

Tentin päivämäärä / Date of exam: 5.8.2013
Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: 721197S Advanced International Accounting (3)
Tentaattori(t)/ Examiner(s): Henry Jarva
Sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Laskin (ei graafinen/ohjelmoitava)/Calculator (not graphic, programmable) <input checked="" type="checkbox"/> Sanakirja/Dictionary <input type="checkbox"/> Muu materiaali, tarkennettu alla/Other material, specified below
Tenttiin vastaaminen / Please answer the questions <input checked="" type="checkbox"/> suomeksi/ in Finnish <input checked="" type="checkbox"/> englanniksi/ in English
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input type="checkbox"/> Kyllä/Yes <input checked="" type="checkbox"/> Ei/No

1. How research and development (R&D) activities are recognized on IAS 38? (6 points)
2. What indicators, at least, companies have to consider when considering whether impairment of an asset may have occurred? (6 points)
3. AIA Inc. has entered into a lease of property whereby the title to the land does not pass to the entity at the end of the lease but the title to the building passes after 15 years. The lease commenced on July 1, 20X5, when the value of land was €54 million and the building value was €18 million. Annual lease rentals paid in arrears commencing on June 30, 20X6, are €6 million for land and €2 million for buildings. The entity has allocated the rentals on the basis of their relative fair values at the start of the lease.

The payments under the lease terms are reduced after every 6 years, and the minimum lease term is 30 years. The net present value of minimum lease payments at July 1, 20X5, was €40 million for land and €17 million for buildings. The buildings are written off on the straight-line basis over their useful life of 15 years. Assume an effective interest rate of 7%.

Required: Discuss how AIA Inc. should treat this lease under IAS 17. (6 points)