**Exercise A-2 Lower-of-Cost-or-Market Rule**

*The cost of Baxter’s inventory at the end of the year was $50,000. Due to obsolescence, the cost to replace the inventory was only $40,000. Net realizable value—what the inventory could be sold for—is $42,000. Determine the amount Baxter should report on its year-end balance sheet for inventory assuming the company follows (a) U.S. GAAP and (b) IFRS.*

|  |  |  |
| --- | --- | --- |
|  | **U.S. GAAP** | **IFRS** |
| Year-end inventory |  |  |

**Exercise A-3**

*Maple Corp. owns a building with an original cost of $1,000,000 and accumulated depreciation at the balance sheet date of $200,000. Based on a recent appraisal, the fair value of the building is $850,000.*

1. *At what amount will the building be reported on the year-end balance sheet if Maple follows U.S. GAAP?*

|  |  |
| --- | --- |
| **U.S. GAAP Amount** | **Calculation** |
|  |  |

1. *Does Maple have a choice in the amount to report for the building if instead it follows IFRS? What are those choices?*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Yes** | **No** | **Amount to Report** |
| Choice? |  |  |  |

**Exercise A-4 Statement of Cash Flows**

*During the most recent year, Butler paid $95,000 in interest to its lenders and $80,000 in dividends to its stockholders.*

1. *In which category of the statement of cash flows (operating, investing, or financing) should each of these amounts be shown if butler follows U.S. GAAP? If more than one category is acceptable indicate what the choices are.*
2. *In which category of the statement of cash flows (operating, investing, or financing) should each of these amounts be shown if Butler follows IFRS? If more than one category is acceptable, indicate what the choices are.*

|  |  |  |
| --- | --- | --- |
|  | **Category - U.S. GAAP** | **Category - IFRS** |
| Interest |  |  |
| Dividends |  |  |

FASB and IFRS have worked together over the last several years to develop a plan of convergence for the two sets of standards.  However, financial statements in the U.S. are still prepared using GAAP.  To see if any new progress has been made towards IFRS adoption, visit some of the following websites:

IASB:  [www.iasb.org](http://www.iasb.org/)

FASB   [www.fasb.org](http://www.fasb.org/)

AICPA  [www.ifrs.com](http://www.ifrs.com/%22%20%5Ct%20%22_blank)

Deloitte  [www.deloitte.com](http://www.deloitte.com/%22%20%5Ct%20%22_blank)

Ernst & Young  [www.ey.com](http://www.ey.com/%22%20%5Ct%20%22_blank)

PricewaterhouseCoopers  [www.pwc.com](http://www.pwc.com/)

KPMG   [www.kpmg.com](http://www.kpmg.com/)