Part A – Multiple Choice Questions

Part B – Descriptive – Computational questions.

Actual examination paper may differ from these practice questions, in terms of pattern or any manner.

Q.1 IAS 1 Apply to structure & contents of interim financial statements prepared in accordance wth IAS34 . Which of the following statement is true.

(Select one answer)

a) IAS 1 is fully applicable to structure & contents of Interim financial statement .
b) IAS 1 is not applicable at all to structure & contents of Interim financial statement .
c) IAS 1 is only partly applicable to structure & contents of Interim financial statement ..

Q.2 An entity presents a statement of financial position as at the beginning of the earliest comparative period when it does any two of the followings :

(Select two answers)

a) Changes the estimate of the useful life of an asset.
b) Reclassifies items in its financial statements.
c) Retrospective restatement of an item in its financial statements
d) Submits documents to SEBI or SEC.

Q.3 An entity had revalued PPE , for the first time in 2007, up by Rs. 1,00,000/= . Thereafter, in year 2008 it devalued the PPE by Rs. 1,20,000/= Again , in 2009 it revalued the assets by Rs. 2,00,000. Ignore impact of deferred tax.

The increase in year 2009 is recognised as under :

Select one answer

a) Entire Rs. 2,00,000 in Other Comprehensive Income.
b) Entire Rs. 2,00,000 in Profit or Loss Account.
c) Rs. 20,000 in Profit or loss account & Rs. 1,80,000 in other comprehensive income.

Q.4 . Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included :

Select only one answer

a) in profit or loss when the compensation becomes receivable.
b) deducted from the carrying value of the property, plant & equipment.
c) in profit or loss when the compensation is received.

Q.5. Revenue shall be recognised on the following bases:

Select only one answer

(a) interest shall be recognised using either accrual or cash system , depending on the method followed by the entity.

(b) royalties shall be recognised on an accrual basis in accordance with the substance of the relevant agreement; and

(c) dividends shall be recognised when the shareholder receives the dividend.

Q. 6 On 1 July 2008 The Mega sales Computers handed over to a client a new computer system. The contract price for the supply of the system and after sales support for 12 months was Rs. 8,00,000. Mega sales Computers estimates the cost of the after-sales support at Rs. 1,20,000 and it normally marks up such costs by 50% when tendering for support contracts.

Under IAS18 *Revenue*, the revenue Mega sales Computers should recognise in its financial year ended 31 December 2008 is

A Rs. 6,20,000

B Rs. 8,00,000

C Rs. 7,10,000

D Nil

Q.7 A subsidiary is not excluded from consolidation simply

a)because the investor is a venture capital organisation, mutual fund, unit trust or similar entity.

b) because its business activities are dissimilar from those of the other entities within the group.

A. True False
B. True True
C. False True
D. False False

Q.8 The Smart Company accounts for non-current assets using the cost model.

On 25 April 2007 Smart classified a non-current asset as held for sale in accordance with IFRS5 *Non-current assets held for sale and discontinued operations*. At that date the asset's carrying amount was Rs. 32,000, its fair value was estimated at Rs. 22,000 and the costs to sell at Rs. 3,200.

On 15 May 2007 the asset was sold for net proceeds of Rs.18,400. In accordance with IFRS 5, what amount should be included as an impairment loss in Smart's statement of comprehensive income for the year ended 30 June 2007?

A Rs. 13,600
B Rs. 13,200
C Nil
D Rs. 10,000

Q.9 The Zebra Company accounts for non-current assets using the revaluation model.

On 30 June 2007 Zebra classified a freehold property as held for sale in accordance with IFRS5 *Non-current assets held for sale and discontinued operations*. At that date the property's carrying amount was Rs. 2,90,000 and the balance on the revaluation reserve was Rs. 20,000.

At that date its fair value was estimated at Rs. 3,30,000 and the costs to sell at Rs. 20,000. At 31 December 2007 the property's fair value was estimated at Rs. 3,25,000 and the costs to sell at Rs. 25,000.

In accordance with IFRS 5 the asset should be carried in Zebra's statement of financial position at 31 December 2007 at

A Rs. 3,10,000
B Rs. 3,30,000
C Rs. 3,00,000
D Rs.3,25,000

Q.1 0 Which TWO of the following statements best describe 'owner-occupied property', according to IAS40 *Investment property*?

A Property held for sale in the ordinary course of business
B Property held for use in the production and supply of goods or services
C Property held to earn rentals
D Property held for administrative purposes

Q.1 1 A property Interest held by a lessee under an operating lease may be classified and accounted for as an investment property if and only if :-, please select which two conditions must be fulfilled.

a) The property would otherwise meet the definition of an investment property
b) The lessee uses IAS 40's fair value model
c) The lessee uses IASs 40 's cost model

Q. 12 A brand name that was acquired separately should initially be recognised, according to IAS38 *Intangible assets*, at

(select only one answer)

A recoverable amount
B either cost or fair value at the choice of the acquirer
C fair value
D cost

Q. 13 The AltTab Company has acquired a trademark relating to the introduction of a new manufacturing process. The costs incurred were as follows:

Cost of trademark ………………………………………………..Rs. 30,00,000
Expenditure on promoting the new product…………….. Rs. 50,000
Employee benefits relating to the testing of the
proper functioning of the new process ………………….. Rs.2,00,000

According to IAS38 *Intangible assets*, what is the total cost that should be capitalised as an intangible non-current asset in respect of the new process?

A Rs. 32,50,000
B Rs. 37,00,000
C Rs. 35,00,000
D Rs. 35,50,000

Q.14 . KBC Limited acquired 100 % ownership in XYZ PVT Limited on 1st January,2010.

Details of Identifiable Assets is as under :

Description	Cost	Fair Value
Land & Building	100	120
Plant & Equipment	200	190
Other Assets	400	500
	-------	------
Total Assets	800	910
Less Liabilities	500	550
	-------	------
Net Assets	300	360
	====	===

Fair Value of brand of XYZ limited is assessed at RS. 100

KBC Ltd transfers consideration of RS. 1,000.00

Good will on acquisition is

a) RS. 700
b) RS. 540
c) RS. 640

Q.15. XYZ acquired ABC on 30 June 2007. By 31 December 2007, the end of its 2007 reporting period, XYZ had provisional fair values for the following:

Trademarks effective in certain foreign territories of RS. 4,00,000. The acquisition date fair value was finalised at RS. 5,00,000 on 31 March 2008.

What will be impact on the consideration for business combination. Will the total consideration paid by XYZ be changed and consequently impact goodwill or gain from bargain purchase ?

a) *Yes , as this amount is ascertained within one year of the measurement date, Consideration paid will be reworked retrospectively.*

b) *No ,the increase in fair value of RS. 1,00,000 will be recognised profit or loss of the year 2*

Q.16. For classification of Non Current assets held for sale , the date of classification has to be :

Select only one answer.

a) Before the Balance Sheet date .
b) Between the Balance Sheet date and the date the statements are authorised .

Q.17 Which of the followings best describes Gain on bargain purchase in business combinations effected after IFRS 3R.

a) the excess of the identifiable net assets recognised in a business combination over the consideration transferred and the non-controlling interest in the acquiree

b) the excess of the consideration transferred and the non-controlling interest in the acquiree over the identifiable net assets recognised in a business combination.

Q. 18 The Omaba Company acquired 30,000 equity shares, representing 5% of the issued ordinary share capital in The Snobama Company. Snobama's shares are listed on a Stock Exchange.

In accordance with IAS39 *Financial instruments: recognition and measurement*, in which TWO of the following categories could Omaba's investment in the equity shares be classified?

Select any two answers

A Held to maturity
B Available for sale
C At fair value through profit or loss
D Loans and receivables

Q.19 The Block Berry Company has an account receivable from The Vodakone Company of Rs. 55,000. Stone also has an account payable to Knowles of Rs.15,000. Local law allows the enforceable right of set-off of the recognised amounts. It is not normal business practice to settle the amounts net. What amount for accounts receivable and accounts payable should be presented in Stone's statement of financial position, according to *IAS 32*

Financial instruments: presentation?

	Accounts receivable	Accounts payable
A	55,000	15,000
B	40,000	Nil
C	55,000	Nil
D	Nil	15,000

Q.20 On 31 December 2009 The Green Field Company issued 200 convertible bonds with a nominal interest rate of 7% for Rs. 20 each. Each bond can be converted into 5 new equity shares or redeemed for cash, at the option of the holder, in 5 years' time.

The fair value at that date of similar bonds without the convertibility option was estimated at Rs. 18 each.

In accordance with IAS32 *Financial instruments, presentation*, the amount recognised in equity in respect of the convertible bonds at 31 December 2009 will be

A Rs. 4,000
B Rs.3,600
C Rs. 400
D Nil

Q.21 Are the following statements true or false, according to IFRS8 O*perating segments*?

(1) The measurement of the profit or loss to be disclosed for each reportable segment is defined in IFRS8.
(2) The profit or loss disclosed for a segment should relate to the total assets attributed to that segment.

	Statement (1)	*Statement (2)*
A	False	False
B	False	True
C	True	False
D	True	True

Q.22. Are the following statements true or false, according to IFRS8 O*perating segments*?

(1) A major customer is defined as one providing revenue which amounts to 10% or more of the combined revenue, internal and external, of all operating segments.

(2) The identities of major customers need not be disclosed.

	Statement (1)	*Statement (2)*
A	False	False
B	False	True
C	True	False
D	True	True

Q.23 Are the following statements true or false, according to IAS33 *Earnings per share*?

(1) Earnings per share amounts should **not** be presented if they are negative, i.e. losses per share.

(2) Earnings per share amounts calculated for discontinued operations should be presented.

	Statement (1)	*Statement (2)*
A	False	False
B	False	True
C	True	False
D	True	True

Q.24. The entity is adopting IFRS for the 1st time. IFRS 1 applicable to the entity. Entity adopted IFRS by explicit & unreserved statement of compliance in the Financial Statements for the year ended 31st March,2012.Entity gives one year of comparatives. Your answer should be based on IFRS 1 as adopted by IASB.

What is the date of transition ?

On which date the Opening IFRS Financial Statement will be prepared ?

Q.25 An entity should apply IFRS4 *Insurance contracts* to which ONE of the following?

A Contingent consideration receivable in a business combination
B Product warranties issued by an entity which is a manufacturer
C Employers' assets and liabilities under employment benefit plans
D Reinsurance contracts issued by the entity

Q. 26 Which ONE of the following terms best describes the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal?

A Fair value
B Realisable value
C Residual value
D Value in use

Q. 27 As regards the relationship between IFRSs and the *Framework for the preparation and presentation of financial statements*, are the following statements true or false?

(1) The *Framework* is a reporting standard.
(2) In cases of conflict, the requirements of the *Framework* prevail over those of the relevant IFRS.

	Statement (1)	*Statement (2)*
A	False	False
B	False	True
C	True	False
D	True	True

Q. 28 How should the following changes be treated, according to IAS8 *Accounting policies, changes in accounting estimates and errors*?

(1) A change is to be made in the method of calculating the provision for uncollectible receivables.

(2) Investment properties are now measured at fair value, having previously been measured at cost.

	Change (1)	*Change (2)*
A	Change of accounting policy	Change of accounting policy
B	Change of accounting policy	Change of accounting estimate
C	Change of accounting estimate	Change of accounting policy
D	Change of accounting estimate	Change of accounting estimate

Q.29 During the year ended 31 December 2009 the following events occurred at The Fast Track Company:

(1) It was decided to write off Rs. 80,000 from inventory which was over two years old as it was obsolete.

(2) Sales of Rs. 60,000 had been omitted from the financial statements for the year to 31 December 2009.

According to IAS8 *Accounting policies, changes in accounting estimates and errors*, how much should be shown as a prior period adjustment in Fast Track 's financial statements for the year to 31 December 2009?

A Rs. 60,000
B Rs. 1,40,000
C Rs. 80,000
D Rs. 20,000

Q. 30 The Smart Anchor sells goods to a third party via an agent. During 2009. Smart Anchor supplies the agent with goods with a sales value of Rs. 2,00,000.

The agent charges a commission of 15%.

Under IAS18 *Revenue*, how much revenue should each of Smart Anchor and the agent recognise in profit or loss for 20X8?

	Smart Anchor	*Agent*
A	1,70,000	25,500
B	2,00,000	25,500
C	1,70,000	30,000
D	2,00,000	30,000

Q.31 The Khaki Company sells merchandise for Rs. 8,000 to a customer on 31 December 20X7.

The terms of the sale agreement state that payment is due in one year's time.
Khaki has an imputed rate of interest of 9%.

Under IAS18 *Revenue*, how much revenue should Khaki recognise in profit or loss for the year ended 31 December 20X7?

A Rs. 8,720
B Rs.7,339
C Nil
D Rs. 8,000

Q.32. Which TWO of the following statements are correct per IAS16 *Property, plant and equipment*?

A Assets are depreciated even if their fair value exceeds their carrying amount

B Land and buildings are accounted for separately, even when acquired together

C A non-current asset acquired as the result of an exchange of assets is not recognised

D A gain on disposal of a non-current asset is classified as revenue

Q.33. Depreciation on Property Plant & Equipment cease to be charged when :

(select two answers)

A) the carrying amount is less than the fair value
B) the carrying amount is equal to or less than the residual value.
C) the asset is classified as Non Current Asset Held for sale.
D) all three options are wrong.

Q.34 The Ontime Airline acquired an aeroplane in 2006. At the time of acquisition, the cost of the jet frame was Rs. 46,00,000 and the additional cost of the engine was Rs. 6,00,000.

In 2009, the engine was replaced with a new one costing Rs. 11,00,000. At the time of replacement, the accumulated depreciation to date on the jet frame was Rs. 17,50,000 and on the engine was Rs. 4,00,000.

Using the principles outlined in IAS16 *Property, plant and equipment*, what amount should be derecognised at the date of replacement?

A Rs. 2,00,000
B Nil
C Rs. 6,00,000
D Rs. 11,00,000

Q. 35 On 1 January 2009 The Company borrowed Rs. 60,00,000/- at an annual interest rate of 10% to finance the costs of building an electricity generating plant. Construction commenced on 1 January 2009 and cost Rs. 60,00,000 .

Not all the cash borrowed was used immediately, so interest income of Rs. 80,000 was generated by temporarily investing some of the borrowed funds prior to use. The project was completed on 30 November 2009.

What is the carrying amount of the plant at 30 November 2009?

A Rs. 60,00,000
B Rs. 64,70,000
C Rs. 65,20,000
D Rs. 65,50,000

Q. 36 In relation to a benefit included in the term 'government assistance', are the following statements true or false according to IAS20 *Government grants and government assistance*?

(1) The provision of infrastructure in developing areas is a benefit.
(2) The imposition of trading constraints on competitors is a benefit.

	Statement (1)	*Statement (2)*
A	False	False
B	False	True
C	True	False
D	True	True

Q.37 The Vento accounts for non-current assets using the revaluation model. On 30 October 2009 Vento classified a freehold property as held for sale in accordance with IFRS5 *Non-current assets held for sale and discontinued operations*. At that date the property's carrying amount was Rs. 22,000 and the balance on the revaluation reserve was Rs. 12,000. At that date its fair value was estimated at Rs. 29,000 and the costs to sell at Rs. 2,200.

The property was sold in April 2010.

In accordance with IFRS5, at what amount should the revaluation reserve be stated at 31 December 2009?

A Nil
B Rs. 12,000
C Rs. 16,800
D Rs. 19,000

Q. 38 According to IAS37 *Provisions, contingent liabilities and contingent assets*, for which ONE of the following should a provision be recognised?

A Future operating losses
B Obligations under insurance contracts
C Reductions in fair value of financial instruments
D Obligations for plant decommissioning costs

Q. 39 For which TWO of the following should be provisions be recognised under IAS37 *Provisions, contingent liabilities and contingent assets*?

A Divisional closure costs before a public announcement is made
B Restructuring costs after a binding sale agreement has been signed
C Rectification costs relating to defective products already sold
D Future refurbishment costs due to introduction of a new computer system

Q.40 Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of, which three Items.?

Q.41Which of the followings are adjusting events after the reporting period that would that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:

(a) the discovery of fraud or errors that show that the financial statements are incorrect.

(b) announcing a plan to discontinue an operation;

(c) major purchases of assets, classification of assets as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, other disposals of assets, or expropriation of major assets by government;

(d) the determination after the reporting period of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see IAS 19 *Employee Benefits*).

Q. 42 According to IAS21 *The effects of changes in foreign exchange rates*, at which rate should an entity's non-current assets be translated when its functional currency figures are being translated into a different presentation currency?

A The historical exchange rate
B The closing rate
C The average rate
D The spot exchange rate

Q. 43 The Trendline acquired a foreign subsidiary on 15 August 2009.Goodwill arising on the acquisition was US $. 1,75,000. Consolidated financial statements are prepared at the year end of 31 December 2009 requiring the translation of all foreign operations' results into the presentation currency of CU

The following rates of exchange have been identified:

Rate at ……………………………………………..15 August 2009 $1.321 : CU .1

Rate at…………………………………………. 31 December 2009 $1.298 : CU.1

Average rate for the year ended ……………..…31 December 2009 $1.302 : CU.1

Average rate for the period from 15 August to. 31 December 2009 $1.292 : CU1

According to IAS21 *The effects of changes in foreign exchange rates*, at what amount should the goodwill be measured in the consolidated statement of financial position?

A CU 1,34,409
B CU 1,35,449
C CU 1,34,823
D CU 3,12,475

Q.44 The Pandor Company is completing the preparation of its draft financial statements for the year ended 31 March 2009.

On 24 July 2009, a dividend of Rs. 175,000 was declared and a contractual profit share payment of Rs. 35,000 was made, both based on the profits for the year to 31 March , 2009.

On 20 June 2009, a customer went into liquidation having owed the company Rs. 34,000 for the past 5 months. No allowance had been made against this debt in the draft financial statements.
On 17 July 2009, a manufacturing plant was destroyed by fire, resulting in a financial loss of Rs. 260,000.

According to IAS10 *Events after the reporting period*, which TWO amounts should be recognised in Pandor's profit or loss for the year to 31 March , 2009 to reflect adjusting events after the end of reporting period?

A Rs. 1,75,000 dividend
B Rs. 35,000 bonus
C Rs. 34,000 allowance for uncollectible trade receivables
D Rs. 2,60,000 loss on manufacturing plant

Q.45 Which of the following is **not** a qualitative characteristic of financial statements according to the *Framework*?

(a) Materiality.
(b) Understandability.
(c) Comparability.
(d) Relevance.

Q.46. How should an unrealized gain on foreign currency translation be presented in a cash flow statement?

(a) As an inflow in the "financing activities" section of the cash flow statement because it arises from a foreign currency translation.

(b) It should be ignored for the purposes of the cash flow statement as it is an unrealized gain.

(c) It should be ignored for the purposes of the cash flow statement as it is an unrealized gain but it should be disclosed in the footnotes to the financial statements by way of abundant precaution.

(d) As an adjustment to the net income in the "operating activities" section of the statement of cash flows.

Q.47 When a public shareholding company changes an accounting policy voluntarily, it has to

(a) Inform shareholders prior to taking the decision.

(b) Account for it retrospectively.

(c) Treat the effect of the change as an extraordinary item.

(d) Treat it prospectively and adjust the effect of the change in the current period and future periods.

------------End of Part A -----------

Part B : Computational Question.

Q.1 Which of the following items meet the definition of financial instruments and which is of them fall within scope of IAS 32 ?

(a) Cash deposited in banks.
(b) Gold bullion deposited in banks.
(c) Trade accounts receivable
(d) Investments in debts instruments
(e) Investments in equity instruments, where Company does not have significant influence over the investee.
(f) Investments in equity instruments, where Company has significant influence over the investee.
(g) Prepaid expenses
(h) Finance lease receivable or payables.
(i) Deferred Revenue.
(j) Statutory tax liabilities
(k) Provision for estimated litigation losses.
(l) An electricity purchase contract that can be settled in cash.
(m) Issued debt instruments
(n) Issued Equity instruments.

Q.2 How would you measure a following financial assets or financial liability on initial recognition ?

During the year 2009 the KBC acquired and incurred following financial assets and financial liabilities.

a) Bonds of Rs. 1,00,000.00 , which the company does want to held till maturity and would like to hold for trading . Transaction cost of Rs. 1,000.00 are incurred ?

b) Would the treatment be different if in the above case, the KBC neither wants to hold till maturity nor would like to hold for trading?
c) KBC issued bonds Rs. 3,00,000.00 , at issue cost of Rs.1,000.00

Q.3 An Entity issues 2,000 convertible bonds, Rs. 1,000 at par on 1 January,2009.

Interest is payable annually in arrears at a nominal interest of 6 %

The prevailing market rate of interest at the date of issue of the bond was 9 %

The bond is redeemable at 31 December 2011

Discounting factor : 3 Year, 9 % discounting factor = 0.772

3 year cumulative , 9% discount factor = 2.531

Calculate the values at which the bond will be included in the financial statements of the entity at the initial recognition and the value of the liability at 31 December 2009.

Q. 4 On 1st April, 2009 Delta issued a loan note at a fixed annual interest rate of 6%. The principal sum of Rs. 8,00,00,000 on was repayable on 31st March,2015 & the annual interest of Rs. 48,00,000 (Rs. 8,00,00,000 × 6%) was payable annually in arrears. The loan note was issued at a discount. The investors paid Delta Rs. 7,00,00,000 & Delta incurred costs of Rs. 7,00,000 in connection with the loan. The effective annual interest rate on this loan note is approximately 9.5%.

Accountant has debited followings associated costs in profit and loss accounts .

Discount on Issue Rs. 1,00,00,000/-

Issue Cost	Rs.	70,00,000/=
Interest Cost	Rs.	48,00,000.

Required : Calculated the carrying amount of the Note , and amount to be debited to Profit & Loss Accounts.

Q.5 On the date of transition, 1st April,2011, an entity has interest free liability under deferred loan scheme from Government of Meghalaya Rs. 50,00,000.00, repayable in equal instalments over five years. Market rate of Interest is 10 %. P v Factors for five years are as under :

1st Year	.9090
2nd Year	.8264
3rd Year	.7513
4th Year	.6830
5th Year	.6290

What is the fair value of the interest free loan on the date of transition?

How the difference between the carrying amount of loan and the fair value be treated ?

Q. 6 Which are the items recognised in Other Comprehensive Income ? Out which how many are reclassified to Profit or Loss Account ?

Name any Five voluntary exemptions on application of 1st time adoption of IFRS .

Q.7 Name any Three Standards which are not covered by voluntary exemption and Mandatory exceptions of IFRS 1 ?

Q.8 Write a brief note on Loss of Control from the perspective of IAS 27.

Q.9 From the perspective of IFRS 3 , each identifiable asset and liability is measured at its acquisition-date fair value.

Any non-controlling interest in an acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

What are the limited exceptions to these recognition and measurement Principles ?

Q.10 Deferred tax assets **are the amounts of income taxes recoverable in future periods in respect of, which three Items.**

Q11 From the perspective of IFRS 2, How would you treat goods or services received or acquired in a equity-settled transactions and cash-settled transactions. ?

Q. 12. List out disclosure requirement under IAS 16.

-------------------- End of Part B ---------------------