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Question 1. Y Co has issued 100 shares to its directors for services rendered during the year ended 31 December 20X5. The value of the shares at the grant date (30 November 20X5) was $5 per share. At 31 December 20X5, the shares were valued at $6 per share. The accounting entry for the issue of the shares would be:

- Charge expense of $500, and increase accumulated reserves by $500
- Charge expense of $600 and increase accumulated reserves by $600
- Charge expense of $500 and increase equity by $500
- Charge expense of $600 and increase equity by $600.

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 2. Borrower Co has a policy of capitalising interest costs on self-constructed assets in accordance with IAS 23 Borrowing Costs.

During the year it has the following sources of borrowings

	Average outstanding liability($'000)	**Interest Cost ($'000)**
Medium term bank debt	10,000	900
50 year term debt	25,000	2,000
Bank overdraft	5,000	600

All the borrowings have been used to finance the production of qualifying assets but none relate to a specific qualifying asset. What is the appropriate capitalisation rate to apply to the qualifying assets?

- Nil %
- 8.29%
- 8.75%
- 10.0%

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 3. The following information relates to Grass Co for the years ended 31 December 20X1 and 20X2:

	20X1	20X2
	$	$
Profit before tax	24,000	18,000
Trade receivables	135,000	129,000
Trade payables	112,000	101,000
Inventory	76,000	67,000
Income tax paid	8,000	4,500

What is Grass Co's net cash from operating activities for the year ended 31 December 20X2?

- $22,000
- $9,500
- $17,500
- $20,000

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 4. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in which of the following circumstances should an expense for $450,000 be recognised?

- For damages in a lawsuit that the reporting company has a 75% chance of losing. The damages claim is for $600,000
- For the expected cost to dismantle an oil platform as required by law. The cost is $700,000, which has a present value of $450,000.
- For the $450,000 cost to make good land contaminated as a result of past years' operations. A law requiring the clear up is virtually certain to be enacted.
- For the $450,000 cost of fitting fire safety equipment to comply with a law coming into effect in the next financial year.

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 5. Identify which of the following statements is false:

- Under IAS 36 an entity must perform an impairment review for all its assets every 3 years.
- Goodwill should be reviewed for impairment annually.
- Under IAS 16 the useful economic life of an asset must be reviewed annually.
- Brands that are purchased may be capitalised under IAS 38.

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 6. In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, how are grants related to assets recognised?

- In the statement of profit or loss for the period they are due to be received
- In the statement of financial position as deferred income
- In the statement of financial position as a deduction from the carrying amount of the relevant asset
- In the statement of financial position as deferred income OR as a deduction from the carrying amount of the relevant asset

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 7. What is the status of an IFRIC?

- It has the same status as a standard
- It must only be complied with if there is no standard on the subject
- Compliance with an IFRIC is optional
- It must only be complied with if there is a standard on the subject

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 8. Which of the following statements are correct if an entity reports in the currency of a hyperinflationary economy?

1. The financial statements should be restated into current measuring units
2. The gain or loss on the net monetary position should be included in comprehensive income, not in the profit/loss for the year
3. A general price index should be applied to non-monetary items

- 1, 2 and 3
- 1 and 2 only
- 2 and 3 only
- 1 and 3 only

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 9. Maple Co is a public limited company which operates in the United Kingdom. The majority of its business is carried out in Europe and its revenue is in Euros. Most of its raw materials are purchased from Hong Kong where the currency is the Hong Kong dollar.

The company invoices its customers in Euros and insists on payment in Euros. Maple Co also has a subsidiary in Hong Kong.

What currency should the financial statements be presented in?

- Euros
- UK Sterling
- Hong Kong dollars
- Any currency chosen by Maple Co

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 10. Below are a number of statements relating to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Which one of these statements is true?

- The main objective of IFRS 5 is to specify the disclosure requirements of non-current assets held for sale
- IFRS 5 only applies to those reporting entities whose securities are listed on an international stock exchange
- The IFRS 5 definition of a discontinued operation cannot be met unless the operations were previously disclosed as a separate business segment under IFRS 8
- IFRS 5 classifies a discontinued operation as a component of an entity that has been disposed of or is classified as held for sale

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 11. Ginger Co's financial year end is 30 June. Its financial statements were approved and issued on 15 August. The following occurred:

1. On 10 July, inventory was sold for less than its year end carrying amount due to flood damage. The flood occurred on 29 June.
2. On 31 July, a Court case was settled for a lower value than the amount provided for in the year end financial statements.
3. On 20 August, a major share issue was made

Which of these material events should be adjusted for in the financial statements for the year ended 30 June?

- 1 and 2 only
- 1, 2 and 3
- 2 and 3 only
- 1 and 3 only

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Question 13. Emily Co chooses to revalue property in accordance with IAS 16. On 31 December 20X1, its head office building had a fair value of $30m when it is measured in the financial statements at historical cost of $25m with $4.5m of accumulated depreciation charged against it. Which of the following statements is true?

- A revaluation gain of $5m should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
- A revaluation gain of $5m should be recorded through profit or loss
- A revaluation gain of $9.5m should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
- A revaluation gain of $9.5m should be recorded through profit or loss

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 14. Y Co adopts IFRS for the first time for its financial statements for the year ended 31 December 20X5.

Which of the following statements is true under IFRS 1, First time Adoption of International Financial Reporting Standards?

- The opening balances at 1 January 20X4, and the financial statements for the years ended 31 December 20X4 (comparatives) and 31 December 20X5 must comply with IFRS in force at 31 December 20X5.
- The opening balances at 1 January 20X4, and the financial statements for the years ended 31 December 20X4 (comparatives) and 31 December 20X5 must comply with IFRS in force at 1 January 20X4.
- The opening balances at 1 January 20X5, and the financial statements for the year ended 31 December 20X5 must comply with IFRS in force at 1 January 20X5. The financial statements for 20X4 remain unchanged.
- The opening balances at 1 January 20X5, and the financial statements for the year ended 31 December 20X5 must comply with IFRS in force at 31 December 20X5. The financial statements for 20X4 remain unchanged.

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 15. According to IFRS 3 Business Combinations, how should a subsidiary be accounted for in the consolidated financial statements?

- The acquisition method
- The equity method
- Proportionate consolidation
- The pool of interests method

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 16. Which of the following concepts may be the reason why a company chooses not to capitalise small items of equipment held for continuing use in the business, rather than capitalising them?

- Completeness and materiality
- Faithful representation and understandability
- Accruals and relevance
- Materiality and comparability

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 17. Lollipop Co held a cash generating unit at $850,000. There was evidence of impairment at the year end and so Lollipop Co determined that the cash generating unit's fair value was $900,000, but to sell the unit, Lollipop Co would incur costs of $75,000. The discounted present value of the future cash flows of the cash generating unit was $775,000.
What impairment should Lollipop Co recognise in its statement of profit or loss in relation to the cash generating unit?

- $25,000
- $nil
- $75,000
- $100,000

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 18. In accordance with IAS 41 Agriculture, which of the following statements is correct?

- A fruit tree is initially measured at cost
- Dairy cattle are initially measured at fair value
- Stores of harvested tea are within the scope of IAS 41
- A gain on remeasurement of sheep to fair value is reported in other comprehensive income

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 19. IAS 1 Presentation of financial statements states that when items of income and expense are significantly large there should be separate disclosure of these items if it is relevant to explain the performance of the company.

Details of these items is usually made

- In the notes to the financial statements
- On the face of the statement of profit or loss
- On the face of the statement of financial position
- On the face of the statement of profit or loss or in the notes to the financial statements

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 20. Three years ago Corcoran Bakery Company recognised a brand 'Tubbycakes' as an intangible asset at its acquisition cost of $50,000 in accordance with IAS 38. The brand was determined to have a useful life of 10 years. Two years after acquisition the brand was valued by a brand valuation agency at $64,000. One year later, after negative press coverage of Tubbycakes products, the brand's fair value fell to $25,000. Which of the following is recognised in year 3?

- An impairment loss in profit or loss of $7,000
- A downwards revaluation in other comprehensive income of $31,000
- An impairment loss in profit or loss of $10,000
- An impairment loss in profit or loss of $15,000

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 21. Which of the following are enhancing qualitive characteristics of financial statements according to the IASB's Conceptual Framework for Financial Reporting?

1 Understandablilty

2 Accuracy

3 Timeliness

4 Comparability

- 1, 2, 3 and 4
- 2, 3 and 4 only
- 1, 3 and 4 only
- 1, 2 and 3 only

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 22. An associate is a company over which

- the parent has control; it should therefore be fully consolidated
- the parent has significant influence; it should be fully consolidated
- the parent has significant influence; it should be equity accounted for in the group accounts
- the parent has significant influence; it should be treated as a simple investment in the group accounts

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 23. Which one of the following statements is correct according to IAS 1 Presentation of Financial Statements?

- Accounting standards must always be adhered to
- Accounting standards can be departed from if agreed by all shareholders
- Accounting standards can be departed from in order to achieve fair presentation
- Accounting standards can be departed from in order to ensure timliness

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 24. Which of the following statements are true regarding foreign exchange rates?
1. All amounts in foreign currency financial statements are translated to presentation currency using the closing rate.
2. A foreign currency monetary asset is translated at the reporting date using the closing rate.
3. Gains on the translation of foreign currency financial statements to presentation currency are recognised in other comprehensive income.
4. A foreign currency non-monetary asset is never retranslated using closing rate.

- 1 and 2
- 2 and 3
- 3 and 4
- 1 and 3

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 25. On 31 December 2014, Merigo Co sold goods to a customer for $10 million, representing a mark-up on cost of 25%. In order to encourage sales, Merigo Co has given the customer interest free credit with the total amount becoming payable in three years time. Interest rates are currently 4% per annum, meaning that the present value of $10million is $8.9million and the present value of $8million is $7.1million.

What amount should Merigo Co record as revenue in the statement of profit or loss for the year ended 31 December 2014?

- $10 million
- $8 million
- $8.9 million
- $7.1 million

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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Question 13. Emily Co chooses to revalue property in accordance with IAS 16. On 31 December 20X1, its head office building had a fair value of $30m when it is measured in the financial statements at historical cost of $25m with $4.5m of accumulated depreciation charged against it. Which of the following statements is true?

- ○ A revaluation gain of $5m should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
- ○ A revaluation gain of $5m should be recorded through profit or loss
- ● A revaluation gain of $9.5m should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
- ○ A revaluation gain of $9.5m should be recorded through profit or loss

Note: You will be able to review all of your answers on a summary sheet at the end of the assessment. To highlight entries for specific review in the summary sheet, click the 'Mark question for review box' below.

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