

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

The firm's debt to equity and debt to asset ratios are the ratios that are most likely to be affected after any firm adopts the FAS 141R and FAS 160; they will decrease once the adoption takes effect. This change is thought to occur since equity will decrease after the reclassification of the non-controlling interests (Shamrock, 2012). The ratios will decrease because of the revaluation since it will increase the market values which will have resulted from the subsequent acquisitions.

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

Any forthcoming acquisition will be impacted by the market value of the firm since the firm will be valued at full market value hence increasing goodwill, non-controlling interest. If there are any assets that were undervalued, the asset's value will be increased, and if there are any assets that were overvalued, their value will be decreased in the full amount. Thus, any firm that will be anticipating to acquire the firm will have to look closely at the firm's value before coming up with a concrete acquisition decision (Korkmaz, 2012).

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

The primary reasons why FASB issued FAS 141 R and FAS 160 were to ensure comparability, reliability and to increase the relevance of the financial statements. There exist differences between the IFRS and the US GAAP, and thus there is a need to unify the two so that there can exist a common ground for making accounting decisions. There

has been a campaign that is well known by FASB/IASB; it is a project that is geared towards facilitating convergence in the area of accounting (Shamrock, 2012).

What are qualifying SPEs?

SPE's are referred to as legal entities that are set up to assist in liquidating a business, acquiring external fancier which will need there to be transparency, knowledge of the risks needed and measuring the business operations. For instance, in this case, study, there is Irma which helps in accounting for assets that are to be transferred.

Do they exist under IFRS?

It does not exist under the IFRS. The concepts behind the SPE's does not exist in the IFRS, and this is the reason why there needs to be a consolidation to harmonize the operations in both cases.

4. What is the effect of FAS 166 eliminating the concept of qualifying SPEs on the convergence of accounting standards?

The effect of FAS 166 is that it will strengthen the standards concerning securitization. It will also ensure faithfulness in disclosing information in representation concerning any entity. This will ensure that before any investor acquires any firm, they have all the relevant details that they might need before making a decision to be part of the business. Disclosing information concerning any firm that needs to be acquired will be ensured, and thus the risks involved by acquiring the firm will be brought to light (Korkmaz, 2012). Once the investors have been briefed concerning the risks that are involved in the acquisition of the firm, so by the time, they will be making the acquisition decision they already have the information concerning the risks that are involved.

The IASB does not acknowledge the idea of qualifying special purpose entities (SPE's), and thus this will enable the convergence of accounting in this particular area.

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

By adopting IFRS will eliminate many differences that existed in the past. However, there are some differences that will be still left existing within the system and thus will affect the company's (Kugen) financial statements when it is adopted. There will be revised standards that both the FASB and IASB will issue which will together eliminate most of the differences that have been there for decades. For instance, the total assets and equity will be affected for the consolidated firm. This will happen because the IASB permits one to make a choice of either valuing non-controlling interest at fair value by either excluding goodwill or including a share of the goodwill (Shamrock, 2012). Besides, there could be an increase in assets because the contingent assets that were acquired in the acquisition were not recognized under the IFRS but are acknowledged when it comes to the prevailing US. GAAP.

6. What are the principle differences between IFRS and U.S. GAAP?

IFRS	GAAP
In determining the shares to be considered when it comes to controlling the firm, it may include exercisable shares.	The shares that are considered in determining control of a firm, only the existing voting rights are considered.
Considers fair value or the proportionate share of the fair value of identifiable net assets in calculating non-controlling interest.	It measures the non-controlling interest at fair value of total net assets and takes into consideration the share attributed to the non-controlling interest.

When calculating the goodwill at the time of acquisition, if proportionate share of fair value of identifiable net assets, is picked, then goodwill will only be attributed to controlling interest.	When calculating goodwill at the time of acquisition, it will include the share that is attributed to the NCI.
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References

Korkmaz, A. (2012). *Financial reporting with SAP*. Bonn: Galileo Press.

Shamrock, S. E. (2012). *IFRS and US GAAP: A comprehensive comparison*. Hoboken, N.J: John Wiley.