differences between these two types* of leases and what are the *criteria* (in example form in IFRS) for a lease to be classified as a finance lease?
2. Explain the main features of the *impairment of assets* IFRS and U.S. GAAP standards (excluding goodwill)! What are the principal differences? What *type of indications* (external sources and internal sources) should be considered in determining whether an asset is impaired?
3. a) Define *service cost* and *interests cost* under defined benefit plans!
 b) Under what circumstances does an auditor issue a *qualified opinion*?
 c) What are typical causes of *deferred tax assets*?
 d) How is investment property *defined* and *accounted* for (IAS 40)?
 e) How are *derivatives* accounted for?
4. a) Calculate both *basic* and *diluted earnings per share* (EPS) for the following case!
 Profit attributable to ordinary equity holders for the year 2009 was € 3 000 000. During 2009, the weighted average number of ordinary shares outstanding was 500 000 shares and the average market price of one ordinary share € 50.00. During 2009, the weighted number of shares under option was 100 000 shares and the exercise price for shares under option was € 37.50.
 b)) When should the *equity method* be applied for share investments and how does the method work (income statement, balance sheet)?
5. a) On 31 July 2011 Protection, Inc. enters into a forward exchange contract to receive £ 100 000 and deliver € 127 000 on 30 June 2012, the purpose of which is to hedge the acquisition of a custom-made machine from a British manufacturer. It designates the forward exchange contract as a hedging instrument in a cash flow hedge of a *firm commitment* to buy the machine on 31 March 2012, and to pay the resulting payable due on 30 June 2012. All hedge accounting conditions are met. In the table below are the spot rates and forward rates at relevant dates. Assume a 4% rate (yield curve). *Record the journal entries* for 31.07.2011 and 31.12.2011!

<u>Date</u>	<u>Spot rate</u>	<u>Forward rate to 30.06.2012</u>
31.07.2011	1.234	1.270
31.12.2011	1.245	1.264
31.03.2012	1.240	1.243
30.06.2012	1.234	

- b) Conquer Inc. acquired 80% of the shares in Confidentiality Inc. for € 2480. After allocating the purchase price to Confidentiality's tangible and intangible assets in accordance with these assets' fair values, € 800 of the purchase price of € 2480 was unallocated? At *what amount* would *goodwill* normally be stated according to IFRS and US GAAP (assuming no overprice payment)?
- c) After a business acquisition, how would patents acquired be *accounted* for?