

Question 1. 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

Question 2. Enterprise Co is heavily involved in developing a new production process. In the year to 31 March 20X1 the amount of expenditure incurred on development costs could be analysed as follows:

	Euro €
1 April 20X0 to 30 September 20X0	18,400
1 October 20X0 to 31 March 20X1	<u>6,500</u>
	<u>24,900</u>

On 1 October 20X0 Enterprise Co demonstrated that the production process met the recognition criteria of IAS 38 Intangible Assets. The amount estimated to be recoverable from the process is €21,000.

At what amount should the production process be recognised as an intangible asset at 31 March 20X1 in accordance with IAS 38?

- ☐ €6,500
- ☐ €18,400
- ☐ €21,000
- ☒ €24,900

Question 3. Festival Co values its inventory using the first in first out method. At the beginning of January it held 110 units of inventory which cost \$5 each. The following inventory movements took place during January:

3 January Sold 95 units for \$6 each
12 January Purchased 100 units for \$5.50 each
15 January Purchased 50 units for \$5.75 each
20 January Sold 80 units for \$6 each

At what amount should inventory be included in Festival Co's statement of financial position at 31 January?

- ☐ \$510.00
- ☐ \$425.00
- ☐ \$488.75
- ☒ \$480.00

Question 4. In accordance with IFRS 11 Joint Arrangements, which of the following statements is false?

- ☒ A joint venture can be accounted using either equity accounting or proportionate consolidation in the consolidated financial statements
- ☐ Investors A Co, B Co, C Co and D Co each hold 25% of Pilot Co. The shareholder agreement specifies that, for a decision to be passed, 75% of the voting rights must consent. It does not stipulate which parties must agree. A Co, B Co, C Co and D Co have joint control
- ☐ A joint operator accounts for its share of assets, liabilities, income and expenses of a joint operation in accordance with the relevant IFRS
- ☐ A joint arrangement that is not in substance a separate entity must be accounted for as a joint operation

Question 5. Lord Co is jointly controlled by Ms Smith and Mr Jones. The directors of the company are Ms Smith, Mr Jones and Miss Hatchett. Which one of the following transactions entered into by Lord Co must IAS 24 disclosures in respect of related parties be provided for?

- ☒ The transfer of goods at market prices by Lord Co to another entity controlled by Ms Smith
- ☐ The provision of services at no cost by Lord Co to a government department
- ☐ The purchase of goods from a supplier that provides more than 50% of Lord Co's raw materials
- ☐ The sale of goods to another company that Miss Hatchett is a director of

Question 6. 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

Question 7. The Conceptual Framework for Financial Reporting defines the elements of the financial statements. Which of the following statements is true?

- ☐ A liability exists when an outflow of economic benefits is certain
- ☐ The definition of an asset centres on the concept of ownership.
- ☒ An expense is an increase in an asset or a decrease in a liability.

- ☐ Under the framework equity is not separately defined as it is simply the difference between total assets and total liabilities.

Question 8. 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.

Question 9. Which one of the following does not meet the definition of investment property included within IAS 40?

- ☐ Land currently held for an undetermined use
- ☐ A building owned by and leased out under an operating lease
- ☐ A building that is vacant but is held to be leased out
- ☒ Accommodation that is rented to staff members

Question 10. If a previous impairment of goodwill is determined to have reversed, the investor should

- ☒ recognise the reversal and credit income for the period
- ☐ recognise the reversal and credit equity

- ☐ recognise the reversal only if the original circumstances which led to the impairment no longer exist and credit retained earnings
- ☐ not recognise the reversal

Question 11. 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

Question 12. Which of the following is identified by the 'Conceptual Framework for Financial Reporting' as an underlying assumption for the preparation of financial statements?

- ☒ Going concern
- ☐ Fair presentation
- ☐ Relevance
- ☐ Consistency

Question 13. Which of the following statements is correct?

- ☐ Operating segments cannot be aggregated for disclosure purposes

- ☐ Operating segments are identified using strict numerical criteria in IFRS 8 Operating Segments
- ☒ Operating segments are identified based on information provided to the Chief Operating Decision Maker of an entity
- ☐ If total external revenue reported by operating segments constitutes more than 75% of an entity's revenue, additional operating segments should be identified and reported

Question 14. The following material events occurred after the reporting date but before the financial statements were authorised for issue. According to IAS 10 Events after the Reporting Period, which of these would be classed as an adjusting event?

- ☐ The disposal of a subsidiary
- ☐ Change of foreign exchange rates
- ☐ Destruction of inventory in a warehouse fire but not affecting the going concern status
- ☒ Bankruptcy of a customer with a balance outstanding at the year end

Question 15. Which of the following statements describes the requirements of IFRS 6 Exploration for and evaluation of mineral resources:

- ☐ An entity is free to choose its own capitalisation policy but it must apply that policy consistently
- ☒ An entity can choose its own capitalisation policy as long as it is consistent with the principles set out in IAS 8 Accounting policies, changes in accounting estimates and errors
- ☐ An entity must apply the capitalisation criteria set out in IAS 38 Intangible assets to exploration costs
- ☐ An entity is not permitted to capitalise exploration and evaluation expenditures

Question 16. Enterprise Co is preparing its financial statements for the year ended 31 December 20X0 and has requested your opinion about the following events:

- (i) A flood on 9 January 20X1 caused uninsured damage to the company's main manufacturing facility totalling \$200,000.
- (ii) The Directors declare a dividend of \$1 per ordinary share on 7 January 20X1. The number of ordinary shares in issue is 100,000.

The Directors plan to finalise the financial statements on 10 February 20X0.

What liabilities should be recognised in the 31 December 20X0 financial statements?

- ☐ Uninsured loss liability = NIL, Dividend liability = NIL
- ☐ Uninsured loss liability = NIL, Dividend liability = \$100,000
- ☒ Uninsured loss liability = \$200,000, Dividend liability = NIL
- ☐ Uninsured loss liability = \$200,000, Dividend liability = \$100,000

Question 17. Which of the following should be included in an entity's statement of profit or loss and other comprehensive income?

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

- ☐ 1 and 2
- ☒ 1 and 3
- ☐ 2 and 4

- ☐ 2 and 3

Question 18. Red Riding Hood Co acquired a 65% share of Wolf Co on 1 January 20X2 for \$3,400k. The fair value of the net assets of Wolf Co on that date was \$2,100. The non controlling interest was fair valued at \$900k. Calculate goodwill based on the partial goodwill method under IFRS 3.

- ☐ \$1,300k
- ☐ \$2,200k
- ☐ \$1,365k
- ☒ \$2,035k

Question 19. 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

Question 20. Which of the following criteria does not have to be met in order for an operation to be classified as discontinued under IFRS 5?

- ☐ The operation represents a separate line of business or geographical area
- ☐ The operation is part of a single plan to dispose of a separate major line of business or geographical area
- ☐ The operation is a subsidiary acquired exclusively with a view to resale

- ☒ The operation is expected to be sold within six months of the year end

Question 21. IAS 1 Presentation of Financial Statements envisages that an entity's financial statements should be presented at least every 12 months. Which of the following statements is correct according to IAS 1?

- ☐ A reporting period can exceed 12 months but the reason must be disclosed.
- ☐ A reporting period can be less than 12 months; no disclosure of reason is required.
- ☒ A reporting period can be more or less than 12 months but the reason must be disclosed.
- ☐ A reporting period can exceed 12 months but not 18 months; no disclosure of reason is required.

Question 22. IAS 23 Borrowing Costs outlines the treatment of borrowing costs and whether they should be added to the capitalised cost of an asset.

Which of the following statements is true?

- ☒ IAS 23 requires the capitalisation of eligible interest costs for qualifying assets
- ☐ IAS 23 provides a choice of accounting treatment for eligible interest costs
- ☐ IAS 23 does not allow the capitalisation of interest
- ☐ IAS 23 requires all interest costs to be recognised as an expense

Question 23. The statement of changes in equity identifies changes in separate elements of equity. Which of the following statements is correct?

- ☐ An issue of shares will increase share capital and retained earnings

- ☐ A surplus on the first time revaluation of non-current assets will increase the revaluation reserve or retained earnings
- ☐ Dividends paid will increase the retained earnings
- ☒ Dividends paid will decrease the retained earnings

Question 24. 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?

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

Question 25. 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

Your score was 76% **Congratulations you have passed the assessment.**