

What is IFRS?

Worksheet

IFRS is a single, principles-based set of global accounting standards, set by the IASB, that lets investors compare financial statements from companies in different countries on a consistent basis.

Questions

1. IFRS is set by which organization?
 - A) FASB
 - B) IASB
 - C) SEC
 - D) IRS
2. Which inventory method does IFRS prohibit?
 - A) FIFO
 - B) Weighted average
 - C) LIFO
 - D) Specific identification
3. IFRS is best described as:
 - A) Rules-based, U.S.-only
 - B) Principles-based, used internationally
 - C) A tax reporting standard
 - D) A stock exchange listing fee
4. Under IFRS, revaluing property to fair value is:
 - A) Never allowed
 - B) Allowed under the revaluation model (IAS 16)
 - C) Required every year for all assets
 - D) Only allowed for inventory
5. A German company holding land bought for 1,000,000 sees its fair value rise to 1,400,000. How does IFRS treat this?
6. A company holds inventory that cost \$80,000 to produce; under LIFO its most recent purchase cost was \$95,000. Can it use LIFO under IFRS?
7. A software firm signs a 3-year, \$300,000 contract and delivers services evenly. How is revenue recognized under IFRS 15?
8. Define: What does IFRS stand for?
9. Define: Who issues IFRS?
10. Define: Is IFRS rules-based or principles-based?

Answer Key

1. B) IASB - The International Accounting Standards Board (IASB) issues and maintains IFRS.
2. C) LIFO - IFRS (IAS 2) does not permit the LIFO (last-in, first-out) method.
3. B) Principles-based, used internationally - IFRS gives broad principles and relies on judgment, and is used in 140+ countries.
4. B) Allowed under the revaluation model (IAS 16) - IAS 16 permits companies to choose the revaluation model for property, plant & equipment.
5. IFRS (IAS 16) allows the revaluation model for property, plant & equipment The company can restate the land at fair value: 1,400,000 The 400,000 gain is recorded in other comprehensive income (not net income) Under GAAP this revaluation would not be allowed - the asset stays at 1,000,000 historical cost
6. Check the rule: IFRS (IAS 2) prohibits the LIFO inventory method entirely The company must use FIFO or weighted-average cost instead Using FIFO, the \$80,000 historical cost basis is reported GAAP, by contrast, would permit LIFO here
7. Identify the performance obligation: ongoing service delivery over 3 years Determine total contract value: \$300,000 Recognize revenue as the obligation is satisfied over time Annual revenue recognized = $\$300,000 / 3 = \$100,000$ per year
8. International Financial Reporting Standards.
9. The International Accounting Standards Board (IASB).
10. Principles-based - it relies more on judgment than GAAP's detailed rules.

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