**Case Study**

1. **What key financial ratios will be affected by the adoption of FAS 141R and FAS 160? What will be the likely effect?**

Once the FAS 141 R and FAS 160 are adopted, the likely impact can include the decreasing of any company’s ratio of debt to equity. There are also the chances that the ratio of debt to an asset may also decrease. The only reason behind this is that the increase in equity is because of the reclassification of the interest that is uncontrollable. In cases of the subsequent acquisitions, there could be the chances that the increase in the ratio of asset and equity be observed. This can happen when the market value experiences a further decrease in its ratio.

1. **Could any of the recent and forthcoming changes affect the company's acquisition strategies and potentially its growth?**

The potential effect of the company’s acquisition strategies could include the addition of the values in comparison to the value of the full market. The repercussions of this will include the increasing trend in the goodwill and the unlimited controls on the interests, Further, in case if the assets are raised or in case if they are overvalued, there are chances that they can experience a decrease in their full amount(Pounder 2010). The acquisitions are generally calculated because of the amount being paid or the full amount. That is why the important cost is just linked with the acquisitions. These can then result in expenses, that will for sure decrees the income, Similarly, if there is an entity which is trying to get over to the target of the earnings, this will then again have the effects on the decision about the acquisition.

1. **What were FASB's primary reasons for issuing FAS 141R and FAS 160?**

As mentioned in the FAS 141r and in the FAS 160, the FASB has already issued. It includes the minimum standards that can improve the relevancy in the standards that are maintained, the reliability standards- which are more likely to remain constant, and the comparison in the financial statements of the entities. Along with this, the FAS 141R, the FAS 160 and the revisions in the text of the IFRS 3 that were present in FASB/IASB were projected to facilitate the convergences in the fields of accounting and finance.

1. **What are qualifying SPE's? Do they exist under IFRS? What is the effect of FAS 166 eliminating the concept of qualifying SPEs on the convergence of accounting standards?**

The qualifying SPEs are the entities of special purposes. The important aspect of them is that they are very limited in their activities. They are also very limited in the type of assets they can hold to. Experts opine that this entity is passive, and this is the reason why this cannot be engaged in the active decision-making process, according to the terms that were arranged and set forth in FAS 140(Pounder 2010). As per the codification of the FASB, the qualifying SPEs are the trusts or a kind of legal entities that fulfils the conditions that are placed in FAS 140. Such entities normally involve the securitization of the mortgages. According to the rules and regulations of the IASB, it does not accept the idea of the qualification of the SPE. Therefore, the reduction and elimination of the SPEs, that are considered qualified facilitates the convergences in many areas of the accounting.

1. **If the company adopts IFRS, what changes should management be aware of?**

If the company adopts the IFRS and then an opportunity is available for the employees to get the train over to that, then there exist opportunities that the company will offer maximum opportunities for its staff to grow. Also, there exists a wide potential for the company to grow. If the staff has the knowledge and skills of both the US GAAP and the IFRS, it can provide ample opportunities in the host country and abroad. The professionals that have the working experience and the knowledge of both the accounting modules will be placed high in the demands through the world. As there are many chances that the US companies are ready for the adoption of the IFRS(Foundation 2009). So, the professionals of accounting who have both the knowledge about the IFRS will also have significant knowledge of the global market knowledge.

1. **What are the principal differences between IFRS and the US GAAP?**

The principal difference between the IFRS and the US GAAP are as follow

*Inventory:* As the U.S. GAAP allows the usage of LIFO inventories for the cost flow assumption, IFRS especially do not allow the use of LIFO. Also, the minimum of cost or the rules of the market (LOCM) is applied uncommonly in IFRS. Whereas in U.S. GAAP, changing cost normally makes the value in the market, In IFRS, the value of the market is decided as inventories' total realizable value. In short, inventory scripts-downs in the light of the LOCM rule, which can be traced back under IFRS; while it is not allowed in the U.S. GAAP.

*Items Classification*: The classification and arrangement of the extraordinary items, is not present under IFRS. Whereas considering the US. GAAP, it is a valid and retraceable statement of the income(Pounder 2010).

*Property and equipment’s:* IFRS have a choice in the validation of the long-preserved assets. In this also, the companies can set the market value at any place in time and according to the market value. The other choice for it is the cost which is normally less while the accumulation of the depreciation. Whereas in the US. GAAP, currently it is not permitted to reconsider the value of the market.

# References

Foundation, Financial Accounting Standards Board Financial Accounting. 2009. FASB Accounting Standards Codification. FASB.

Pounder, Bruce. 2010. “A Common Framework for Accounting Standards.” Strategic Finance 92(5): 20–23.