6. What is the so-called Norwalk Agreement?
   a. An agreement between the FASB and SEC to allow foreign companies to use IFRSs in their filing of financial statements with the SEC.
   b. An agreement between the U.S. FASB and the U.K. Accounting Standards Board to converge their respective accounting standards as soon as practicable.
   c. An agreement between the SEC chairman and the EU Internal Market commissioner to allow EU companies to list securities in the United States without providing a U.S. GAAP reconciliation.
   d. An agreement between the FASB and the IASB to make their existing standards compatible as soon as practicable and to work together to ensure compatibility in the future.

7. Which of the following is *not* one of the FASB's initiatives to converge with IASB standards?
   a. The FASB eliminates differences between FASB and IASB standards by adopting IASB requirements, or vice versa, in a short-term convergence project.
   b. The FASB considers the possibility of convergence with IASB standards when deciding which topics to add to its work agenda.
   c. A member of the FASB serves as a liaison with the IASB by working out of the IASB's offices in London.
   d. A joint project develops a common conceptual framework that both the FASB and IASB could use as a basis for future standards.

8. Which of the following describes an IASB requirement that the FASB has adopted as part of the short-term convergence project?
   a. Following the IASB format for presentation of a statement of comprehensive income.
   b. Treating items such as idle facility expense, excessive spoilage, and rehandling costs as current period expenses rather than as part of the cost of inventory.
   c. Using the cost recovery method when the percentage of completion method is not appropriate for long-term construction contracts.
   d. Eliminating LIFO as an acceptable inventory cost flow method.

9. In which of the following areas does the IASB allow firms to choose between a benchmark treatment and an allowed alternative treatment?
   a. Measuring property, plant, and equipment subsequent to acquisition.
   b. Presenting gains and losses as extraordinary on the face of the income statement.
   c. Recognizing development costs that meet criteria for capitalization as an asset.
   d. Recognizing past service costs related to pension benefits that have already vested.

10. *IAS 1*, "Presentation of Financial Statements," does not provide guidance with respect to which of the following?
    a. The statements that must be included in a complete set of financial statements.
    b. The basic principles and assumptions to be used in preparing financial statements.
    c. The importance of prudence in preparing financial statements.
    d. The items that must be presented on the face of the financial statements.

Problems 11–15 are based on the Comprehensive Illustration at the end of the chapter.

11. Lisali Company gathered the following information related to inventory that it owned on December 31, 2009:

Historical cost	\$100,000
Replacement cost	95,000
Net realizable value	98,000
Normal profit margin	20%

    a. Determine the amount at which Lisali should carry inventory on the December 31, 2009, balance sheet and the amount, if any, that should be reported in net income related to this inventory using (1) IFRS and (2) U.S. GAAP.
    b. Determine the adjustments that Lisali would make in 2009 to reconcile net income and stockholders' equity under IFRS to a U.S. GAAP basis.

12. Bracy Company acquired a new piece of construction equipment on January 1, 2009, at a cost of \$100,000. The equipment was expected to have a useful life of 10 years and a residual value of