Q-1. Solution: A.

The interest costs can be capitalized. Under IFRS, any amounts earned by temporarily investing the funds are deducted from the capitalized amount. The costs related to the preferred shares cannot be capitalized.

Capitalized costs	
Interest costs	0.08 × 5,000,000 = 400,000
Less interest income	0.07 × 2,000,000 × ½ = (70,000)
Total capitalized costs	330,000

Q-2. Solution: C.

The revaluation model per IFRS allows the asset to be carried at fair value. If the revaluation decreases the value, as it does here from 2011 to 2012, then later increases the value to the extent that the losses are reversed, it is recognized in profit and loss, so from $800 to $1,000 = $200.

Any increase in excess of the reversal will be recorded directly in equity in a revaluation surplus account and not on the income statement: $1,300 – $1,000 = $300.

Q-3. Solution: A.

Intangible assets with indefinite lives need to be tested for impairment at least annually. Property, plant, and equipment (including land) and intangibles with finite lives are only tested if there has been a significant change or other indication of impairment.

Q-4. Solution: B.

Gain or loss on the sale = Sale proceeds – Carrying amount

= 85,000 – [100,000 – 1((100,000 – 10,000)/9 years) × 3 years]= 15,000.

Q-5. Solution: A.

With accelerated amortization, first year amortization expense should be the highest.