

Chapter 1

A Survey of International Accounting

A brief description of the major points covered in each case and problem.

CASES

Case 1-1

In this case, students are introduced to the difference in accounting for R&D costs between IFRS and U.S. GAAP and asked to provide arguments to support the different standards and to give an opinion on which method is better.

Case 1-2 (adapted from a case prepared by Peter Secord, Saint Mary's University)

In this real life case, students are asked to discuss the merits of historical costs vs. replacement costs. Actual note disclosure from a company's financial statements is provided as background material.

Case 1-3 (adapted from a case prepared by Peter Secord, Saint Mary's University)

A Canadian company has just acquired a non-controlling interest in a U.S. public company. It must decide whether to use IFRSs or U.S. GAAP for the U.S. subsidiary. Financial statement information is provided under IFRSs and U.S. GAAP.. The reasons for some of the differences in numbers must be explained and an opinion provided as to which method best reflects economic reality. .

Case 1-4

This case is adapted from a CICA case. A private company is planning to go public. Analysis and recommendations are required for accounting issues related to purchase and installation of new information system, revenue recognition, convertible debentures and doubtful accounts receivable.

Case 1-5

This case is adapted from a CICA case. A mining company has just sold one of its operating divisions. Analysis and recommendations are required for accounting issues related to discontinued operations, revenue and expense recognition, government grants and pollution rights, purchase and installation of new information system, revenue recognition, convertible debentures and doubtful accounts receivable.

PROBLEMS

Problem 1-1 (40 min.)

A single asset is acquired, and students are asked to prepare and compare financial statement numbers during the life of the asset using both a historical cost and a current value model.

Problem 1-2 (40 min.)

Details of a European company that reports using IFRSs are given along with specific details relating to certain account balances. Students are asked to show how these balances should be reported under 1) U.S. GAAP, and 2) IFRSs using the facts provided. Students are also asked to reconcile Net Income and Shareholders' Equity to from IFRSs to U.S. GAAP.

Problem 1-3 (50 min.)

A private company plans to convert to IFRS go public within 5 years. It wants to know the impact on net income and shareholders' equity if it converts from ASPE to IFRSs for impaired loans, interest costs, actuarial gains, compound financial instrument and income taxes.

Problem 1-4 (40 min.)

A private company plans to convert to IFRS and wants to know the impact on the debt-to-equity ratio and return on total shareholder's equity. The major issues pertain to impairment of intangible assets, revaluation of PP&E, R&D costs and redeemable preferred shares.

WEB-BASED PROBLEMS

Web Problem 1-1

Students are asked to access the financial statements of China Mobile Limited, a public company incorporated in China and listed on a U.S. stock exchange. The student answers a series of questions based on the company's financial statements. The questions are aimed at highlighting the differences between IFRSs and U.S. GAAP.

Web Problem 1-2

Students are asked to access the financial statements of Dr. Reddy's Laboratories Limited, a public company incorporated in India and listed on a U.S. stock exchange. The student answers a series of questions based on the company's financial statements. The questions are aimed at highlighting the differences between IFRSs and U.S. GAAP.

Web Problem 1-3

Students are asked to access the financial statements of Toyota Motor Corporation, a public company incorporated in Japan and listed on a U.S. stock exchange. The student answers a series of questions based on the company's financial statements. The questions are aimed at highlighting the differences between IFRSs and U.S. GAAP.

Web Problem 1-4

The student analyzes the 2010 and 2011 financial statements of Cenovus, a Canadian oil company, and answers a series of questions aimed at highlighting the transition from Canadian GAAP to IFRSs.

Web Problem 1-5

The student analyzes the 2010 and 2011 financial statements of Goldcorp, a Canadian gold producer, and answers a series of questions aimed at highlighting the transition from Canadian GAAP to IFRSs

SOLUTIONS TO REVIEW QUESTIONS

1. There are times when users may want financial reports that do not follow GAAP. For example, users may need financial statements using non-GAAP accounting policies required for legislative or regulatory purposes, or for contract compliance. A prospective lender may want to receive a balance sheet with assets reported at fair value rather than historical cost. Accountants have the skills and abilities to provide financial information in a variety of formats or using a variety of accounting policies. When the financial statements use non-GAAP accounting policies, the accounting policies must be disclosed in the notes to the financial statements. The accountant's report would make reference to these accounting policies.
2. Accounting students and professionals need to be aware of the differences between accounting practices in Canada and in other countries for three reasons. First, as the financial and capital markets become more and more international, there is a higher chance that they may need to interpret financial statements from other countries at some point in their career. Second, they may want to move to another country to further their