Achievable

CMA PART 1 DUMP SHEET

Investments, equity, and leases

Investments

- **Equity securities, by influence:**
  - < 20%: fair value through NI (ASC 321)
  - 20—50%, significant influence: equity method (ASC 323); record the share of investee income
  - > 50%, control: consolidation (ASC 810)
  - Joint control: equity method
- **Debt securities (ASC 320):**
  - Trading: FV through NI (costs generally expensed)
  - AFS: FV through OCI (costs generally capitalized)
  - HTM: amortized cost, effective-interest method (costs generally capitalized)

Income taxes (ASC 740)

- **Temporary differences** reverse → create a DTA or DTL
- **Permanent differences** (fines, tax-exempt interest, some meals) → no deferred tax

Consolidation

- Determine the model first: **VIE model** (control via variable interests) vs **voting-interest model** (> 50% voting). Control → full consolidation (100%, showing noncontrolling interest)
- Eliminate intercompany receivables/payables, sales/COGS, dividends, loans/interest, and unrealized profit in ending inventory

Equity

- **Paid-in capital** (share issuance and repurchase) vs **retained earnings** (net income − dividends)
- **Stock dividend:** small (< 20—25%) at fair value; large (> 20—25%) at par
- **Stock split:** more shares, lower par, no change to total equity
- **Treasury stock:** contra-equity (cost method)

Leases (lessee)

- **Finance lease:** meets at least 1 of 5 criteria
  - Transfers ownership
  - Purchase option reasonably certain
  - Term = major part of the asset's economic life
  - PV of payments ≥ substantially all of FV
  - Asset highly specialized
- Record an ROU asset + lease liability (PV at the implicit rate or IBR); separate amortization + interest expense
- **Operating lease:** ROU asset + liability recognized; single straight-line lease expense
- **Short-term (≤ 12 months):** recognition exemption

US GAAP vs IFRS: key differences

Topic	US GAAP	IFRS
LIFO	Allowed	Prohibited
Inventory write-down reversals	Prohibited	Allowed
Revaluation model (PPE, intangibles)	Prohibited	Allowed
Impairment test	Two-step	One-step; recoverable amount = higher of FV less costs, or value in use
Impairment reversals	Prohibited	Allowed, except goodwill
Development costs	Expensed	Capitalized if criteria met
Leases (lessee)	Dual model: operating and finance	Single model + low-value exemption