<u>**SAMPLE IFRS CERTIFICATE ASSESSMENT TEST**</u>

Question 1. Lewis Co recently suffered a burglary and goods to the value of £450,000 were stolen. Management of the company has filed a claim for this amount with the insurance company, which has confirmed that Lewis Co will receive compensation. How should this be treated in the financial statements?

a. Recognise a receivable for the full £450,000 in the statement of financial position
b. Do not recognise in the statement of financial position but disclose narrative details of the claim.
c. Do not recognise in the statement of financial position but disclose both narrative and the figure expected to be reimbursed.
d. No disclosure or recognition required

Answer : c :

Question 2. 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 IFRS1, First time Adoption of International Financial Reporting Standards?

a. The opening balances at1January 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.
b. The opening balances at1January 20X4, and the financial statements for the years ended 31 December 20X4 (comparatives) and 31 December 20X5 must comply with IFRS in force at 1January 20X4.
c. The opening balances at1January 20X5, and the financial statements for the year ended 31 December 20X5 must comply with IFRS in force at1January 20X5. The financial statements for 20X4 remain unchanged.
d. The opening balances at1January 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.

Answer a

Question 3. Identify which of the following statements is **false**:

a. Under IAS 36 an entity must perform an impairment review for all its assets every 3 years.

b. Goodwill should be reviewed for impairment annually.
c. Under IAS 16 the useful economic life of an asset must be reviewed annually.
d. Brands that are purchased may be capitalised under IAS 38.

Answer a

Question 4. Bubble Co leased a photocopier from Balloon Co under a 5 year operating lease commencing on1January 20X1. The fair value of the photocopier at the beginning of the lease was $3,000. Bubble Co is required to make annual payments of $500, however as an incentive, Balloon Co has provided an initial six month rent free period. What lease income should Balloon Co recognise in the year ended 31 December 20X1?

a. $500
b. $450
c. $250
d. $600

Answer b:

Total lease income = 5x500 = 2500

Rent free incentive = ½ * 500 = 250

Average annual income every year = (2500-250)/5 = 450

Question 5 Ignoring bearer biological assets, how does IAS 41 Agriculture require the initial measurement of biological assets?

a. The lower of cost and net realisable value
b. Fair value less costs to sell
c. Cost
d. Fair value

Answer c

Question 6. Which of the following is identified by the 'Conceptual Framework for Financial Reporting' as an underlying assumption for the preparation of financial statements?

a. Going concern
b. Fair presentation
c. Relevance
d. Consistency

Answer a

Question 7. Which one of the following does not meet the definition of investment property included within IAS 40?

a) Land currently held for an undetermined use
b) A building owned by and leased out under an operating lease
c) A building that is vacant but is held to be leased out
d) Accommodation that is rented to staff members

Answer d

Question 8. Ginger Co's financial year end is 30 June. Its financial statements were approved and issued on 15 August. The following occurred:
1. On 10July, inventory was sold for less than its year end carrying amount due to flood damage. The flood occurred on 29 June.
2. On 31July, a Court case was settled for a lower value than the amount provided for in the yearend 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 30June?

a. 1and 2 only
b. 1, 2 and 3
c. 2 and 3 only
d. 1and 3 only

Answer a

Question 9. Which of the following statements regarding a statement of financial position (balance sheet) is correct according to IAS1 Presentation of Financial Statements?

a) Deferred tax assets or liabilities can be classified as current assets or current liabilities
b) Investment property must be disclosed separately from property, plant and equipment on the face of the statement of financial position
c) To classify an asset as non-current, an entity must expect to realise the asset, or consume it, within its normal operating cycle
d) The statement of financial position must be presented in a vertical format

Answer: b

Question 10. In accordance with IAS 36 Impairment of Assets, which of the following circumstances indicate that the impairment of an asset has taken place?

a) Recoverable amount is higher than existing carrying amount
b) Recoverable amount is lower than existing carrying amount
c) Value in use is higher than fair value less costs to sell
d) Value in use is lower than fair value less costs to sell

Answer: b

Question 11. On 15 December 20X0, the directors of Restless Co formally minuted their decision to dispose of the entity's 60% controlled subsidiary Loser Co. No public announcement has been made nor have the shares been formally put on sale. The disposal is expected to be completed in the second quarter of 20X1. How should Restless Co account for Loser Co in the financial statements for the year ended 31 December 20X0, in accordance with IFRS 10 Consolidated financial statements?

a) Loser Co will be excluded from consolidation because control is expected to be temporary
b) Loser Co will continue to be consolidated within the group financial statements

c) The expected gain or loss on disposal will be included in the statement of profit or loss and the estimated net proceeds will be included at net realisable value within current assets
d) Loser Co will not be consolidated and instead be measured at the equity value on 15 December 20X0.

Answer: b

Question12. Provence Co, a multi-national organisation, wishes to follow a policy of revaluation of certain non-current assets. Which of the following assets could it revalue in accordance with IAS 16?

a) Ignoring any other assets within the same class, an individual asset that in management's opinion has a fair value that is materially different from its carrying amount
b) All assets within a single country on a country by country basis
c) All assets which have not been revalued within the past 5 years
d) All assets within a single broad class such as land and buildings

Answer d

Question 13. X Co has issued share options to its directors for services rendered in the year to 31 December 20X5. Which of the following standards is relevant to this transaction?

a. IFRS 2 Share-Based Payment
b. IFRS 3 Business Combinations
c. IFRS 9 Financial Instruments
d. IAS 27 Separate Financial Statements

Answer a

Question 14. Risotto Co. purchased a quantity of inventory, incurring the following total costs:

Based cost	230,000 $
Irrecoverable sales tax	46,000 $
Shipping	22,000 $
Storage	15,000 $

Administration costs	9,000 $
Total cost	322,000

What amount should Risotto Co include in the statement of financial position for the batch of inventory?

a) $307,000
b) $322,000
c) $298,000
d) $276,000

Answer c

Question 15 According to IFRS 15 Revenue from contracts with customers, revenue from the sale of goods should be recognised at a single point in time when:
(i) Goods or services have been transferred to customers
(ii) the entity is entitled to consideration for the goods or services transferred to customers
(iii) It is possible that the economic benefits associated with the transaction will flow to the entity
(iv) The costs incurred or to be incurred in respect of the transaction are known with absolute certainty

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

Answer: d

Question 16. According to IAS 7 Statement of cash flows where can interest paid be classified in the cash flow statement?

a) Financing activities
b) Investing activities
c) Operating activities
d) Financing or operating activities

Answer: d

Question 17 which items to be included in the comprehensive income?

1 Property revaluation gains
2 Dividends
3 Foreign exchange translation differences
4 Issue of share capital

a) 1and 2
b) 1 and 3
c) 2 and 4
d) 2 and 3

Answer: b

Question 18. IFRS 8 Operating Segments states that operating segments are reportable if they comprise at least what percentage of total revenue, total result or total assets?

a. 5%
b. 10%
c. 20%
d. 25%

Answer: b

Question 19. Which of the following should be accounted for as subsidiaries in the consolidated financial statements of Seabass Co?

1. Seabass Co owns 45% of Cod Co, but has a majority of seats on the Board which gives Seabass Co power over Cod Co

2. Seabass Co owns 60% of Haddock Co, and has 49% of the voting rights. The remaining 51% of the voting rights are controlled by a single shareholder.

3. Seabass Co owns 80% of the preference share capital of Sole Co which carry no voting rights

a) Cod Co, Haddock Co and Sole Co
b) Haddock Co and Sole Co only
c) Cod Co only
d) Haddock Co only

Answer c

Question 20. Syrup Co, which reports in $, sells goods to a UK company for £200,000 on 1 November 20X0 when the exchange rate is $1.40: £1. At the year end of 31 December 20X0, half of the goods remain in stock and none of the amount owed has been received; the exchange rate at this date is $1.25:$1.
What amount does Syrup Co report in profit or loss as an exchange gain or loss in the year ended 31 December 20X0?

a) Loss of $15,000
b) Loss of $30,000
c) Gain of $30,000
d) Gain of $15,000

Answer a

Syrup co should recognize half of the revenue because only half of the goods are shipped. Revenue will be recognized as 100,000*1.4 = $ 140,000 . loss on receivables will be 100,000(1.4 – 1.25) = 15000 $

Question 21. Gain Co acquired a property in 20X0 for a cost of $10 million. Gain Co revalues all of its property annually in accordance with LAS 16 Property, Plant & Equipment. On 15 December 20X1 Gain Co entered into a binding sale agreement and title to the property passed to Gloss Co for $25 million cash. The consideration is payable in March 20X2. The carrying amount of the property at 15 December 20X1 was £22 million.
In accordance with IAS 16, what profit should be reported in profit or loss for Gain Co for the years ending 31 December 20X1and 31 December 20X2 in respect of the disposal?

a. 20X1= Nil, 20X2 = $3 million
b. 20X1= $3 million, 20X2 = $12 million
c. 20X1 = $3 million, 20X2 = $Nil
d. 20X1 = $15 million, 20X2 = $Nil

Answer c :

The sale was complete on 15th of December 20X1 because there is a binding agreement and the title was passed , so the gain to be recognized is (sale value 25 million less carrying value of 22 million). In 20X2 no gain will be recognized.

Question 22 . What is the status of an IFRIC?

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

Answer b

Question 23. According to IFRS 3 Business Combinations, how should a subsidiary be accounted for in the consolidated financial statements?

a) The acquisition method
b) The equity method
c) Proportionate consolidation
d) The pool of interests method

Answer : a

Question 24. When developing and applying an accounting policy where no IFRS specifically deals with the transaction, what should a company do?

a) Not account for the transaction, as no guidance is available
b) Refer to guidance in IFRSs dealing with similar transactions
c) Refer to the going concern concept in the Conceptual Framework of Financial Reporting
d) Record the transaction using a suspense account

Answer b

Question 25. Samuel Co acquires control of Delilah Co and under IFRS 3 must recognise all of the identifiable assets acquired. Which of the following will NOT be recognised separately, but instead will form part of the overall goodwill recognised in the group accounts of Samuel Co?

a) The Strawberrylicious brand name not previously recognised by Delilah Co
b) A patent for the process used to produce Strawberrylicious, not previously recognised by Delilah Co
c) Internally generated goodwill for the business. This was not previously recognised by Delilah Co
d) A licensed customer list. Delilah Co had not previously been able to recognise the list as an asset

Answer : c : because internally generated goodwill is not separately identifiable and will form part of verall goodwill .