

## YLEISEN TENTIN TENTTILOMAKE - GENERAL EXAM FORM

Opiskelija täyttää / Student fills in

<b>Opiskelijan nimi / Student name:</b> Click here to enter text.	<b>Opiskelijanumero / Student number:</b> Click here to enter text.
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Opettaja täyttää / Lecturer fills in

<b>Opintojakson koodi / The code of the course:</b> 721197S	
<b>Opintojakson (tentin) nimi / The name of the course or exam:</b> Advanced International Accounting	
<b>Opintopistemäärä / Credit units:</b> 6	
Mikäli kyseessä on välikoe, opintopistemääräksi täytetään 0 op. 0 ECTS Credits is used for mid-term exams.	
<b>Tiedekunta / Faculty:</b> Oulu Business School	
<b>Tentin pvm / Date of exam:</b> 16.12.2019	<b>Tentin kesto tunteina / Exam in hours:</b> 3 h
<b>Tentaattori(t) / Examiner(s):</b> Anna Rossi, Henry Jarva	<b>Sisäinen postiosoite / Internal address:</b> 6 OyKKK
<b>Tentissä sallitut apuvälineet / The devices allowed in the exam:</b>	
<input checked="" type="checkbox"/> Funktiolaskin / Scientific calculator <input type="checkbox"/> Ohjelmoitava laskin / Programmable calculator <input type="checkbox"/> Muu tentissä sallittu materiaali tai apuvälineet. Tarkenna alla. / Other material or devices, allowed in the exam. Specify below. Click here to enter text. <input type="checkbox"/> Tentissä ei ole sallittua käyttää apuvälineitä / The devices are not allowed in the exam	
<b>Muut tenttiä koskevat ohjeet opiskelijalle (esimerkiksi kuinka moneen kysymyksen opiskelijan tulee vastata) / Other instructions for students e.g. how many questions he/she should answer:</b> Click here to enter text.	

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### Tentin kysymykset / Exam questions:

1.

Explain current accounting treatment for share-based payments according to IFRS 2. Illustrate using employee stock options. Additionally, do you agree with the statements below? Why or why not?

- a) Since the cost arising from share-based payment transactions is already recognized in the dilution of earnings per share (EPS), recognizing an additional compensation expense in the income statement 'hits EPS twice'.
- b) Recognition of stock option compensation expense in the income statement violates the "proprietary view" of the firm, according to which transactions with firm shareholders do not affect income statement.

2.

E 16-4

Using the equity method  
(LO 1, 3)

AICPA  
ADAPTED

In January 2011, Harold Corporation acquired 20% of Otis Company's outstanding common stock for \$400,000. This investment gave Harold the ability to exercise significant influence over Otis. The book value of these shares was \$300,000. The excess of cost over book value was attributed to an identifiable intangible asset, a patent, which was undervalued on Otis' balance sheet and had a remaining 10-year useful life.

For the year ended December 31, 2011, Otis reported net income of \$90,000 and paid cash dividends of \$20,000 on its common stock.

**Required:**

1. How much would Harold Corporation's income increase in 2011 as a result of its investment in Otis?
2. What is the carrying value of Harold's investment in Otis Company at December 31, 2011?

3. Assume that on January 1, 2019, *Architech Inc.* signs a 10-year, non-cancelable lease agreement to lease a storage building from *Storage Company*. The following information pertains to this lease agreement.
  - a. The agreement requires equal rental payments of €90,000 beginning on January 1, 2019.
  - b. The fair value of the building on January 1, 2019, is €6,000,000.
  - c. The building has an estimated economic life of 100 years. *Architech Inc.* depreciates similar buildings on the straight-line method.
  - d. The lease is non-renewable. At the termination of the lease, the building reverts back to the lessor.
  - e. *Architech's* incremental borrowing rate is 12% per year. It is impracticable to determine the lessor's implicit rate.
  - f. The yearly rental payment includes €3,088.14 of executory costs related to taxes on the property.

**Required**

Prepare the journal entries prepared under IFRS 16 on the lessee's books to reflect the signing of the lease agreement and to record the payments and expenses related to this lease for the years 2019 and 2020. *Architech's* fiscal year-end is December 31.