

Profit and Inventory Under IFRS and GAAP

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Abstract

The critical incident asks students to define inventory and net realizable value of ice cream bars. The students are required to calculate the ending inventory value of the ice cream bars using allowable cost flow assumptions as well as the respective gross profit and net income. The critical incident requires the definitions and calculations as required by Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

Learning Outcome

In completing this assignment, students should be able to

1. Analyze the importance of choosing an inventory method.
2. Compare and contrast accounting for inventory under US Generally Accepted Accounting Principles (GAAP) versus accounting for inventory under International Financial Reporting Standards (IFRS).
3. Examine how inventory valuation impacts earnings management.

Application

This critical incident can be used as an in-class assignment or a homework assignment in an introductory accounting course, in an accounting class for non-business majors, or in an entrepreneurship class.

Key Words

IFRS, accounting

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