

Assessment

Ind AS 2,16,38,40 and 41

Ind AS Certification course – Day 2

1. Inventory should be stated at
 - a. Lower of cost and fair value.
 - b. Lower of cost and net realizable value.
 - c. Lower of cost and nominal value.
 - d. Lower of cost and net selling price.
 - e. Choices b and d.
 - f. Choices a and c.
 - g. Choices a, b, and d.
2. Which of the following costs of conversion cannot be included in cost of inventory?
 - a. Cost of direct labor.
 - b. Factory rent and utilities.
 - c. Salaries of sales staff (sales department shares the building with factory supervisor).
 - d. Factory overheads based on normal capacity.
3. Inventories are assets
 - a. Used in the production or supply of goods and services for administrative purposes.
 - b. Held for sale in the ordinary course of business.
 - c. Held for long-term capital appreciation.
 - d. In the process of production for such sale.
 - e. In the form of materials or supplies to be consumed in the production process or the rendering of services.
 - f. Choices b and d.
 - g. Choices b, d, and e.
4. The cost of inventory should not include
 - a. Purchase price.
 - b. Import duties and other taxes.
 - c. Abnormal amounts of wasted materials.
 - d. Administrative overhead.
 - e. Fixed and variable production overhead.
 - f. Selling costs.
 - g. Choices c, d, and f.
5. Best Ltd is a company which buys agricultural produce from wholesale suppliers for retail to the general public. It is preparing its financial statements for the year ending 31 March 2015 and is considering its closing inventory. In addition to Ind AS 2 Inventories, which of the following Ind AS may be relevant to determining the figure to be included in its financial statements for closing inventories?
 - a. Ind AS 10 Events After the Reporting Period
 - b. Ind AS 109 Financial Instruments
 - c. Ind AS 16 Property, Plant and Equipment
 - d. Ind AS 41 Agriculture

Ind AS 10 defines adjusting events as those providing evidence of conditions existing at the end of the reporting period. In the case of inventories, it may be sales of inventory in this period indicate that the net realisable value of some items of inventory have fallen below their cost and require writing down to their net realisable value as at 30 September 2014.

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6. Healthy Inc. bought a private jet for the use of its top-ranking officials. The cost of the private jet is \$15 million and can be depreciated either using a composite useful life or useful lives of its major components. It is expected to be used over a period of seven years. The engine of the jet has a useful life of five years. The private jet's tires are replaced every two years. The private jet will be depreciated using the straight-line method over
- Seven years composite useful life.
 - Five years useful life of the engine, two years useful life of the tires, and seven years useful life applied to the balance cost of the jet.
 - Two years useful life based on conservatism (the lowest useful life of all the parts of the jet).
 - Five years useful life based on a simple average of the useful lives of all major components of the jet.
7. An entity imported machinery to install in its new factory premises before year-end. However, due to circumstances beyond its control, the machinery was delayed by a few months but reached the factory premises before year-end. While this was happening, the entity learned from the bank that it was being charged interest on the loan it had taken to fund the cost of the plant. What is the proper treatment of freight and interest expense under Ind AS 16?
- Both expenses should be capitalized.
 - Interest may be capitalized but freight should be expensed.
 - Freight charges should be capitalized but interest cannot be capitalized under these circumstances.
 - Both expenses should be expensed.
8. XYZ Inc. owns a fleet of over 100 cars and 20 ships. It operates in a capital-intensive industry and thus has significant other property, plant, and equipment that it carries in its books. It decided to revalue its property, plant, and equipment. The company's accountant has suggested the alternatives that follow. Which one of the options should XYZ Inc. select in order to be in line with the provisions of Ind AS 16?
- Revalue only one-half of each class of property, plant, and equipment, as that method is less cumbersome and easy compared to revaluing all assets together.
 - Revalue an entire class of property, plant, and equipment.
 - Revalue one ship at a time, as it is easier than revaluing all ships together.
 - Since assets are being revalued regularly, there is no need to depreciate.
9. An entity installed a new production facility and incurred a number of expenses at the point of installation. The entity's accountant is arguing that most expenses do not qualify for capitalization. Included in those expenses are initial operating losses. These should be
- Deferred and amortized over a reasonable period of time.
 - Expensed and charged to the income statement.
 - Capitalized as part of the cost of the plant as a directly attributable cost.
 - Taken to retained earnings since it is unreasonable to present it as part of the current year's income statement.

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10. Ind AS 16 requires that revaluation surplus resulting from initial revaluation of property, plant, and equipment should be treated in one of the following ways. Which of the four options mirrors the requirements of Ind AS 16?
 - a. Credited to retained earnings as this is an unrealized gain.
 - b. Released to the income statement an amount equal to the difference between the depreciation calculated on historical cost vis-à-vis revalued amount.
 - c. Deducted from current assets and added to the property, plant, and equipment.
 - d. Debited to the class of property, plant, and equipment that is being revalued and credited to other comprehensive income and accumulated in equity under the heading of revaluation surplus.
11. As per Ind AS 16, Land and Buildings are separable assets and accounted for separately, even if they are acquired together. (True or False)
12. An entity can continue to depreciate an asset even if it classifies it as Non- Current Assets held for Sale as per Ind AS 105? (True or False)
13. A newly set up dot-com entity has engaged you as its financial advisor. The entity has recently completed one of its highly publicized research and development projects and seeks your advice on the accuracy of the following statements made by one of its stakeholders. Which one is true?
 - a. Costs incurred during the “research phase” can be capitalized.
 - b. Costs incurred during the “development phase” can be capitalized if criteria such as technical feasibility of the project being established are met.
 - c. Training costs of technicians used in research can be capitalized.
 - d. Designing of jigs and tools qualify as research activities.
14. Which item listed below does not qualify as an intangible asset?
 - a. Computer software.
 - b. Registered patent.
 - c. Copyrights that are protected.
 - d. Notebook computer.
15. Which of the following items qualify as an intangible asset under Ind AS 38?
 - a. Advertising and promotion on the launch of a huge product.
 - b. College tuition fees paid to employees who decide to enroll in an executive M.B.A. program at Harvard University while working with the company.
 - c. Operating losses during the initial stages of the project.
 - d. Legal costs paid to intellectual property lawyers to register a patent.
16. Once recognized, intangible assets can be carried at
 - a. Cost less accumulated depreciation.
 - b. Cost less accumulated depreciation and less accumulated amortization.
 - c. Revalued amount less accumulated depreciation.
 - d. Cost plus a notional increase in fair value since the intangible asset is acquired.

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17. Which of the following disclosures is not required by Ind AS 38?
 - a. Useful lives of the intangible assets.
 - b. Reconciliation of carrying amount at the beginning and the end of the year.
 - c. Contractual commitments for the acquisition of intangible assets.
 - d. Fair value of similar intangible assets used by its competitors.
18. An intangible asset with an indefinite life is one where the directors feel that the intangible asset will not lose value in the foreseeable future. (True or False)
19. According to Ind AS 38 Intangible assets, amortisation of an intangible asset with a finite useful life should commence when it is probable that it will generate future economic benefits. (True or False)
20. An investment property should be measured initially at
 - a. Cost.
 - b. Cost less accumulated impairment losses.
 - c. Depreciable cost less accumulated impairment losses.
 - d. Fair value less accumulated impairment losses.
21. The applicable Ind AS for a property being constructed or developed for future use as investment property is
 - a. Ind AS 2, Inventories, until construction is complete and then it is accounted for under Ind AS 40, Investment Property.
 - b. Ind AS 40, Investment Property.
 - c. Ind AS 16, Property, Plant, and Equipment, until construction is complete and then it is accounted for under Ind AS 40, Investment Property.
22. Transfers from investment property to property, plant, and equipment are appropriate
 - a. When there is change of use.
 - b. Based on the entity's discretion.
 - c. Only when the entity adopts the fair value model under Ind AS 38.
 - d. The entity can never transfer property into another classification on the balance sheet once it is classified as investment property.
23. An investment property is derecognized (eliminated from the balance sheet) when
 - a. It is disposed to a third party.
 - b. It is permanently withdrawn from use.
 - c. No future economic benefits are expected from its disposal.
 - d. In all of the above cases.
24. Ind AS 40, Investment Property allows only cost model for valuation of Investment Property. (True or False)
25. Which of the following is not dealt with by Ind AS 41?
 - a. The accounting for biological assets.
 - b. The initial measurement of agricultural produce harvested from the entity's biological assets.
 - c. The processing of agricultural produce after harvesting.
 - d. The accounting treatment of government grants received in respect of biological assets.

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26. Where there is a long aging or maturation process after harvest, the accounting for such products should be dealt with by
- Ind AS 41.
 - Ind AS 2, Inventory.
 - Ind AS 16, Property, Plant, and Equipment.
 - Ind AS 40, Investment Property.
27. Generally speaking, biological assets relating to agricultural activity should be measured using
- Historical cost.
 - Historical cost less depreciation less impairment.
 - A fair value approach.
 - Net realizable value.
28. Where the fair value of the biological asset cannot be determined reliably, the biological asset should be measured at
- Cost.
 - Cost less accumulated depreciation.
 - Cost less accumulated depreciation and accumulated impairment losses.
 - Net realizable value.
29. Which of the following costs are not included in point-of-sale costs?
- Commissions to brokers and dealers.
 - Levies by regulatory agencies.
 - Transfer taxes and duties.
 - Transport and other costs necessary to get the assets to a market.
30. A gain or loss arising on the initial recognition of a biological asset and from a change in the fair value less estimated point-of-sale costs of a biological asset should be included in
- The net profit or loss for the period.
 - The statement of recognized gains and losses.
 - A separate revaluation reserve.
 - A capital reserve within equity.
31. When agricultural produce is harvested, the harvest should be accounted for by using Ind AS 2, Inventories, or another applicable Ind AS. For the purposes of that Standard, cost at the date of harvest is deemed to be
- Its fair value less estimated point-of-sale costs at point of harvest.
 - The historical cost of the harvest.
 - The historical cost less accumulated impairment losses.
 - Market value.
32. Land that is related to agricultural activity is valued
- At fair value.
 - In accordance with Ind AS 16, Property, Plant, and Equipment, or Ind AS 40, Investment Property.
 - At fair value in combination with the biological asset that is being grown on the land.
 - At the resale value separate from the biological asset that has been grown on the land.

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33. An unconditional government grant related to a biological asset that has been measured at fair value less point-of-sale costs should be recognized as
- Income when the grant becomes receivable.
 - A deferred credit when the grant becomes receivable.
 - Income when the grant application has been submitted.
 - A deferred credit when the grant has been approved.
34. If a government grant is conditional on certain events, then the grant should be recognized as
- Income when the conditions attached to the grant are met.
 - Income when the grant has been approved.
 - A deferred credit when the conditions attached to the government grant are met.
 - A deferred credit when the grant is approved.
35. Ind AS 40 – Investment Property applies to any asset held for earning rentals or for capital appreciation or both. (True or False)