INTERNATIONAL ACCOUNTING 2191 / 22E00400

Exam 20.02.2016 time: 4h

Equipment: English vocabulary, calculator

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

1 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?

2. a) What are typical causes of *deferred tax assets*?
b) *How* is investment property *defined* and *accounted* for (IAS 40)?
c) Define *plan assets* and *what are typical reasons for actuarial gains and losses* under defined benefit plans!
d) When should the *equity method* be applied for share investments and how does the method work (income statement, balance sheet)?
e) Under what circumstances does an auditor issue a *disclaimer of opinion*?

3. a) Company Fast is performing an *impairment test* of goodwill which was the result of a business acquisition a year ago. At that time the acquisition cost was allocated to the so called cash generating unit 1 (CGU1) as shown below. The value in use (recoverable amount) of CGU1 now one year later is determined to be € 7200. Perform the impairment test according to IFRS! *What are the new carrying amounts (book values) of the assets?* Tell verbally *how the U.S. GAAP goodwill impairment test would differ* from that of IFRS!

CGU1 (time of acquisition)	€
Goodwill	2400
Intangible assets	4800
Tangible fixed assets	2880
Cash, Receivables, Inventory	1920

1440000

b) Under what circumstances does an auditor issue a *qualified(modified)* opinion.

4. a) You have the following information about options granted on January 1, 2011.

Options granted 90 000	Expected life of options 6 years
Employees granted options 300	Risk-free interest rate 7,5%
Expected forfeitures per year 2%	Expected volatility 30%
Stock price € 50	Expected dividend yield 2,5%
Exercise price € 50	

The options vest according to a graded schedule (graded vesting) of 25% for the first year of service, 25% for the second year of service, and the remaining 50% for the third year. Each employee is granted 300 options. The value per option is assumed to be € 10.00 in 2011, € 14.00 in 2012 and € 16.00 in 2013.
How many employees are expected to receive options in each year (2011-2013)? (Round the number where needed) *What are the compensation costs to be recorded as an expense in each year?*

b) How are *derivatives accounted* for?

5. a) How should *research and development costs* be accounted for according to IFRS rules and U.S. GAAP? Compare!
b) What does *management approach* in segment reporting mean?

1.