YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:

Opettaja täyttää / Lecturer fills in:

Opintojakson koodi and nimi / The code and the name of the course:

Koodi / Code 721137S

Tentin nimi / Exam name International Financial Reporting

Tiedekunta / Faculty: Oulu Business School

Tentin pvm / Date of exam: 23.01.2018	Tentin kesto tunteina / Exam in hours: 3 h
Tentaattori(t) / Examiner(s): Alexandra Middleton	Opintopistemäärä / Credit units: 6 op
	Sisäinen postios. / Internal address: **6 OYKKK**

Sallitut apuvälineet / The devices allowed in the exam:

☒ Funktiolaskin / Scientific calculator   ☐ Ohjelmoitava laskin / Programmable calculator

☐ Muu materiaali, tarkennettu alla / Other material, specified below:

Tenttiin vastaaminen / Please answer the questions:
☒ Suomeksi / in Finnish   ☒ Englanniksi / in English

Suomenkielisessä tutkinto-ohjelmassa olevalla opiskelijalla on oikeus käyttää arvioitavassa opintosuorituksessa suomen kieltä, vaikka opintojakson opetuskieli olisi englanti. Tämä ei koske vieraan kielen opintoja. (Kts. Koulutuksen johtosääntö 18 §)

In a Finnish degree programme a student has a right to use Finnish language for their study attainment, even though the language of instruction is English, (excluding language studies) even when the language of instruction is other than Finnish. (See the Education Regulations 18 §)

Kysymyspaperi on palautettava / Paper with exam questions must be returned:
☐ Kyllä / Yes   ☒ Ei / No

Exam consists of three parts. Maximum number of points is 24. Exam passing score is 12 points.

Part 1. Max. 8 points

1.1. Book value reflects the economic worth of an asset. (max. 1 point)

   True   False

1.2 Salvage value of material from demolishing a building is considered a reduction in the cost of the building. (max. 1 point)

   True   False

1.3.1. Provide a definition of a long-lived asset. Elaborate on which costs are capitalized and which are expensed during initial recognition of tangible long-lived assets. (max.6 points)

Part 2 Max. 8 points

Answer the following multiple choice questions (4 points)

2.1. Net realizable value of receivables is gross receivables minus (max.1 point)

   A. bad debt expense and sales returns.

   B. bad debt expense and estimated returns and allowances.

   C. estimated uncollectibles, and estimated returns and allowances.

   D. proven uncollectibles and estimated returns and allowances.

2.2. The matching principle requires that bad debts be treated as an expense in the year (max. 1 point)

   A. the sale is made.

   B. the customer files bankruptcy.

   C. in which the debt becomes six months past due.

   D. a court declares it to be uncollectible.

2.3. The allowance for uncollectibles account is (max. 1 point)

   A. added to gross accounts receivable.

   B. added to net accounts receivable.

   C. subtracted from gross accounts receivable.

   D. subtracted from net account receivable.

2.4. Edsel Inc. has the following unadjusted year end trial balance information available for 2014 (max 1 point):

Cash sales	$400,000
Credit sales	600,000
Ending accounts receivable balance	180,000
Ending allowance for uncollectibles	1,500
Estimated uncollectibles	2%

If Edsel uses the sales revenue approach for estimating bad debt expense, calculate the bad debt expense that should be shown in the income statement.

2.5. Elaborate on the challenges in accounting for defined benefit plans and how they are solved in IFRS and US GAAP (max. 4 points)

Part 3 Max. 8 points

Using Table 1 please answer the following questions:

1) Calculate gross profit margins for automative, automative leasing, energy and storage and services and other segments for the years 2016 and 2015. Comment on the change between years.

2) Comment on the item *Net loss*, what were the contributing factors to negative figures during years 2014-2016

3) Comment on the line *Research and Development* during years 2014-2016. What is the fundamental difference between US GAAP and IFRS in reporting Research and Development costs?

4) Comment on the line *provision for income taxes*. How is it calculated?

Table 1 Excerpt from Tesla form 10-K

Tesla, Inc.

Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenues			
Automotive	$ 5,589,007	S 3,431,587	S 2,874,448
Automotive leasing	761,759	309,386	132,564
Total automotive revenue	6,350,766	3,740,973	3,007,012
Energy generation and storage	181,394	14,477	4,208
Services and other	467,972	290,575	187,136
Total revenues	7,000,132	4,046,025	3,198,356
Cost of revenues			
Automotive	4,268,087	2,639,926	2,058,344
Automotive leasing	481,994	183,376	87,405
Total automotive cost of revenues	4,750,081	2,823,302	2,145,749
Energy generation and storage	178,332	12,287	4,005
Services and other	472,462	286,933	166,931
Total cost of revenues	5,400,875	3,122,522	2,316,685
Gross profit	1,599,257	923,503	881,671
Operating expenses			
Research and development	834,408	717,900	464,700
Selling, general and administrative	1,432,189	922,232	603,660
Total operating expenses	2,266,597	1,640,132	1,068,360
Loss from operations	(667,340)	(716,629)	(186,689)
Interest income	8,530	1,508	1,126
Interest expense	(198,810)	(118,851)	(100,886)
Other income (expense), net	111,272	(41,652)	1,813
Loss before income taxes	(746,348)	(875,624)	(284,636)
Provision for income taxes	26,698	13,039	9,404
Net loss	(773,046)	(888,663)	(294,040)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(98,132)	—	—
Net loss attributable to common stockholders	S (674,914)	S (888,663)	S (294,040)
Net loss per share of common stock attributable to common stockholders, basic and diluted	$ (4.68)	$ (6.93)	S (2.36)
Weighted average shares used in computing net loss per share of common stock, basic and diluted	144,212	128,202	124,539

The accompanying notes are an integral part of these consolidated financial statements.