$20,000 and is being depreciated on a straight-line basis. On January 1, 2010, the equipment was appraised and determined to have a fair value of $101,000, a salvage value of $20,000, and a remaining useful life of nine years.

a. Determine the amount of depreciation expense that Bracy should recognize in determining net income in 2009, 2010, and 2011 and the amount at which equipment should be carried on to December 31, 2009, 2010, and 2011, balance sheets using (1) IFRS and (2) U.S. GAAP. In measuring property, plant, and equipment subsequent to acquisition, Bracy uses a revaluation method that is *IAS 16*'s allowed alternative.

b. Determine the adjustments that Bracy would make in 2009, 2010, and 2011 to reconcile net income and stockholders' equity under IFRS to a U.S. GAAP basis.

13. Moxie Corporation incurs research and development costs of $500,000 in 2009, 30 percent of which relates to development activities subsequent to certain criteria having been met that suggest that an intangible asset has been created. The newly developed product is brought to market in January 2010 and is expected to generate sales revenue for 10 years.

a. Determine the amount Moxie should recognize as research and development expense in 2009 under (1) IFRS and (2) U.S. GAAP.

b. Determine the adjustments that Moxie would make in 2009 and 2010 to reconcile net income and stockholders' equity under IFRS to a U.S. GAAP basis.

14. Ilmanov Ltd. sold a building to a bank at the beginning of 2009 at a gain of $50,000 and immediately leased the building back for a period of five years. The lease is accounted for as an operating lease.

a. Determine the amount of gain on the sale and leaseback that Ilmanov should recognize in 2009 under (1) IFRS and (2) U.S. GAAP.

b. Determine the adjustments that Ilmanov would make in 2009 and 2010 to reconcile net income and stockholders' equity under IFRS to a U.S. GAAP basis.

15. Ramshare Company acquired equipment at the beginning of 2009 at a cost of $100,000. The equipment has a five-year life with no expected salvage value and is depreciated on a straight-line basis. At December 31, 2009, Ramshare compiled the following information related to this equipment:

Expected future cash flows from use of the equipment	$85,000
Present value of expected future cash flows from use of the equipment	75,000
Fair value (net selling price), less costs to dispose	72,000

a. Determine the amount at which Ramshare should carry this equipment on its December 31, 2009, balance sheet and the amount, if any, that it should report in net income related to this inventory using (1) IFRS and (2) U.S. GAAP.

b. Determine the adjustments that Ramshare would make in 2009 and 2010 to reconcile net income and stockholders' equity under IFRS to a U.S. GAAP basis. Ignore the possibility of any additional impairment at the end of 2010.

Develop Your Skills

ANALYSIS CASE—APPLICATION OF *IAS 16*

CPA skills

Abacab Company's shares are listed on the New Market Stock Exchange, which allows the use of either international financial reporting standards (IFRS) or U.S. GAAP. On January 1, Year 1, Abacab Company acquired a building at a cost of $10 million. The building has a 20-year useful life and no residual value and is depreciated on a straight-line basis. On January 1, Year 3, the company hired an appraiser who determines the fair value of the building (net of any accumulated depreciation) to be $12 million.