



25th December, 2016

(Code - IEC)

Total No. of Questions : 39

Total No. of printed pages : 8

Total Marks : 100

Time Allowed : 3 Hours

All the questions are compulsory. Question No. 1 to 30 carry 1.5 marks each, Question No. 31 to 37 carry 5 marks each and Questions 38 to 39 carry 10 marks each.

PART - A

OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State the correct answer for each of the following statements

Q1. _____ is not an example of intangible asset

- a) Intellectual property
- b) Research
- c) Patents
- d) Copyright

Q2. Finance lease gives rise to a _____ expense and a _____ expense.

- a) Other and Separate
- b) Finance and Separate
- c) Depreciation and Other
- d) Finance and Depreciation

Q3. The two items periodically or otherwise recognised in Other Comprehensive Income but cannot be reclassified into profit or loss at any future period are (i) _____ and (ii) _____

- a) remeasurements of net defined benefit liability (asset) and revaluation surplus
- b) remeasurements of net defined benefit liability (asset) and OCI surplus on investments
- c) OCI surplus/loss on investments and revaluation surplus
- d) OCI surplus/loss on equity and OCI surplus/loss on investments

Q4. _____ is not an adjusting event in “Events after the reporting period ”

- a) Discovery of a fraud
- b) Exchange rate fluctuations
- c) Out of court settlement of a legal action
- d) Sales of inventory at less than costs

Q5. _____ assets should not be tested for impairment

- a) Those with an indefinite useful life
- b) Plant and Machinery
- c) Inventory
- d) Those not yet available for use

Q6. _____ is a Level 3 input in a fair value hierarchy

- a) Equity price
- b) Yield
- c) Volatility of FX
- d) Commodity price

Q7. _____ not a feature of an structured entity (SPV)

- a) Restricted activities
- b) Narrow and well defined objectives
- c) Lack of equity finance
- d) Voting rights is a dominant factor

Q8. A has an obligation to restore the building in its original shape. It has to pay Rs 1 mn at the end of March 2016 for this liability. The management estimates that time value to be considered is material at 15% discount rate. The present value of provision is _____

- a) Rs 1,000,000
- b) Rs 756,144
- c) Rs 869,565
- d) Rs 850,000

Q9. _____ is not an evidence of significance influence by an investor

- a) Representation on the board of directors
- b) Material transaction between the investor and investee
- c) Interchange of managerial personnel
- d) Voting rights of less than 20%

Q 10. _____ is not a part of the Segment reporting

- a) Segment Profit and loss
- b) Segment Assets
- c) Segment Liabilities
- d) Segment Equity

State whether the following statements is true or false (with reasons)

- Q11.** In an equity settled transactions, the entity receives service as consideration for its own equity and has no obligation to settle the transaction with the supplier.
- Q12.** Interest paid and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss.
- Q13.** Change in accounting policy does not include change of method of valuation of inventory from FIFO to weighted-average.
- Q14.** Temporary differences are 'taxable temporary difference and permanent difference'
- Q15.** If an entity provides significant ancillary services to the occupants of its property, it may have to be classified as owner-occupied rather than an investment property.
- Q16.** Contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share.
- Q17.** A change in the accounting estimate is to be done retrospectively and a change in the accounting policy has to be done prospectively
- Q18.** For the purpose of inventory, LIFO method is prohibited.
- Q19.** Government grants should not be recognized until there is "reasonable assurance" that the entity will comply with conditions attaching to them and the grants will be received.
- Q20.** The definition of fair value in the lease accounting and fair value in the fair value measurement standard is same.

Select the correct answer in each of the following statements:

- Q21.** Where bank overdrafts which are repayable on demand form an integral part of an entity's cash management, bank overdrafts are included as a component of:
- (a) financing activities
 - (b) investing activities
 - (c) cash and cash equivalents
 - (d) None of the above.
- Q22.** The classification of a lease as either an operating or finance lease is based on
- a. The length of the lease.
 - b. The transfer of the risks and rewards of ownership.
 - c. The minimum lease payments being at least 50% of the fair value.
 - d. The economic life of the asset.
- Q23.** The following are possible methods of measuring assets and liabilities other than historical cost: (i) Current cost (ii) Realisable value (iii) Present value (iv) Replacement cost
According to the Conceptual Framework for Financial Reporting (2010) which of the measurement bases above can be used by an entity for measuring assets and liabilities shown in its statement of financial position?
- (a) (i) and (ii)
 - (b) (i), (ii) and (iii)
 - (c) (ii) and (iii)
 - (d) (i), (ii) (iii) and (iv)
- Q24.** Consolidated financial statements are presented on the basis that the companies within the group are treated as if they are a single (economic) entity. Which of the following are requirements of preparing group accounts?
- (i) All subsidiaries must adopt the accounting policies of the parent in their separate financial statements
 - (ii) Subsidiaries with activities which are substantially different to the activities of other members of the group should not be consolidated
 - (iii) All entity financial statements within a group should (generally) be prepared to the same accounting year end prior to consolidation
 - (iv) Unrealised profits within the group must be eliminated from the consolidated financial statements
- a. All four
 - b. (i) and (ii) only
 - c. (i), (iii) and (iv)

d. (iii) and (iv)

Q25. The Framework identifies qualitative characteristics of financial statements. Characteristics are (i) Relevance (ii) Reliability (iii) Faithful representation (iv) Comparability

Which of the above characteristics are NOT fundamental qualitative characteristics according to the Framework?

- (a) (i) and (ii)
- (b) (i) and (iii)
- (c) (iii) and (iv)
- (d) (ii) and (iv)

Q26. Which one of the following is not Other Long term employee benefits?

- (a) free or subsidised goods or services for current employees.
- (b) jubilee or other long-service benefits;
- (c) profit-sharing and bonuses payable twelve months or more after the end of the period in which the employees render the related service; and
- (d) deferred compensation paid twelve months or more after the end of the period in which it is earned.

Q27. Which of this is not a requirement of financial statement

- (a) a statement of profit and loss and other comprehensive income
- (b) a statement of cash flows
- (c) a statement of financial position as at the beginning of the earliest comparative period when Changes in Accounting Policy applies
- (d) Directors report on financial and other information

Q28. Which is not a direct cost of acquisition of property, plant and equipment

- (a) Costs of site preparation
- (b) Installation and assembly costs
- (c) Relocation costs
- (d) Professional fees (architects and engineers)

Q29. Which is not a condition for held for sale asset

- a) The asset must be available for immediate sale
- b) The must be completed within 12 months
- c) The management must be committed to a plan to sell the asset
- d) It should be sold at a loss

Q30. A person or a close family is a not a related party if he :

- a) Has control of the reporting entity
- b) Has significant influence over the reporting entity
- c) A customer with significant volume of business with the reporting entity
- d) Is the member of the key managerial personnel of the reporting entity

PART – B
DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

- Q31.** What is a provision and contingent liability? Give 3 examples each
- Q32.** Give 7 factors/assumptions which the actuarial takes into account in his valuation
- Q33.** What is a Cash Generating Unit? How is the accounting of the impairment loss done? How is the allocation done. Given one simple example
- Q34.** What are the nature of transactions which should be disclosed between related parties and which nature of transactions pertaining to key managerial personnel?
- Q35.** Define the tax base of an asset as outlined in Ind AS 12, *Income Taxes*.
- Compute the tax base of the following assets:
- A machine was purchased during the current accounting period for Rs 250,000. Depreciation of Rs 50,000 was charged in arriving at the accounting profit for the current period. A deduction of Rs 100,000 was given against taxable profits by the local tax authorities against the taxable profits of the current period. The remaining cost will be deductible in future periods, either as depreciation or as a deduction on disposal.
 - A current asset of Rs 60,000 relates to interest receivable. The related interest revenue will be taxed on a cash basis when it is received.
- Q36.** What are classification of financial assets? Give 3 examples of each. What is meaning of effective interest rate? You can explain with an example.
- Q37.** What is joint operation? Explain the accounting treatment of interest in the joint operation in the separate financial statements of a Joint Operator.

PART – C
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q.38. Recognition and measurement at recognition of Property Plant and Equipment (PPE)

You have been provided with the following information in relation to transactions relating to property, plant, equipment which took place during the year ended 31 October 2010-

New factory premises were completed and ready for occupation on 1 April 2010. Production was not transferred to the factory until 30 September 2010 due to a strike. Capital expenditure in relation to the new factory premises is recorded in the statements of Financial Position for the year ended 31 October 2009 at Rs 1.4 million (including land of Rs 0.8 million). The following costs, which also relate to the new factory premises, have been incurred during the year to 31 October 2010:

	Rs '000
Additional construction costs	1040
Professional fees (legal and architects)	200
General and administrative overheads	55
Relocation of staff to new factory	15

The life of the factory is expected to be 30 years.

Calculate the carrying amount of PPE as on 31 October 2010.

Q39. Cash flow hedge of a foreign currency net position

An entity having the CAD as functional currency anticipates sales of GBP100m in 12 months and also plans a major capital expenditure (fixed assets) of GBP80m in 12 months. The anticipated sales and capital expenditure (i.e. the group) are designed as hedged items and the resulting net position is hedged with a forward contract to sell GBP20m in 12 months. The fixed assets will be depreciated on a straight-line basis over eight years. For simplicity, assume the spot rate equals the forward rate.

The GBP/CAD spot rates are:

At inception of the hedge (beginning of year 1)	1.50
After 12 months (end of year 1)	1.60

Pass the journal entries in the books of the entity.