

Assessment

Ind AS 1,7,8 and 10

Ind AS Certification course – Day 1

1. Financial statements provide information about an undertaking's:

- (i) Assets.
- (ii) Liabilities.
- (iii) Equity.
- (iv) Income and expenses, including gains and losses.
- (v) Other changes in equity.
- (vi) Cash flows.
- (vii) Employment policies.

- 1. (i)+(iii)+(iv)+(v)
- 2. (i) – (iii)
- 3. (i) – (vi)
- 4. (i) – (vii)

2. A complete set of financial statements comprises:

- (i) A balance sheet.
- (ii) A statement of profit or loss.
- (iii) A statement of changes in equity
- (iv) A statement of cash flows.
- (v) A directors' report.
- (vi) Notes, comprising a summary of significant accounting policies and other explanatory notes.

- 1. (i)+(iii)+(iv)+(v)
- 2. (i) – (iii)
- 3. (i) – (iv)+(vi)
- 4. (i) – (vi)

3. You breach the terms of your long-term loan. It becomes payable on demand. Your balance sheet date is March 31. The lender agrees not to demand payment as a consequence of the breach prior to March 31, giving you at least 12 months grace to rectify the breach. The long-term loan is shown as:

- 1. A current liability.
- 2. A non-current liability.
- 3. A contingent liability.

4. Deferred tax liabilities are always shown as:

- 1. A current liability.
- 2. A non-current liability.
- 3. A contingent liability.

5. Which one of the following is not required to be presented as minimum information on the face of the balance sheet, according to Ind AS 1?

- 1. Investment property.
- 2. Investments accounted for under the equity method.
- 3. Biological assets.
- 4. Contingent liability.

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6. As a minimum, the face of the income statement shall include line items that present the following amounts for the period:

- (i) Revenue.
- (ii) Finance costs.
- (iii) Share of the income statement of associates, and joint ventures accounted for using the equity method.
- (iv) Pre-tax gain (or loss) recorded on the disposal of assets, or settlement of liabilities attributable to discontinuing operations.
- (v) Tax expense.
- (vi) Profit or loss.

- 1. (i)+(iii)-(vi)
- 2. (i) – (iii)
- 3. (i) – (iv)
- 4. (i) – (vi)

7. This presentation is:

Revenue	X
Other income	X
Changes in inventories of finished goods and work in progress	X
Raw materials and consumables used	X
Employee benefits costs	X
Depreciation and amortisation expense	X
Other expenses	X
Total expenses	(X)
Profit	X

- 1. Nature of expense method.
- 2. Cost of sales method.
- 3. Function of expense method.

8. An entity which complies with Ind AS may depart from the requirements of a particular standard:

- 1. Whenever it wishes to do so
- 2. If compliance would produce misleading information
- 3. If compliance costs would be excessive
- 4. Never

9. Which of the following is not a characteristic of an entity's cash equivalents, as defined by Ind AS 7?

- 1. A short-term investment
- 2. A highly liquid investment
- 3. An investment which is readily convertible into known amounts of cash
- 4. An investment which is subject to significant risk of changes in value

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10. If bank overdrafts form an integral part of an undertaking's cash management, they are considered to be:

1. Operating activities.
2. Investing activities.
3. Financial activities.
4. Cash equivalents.

11. The maximum maturity of a cash equivalent is:

1. 3 months.
2. 6 months.
3. 1 year.

12. Adjustment of the carrying amount of an asset or a liability or the consumption of an asset. This defines:

1. A change in accounting estimate.
2. Accounting policies.
3. Misstatements.

13. Errors include:

- i Mathematical mistakes.
- ii Mistakes in applying accounting policies.
- iii Oversights or misinterpretations of facts.
- iv Fraud.
- v Changes in provisions for bad debts.

1. i - ii
2. i – iii + v
3. i - iv
4. i - v

14. You accept advice to accelerate your depreciation policy. To make the change, you will need:

1. Retrospective restatement.
2. Retrospective application.
3. Prospective application.

15. If it is impractical to make a retrospective application to a period

1. Make the change only to the current period.
2. Apply the change to the earliest period that is practical.
3. Do not make the change at all.

16. A change of estimate should be made to the income statements of:

1. The period of the original estimate.
2. All previous periods reported.
3. The current period and future periods.
4. Future periods only.

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17. Accounting estimates are made for:

- i Bad debts.
- ii Inventory obsolescence.
- iii The fair value of financial assets or financial liabilities.
- iv The useful lives of or expected consumption of the benefits embodied in depreciable assets.
- v Warranty obligations.
- vi Changes in accounting policy.

- 1. i - ii
- 2. i - iii
- 3. i - iv
- 4. i - v
- 5. i - vi

18. A gain recorded on the outcome of a contingency, such as a lawsuit, is:

- 1. A change in estimate.
- 2. A correction of an error.
- 3. A retrospective restatement.

19. Change in accounting policy does not include

- 1. Change in useful life from ten years to seven years.
- 2. Change of method of valuation of inventory from FIFO to weighted-average.
- 3. Change of method of valuation of inventory from weighted-average to FIFO.

20. Prior period errors could be caused by:

- 1. Fraud
- 2. Mistakes in applying accounting policies
- 3. Mathematical errors
- 4. Any of the above

21. A material prior period error should be corrected:

- 1. Retrospectively
- 2. Prospectively
- 3. Either retrospectively or prospectively
- 4. Prospectively unless it is impracticable to do so

22. Ind AS 10 identifies the period covered by these events as starting immediately after the balance sheet date, and ending at the date of:

- 1. Issue of the financial statements.
- 2. Approval of the financial statements.
- 3. Publication of the financial statements.

23. There is a settlement, after the balance sheet date, of a court case that confirms that the undertaking had a present obligation, at the balance sheet date. You need to:

- 1. Adjust the financial statements.
- 2. Leave the financial statements, but note the details.
- 3. Ignore it.

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24. There is receipt of information, after the balance sheet date indicating that the amount of a previously-recorded impairment loss for that asset needs to be adjusted. You need to:
1. Adjust the financial statements.
 2. Leave the financial statements, but note the details.
 3. Ignore it.
25. You learn of a decline in market value of investments, between the balance sheet date, and the date when the financial statements are approved for issue. You need to:
1. Adjust the financial statements.
 2. Leave the financial statements, but note the details.
 3. Ignore it.
26. You make a major acquisition, between the balance sheet date, and the date when the financial statements are approved for issue. You need to:
1. Adjust the financial statements.
 2. Leave the financial statements, but note the details.
 3. Ignore it.
27. Your firm has been sued for anticompetitive behaviour. This has been denied by your firm, and there was only a contingent liability for \$ 10 million your financial statements at 31st December 2014. On January 1st 2015, the court awards \$10 million damages against your firm. You need to:
1. Adjust the financial statements.
 2. Leave the financial statements, but note the details.
 3. Ignore it.
28. According to Ind AS 10, Appendix A – ‘distribution of non-cash assets to owners’, an entity shall initially measure a liability to distribute non-cash assets as a dividend to its owners at the carrying value of the assets to be distributed. True or False?
29. According to Ind AS 10, Appendix A – ‘distribution of non-cash assets to owners’, when an entity settles the dividend payable, it shall recognise the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. True or False?
30. Which of the following is not a component of a complete set of financial statements?
1. A statement of changes in equity
 2. A management commentary
 3. A set of notes
 4. A statement of cash flows
31. Items of financial information are material if:
1. They are insignificant
 2. They could not influence the economic decisions made by the users of financial statements
 3. They could influence the economic decisions made by the users of financial statements
 4. They are aggregated with other items

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32. Which of the following would generally not be classified as a current asset?

1. An asset held for the purpose of being traded
2. A cash equivalent
3. An asset intended for consumption within the entity's normal operating cycle
4. An asset held for long-term use within the entity

33. The main purpose of the statement of changes in equity is:

1. To show an entity's assets, liabilities and equity at the end of an accounting period
2. To show an entity's income, expenses and profit for an accounting period
3. To show how each component of an entity's equity has changed during an accounting period
4. To show an entity's total equity at the end of an accounting period

34. Which of the following is not specifically a required disclosure of Ind AS 1?

1. Name of the reporting entity or other means of identification, and any change in that information from the previous year.
2. Names of major/significant shareholders of the entity.
3. Level of rounding used in presenting the financial statements.
4. Whether the financial statements cover the individual entity or a group of entities.

35. Cash inflows and outflows arising from operating activities do not include:

1. Cash receipts from the sale of goods and services
2. Cash receipts from the sale of property, plant and equipment
3. Cash payments to employees
4. Cash payments to suppliers for goods and services

36. Which of the following is not a cash inflow or outflow arising from financing activities?

1. Cash proceeds of a share issue
2. Cash proceeds from issuing debentures
3. Cash payments to acquire equity of other entities
4. Cash repayments of amounts borrowed

37. The sale of an investment which ranks as a cash equivalent is treated as a cash inflow from investing activities. True or False?

38. Ind AS 7 requires that all entities which comply with Ind AS should present a statement of cash flows. True or False?

39. The term "accounting policies" refers to:

1. The measurement bases used by an entity
2. The accounting concepts and conventions adopted by an entity
3. The accounting principles applied by an entity
4. All of the above

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40. If an accounting standard applies specifically to a certain item, an entity's accounting policy in relation to that item must normally be determined by applying the relevant standard. **True** or **False**?
41. The use of estimates always undermines the reliability of financial statements. True or **False**?
42. XYZ Inc. changes its method of valuation of inventories from weighted-average method to first-in, first-out (FIFO) method. XYZ Inc. should account for this change as
1. A change in estimate and account for it prospectively.
 2. A change in accounting policy and account for it prospectively.
 3. **A change in accounting policy and account for it retrospectively.**
 4. Account for it as a correction of an error and account for it retrospectively.
43. When a public shareholding company changes an accounting policy voluntarily, it has to
1. Inform shareholders prior to taking the decision.
 2. **Account for it retrospectively.**
 3. Treat the effect of the change as an extraordinary item.
 4. Treat it prospectively and adjust the effect of the change in the current period and future periods.
44. When it is difficult to distinguish between a change of estimate and a change in accounting policy, then an entity should
1. **Treat the entire change as a change in estimate with appropriate disclosure.**
 2. Apportion, on a reasonable basis, the relative amounts of change in estimate and the change in accounting policy and treat each one accordingly.
 3. Treat the entire change as a change in accounting policy.
 4. Since this change is a mixture of two types of changes, it is best if it is ignored in the year of the change; the entity should then wait for the following year to see how the change develops and then treat it accordingly.
45. An entity wishes to accelerate its depreciation policy because of changes in the useful life of the asset. How should the change be dealt with?
1. By retrospective restatement.
 2. By retrospective application.
 3. **By prospective application.**
 4. By disclosure of an error.
46. Where it is impracticable to determine the period-specific effects of the change on comparative information for one or more prior periods presented, the retrospective application or restatement is applied
1. **Retrospectively only to the extent that it is practicable.**
 2. Prospectively only to the extent that it is practicable.
 3. Retrospectively to the extent that estimates can be made.
 4. Prospectively to the extent estimates can be made.

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- 47. Applying a requirement of a Standard or Interpretation is “impracticable” when the entity cannot apply it after making every effort to do so. Which of the following is not included in the definition of “impracticable”?**
1. The effects of the retrospective application are not determinable.
 2. The retrospective application requires assumptions about what management’s intentions would have been at the time.
 3. The retrospective application requires significant estimates of amounts.
 4. The entity would find the determination of the effects to be immaterial.
- 48. You learn of a change to the proceeds from assets sold, before the balance sheet date. You need to:**
1. Adjust the financial statements.
 2. Leave the financial statements, but note the details.
 3. Ignore it.
- 49. You receive the calculation of the amount of profit-sharing payments, relating to the period of the financial statements, after the balance sheet date. You need to:**
1. Adjust the financial statements.
 2. Leave the financial statements, but note the details.
 3. Ignore it.
- 50. You are informed of a fraud, that shows that financial statements, that you are about to approve to be incorrect. You need to:**
1. Adjust the financial statements.
 2. Leave the financial statements, but note the details.
 3. Ignore it.