Roll No.	
Booklet Sr. No.	
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INSTRUCTIONS

1	The candidate should not turn or look at any other page, except this instruction page, till the Chief Superintendent/ Invigilator announces to start.
2	Please ensure that there is a Serial Number in the Question Booklet. If there is no Serial Number please procure another booklet containing proper Serial Number from the Invigilator.
3	Please also check the question booklet contains the correct number of Pages as specified on the Top Right Hand side of this Question Paper Booklet.
4	Answer all the 60 questions. All Questions carry equal marks.
5	Each question has four multiple choices for the answer. You are required to choose only one Answer which according to you is most appropriate and/ or correct and TICK that answer.
6	Please return this Question Booklet along with Answers marked by you to the Chief Superintendent/ Invigilator on completion of the Test.
7	While handling over the Question Booklet, please ensure that you have obtained the Signature of the Invigilator in the Admit Card as a Proof of having submitted/ returned the same.
8	Kindly keep your Mobiles switched off during the exam. Use the correct method of TICKING the answers on the Question Booklet.

1. Which ONE of the following statements best describes the term 'financial position'

a) The potential to contribute to the flow of cash and cash equivalents to the entity
b) The net income and expenses of an entity
c) The assets, liabilities and equity of an entity
d) The net of financial assets less liabilities of an entity

2. Which ONE of the following is true of the qualitative characteristic of 'understandability' in relation to information in financial statements?

a) Users are expected to have significant business knowledge
b) Users should be willing to study the information with reasonable diligence
c) Financial statements should exclude complex matters
d) Financial statements should be free from material error

3. Which ONE of the following terms best describes information that influences the economic decisions of users?

a) Understandable
b) Reliable
c) Relevant
d) Prospective

4. Which standard applies to major spare parts and stand-by equipment that an entity expects to use during more than one period?

a) IAS 2
b) IAS 16

5. As per IAS 2, Inventories are measurement at

a) Fair Value
b) Lower of cost or net realizable value
c) At cost
d) Any of the above

6. An entity has a factory that has been shut down for a year due to various reason, including worker unrest and strike. The entity plans to sell this factory. It should

a) Classify the factory as investment property
b) Classify the factory as property held for sale in the ordinary course of business under IAS 2
c) Classify the factory as property, plant, and equipment under IAS 16
d) Write off the net book value and disclose that fact in the footnotes to the financial statements.

7. The Khaki Company sells merchandise for CU8,000 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) CU7,339
b) CU8,000
c) Nil
d) CU8,720

8. The ABC Company acquired 100% of The XYZ Company for a consideration transferred of CU112million. At the acquisition date the carrying amount of XYS ‘s net assets was CU100million and their fair value was CU120million.

How should the difference between the consideration transferred and the net assets acquired be presented in ABC’s financial statements, according to IFRS3 Business combinations?

a) Gain on bargain purchase of CU8million deducted from other intangibles assets
b) Gain on bargain purchase of CU8million recognised in other comprehensive income
c) Goodwill of CU12million as an intangible asset
d) Gain on bargain purchase of CU8million recognised in profit or loss

9. IAS 37 requires an entity to recognise in the books of accounts

a) Provisions
b) Contingent Liability
c) Contingent Assets
d) All of the above

10. According to IAS11 Construction contracts, an entity should disclose which TWO of the following?

a) For each material contract, the aggregate costs incurred
b) The methods used to determine the contract revenue recognised in the period
c) Advances received in cash, analysed according to each material contract
d) Total amount of contract revenue recognised in the period

11. The Peter Company is attempting to determine the total revenue on a contract to build a factory for The Pan Company. All calculations are in accordance with IAS11 Construction contracts, and Peter has identified the following:

Initially agreed fixed contract price	**CU800,000**
Variation in the contract (see Note 1)	**CU100,000**
Penalty (see Note 2)	**CU30,000**

Note 1 - During the contract Pan changed the specification of the air conditioning systems. The changed specification has been agreed but a new contract with the new price has not yet been signed, although an increase in the contract price of around CU100,000 is highly probable.

Note 2 - A strike at Peter caused a delay for which the penalty in the original contract was CU30,000. This was agreed by both parties.

At what amount should the total contract revenue be stated?

a) CU800,000
b) CU900,000
c) CU770,000
d) CU870,000

12. Which standard applies to hedge accounting for foreign currency items, including the hedging of a net investment in a foreign operation?

a) IAS 21
b) IAS 39

13. According to IAS19 Employee benefits, which ONE of the following statements best describes 'other long-term employee benefits'?

a) Benefits which are payable after completion of employment
b) Benefits not falling due wholly within twelve months of the end of the period in which the service is rendered
c) Benefits payable as a result of an entity's decision to end an employee's employment before the normal retirement date
d) Benefits which fall due within twelve months of the end of the period in which the service is rendered

14. Under IAS36 Impairment of assets, which ONE of the following statements best describes the term 'impairment loss'?

a) The amount by which the carrying amount of an asset exceeds its recoverable amount
b) The removal of an asset from an entity's statement of financial position
c) The systematic allocation of an asset's cost less residual value over its useful life
d) The amount by which the recoverable amount of an asset exceeds its carrying amount

15. The Matter Company operates a production line which is treated as a cash-generating unit for impairment review purposes. At 31 December 20X7 the carrying amounts of the non-current assets allocated to this cash-generating unit are as follows:

Intangibles – goodwill	**CU110**
Tangibles - plant and machinery	**CU220**
Total	**CU330**

At 31 December 20X7 the recoverable amount of the production line is estimated at CU270.

According to IAS36 Impairment of assets, what are the revised carrying amounts of the intangible and tangible non-current assets within this cash-generating unit?

	Intangible	Tangible
a)	CU110	CU160
b)	CU90	CU180
c)	CU80	CU190
d)	CU50	CU220

16. Can Inventories qualify as Qualifying assets- IAS 23?

a) Depends on circumstances
b) No
c) Nothing is specified in IFRS

17. The Fluming Company and The Talgarth Company own 60% and 40% respectively of the equity of The Hoophorn Company. Fluming and Talgarth have signed an agreement whereby all the strategic decisions in respect of Hoophorn are to be taken with the agreement of them both. Are the following statements true or false, according to IAS27 Consolidated and separate financial statements, IAS28 Investments in associates and IAS31 Interests in joint ventures?

1) Fluming should classify its investment in Hoophorn as an investment in a subsidiary.

2) Talgarth should classify its investment in Hoophorn as an investment in an associate

	Statement 1	Statement 2
a)	False	True
b)	True	False
c)	True	True
d)	False	False

18. As per IAS 36, Impairment of assets, Recoverable amount – INR 900 and carrying amount INR 600. Whether impairment is required or not?

a) No
b) Yes

19. On 1 January 20X8 The Violet Company signs a four-year fixed-price contract to provide services for a customer. The contract value is CU550,000. At 31 December 20X8 the contract is thought to be 30% complete. Costs to complete the contract cannot be reliably estimated and costs incurred to date of CU152,000 are recoverable from the customer. What is the revenue to be recognised in profit or loss for the year ended 31 December 20X8, according to IAS18 Revenue?

a) CU137,500
b) CU13,000
c) CU152,000
d) CU165,000

20. Are operating leases within the scope of IFRS 7?

a) Yes
b) No

21. Does IFRS2 apply to a rights issue to shareholders who are also the entity's employees?

a) Yes
b) No

22. An entity should apply IFRS4 Insurance contracts to which ONE of the following?

a) Reinsurance contracts issued by the entity

b) Product warranties issued by an entity which is a manufacturer

c) Employers' assets and liabilities under employment benefit plans

d) Contingent consideration receivable in a business combination

23. The Kokam Company and its subsidiaries are applying IFRS4 Insurance contracts for the first time in the preparation of consolidated financial statements.

Which ONE of the following accounting policies for insurance contracts is permitted by IFRS4?

a) Using equalisation provisions for possible claims on future insurance contracts

b) Continuing to use non-uniform accounting policies to measure the insurance liabilities of the subsidiaries

c) Recognising in the statement of changes in equity any deficiency arising from the liability adequacy test

d) Introducing additional excessive prudence in measuring insurance contract liabilities

24. ABC Inc. is a large manufacturer of machines. XYZ Ltd., a major customer of ABC Inc., has placed an order for a special machine for which it has given a deposit of 112,500 to ABC Inc. the parties have agreed on a price for the machine of 150,000. As per the terms of the sales agreement, it is an FOB contract and the title passes to the buyer when goods are loaded onto the ship at the port. When should be revenue be recognized by ABC Inc.?

a) When the customer orders the machine

b) When the deposit is received

c) When the machine is loaded on the port

d) When the machine has been received by the customer

25. On acquisition, all identifiable assets and liabilities, including goodwill, will be allocated to cash-generating units within the business combination. Goodwill impairment is assessed within the cash generating units. If the combined organization has cash generating units significantly below the level of an operating segment, then the risk of an impairment charge against goodwill as a result of IFRS 3 is:

a) Significantly decreased because goodwill will be spread across many cash – generating units

b) Significantly increased because poorly performing units can no longer be supported by those that are performing well

c) Likely to be unchanged from previous accounting practice

d) Likely to be decreased because goodwill will be a smaller amount due to the greater recognition of other intangible assets

26. Subsidiary A in India prepares locally, financial information for consolidation purposes for its parent in UK which in turns prepared consolidated financial statement as per IFRS. Now this subsidiary is adopting IFRS in India. Can it avail exemption as per IFRS 1?

a) Yes

b) No

27. The Orion Company is commencing a new construction project, which is to be financed by borrowing. The key dates are as follows:

15 May 20X8	**Loan interest relating to the project starts to be incurred**
3 June 20X8	**Technical site planning commences**
12 June 20X8	**Expenditures on the project start to be incurred**
18 July 20X8	**Construction work commences**

According to IAS23 Borrowing costs, from what date can Orion commence the capitalisation of borrowing costs?

a) 12 June 20X8
b) 18 July 20X8
c) 3 June 20X8
d) 15 May 20X8

28. An entity decides to lay off its 500 employees providing them a compensation of 1 months' salary. The amount paid by the entity will be accounted as:

a) Long term employee benefit
b) Termination benefit
c) Retirement Benefit
d) Short term employee benefits

29. On 1 January 20X7 The Hamerkop Company borrowed CU6 million at an annual interest rate of 10% to finance the costs of building an electricity generating plant. Construction commenced on 1 January 20X7 and cost CU6 million. Not all the cash borrowed was used immediately, so interest income of CU80,000 was generated by temporarily investing some of the borrowed funds prior to use. The project was completed on 30 November 20X7.

What is the carrying amount of the plant at 30 November 20X7?

a) CU6,520,000
b) CU6,000,000
c) CU6,470,000
d) CU6,550,000

30. Income tax for the purpose of IAS 12 income Taxes includes

a) Only domestic income taxes
b) Only foreign income taxes
c) Both of the above

31. IFRS 2 prescribes accounting treatment for

a) Equity settled share based payments
b) Cash settled share based payments
c) Transaction with settlement alternatives
d) All of the above

32. An entity will primarily generate and expend cash in one primary economic environment. According to IAS21 The effects of changes in foreign exchange rates, the correct term for the currency of this primary economic environment is the

a) functional currency
b) foreign currency
c) reporting currency
d) presentation currency

33. The Witley Company has the CU as its functional currency. On 16 October 20X7 Witley ordered some inventory from a foreign supplier and agreed a purchase price of $160,000. The inventory was received on 15 November 20X7.

At 31 December 20X7 the inventory remained on hand and the trade payable balance for the inventory purchase remained outstanding. The supplier was paid on 27 January 20X8 and the inventory was sold on 31 January 20X6.

The following information about exchange rates is available:

16 October 20X7	**CU1=$2.60**
15 November 20X7	**CU1=$2.50**
31 December 20X7	**CU1=$2.40**
27 January 20X8	**CU1=$2.25**

According to IAS21 The effects of changes in foreign exchange rates, at what amount should the trade payable balance due to the supplier be presented in the statement of financial position of Witley at 31 December 20X7?

a) CU71,111
b) CU66,667
c) CU64,000
d) CU61,538

34. Borrowing costs can be capitalized as part of the asset when

a) They are a qualifying asset and the entity has opted for the benchmark treatment under IAS 23

b) They are a qualifying asset; the entity has opted for the allowed alternative treatment under IAS 23, but it is not probable that they will result in future economic benefits to the entity

c) They are a qualifying asset; the entity has opted for the allowed alternative treatment under IAS 23, and it is probable that they will result in future economic benefits to the entity, but the costs cannot be measured reliably.

35. Under which category should the following items be accounted for according to IAS19 Employee Benefits?

i) Lump sum benefit of 1% of the final salary for each year of service.

ii) Actuarial gains.

a) Lump sum benefit should be accounted for under short term employee benefits Actuarial gains should be accounted for under defined contribution plans

b) Lump sum benefit should be accounted for under short term employee benefits Actuarial gains should be accounted for under defined benefit plans

c) Lump sum benefit should be accounted for under defined benefit plans Actuarial gains should be accounted for under defined benefit plans

d) Lump sum benefit should be accounted for under defined benefit plans Actuarial gains should be accounted for under defined contribution plans

36. Are the following statements about a cash-settled share-based payment transaction true or false, according to IFRS2 Share-based payment?

1) The fair value of the liability should be remeasured at the end of each reporting period.

2) The fair value of the liability should be remeasured at the date of settlement.

	Statement 1	Statement 2
a)	True	True
b)	False	True
c)	False	False
d)	True	False

37. Additional reportable segments should be identified till

a) Total external revenue reported by operating segments is less than 90% of the total revenue

b) Total external revenue reported by operating segments is less than 75% of the total revenue

c) Total profit reported by operating segment is less than 75% of total profit

d) Total assets reported by operating segment is less than 75% of total assets

38. IAS 24 deals with following in relation to related party transaction

a) Recognition of related party transaction

b) Measurement of related party transaction

c) Identification of related party transaction and their disclosures

39. Which of the following criteria are to be fulfilled for asset to be considered as Current Assets as defined in IAS 1

i) Expected to be realized, or is intended for sale or consumption, in the normal course of business of the operating cycle

ii) Held primarily for trading purposes

iii) Expected to be realized within 12 months after the reporting period

iv) Cash or a cash equivalent which is not restricted in use

a) i, iii, iv

b) i., ii, iii

c) i., ii, iv

d) All

40. Transition date of IFRS in India ?

a) April 1, 2010
b) April 1, 2011
c) April 1, 2012
d) None of the above

41. Can Inappropriate accounting policies be rectified either by disclosure of the accounting policies used or by notes or explanatory material?

a) Yes
b) No
c) Not mentioned in IFRSs

42. An accounting mismatch exists on initial recognition and the entity applies the fair value option. If subsequently the accounting mismatch ceases to exist, can the entity de-designate the fair value classification and change the measurement to amortised cost?

a) Yes
b) No
c) It depends

43. Which TWO of the following should be taken into account when determining the cost of inventories per IAS2 Inventories?

a) Recoverable purchase taxes
b) Administrative costs
c) Storage costs of part-finished goods
d) Trade discounts

44. The Merlion Company has partially-completed inventory located in its factory, to which the following estimates relate:

	CU
Production costs incurred to date	**2,900**
Production costs to complete	**2,000**
Transport costs to customer	**300**
Future selling costs	**400**
Selling price	**2,800**

According to IAS2 Inventories, what is the net realisable value of Merlion's inventory?

a) CU100
b) CU400
c) CU2,100
d) CU2,800

45. 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

46. The scope of IAS 39 includes all of the following items except:

a) Financial instruments that meet the definition of a financial asset
b) Financial instruments that meet the definition of a financial liability
c) Financial instruments issued by the entity that meet the definition of an equity instrument
d) Contracts to buy or sell non financial items that can be settled net

47. Which of the following indicates a hyperinflationary economy?

a) If the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency
b) If the general population prefers to keep its wealth in monetary assets

48. Changes in accounting policies:

a) Should be applied only in the year of the change.
b) Should make the change to all periods reported.
c) Should only make the change in the following period.

49. On 1 July 20X7 The Magna Company acquired 100% of The Natural Company for a consideration transferred of CU160million. At the acquisition date the carrying amount of Natural's net assets was CU100million.

At the acquisition date a provisional fair value of CU120million was attributed to the net assets. An additional valuation received on 31 May 20X8 increased this provisional fair value to CU135million and on 30 July 20X8 this fair value was finalised at CU140million.

What amount should Magna present for goodwill in its statement of financial position at 31 December 20X8, according to IFRS3 Business combinations

a) CU60million
b) CU20million
c) CU25million
d) CU40million

50. Which of the following statements best describes the principle for classifying an issued financial instrument as either a financial liability or equity?

a) Issued instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, financial asset and an equity instrument
b) Issued instruments are classified as liabilities or equity in accordance with the legal form of the contractual arrangement and the definitions of a financial liability and an equity instrument
c) Issued instruments are classified as liabilities or equity in accordance with management's designation of the contractual arrangement
d) Issued instruments are classified as liability or equity in accordance with the risk and rewards of the contractual arrangement

51. Should the following items be included in plan assets, according to IAS19 Employee Benefits?

i) Assets held by a long-term employee benefit fund.

ii) Qualifying insurance policies.

a) Yes No
b) Yes Yes
c) No Yes
d) No No

52. At its year end, The Parlour Company has the following balances in relation to a defined benefit post-employment plan:

Plan assets	**CU115,000**
Plan liability	**CU190,000**
Unrecognised actuarial loss	**CU20,000**

Under IAS19 Employee benefits, what figure should be shown on Parlour's statement of financial position for the plan deficit?

a) CU55,000
b) CU95,000
c) CU190,000
d) CU75,000

53. One of the conditions that must be satisfied in order to recognise revenue in a transaction involving the rendering of services is that the stage of completion of the transaction at the end of the reporting period can be measured reliably.

Which TWO of the following methods for determining the stage of completion of a contract involving the rendering of services are specifically referred to in IAS18 Revenue, as being acceptable?

a) Costs incurred to date as a percentage of the estimated total costs of the transaction
b) Surveys of work performed
c) Revenue to date divided by total contract revenue
d) Advances received to date as a percentage of the total amount receivable

54. The Oxford Company sells goods to a third party via an agent, Agni. During 20X8 Oxford supplies the agent, Agni, with goods with a sales value of CU200,000.

The agent, Agni, charges a commission of 15%.

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

	Oxford	Agni
a)	CU170,000	CU30,000
b)	CU170,000	CU25,500
c)	CU200,000	CU30,000
d)	CU200,000	CU25,500

55. The Ideal Service Company provides service contracts to customers for maintenance of their electrical systems. On 1 October 20X8 it agrees a four-year contract with a major customer for CU154,000.

Costs over the period of the contract are reliably estimated at CU51,333.

Under IAS18 Revenue, how much revenue should the company recognise in profit or loss in the year ended 31 December 20X8?

a) CU38,500
b) CU9,625
c) CU3,208
d) CU12,833

56. On 1 July 20X7, The Furco Company, a manufacturer of office furniture, supplied goods to The Buyco Company for CU120,000 on condition that this amount was paid in full on 1 July 20X8.

Buyco had earlier rejected an alternative offer from Furco whereby they could have bought the same goods by paying cash of CU108,000 on 1 July 20X7.

Under IAS18 Revenue, how much relating to this transaction should Furco recognise in profit or loss in respect of revenue and interest income for the year ended 30 June 20X8?

	Revenue	Interest income
a)	CU108,000	CU12,000
b)	CU120,000	CU12,000
c)	CU108,000	Nil
d)	CU120,000	Nil

57. Which ONE of the following statements best describes the term 'liability'?

a) The residual interest in the assets of the entity after deducting all its liabilities
b) A present obligation of the entity arising from past events
c) An excess of equity over current assets
d) Resources to meet financial commitments as they fall due

58. Are the following statements regarding the term 'profit' true or false?

1) Profit is any amount over and above that required to maintain the

capital at the beginning of the period.

2) **Profit is the residual amount that remains after expenses have been deducted from income.**

	Statement (1)	Statement (2)
a)	False	True
b)	False	False
c)	True	False
d)	True	True

59. An entity X buys a machinery on 1 April 2008 for Rs 10 lakhs. This asset has a useful life of 5 years and is depreciated under straight line method for accounting purpose. However, as per tax laws depreciation allowed is @25% on straight line method. What is the tax base on 31 March 2009 of the machinery?

a) Rs. 7.5 Lakhs
b) Rs. 8 lakhs
c) Rs. 10 lakhs
d) Nil

60. IFRIC interpretation 1 applies to

a) Recognition of decommissioning, restoration and similar liabilities as part of cost of an item of property, plant and equipment
b) Recognition of decommissioning, restoration and similar liabilities as liability as per IAS 37
c) Changes in measurement of decommissioning, restoration and similar liabilities recognised as part of cost of item of property, plant and equipment or as liability as per IAS 37
d) Changes in measurement of decommissioning, restoration and similar liabilities recognised both as part of cost of item of property, plant and equipment and as liability as per IAS 37