

MCO_s on Financial Reporting

*(New Scheme of Education
and Training)*

By

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CHAPTER 1

Introduction to Indian Accounting Standards

Question - 1 : A Ltd is following Ind AS for the first time for the year ended 31st March, 20X4. What all period balance sheet to be covered in its first Ind AS financial statements?

Answer:

- 1: 1st April 20X2
- 2: 31st March 20X3
- 3: 31st March 20X4
- 4 : All of the above

Question - 2 : Company XYZ Pvt Ltd was having its net worth of ₹ 230 Crores as on 31st March 2020. It made a profit of ₹ 30 Crores in FY 20-21 and made a loss of ₹ 15 crores in FY 21-22. From which date it is required to apply Ind AS?

Answer:

- 1: Accounting periods beginning on or after 1st April 2020
- 2: Accounting periods beginning on or after 1st April 2021
- 3: Accounting periods beginning on or after 1st April 2022
- 4: It is not required to comply with Ind AS as its Net worth as on 31st March 2022 is below ₹ 250 Cr.

Question - 3 : Ind AS 103 contains additional guidance on common control transaction which is not there in IFRS 3. How this can be termed?

Answer:

- 1: Carve in
- 2: Carve out
- 3: Exception
- 4: None of the above

Question - 4 : Which one of the following is the benefit of implementation of Indian Accounting Standards (Ind AS) in India?

Answer:

- 1: Increase in net profitability
- 2: Minimised disclosure requirements
- 3: Access to domestic capital market
- 4: Global harmonization helps grow FII and FDI interests

Question - 5 : For preparing Ind AS based financial statements with transition date 1st April, 20X5, what all guidance needs to be referred by A Ltd.?

Answer:

- 1: Ind AS 1
- 2: Division II of Schedule III to the Companies Act, 2013

CHAPTER 2

Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)

Question - 1 : Which of the following statements is FALSE with respect to Reporting Period?

Answer:

- 1: Financial statements are prepared for a specified period of time
- 2: It helps users of financial statements to identify and assess changes and trends
- 3: Financial statements provide comparative information for at least one preceding reporting period
- 4: Financial statements should not provide comparative information for more than one preceding reporting periods

Question - 2 : Which of the following statements is FALSE with respect to CONTROL? An entity controls an economic resource if:

Answer:

- 1: it has the present ability to direct the use of the economic resource
- 2: it obtains the economic benefits that may flow from it
- 3: if one party controls an economic resource, other party may also control that resource
- 4: Control of an economic resource usually arises from an ability to enforce legal rights

Question - 3 : The usefulness of financial information is enhanced if it is:

Answer:

- 1: comparable, verifiable, perfect and understandable
- 2: comparable, verifiable, timely and objective
- 3: effective, verifiable, timely and understandable
- 4: comparable, verifiable, timely and understandable

Question - 4 : Which of the following statements is FALSE for Consolidated and unconsolidated financial statements?

Answer:

- 1: Consolidated financial statements provide information of both the parent and its subsidiaries as a single reporting entity
- 2: Unconsolidated financial statements are designed to provide parents information and not about those of its subsidiaries
- 3: Consolidated financial statements are designed to provide separate information of any particular subsidiary
- 4: A parent may require / choose, to prepare unconsolidated financial statements in addition to consolidated financial statements

Question - 5 : Which of the following statements are TRUE with respect to The Reporting Entity?

Answer:

- 1 : A reporting entity has to be a single entity only and it cannot comprise more than one entity
- 2 : A reporting entity is an entity that is required, or chooses, to prepare financial statements
- 3 : If a reporting entity is the parent alone, the reporting entity's financial statements are referred to as consolidated financial statements
- 4 : If two or more entities are all linked by a parent-subsidary relationship, they are referred to as combined financial statements

Question - 6 : Which of the following definitions is incorrect?

Answer:

- 1 : An Asset is a present economic resource controlled by the entity as a result of past events
- 2 : A Liability is a past obligation of the entity to transfer an economic resource as a result of present events
- 3 : An Equity is the residual interest in the assets of the entity after deducting all its liabilities
- 4 : Income is the increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims

Question - 7 : To be a perfectly faithful representation, a depiction would not have the following characteristic:

Answer:

- 1 : Complete
- 2 : Unintentional error is allowed
- 3 : Neutral
- 4 : Free from error

Question - 8 : Which of the following is true with respect to the cost constraint on useful financial information?

Answer:

- 1 : Cost is a pervasive constraint on the information that can be provided by financial reporting
- 2 : IASB considers costs and benefits in individual reporting entities only
- 3 : For application of cost constraint, no assessment of benefits of reporting is done
- 4 : Users do not incur any costs in reporting and analysing financial information

Question - 9 : Which of the following is not the limitation of 'General Purpose Financial Reporting'?

Answer:

- 1 : It cannot provide all of the information that existing and potential investors need
- 2 : The users of reports need to consider pertinent information from other sources
- 3 : Information given in financial statements help to estimate the value of the reporting entity
- 4 : Reports are not primarily directed to other parties, such as regulators and lenders etc.

Question - 10: Which of the following statements is FALSE with respect to Going concern assumption?

Answer:

- 1 : There is fundamental assumption that the reporting entity is a going concern
- 2 : Reporting entity will continue in operation for the foreseeable future
- 3 : There is no need to describe the basis used in financial statements, if the entity has the intention of liquidation
- 4 : In case of liquidation, financial statements may have to be prepared on a different basis

Answers

Q1	4	Q2	3	Q3	4	Q4	3	Q5	2	Q6	2
Q7	2	Q8	1	Q9	3	Q10	3				



CHAPTER 3

Ind AS on Presentation of Items in the Financial Statements

Unit 1: Ind AS 1 "Presentation of Financial Statements"

Question - 1 : An entity whose financial statements comply with Ind AS shall make an _____ statement of such compliance in the notes

Answer:

- 1 : Explicit and reserved
- 2 : Implicit and unreserved
- 3 : Explicit and unreserved
- 4 : Implicit and reserved

Question - 2 : Application of Ind AS 1 is important for:

Answer:

- 1 : Preparation of general-purpose financial statements
- 2 : Presentation of general-purpose financial statements
- 3 : Preparation and presentation of general-purpose financial statements
- 4 : Preparation, presentation and disclosure in the general-purpose financial statements

Question - 3 : Which of the following information of the entity is not mandatory to be displayed prominently, and is to be repeated when necessary for the information presented to be understandable?

Answer:

- 1 : Name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period
- 2 : Whether the financial statements cover the individual entity or a group of entities
- 3 : Equity pattern showing the Names of major shareholdings in the entity
- 4 : Level of rounding used in presenting amounts in the financial statements

Question - 4 : An inappropriate accounting policy of the entity cannot be rectified by the following ways:

Answer:

- 1 : Disclosure of the accounting policies used
- 2 : By notes
- 3 : Explanatory material
- 4 : All of the above

Question - 5 : An entity presents an analysis of expenses recognised in the profit or loss using a classification based on the nature of expenses method. Which of the following is not the classification using the nature of expense?

Answer:

- 1 : Employee benefits expense

- 2 : Selling and distribution expenses
- 3 : Amortisation expense
- 4 : Depreciation expense

Question - 6 : Ind AS 1 applies to all entities except:

Answer:

- 1 : Those that present consolidated financial statements
- 2 : Those present separate financial statements
- 3 : Both of the above
- 4 : None of the above

Question - 7 : An entity shall present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements if:

Answer:

- 1 : It applies an accounting policy retrospectively
- 2 : If there is change in accounting estimates
- 3 : Correction of previous year error
- 4 : Both (a) and (c) above

Question - 8 : As per Ind AS 1, the amount in the other comprehensive income will

Answer:

- 1 : Not be reclassified subsequently to profit or loss
- 2 : Be reclassified subsequently to profit or loss when specific conditions are met
- 3 : Both (a) and (b)
- 4 : Directly recognised in equity always

Answers

Q1	3	Q2	3	Q3	3	Q4	4	Q5	2	Q6	4
Q7	1	Q8	3								

Unit 2: Ind AS 34 "Interim Financial Reporting"

Question - 1 : Income tax expense should be accrued using the best estimate of the weighted average annual income tax rate expected for the _____

Answer:

- 1 : Interim period
- 2 : Year to date period
- 3 : Full financial year
- 4 : Current period and comparative period

Question - 2 : An entity may reverse an impairment loss recognized in a previous interim period in respect of goodwill in the subsequent period.

Answer:

- 1 : TRUE
- 2 : FALSE
- 3 : Partially True
- 4 : Partially False

Question - 3 : The standard defines Interim Financial Report as a financial report for an interim period that contains a set of _____ financial statements.

Answer:

- 1 : Complete
- 2 : Condensed
- 3 : Financial statement similar to annual
- 4 : Complete or condensed

Question - 4 : Which of the following events and transaction is not mandatorily required to disclose in Interim financial statements in accordance with Ind AS 34?

Answer:

- 1 : The reversal of any provisions for the costs of restructuring
- 2 : The assumptions used in the actuarial valuation of defined benefit plan
- 3 : Acquisitions and disposals of items of property, plant and equipment
- 4 : Litigation settlements

Question - 5 : Which of the following is not the minimum components of an interim financial report?

Answer:

- 1 : Condensed balance sheet
- 2 : Condensed statement of changes in equity
- 3 : Condensed statement of cash flows
- 4 : Comparative information in respect of the preceding period

Question - 6 : According to Ind AS 34, interim period is a financial reporting period

Answer:

- 1 : Shorter than 12 months
- 2 : Shorter than a full financial year
- 3 : Of 3 months
- 4 : Of 6 months

Question - 7 : An entity is not required to present basic and diluted earnings per share as the components of profit or loss for an interim period.

Answer:

- 1 : TRUE
- 2 : FALSE

Question - 8 : Ind AS 34 mandates the following in relation to interim financial reports

Answer:

- 1 : Which entities should publish interim financial reports
- 2 : How frequently it should publish
- 3 : How soon it should publish after the end of interim period
- 4 : None of the above

Question - 9 : An entity prepares quarterly interim financial reports in accordance with AS 25. The entity is engaged in sale of mobile phones and normally 5% of customers claim on their warranty. The provision in the first quarter was calculated as 5% of sales to date, which was ₹ 10 million. However, in the second quarter, a fault was found and warranty claims were expected to be 10% for the whole of the year. Sales in the second quarter were ₹ 15 million. What would be the provision charged in the second quarters interim financial statements?

Answer:

- 1 : ₹ 1 million
- 2 : ₹ 2 million
- 3 : ₹ 1.25 million
- 4 : ₹ 1.5 million

Question - 10 : If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by this Standard.

Answer:

- 1 : TRUE
- 2 : FALSE

Answers

Q1	3	Q2	2	Q3	4	Q4	2	Q5	4	Q6	2
Q7	2	Q8	4	Q9	2	Q10	1				

Unit 3: Ind AS 7 "Statement of Cash Flows"

Question - 1 : As per Ind AS 7, for non-financial entities in the statement of cashflows, interest paid and interest and dividend received is classified as

Answer:

- 1 : Cash flows from financing activities and operating activities respectively
- 2 : Cash flows from investing activities and operating activities respectively
- 3 : Cash flows from financing activity and investing activity respectively
- 4 : There is an option to present both as cash flows from operating activities

Question - 2 : Cash flow is based upon:

Answer:

- 1 : Accrual basis of accounting
- 2 : Cash basis of accounting
- 3 : Hybrid basis of accounting
- 4 : None of the above

Question - 3 : An entity shall report

Answer:

- 1 : Separately major classes of net cash receipts or net cash payments as the case may be arising from investing and financing activities
- 2 : Separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities
- 3 : Collectively major classes of net cash receipts or net cash payments as the case may be arising from investing and financing activities
- 4 : Collectively major classes of gross cash receipts and gross cash payments arising from investing and financing activities

Question - 4 : An entity has bank balance in foreign currency aggregating to USD 100 (equivalent to ₹ 4,500) at the beginning of the year. Presuming no other transaction taking place, the entity reported a profit before tax of ₹ 100 on account of exchange gain on the bank balance in foreign currency at the end of the year. What would be the closing cash and cash equivalents as per the balance sheet?

Answer:

- 1 : ₹ 4,700
- 2 : ₹ 4,500
- 3 : ₹ 3,500
- 4 : ₹ 5,200

Question - 5 : Under Ind AS 7 Statement of Cash Flows, cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

Answer:

- 1 : Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity
- 2 : Entity has a legally enforceable right to set off the recognised amounts

- 3 : Entity intends to either settle the net cash outflows on a net basis or to realise the cash inflows and settle the liabilities simultaneously
- 4 : None of the above

Question - 6 : During the financial year 20X1-20X2, ABC Limited have paid various taxes & reproduced the below mentioned records for your perusal: - Capital gain tax of ₹ 2 crore on sale of office premises at a sale consideration of ₹ 100 crore. - Income Tax of ₹ 3 crore on Business profits amounting ₹ 30 crore (assume entire business profit as cash profit). - Dividend Distribution Tax of ₹ 1 crore on payment of dividend amounting ₹ 10 crore to its shareholders. - Income tax Refund of ₹ 2 crore (Refund on taxes paid in earlier periods for business profits) Calculate cashflow from investing activities.

Answer:

- 1 : ₹ 29 crore
- 2 : ₹ 32 crore
- 3 : ₹ 98 crore
- 4 : (₹ 11 crore)

Question - 7 : Cash flows from operations will increase due to:

Answer:

- 1 : Increase in current assets
- 2 : Decrease in current liabilities
- 3 : Neither of two
- 4 : Both (a) and (b) above

Question - 8 : Which of the following is incorrect?

Answer:

- 1 : Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preference shares acquired within a short period of their maturity and with a specified redemption date
- 2 : Bank borrowings are generally considered to be investing activities
- 3 : 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 cash and cash equivalents.
- 4 : None of the above

Question - 9 : Which of the following is not a characteristic of an entity's cash equivalents, as defined by Ind AS 7?

Answer:

- 1 : A short-term investment
- 2 : A highly liquid investment
- 3 : An investment which is readily convertible into known amounts of cash
- 4 : An investment which is subject to significant risk of changes in value

Question - 10 : Under indirect cash flow method**Answer:**

- 1 : Profit or loss is adjusted for the effects of transactions of a cash nature, any deferrals or accruals of past or future operating cash receipts or payments
- 2 : Statement of changes in net assets/equity is adjusted for the effects of transactions of a cash nature, any deferrals or accruals of past or future operating cash receipts or payments
- 3 : Profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments
- 4 : Statement of changes in net assets/equity is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments

Answers

Q1	3	Q2	2	Q3	2	Q4	2	Q5	1	Q6	3
Q7	3	Q8	2	Q9	4	Q10	4				

CHAPTER 4

Ind AS on Measurement based on Accounting Policies

Unit 1: Ind AS 8 "Accounting Policies, Changes in Accounting Estimates and Errors "

Question - 1 : The selection and application of accounting policies for similar transactions, other events and conditions shall be:

Answer:

- 1 : Consistent always
- 2 : Consistent unless an Ind AS specifically requires or permits categorisation of items for which different policies may be appropriate
- 3 : Consistent only if Ind AS specifically requires or permits categorisation of items for which different policies are not appropriate
- 4 : Consistent unless the policy is not favourable to the entity

Question - 2 : Which of the following is treated as a change in the accounting policies in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors?

Answer:

- 1 : Change in composition of reportable segments
- 2 : Changes in functional currency
- 3 : Change in classification of financial assets
- 4 : Changes in measurement method of Inventory

Question - 3 : Which of the following shall be considered as a change in accounting policy?

Answer:

- 1 : the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and
- 2 : the application of a new accounting policy for transactions, other events or conditions that occurred previously or material
- 3 : Both of the above
- 4 : None of the above

Question - 4 : Which of the following items are examples of changes in accounting estimates? (i) A loss allowance for expected credit losses, applying Ind AS 109, Financial Instruments; (ii) The net realisable value of an item of inventory, applying Ind AS 2 Inventories; (iii) The depreciation expense for an item of property, plant and equipment, applying Ind AS 16; and (iv) A provision for warranty obligations, applying Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

Answer:

- 1 : (i), (ii), (iii)
- 2 : (i), (ii), (iv)

3 : (i), (ii), (iii), (iv)

4 : (ii), (iii)

Question - 5 : According to Ind AS 8, when a change in accounting policy is applied retrospectively, the entity shall adjust: (i) Opening balance of each affected component of equity for the earliest prior period presented. (ii) Other comparative amounts disclosed for earliest prior period presented. (iii) Other comparative amounts disclosed for each prior period presented. (iv) Opening balance of each affected component of equity for each prior period presented. State which of the above statements are correct.

Answer:

1 : (i) and (ii)

2 : (i) and (iii)

3 : (ii) and (iv)

4 : (iii) and (iv)

Question - 6 : Some new standards and amendments have been issued in the month of March 20X2, but it was effective from 1st April 20X2. In accordance with Ind AS 8, what is the provision in this regard when the entity has not applied a new Ind AS that has been issued but is not yet effective?

Answer:

1: Treated as change in accounting policy in the subsequent year

2 : Only disclosure of the facts is required

3 : Disclose both this fact and any known or reasonably estimable information relevant to assessing the possible impact that application of the new Ind AS will have on the entity's financial statements in the period of initial application

4 : Disclose both this fact and any known or reasonably estimable information relevant to assessing the possible impact that application of the new Ind AS will have on the entity's financial statements in the current period

Question - 7 : According to Ind AS 8, prior period errors shall be corrected:

Answer:

1 : Prospectively

2 : Retrospectively

3 : Entity has a choice to correct prospectively or retrospectively

4 : Prospectively and disclosure are required

Question - 8 : In some cases, it is difficult to distinguish between a change of estimate and a change in accounting policy. How should the entity treat the same?

Answer:

1 : Entire change as a change in accounting policy

2 : Entire change as a change in accounting estimate with appropriate disclosure

3 : Apportion, on a reasonable basis, between the change in estimate and the change in accounting policy and treat accordingly. Consistency should be there in all the future periods

4 : Ignore the transaction

Question - 9 : A company made some changes in accounting policies and accounted for them in financial year 20X1 20X2. Due to changes in accounting policies, retrospective adjustment has tax effect related to previous years along with effect on the transaction. How will this be accounted for and disclosed?

Answer:

- 1 : In accordance with Ind AS 8
- 2 : In accordance with Ind AS 12
- 3 : Tax effect in accordance with Ind AS 12 and transaction effect in accordance with Ind AS 8
- 4 : Entity has the choice between options (a) and (b)

Question - 10 : Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied is considered as _____

Answer:

- 1 : Correction of error
- 2 : Retrospective application
- 3 : Retrospective restatement
- 4 : Prospective application

Answers

Q1	1	Q2	4	Q3	2	Q4	3	Q5	2	Q6	3
Q7	2	Q8	2	Q9	3	Q10	2				

Unit 2: Ind AS 10 "Events after the Reporting Period"

Question - 1 : The objective of Ind AS 10 is to prescribe:

Answer:

- 1 : The disclosures that an entity should give about the date when the financial statements were approved for issue
- 2 : The disclosures about events after the reporting period
- 3 : None of the above
- 4 : Both (a) and (b)

Question - 2 : What is the date of approval for issue of the financial statements prepared for the reporting period from 1st April, 20X1 to 31st March, 20X2, in a situation where following dates are available?

Answer:

- 1 : Completion of preparation of financial statements 15th April, 20X2
- 2 : Board reviews and approves for issue 25th April, 20X2
- 3 : Available to shareholders 16th May, 20X2
- 4 : Filed with regulatory authority 30th May, 20X2

Question - 3 : On 15th April, 20X2, a major earthquake disrupted the entire operations of a reputed company. The Company suffered huge loss due to the damage caused to its factories and other business premises. The Company's insurance policy does not cover the risk of loss arising from natural disasters. The Company does not have sufficient internal funds or the availability of external finance to rebuild the infrastructure necessary for it to resume its business operations. The Board of the company is also not sure about the future of the company. The Company has prepared the financial statements for the year ending 31st March, 20X2 which is approved in the board meeting dated 20th April, 20X2. How this event impact the financial statement of the company?

Answer:

- 1 : Adjustment in financials are required
- 2 : Disclosure is required
- 3 : Nothing is required
- 4 : On the discretion of the management

Question - 4 : According to Ind AS 10, when management of an entity is required to issue its financial statements to a supervisory board for issue, the financial statements are said to be approved when:

Answer:

- 1 : Shareholders approve the financial statements
- 2 : Filed with the regulatory authorities
- 3 : Approved by the supervisory Board
- 4 : Management approve the financial statements for issue to the supervisory Board

Question - 5 : A company XYZ took a long-term loan from bank. Before the end of the reporting date there is a breach in the terms which are material for this loan. The amount stands payable on demand by the company to bank. After the reporting date but before approval of the financial statements for issue, company entered into an agreement with the bank, pursuant to which the loan is not payable on demand. This loan will be treated as:

Answer:

- 1 : Adjusting event
- 2 : Non-adjusting event
- 3 : Principal amount is non-adjusting event and interest portion is adjusting event
- 4 : The company has the choice to treat it either adjusting event or non-adjusting event

Question - 6 : The management of a company decided and announced a plan to discontinue the operations and liquidate the company after the reporting date. According to Ind AS 10 Events after the reporting period the company shall:

Answer:

- 1 : Prepare its financial statements on a going concern basis
- 2 : Not prepare its financial statements on a going concern basis
- 3 : Prepare the financial statement on a going concern basis with disclosures as per Ind AS 1
- 4 : Prepare the financial statement on a going concern basis with no disclosures requirement

Question - 7 : Moon Ltd having issued share capital of 15,00,000 shares decided to offer two options for dividend per share- Option (i)- 10 Bottles of perfume (Fair Market Value (FMV) per bottle= ₹ 75) Option (ii)- Dividend payment of ₹ 700 The probability of shareholders selecting non-cash vis--vis cash option is estimated at 60:40. Calculate the amount at which dividend shall be initially recognised. Later on, if on date of settlement the FMV of bottle is ₹ 90 and accordingly, the ratio for non-cash vis--vis cash option becomes 80:20, then how much amount shall be debited to equity?

Answer:

- 1 : ₹ 1,05,00,00,000; ₹ 24,00,00,000
- 2 : ₹ 1,12,50,00,000, ₹ 16,50,00,000
- 3 : ₹ 1,09,50,00,000, ₹ 19,50,00,000
- 4 : ₹ 1,35,00,00,000, Nil

Question - 8 : Event after the reporting period are those events that occur between the end of the reporting period and the date

Answer:

- 1 : When the financial statements are approved by the Board of Directors
- 2 : Of Annual General Meeting
- 3 : Of signing of the financial statements by the auditors
- 4 : Of finalization of the financial statements by the management after final discussion with auditors

Question - 9 : On 15th January, 20X2, Alpha Ltd. filed a suit against Beta Ltd. for recovery of ₹ 10 lakhs. On 15th April, 20X2, the court case confirms that Beta Ltd. will have to pay the amount to Alpha Ltd. The financial statements are approved by the Board on 20th May, 20X2. What will be the treatment of ₹ 10 lakhs in the financial statements of Beta Ltd. on the reporting date i.e. 31st March, 20X2 as per Ind AS 10?

Answer:

- 1 : Disclose it as a contingent liability
- 2 : Recognise liability for ₹ 10 lakhs
- 3 : Recognise provision for ₹ 10 lakhs
- 4 : No treatment

Question - 10: The financial statements of Star Ltd. for financial year 20X1-20X2 were approved by the Board for issue on 24th May, 20X2. The management discovered a major fraud and decided to reopen the books of account. The financial statements were subsequently approved by the Board of Directors on 31st May, 20X2. What is the date of approval for issue as per Ind AS 10 in the given case?

Answer:

- 1 : 24th May, 20X2
- 2 : 31st May, 20X2
- 3 : Either (a) or (b)
- 4 : Neither (a) nor (b)

Answers

Q1	4	Q2	2	Q3	1	Q4	4	Q5	1	Q6	2
Q7	3	Q8	1	Q9	3	Q10	2				

Unit 3: Ind AS 113 "Fair Value Measurement"

Question - 1 : Characteristics of the asset or liability are considered if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include:

Answer:

- 1 : condition of the asset
- 2 : location of the asset
- 3 : restrictions on the sale or use of the asset
- 4 : All of the above

Question - 2 : The asset or liability measured at fair value shall be:

Answer:

- 1 : a standalone asset or liability
- 2 : a group of assets, a group of liabilities or a group of assets and liabilities
- 3 : Either of (a) and (b)
- 4 : Neither of (a) and (b)

Question - 3 : Revisions resulting from a change in the valuation technique or its application shall be accounted for as

Answer:

- 1 : Change in accounting policy as per Ind AS 8
- 2 : Change in accounting estimate as per Ind AS 8
- 3 : Change in valuation technique is not permitted
- 4 : Prior period error as per Ind AS 8

Question - 4 : The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs is called _____

Answer:

- 1 : Principal market
- 2 : Most advantageous market
- 3 : Primary market
- 4 : Active market

Question - 5 : The basic rule related to inputs to valuation techniques as per Ind AS 113 are

Answer:

- 1 : maximising the use of relevant observable and unobservable inputs
- 2 : minimising the use of relevant observable and unobservable inputs
- 3 : maximising the use of relevant observable inputs and minimising the use of unobservable inputs
- 4 : minimising the use of relevant observable inputs and maximising the use of unobservable inputs

Question - 6 : The measurement requirements of Ind AS 113 applies to**Answer:**

- 1 : share based payment transactions within the scope of IFRS 2 Share-based Payment
- 2 : leasing transactions accounted for in accordance with IFRS 16 Leases
- 3 : Assets for which recoverable amount is fair value less costs of disposals in accordance with Ind AS 36
- 4 : measurements of net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets

Question - 7 : The highest and best use of a non-financial asset while measuring the fair value takes into account the use of the asset that is**Answer:**

- 1 : physically possible
- 2 : legally permissible
- 3 : financially feasible
- 4 : All of the above

Question - 8 : A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:**Answer:**

- 1 : in the principal market or in the most advantageous market
- 2 : in the principal market or in the primary market
- 3 : in the primary market or in the secondary market
- 4 : in the primary market or in the most advantageous market

Question - 9 : The price paid to acquire the asset or received to assume the liability is called**Answer:**

- 1 : transaction price (an entry price)
- 2 : transaction price (an exit price)
- 3 : Settlement price (an entry price)
- 4 : Settlement price (an exit price)

Question - 10 : As per Ind AS 113, which of the followings is not a widely used valuation technique?**Answer:**

- 1 : Net present value approach
- 2 : Cost approach
- 3 : Income approach
- 4 : Market approach

Answers

Q1	4	Q2	3	Q3	2	Q4	2	Q5	3	Q6	3
Q7	4	Q8	1	Q9	1	Q10	1				

CHAPTER 5

Ind AS 115 "Revenue from Contracts with Customers"

Question - 1 : Which of the following criteria is not correct in case of identification of contract with the customer to be accounted for under Ind AS 115?

Answer:

- 1 : the parties to the contract have approved the contract in writing only
- 2 : the entity can identify each party's rights regarding the goods or services to be transferred
- 3 : the entity can identify the payment terms for the goods or services to be transferred
- 4 : the contract has commercial substance

Question - 2 : As per Ind AS 115, an entity shall combine two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract when

Answer:

- 1 : the contracts are negotiated as a package with a single commercial objective
- 2 : the amount of consideration to be paid in one contract depends on the price or performance of the other contract
- 3 : the goods or services promised in the contracts are a single performance obligation
- 4 : All of the above

Question - 3 : An entity shall account for a contract modification as a separate contract when

Answer:

- 1 : the scope of the contract increases because of the addition of promised goods or services that are distinct
- 2 : the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services
- 3 : Either (a) or (b)
- 4 : Both (a) or (b)

Question - 4 : Impairment loss as per Ind AS 115 shall be recognised in

Answer:

- 1 : Other Comprehensive Income
- 2 : Profit or Loss
- 3 : Contract Assets
- 4 : Other Reserves

Question - 5 : Ind AS 115 applies to

Answer:

- 1 : Lease contracts within the scope of Ind AS 116 Leases
- 2 : Financial instruments and other contractual rights or obligations within the scope of Ind AS 109, Ind AS 110, Ind AS 111, Ind AS 27 and Ind AS 28

- 3 : Non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers
- 4 : Non-monetary exchanges between entities in different line of business to facilitate sales to customers or potential customers

Question - 6 : _____ is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties

Answer:

- 1 : Transaction price
- 2 : Market price
- 3 : Ordinary price
- 4 : Fair price

Question - 7 : Where the penalty is inherent in determination of transaction price of a contract, it shall form part of

Answer:

- 1 : Fixed consideration
- 2 : Variable consideration
- 3 : Non-cash consideration
- 4 : Not included in consideration

Question - 8 : Which of the following cost shall be recognised as an asset while obtaining a contract with a customer if the entity expects to recover those costs

Answer:

- 1 : Sales commission
- 2 : General and administrative costs
- 3 : Costs of wasted materials, labour or other resources
- 4 : Costs that relate to past performance

Question - 9 : An entity has entered into a contract with a customer which does not meet the criteria for identifying the contract and the entity has received consideration from the customer. In such a case the entity shall recognise the consideration as revenue only when

Answer:

- 1 : the entity has no remaining obligations to transfer goods or services to the customer and consideration promised by the customer has been received by the entity and is non-refundable
- 2 : the contract has been terminated and the consideration received from the customer is non-refundable
- 3 : the entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is refundable
- 4 : Either (a) or (b)

Question - 10 : To determine the transaction price for contracts in which a customer promises consideration in a form other than cash, an entity shall measure the non-cash consideration at

- 1 : Actual price
- 2 : Transaction price
- 3 : Fair value
- 4 : Market price

Answers

Q1	1	Q2	4	Q3	4	Q4	2	Q5	4	Q6	1
Q7	2	Q8	1	Q9	4	Q10	3				



CHAPTER 6

Ind AS on Assets of the Financial Statements

Unit 1: Ind AS 2 "Inventories"

Question - 1 : Hari Limited is a manufacturer of Carton Boxes. The cost of the stock as on 31.12.20X1 was ₹ 50 per box. The accountant noted that the subsequent sale was made on 31.1.20X2 at ₹ 40 per box. The accountant also noted that there were subsequent expenses for some rectification on the entire physical stock that was available as at year end at the rate of ₹ 15 per box to saleable condition. The company seeks your opinion as to the amount of net realisable value and written down loss for the closing stock as per Ind AS 2.

Answer:

- 1 : ₹ 25 and ₹ 10
- 2 : ₹ 25 and ₹ 25
- 3 : ₹ 40 and ₹ 15
- 4 : ₹ 50 and ₹ 0

Question - 2 : At the end of an accounting period, the cost of a company's inventory is ₹ 4,50,000. This includes damaged items with a cost of ₹ 25,000 which are expected to be sold for only ₹ 10,000 (less selling expenses of 5%). All other items of inventory have a net realisable value which exceeds cost. As per Ind AS 2, the amount at which the company's inventory should be recognized at the end of the period is:

Answer:

- 1 : ₹ 4,25,000
- 2 : ₹ 4,50,000
- 3 : ₹ 4,34,500
- 4 : ₹ 4,35,000

Question - 3 : W Limited, a company manufactures and sells towels and bedsheets using cotton, yarn, dyes and chemicals. W limited also sells cotton and intermediary product yarn occasionally in exceptional cases. Which of the following items are to be classified as inventories in books of accounts of W limited:

Answer:

- 1 : Cotton, yarn, towel, bedsheets, dyes and Chemicals
- 2 : Towel and Bedsheets only
- 3 : Cotton, Yarn, Dyes and Chemicals only
- 4 : None of the above

Question - 4 : Which of the following inventory would be measured at lower of cost and net realisable value?

Answer:

- 1 : Sand
- 2 : Barite

Unit 2: Ind AS 16 “Property, Plant and Equipment”

Question - 1 : Progress Ltd chooses to revalue property under Ind AS 16. On 31st March 20X1, their head office building is valued at ₹ 30 lakh when it is recorded in the financial statements at historical cost of ₹ 25 lakh with ₹ 4.5 lakh of accumulated depreciation charged against it. Which of the following statements is true regarding the accounting treatment of the property?

Answer:

- 1 : A revaluation gain of ₹ 5 lakh should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
- 2 : A revaluation gain of ₹ 5 lakh should be recorded through profit or loss
- 3 : A revaluation gain of ₹ 9.5 lakh should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
- 4 : A revaluation gain of ₹ 9.5 lakh should be recorded through other comprehensive income, grouped with other items that will subsequently be reclassified to profit or loss

Question - 2 : Under Ind AS 16, which two subsequent accounting treatments are allowed subsequently to initial recognition?

Answer:

- 1 : Cost model and present value model
- 2 : Cost model and revaluation model
- 3 : Fair value model and revaluation model
- 4 : Fair value model and cost model

Question - 3 : When it is _____ that future economic benefits associated with an asset will flow to the entity, and the cost of the asset can be _____ measured, it should be recognized as an asset.

Answer:

- 1 : Possible, reasonably
- 2 : Possible, reliably
- 3 : Probable, reliably
- 4 : Probable, reasonably

Question - 4 : Which of these is an allowable cost of an asset for capitalisation under Ind AS 16?

Answer:

- 1 : Professional fees
- 2 : General overheads
- 3 : Initial operating losses
- 4 : Administration expenses

Question - 5 : Under Ind AS 16, how often should the useful life of an asset be reviewed?

Answer:

- 1 : At least at each financial year end
- 2 : Every six months

3 : At managements discretion

4 : Never

Question - 6 : When an asset is sold or disposed of, where is the gain or loss recognized?

Answer:

1 : Asset disposal account

2 : Profit and loss

3 : Revaluation reserve

4 : Depreciation

Question - 7 : A Limited has stopped manufacturing operations in its plant for 3 months in the year ended 31st March, 20X1. How should A limited account for depreciation relating to the 3 months in which plant was idle under Ind AS 16?

Answer:

1 : No depreciation should be charged for 3 months

2 : Depreciation for 3 months in which plant was idle should be recognized in other comprehensive income

3 : Depreciation for 3 months in which plant was idle should be recognized in retained earnings

4 : Depreciation for 3 months in which plant was idle should be recognized in profit or loss

Question - 8 : If one large asset has a number of individual components with different useful lives, how should this be depreciated?

Answer:

1 : Treat as one asset and depreciate in accordance with highest useful life of the component

2 : Break down into different components and depreciate every component separately as per the useful life of that component

3 : Expense it all

4 : Treat as one asset, but disclose only in the notes to the financial statements

Question - 9 : India Turnings Limited has adopted revaluation model, as per Ind AS, since 1st April, 20X1 to measure its property, plant and equipment (PPE) and have revalued it as follows: (i) As on 1st April, 20X1 PPE has been revalued up by ₹ 3,00,000. (ii) As on 31st March, 20X2 PPE has been revalued down by ₹ 3,60,000 (iii) As on 31st March, 20X3 PPE has been revalued up by ₹ 5,00,000 How will the increase in year 20X2-20X3 be recognized in the financials of India Turnings Limited?

Answer:

1 : ₹ 5,00,000 is credited to other comprehensive income

2 : ₹ 60,000 is credited to profit and loss account and ₹ 4,40,000 is credited to other comprehensive income

3 : ₹ 60,000 is credited to other comprehensive income and ₹ 4,40,000 is credited to profit and loss account

4 : ₹ 5,00,000 is credited to profit and loss account

Question - 10 : When the revaluation model is used for PPE the gain on revaluation should be treated as

Answer:

- 1 : Income in the Statement of profit and loss for the period
- 2 : Gain from revaluation in the income statement
- 3 : A revaluation surplus accounted in OCI
- 4 : An extraordinary gain or loss in the income statement

Answers

Q1	3	Q2	2	Q3	3	Q4	1	Q5	1	Q6	2
Q7	4	Q8	2	Q9	2	Q10	3				



Unit 3: Ind AS 23 "Borrowing Costs"

Question - 1 : Borrowing costs do not include

Answer:

- 1 : Interest expense calculated using the effective interest rate method as described in Ind AS 109 Financial Instruments
- 2 : Interest in respect of lease liabilities recognized in accordance with Ind AS 116, Leases
- 3 : Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
- 4 : Interest expenses on own finance resources or interest notional expenses

Question - 2 : In determining the borrowing costs to be capitalised, the amount of expenditure on a qualifying asset include only those expenditures that have resulted in

Answer:

- 1 : Payments of cash
- 2 : Transfers of other assets
- 3 : The assumption of interest-bearing liabilities
- 4 : All of the above

Question - 3 : In determining the borrowing costs to be capitalised, the amount of expenditure on a qualifying asset are not reduced by

Answer:

- 1 : Progress payments received
- 2 : Grants received in connection with the asset
- 3 : Income on temporary investment of specific borrowings
- 4 : Both (a) and (b)

Question - 4 : Which of the following would be considered as borrowing cost to be capitalised?

Answer:

- 1 : Interest on working capital
- 2 : Interest on borrowings used for manufacturing inventories in large quantities on a repetitive basis
- 3 : Interest on borrowings utilised to acquire biological assets measured at fair value
- 4 : Dividend paid on redeemable preference shares used to fund the development of a qualifying asset

Question - 5 : What will be the treatment of exchange difference resulting into unrealised gain while capitalising the borrowing cost on foreign currency borrowings taken for construction of a qualifying asset?

Answer:

- 1 : It would not be adjusted to interest even if there was an adjustment to interest in the previous year on account of unrealised exchange loss on settlement or translation of same borrowings

Unit 4: Ind AS 36 "Impairment of Assets"

Question - 1 : Recoverable amount of an asset or cash generating unit is _____.

Answer:

- 1 : Higher of Fair value less costs of disposal and Value in use
- 2 : Lower of net realisable value and cost
- 3 : Higher of fair value and value in use
- 4 : Higher of market value less costs of disposal and value in use

Question - 2 : Which of the following is not covered by Ind AS 36, Impairment of Assets?

Answer:

- 1 : Deferred tax assets
- 2 : Inventory
- 3 : Financial assets
- 4 : All of the above

Question - 3 : When a cash-generating unit has an impairment loss, the loss must be firstly applied to _____.

Answer:

- 1 : Asset with obvious impairment
- 2 : Goodwill
- 3 : Other assets of CGU on a pro-rata basis
- 4 : Based on management discretion

Question - 4 : In case of estimation of cash flows for calculating value in use, future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. An entity translates the present value using the _____ at the date of the value in use calculation.

Answer:

- 1 : Closing rate
- 2 : Spot exchange rate
- 3 : Average rate
- 4 : Incremental borrowing rate

Question - 5 : In measuring value in use, cash flow projections should be based on the budgets/forecasts covering a maximum period of _____, unless a longer period can be justified.

Answer:

- 1 : Three years
- 2 : Five years
- 3 : Ten years
- 4 : Life of asset which is subject to impairment assessment

Question - 6 : When an impairment loss occurs, the carrying amount of the asset should be reduced to its _____.

Answer:

- 1 : Fair Value
- 2 : Recoverable amount
- 3 : Fair Value less cost to disposal
- 4 : Value in use

Question - 7 : Smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets is known as _____

Answer:

- 1 : Cash-generating unit
- 2 : Branch
- 3 : Department
- 4 : Operating Segment

Question - 8 : _____ is considered as recoverable amount when it is not possible to measure the fair value less costs of disposal for an asset.

Answer:

- 1 : Market value
- 2 : Replacement value
- 3 : Value in use
- 4 : Carrying amount

Question - 9 : Which of the following is not an internal indication of impairment?

Answer:

- 1 : Economic performance of the asset is worse than expected
- 2 : Physical damage of the asset
- 3 : Decline in market value
- 4 : Asset is part of a plans to discontinue or restructure the operation

Question - 10: Which of the following is required to be tested for impairment annually irrespective of the presence of indications of impairment or not?

Answer:

- 1 : Intangible asset with an indefinite useful life
- 2 : Intangible asset not yet available for use
- 3 : Goodwill acquired in a business combination
- 4 : All of the above

Answers

Q1	1	Q2	4	Q3	2	Q4	2	Q5	2	Q6	2
Q7	1	Q8	3	Q9	3	Q10	4				

Unit 5: Ind AS 38 "Intangible Assets"

Question - 1 : A newly set up dot-com entity has recently completed one of its highly publicized research and development projects. It seeks your advice on the accuracy of the following statements made by one of its stakeholders. State which one is true?

Answer:

- 1 : Costs incurred during the research phase can be capitalized
- 2 : Costs incurred during the development phase can be capitalized if criteria such as technical feasibility of the project being established are met
- 3 : Training costs of technicians used in research can be capitalized
- 4 : Designing of jigs and tools qualify as research activities

Question - 2 : With respect to valuation of goodwill and recognition of the same on acquisition of another entity. Ind AS 38 Intangibles assets establishes general principles for the recognition and measurement of intangible assets in the financial statements. The standard requires any entity to recognize the intangible assets in the financial statements if and only if: i) it is probable that the future economic benefits which are attributable to the asset will flow to the enterprise; and ii) the cost of the asset can be reliably measured Which of the following is NOT correct about the intangible assets?

Answer:

- 1 : The above recognition criteria are applicable to both the costs incurred to acquire intangible assets and those generated internally
- 2 : Internally generated goodwill is prohibited to be recognized by the standard. Only acquired goodwill can be recognized as an intangible asset in the financial statements
- 3 : In case of brands, mastheads, publishing titles, and similar intangible assets can be recognized both when generated internally as well as acquired separately
- 4 : In case of research and development phase of an internally generated assets, standard permits capitalisation only in the development phase

Question - 3 : Amortisation of an intangible asset ceases _____.

Answer:

- 1 : when the asset is derecognized
- 2 : when the asset is withdrawn from use
- 3 : at the earlier when the asset is classified as held for sale or when the asset is derecognized
- 4 : at the later of asset is classified as held for sale or derecognized

Question - 4 : AG Limited is developing a new production process. During 20X1-20X2, expenditure incurred was ₹ 11 lakhs of which ₹ 8 lakhs was incurred before 1st January, 20X2 and ₹ 3 lakhs was incurred between January and March 20X2. The company is able to demonstrate that on 1st January, 20X2, the production process met the criteria for recognition as an intangible asset. The recoverable amount of the know-how embodied in the process (including future cash outflows to complete the process before it is available for use) is estimated to be ₹ 2 lakhs as at 31st March, 20X2. What is the carrying value of intangible asset at the end of the year?

Answer:

- 1 : ₹ 11 lakhs
- 2 : ₹ 8 lakhs
- 3 : ₹ 2 lakhs
- 4 : ₹ 3 lakhs

Question - 5 : AG Limited has purchased a computer with various additional software. These are integral part of the computer. Which of the following are true in the context of Ind AS 38?

Answer:

- 1 : Recognize Computer and software as tangible asset
- 2 : Recognize tangible and intangible separately
- 3 : Recognize computer and software as intangible asset
- 4 : None of the above

Question - 6 : Which of the following is not covered within the scope of Ind AS 38?

Answer:

- 1 : Intangible assets held-for-sale in the ordinary course of business
- 2 : Assets arising from employee benefits
- 3 : Noncurrent Intangible assets held for sale
- 4 : All of the above

Question - 7 : An intangible asset with a finite useful life should be amortised over

Answer:

- 1 : Its expected useful life
- 2 : A period determined by management
- 3 : Five years
- 4 : No foreseeable limit

Question - 8 : Which of the following is required to be tested for impairment annually irrespective of the presence of indications of impairment or not?

Answer:

- 1 : Intangible asset with an indefinite useful life
- 2 : Intangible asset not yet available for use
- 3 : Goodwill acquired in a business combination
- 4 : All of the above

Question - 9 : AG Ltd acquired copyrights for ₹ 7,50,000 on 1st April 20X1. The Management assessed the copyrights useful life at 25 years from the date of acquisition. The entity will consume the copyrights future economic benefits evenly over 25 years from the date of acquisition. The fair value of the copyright at 31st March, 20X3 is ₹ 7,00,000. The entity shall measure the carrying amount of the copyright on 31st March, 20X3 at

Answer:

- 1 : ₹ 7,00,000
- 2 : ₹ 6,90,000

3 : ₹ 7,20,000

4 : ₹ 7,50,000

Question - 10 : Which of the following items qualify as an intangible asset under Ind AS 38?

Answer:

- 1 : Advertising and promotion on the launch of a huge product
- 2 : Operating losses during the initial stages of the project
- 3 : College tuition fees paid to employees who decide to enrol in an executive M.B.A. program at Harvard University while working with the company
- 4 : Legal costs paid to intellectual property lawyers to register a patent

Answers

Q1	2	Q2	3	Q3	3	Q4	3	Q5	1	Q6	4
Q7	1	Q8	4	Q9	2	Q10	4				

Unit 6: Ind AS 40 "Investment Property"

Question - 1 : Which of the following is an example of Investment Property?

Answer:

- 1 : Property held for sale in the ordinary course of sale or in the process of construction or development for such sale
- 2 : Right of use asset related to property used for business purposes
- 3 : Property leased to another entity for finance lease
- 4 : Right of use asset related to building held by the entity and leased out under one or more operating leases

Question - 2 : AG India Limited uses portion of building for their administrative use and let out the remainder portion. Which is not the right approach for dealing with this situation while accounting in the books of the company in accordance with Ind AS 40?

Answer:

- 1 : Account for the portion separately, if these portions can be sold separately
- 2 : an investment property, if portions could not be sold separately and insignificant portion can be held for administrative use
- 3 : as owner occupied property, if portions could not be sold separately and insignificant portion is rent out
- 4 : It will be treated as right-of-use asset depending upon the significance of self-usage and let out

Question - 3 : AG Limited has purchased a commercial building and let out the same to one of its subsidiaries. How it should be reflected in the consolidated financial statements?

Answer:

- 1 : Owner-occupied from the perspective of the group
- 2 : Investment property measured at fair value
- 3 : Investment property measured at cost
- 4 : Eliminated as intercompany balance

Question - 4 : Which of the following is an example of investment property?

Answer:

- 1 : Land held for construction of factory
- 2 : Building rented out to employees as staff quarters
- 3 : Lawn rented out to third parties for events / private functions
- 4 : Parking lot attached to land on which the Company's factory is constructed

Question - 5 : On 1st April 20X1, ABC Limited purchased a new head office building for ₹ 60 crore and on the same day leased out top 3 floors to its subsidiary on a long-term operating lease. The annual rent receivable was ₹ 2 crore starting from 31st March 20X2. On 1st April 20X1, the Directors of the Company estimated that the initial cost of the building should be allocated - ₹ 15 million to the top 3 floors, remainder of the building ₹ 20 million and land component ₹ 25 million. On 31st March 20X2, the property had a fair value of ₹ 64 million out

of which 25% was attributable to the top 3 floors. The useful life of the building is 60 years. The carrying value of investment property in the separate / standalone financial statements of ABC Limited as at 31st March 20X2 is:

Answer:

- 1 : ₹ 16 million
- 2 : ₹ 15 million
- 3 : ₹ 14.75 million
- 4 : No investment property is recognized in the financial statements as the asset is leased out to a subsidiary

Question - 6 : At what value the reclassification or transfers between investment property and property, plant and equipment are made?

Answer:

- 1 : Transfers are made at the carrying amount of the property transferred
- 2 : Transfers are made at the fair value of the property transferred
- 3 : Transfers are made at the revalued amount of the property transferred
- 4 : Transfers are made at the higher of fair value and carrying amount of the property transferred

Question - 7 : Which of the following is not considered as a transfer from or to investment property?

Answer:

- 1 : Commencement of operating lease from undetermined use
- 2 : Commencement of owner-occupation
- 3 : Commencement of development with a view to sale
- 4 : End of owner-occupation

Question - 8 : Real Estate Limited have acquired an investment property within the meaning of Ind AS 40 Investment Property. The company has details of costs and other related expenses, but it is not sure as to what would be the correct accounting treatment of the said items. Identify the correct statement.

Answer:

- 1 : Start-up costs are not to be capitalised to cost of the investment property except cases where they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by the management
- 2 : Operating losses incurred before the investment property achieves the planned level of occupancy are not to be capitalised to the cost of investment property
- 3 : Abnormal amounts of wasted materials, labour and other resources incurred in constructing or developing the property are not to be capitalised to the cost of investment property
- 4 : All of the above

Question - 9 : Which of the following characteristics distinguish investment property from owner-occupied property?

Answer:

- 1 : Property held for sale in the ordinary course of sale
- 2 : Property held to earn rental or capital appreciation

3 : Property classified as held for sale

4 : Property held for use in the production or supply of goods or services or for administrative purposes

Question - 10 : State which of the following statements is true.

Answer:

1 : An investment property may be a qualifying asset under Ind AS 23 Borrowing Costs

2 : An entity is not required to capitalise the borrowing cost in respect of investment properties even if they are qualifying assets

3 : Investment property can be measured at fair value at each reporting date on an asset-by-asset basis

4 : Investment property measured at fair value is not depreciated or tested for impairment under Ind AS 40

Answers

Q1	4	Q2	4	Q3	1	Q4	3	Q5	3	Q6	1
Q7	1	Q8	4	Q9	2	Q10	2				

Unit 7: Ind AS 105 “Non-current Assets Held for Sale and Discontinued Operations”

Question - 1 : Gain or loss on remeasurement of non-current asset classified as held for sale which does not meet the definition of discontinued operation should be included in

Answer:

- 1 : Profit or loss from continuing operations in statement of profit and loss
- 2 : Notes to the financial statements
- 3 : Statement of changes in equity
- 4 : Other comprehensive income

Question - 2 : As per Ind AS 105, which of the following is not allowed as a cost to sell?

Answer:

- 1 : Finance cost
- 2 : Auctioneers commission
- 3 : Advertisement cost
- 4 : Legal fee for drafting contract of sale

Question - 3 : SA Ltd. acquires a subsidiary RA Ltd. exclusively with a view of selling it. The subsidiary meets the criteria to be classified as held for sale. The subsidiary remains unsold at the end of close of the year. It will be valued at

Answer:

- 1 : Lower of recoverable value or carrying value
- 2 : Fair value less cost to sell
- 3 : Present value of future cash flows
- 4 : Lower of carrying amount and fair value less cost to sell

Question - 4 : The results of discontinued operation should be disclosed under

Answer:

- 1 : Single amount in the statement of profit and loss
- 2 : Part of normal trading profit and loss in the statement of profit and loss
- 3 : Notes to the financial statements
- 4 : Statement of changes in equity

Question - 5 : How to measure a non-current asset (or disposal group) that ceases to be classified as held for sale?

Answer:

- 1 : Lower of carrying amount which would have been had the asset not been classified as held for sale (adjusted for any depreciation, amortisation or revaluations, if any) and recoverable amount at the date of the subsequent decision not to sell or distribute
- 2 : Lower of carrying amount on the date the asset ceased to be classified as held for sale and recoverable amount at the date of the subsequent decision not to sell or distribute
- 3 : Lower of carrying amount and fair value less cost to disposal

- 4 : Lower of carrying amount and the amount which would have been had the asset not been classified as held for sale

Question - 6 : Which of the following is not a requirement to classify an asset (or disposal group) as held for sale?

Answer:

- 1 : Appropriate level of management has an intention to sell the asset
- 2 : Active programme to locate a buyer have been initiated
- 3 : Actively marketed for sale at a reasonable price
- 4 : It is likely that significant changes to the plan will be made or that the plan will be withdrawn

Question - 7 : SA Ltd. bought 30% share in RA Ltd. with a view of selling that investment within six months. The investment has been classified as held for sale in accordance with Ind AS 105. How should the investment be treated in the financial statement of the entity?

Answer:

- 1 : It should be accounted as per the equity method
- 2 : The assets and liabilities should be presented separately from other assets in the balance sheet under Ind AS 105
- 3 : The investment should be dealt with under Ind AS 29
- 4 : Purchase accounting should be used for this investment

Question - 8 : Non-current asset is classified as held for sale, if it is available for _____ sale and sale is _____

Answer:

- 1 : Instant, most likely
- 2 : Immediate, probable
- 3 : Immediate, highly probable
- 4 : Distant future, reasonably assured

Question - 9 : A disposal group is a group of assets

Answer:

- 1 : To be disposed in one single transaction
- 2 : Falling in cash generating unit
- 3 : Being part of discontinuing operation
- 4 : Having no disposal cost

Question - 10 : How to present a non-current asset (or disposal group) classified as held for sale in the balance sheet?

Answer:

- 1 : Pooled with other current assets
- 2 : Pooled with other non-current assets
- 3 : Separately from other assets
- 4 : Based on management intention

Answers

Q1	1	Q2	1	Q3	4	Q4	1	Q5	1	Q6	4
Q7	2	Q8	3	Q9	1	Q10	3				

Unit 8: Ind AS 116 "Leases"

Question - 1 : Lease term includes the periods covered by an extension option if exercise of that option by the lessee is

Answer:

- 1 : remote
- 2 : highly probable
- 3 : reasonably certain
- 4 : virtually certain

Question - 2 : An entity is required to assess whether the contract is or contains, a lease at/on

Answer:

- 1 : Commencement of lease term
- 2 : Obtaining the possession of identified asset
- 3 : Inception of contract
- 4 : Beginning of the relevant annual year

Question - 3 : SA Ltd. has taken a building on lease from RA Ltd. for 10 years to operate a restaurant. As per the contract, SA Ltd. has decision-making right regarding all the operations and usage of the restaurant. However, as per the contract, RA Ltd. has a right to restrict SA Ltd. from selling any kind of non-vegetarian item in the restaurant. The restriction rights of RA Ltd. will become exercisable only after 6 years. Whether the contract contains a lease?

Answer:

- 1 : contract contains a lease for 10 years as the rights of the lessor are protective in nature
- 2 : contract contains a lease for 6 years as the lessee has a right to control the use of the asset for a portion of period
- 3 : contract contains a lease for 4 years as the lessor has rights to control the use of the asset for a portion of period
- 4 : None of the above

Question - 4 : According to Ind AS 116, lease liability does not include

Answer:

- 1 : Present value of fixed payment
- 2 : Guaranteed residual value
- 3 : Unguaranteed residual value
- 4 : Lease termination penalty

Question - 5 : In case of a contract that contains a lease component and one or more additional lease or non-lease component, lessee is required to allocate the contract consideration to each lease component on the basis of their relative:

Answer:

- 1 : value in use
- 2 : stand-alone price

3 : market price

4 : cost

Question - 6 : According to Ind AS 116, the right of use asset in the books of Lessee shall be depreciated over the

Answer:

1 : Lower of the lease term and the asset's useful life

2 : Higher of the lease term and the asset's useful life

3 : Entire lease term

4 : Useful life of the asset

Question - 7 : According to Ind AS 116, initial measurement of the right of use asset does not include:

Answer:

1 : Lease liability

2 : Initial direct cost

3 : Estimate of dismantling and restoration

4 : Contingent rent

Question - 8 : The lease payments shall be discounted using the

Answer:

1 : Interest rate implicit in the lease or general borrowing rate

2 : Weighted average cost of capital or interest rate implicit in the lease

3 : Interest rate implicit in the lease or incremental borrowing rate

4 : LIBOR or weighted average cost of capital

Question - 9 : An entity shall revise the lease term if there is a change in

Answer:

1 : Non-cancellable period

2 : Economic life of underlying asset

3 : Secondary period

4 : Useful life of the underlying asset

Answers

Q1	3	Q2	1	Q3	2	Q4	3	Q5	2	Q6	1
Q7	4	Q8	3	Q9	1						

CHAPTER 7

Other Indian Accounting Standards

Unit 1: Ind AS 41 "Agriculture"

Question - 1 : A conditional government grant related to a biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when and only when

Answer:

- 1 : Grant becomes receivable
- 2 : Conditions attaching to grant are met
- 3 : Reasonable assurance that conditions will met
- 4 : Reasonable assurance that grant will be received

Question - 2 : Fresho Vineyards Ltd owns a vineyard in the outskirts of Satara city in western Maharashtra. The grape vine plants and the grapes have a combined fair value of ₹. 10,00,000. The purchase cost of vine plants was ₹. 3,00,000 and the fair value of grapes on the plants is ₹ 2,40,000. The company uses the cost model to measure assets classified under Ind AS 16 Property, Plant and Equipment. Which of the following options is the measurement of bearer plants and bearer fruits respectively?

Answer:

- 1 : ₹ 3,00,000, ₹ 2,40,000
- 2 : ₹ 7,60,000, ₹ 2,40,000
- 3 : ₹ 3,00,000, ₹ 7,00,000
- 4 : ₹ 5,55,555, ₹ 4,44,445

Question - 3 : Which of the following are considered as bearer plants and not to be accounted in accordance with Ind AS 41?

Answer:

- 1 : Plants cultivated to be harvested as agricultural produce (for example trees grown for use as lumber)
- 2 : Plants which gives fruits in a particular season for more than one year (for example mango tree)
- 3 : Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example trees that are cultivated both for their fruit and their lumber)
- 4 : annual crops (for example, maize and wheat)

Question - 4 : Generally, biological assets relating to agricultural activity should be measured using

Answer:

- 1 : Historical cost
- 2 : Cost less depreciation less impairment

- 3 : Net realisable value
- 4 : Fair value less cost to sell

Question - 5 : Which of the following combination is false regarding the definition of a biological asset and agriculture produce in Ind AS 41?

Answer:

- 1 : Agricultural land, Paddy
- 2 : Bushes, Leaf
- 3 : Pigs, Carcass
- 4 : Vines, Grapes

Question - 6 : Agricultural activity involves biological transformation and harvest of biological asset

Answer:

- 1 : for sale
- 2 : for conversion into agricultural produce
- 3 : into additional biological assets
- 4 : All of the above

Question - 7 : Gain/Loss arising from initial recognition of a biological asset and from a change in the value of biological assets should be recognised in

Answer:

- 1 : Statement of profit and loss for the period in which it arises
- 2 : Recognised through statement of profit and loss as other comprehensive income item
- 3 : Entered into a deferral account and amortised over the estimated useful life of the biological asset
- 4 : Recognised on a revaluation reserve

Question - 8 : Which of the following is the criteria for recognizing the biological asset in books according to Ind AS 41?

Answer:

- 1 : Control the asset
- 2 : Future economic benefit will flow
- 3 : Fair value or cost can be measured reliably
- 4 : All of the above

Question - 9 : Which of the following is not dealt with by Ind AS 41 Agriculture?

Answer:

- 1 : biological assets
- 2 : agriculture produce at the point of harvest
- 3 : government grants related to biological assets
- 4 : agriculture produce after harvest

Question - 10 : Fair value less costs to sell at the point of harvest of Agricultural produce becomes _____ at that date when applying Ind AS 2 or other Ind AS

Answer:

- 1 : Cost
- 2 : Market Value
- 3 : Net realisable value
- 4 : Fair value less cost to sell

Answers

Q1	2	Q2	1	Q3	2	Q4	4	Q5	1	Q6	4
Q7	1	Q8	4	Q9	4	Q10	1				



Unit 2: Ind AS 20 "Accounting for Government Grants and Disclosure of Government Assistance"

Question - 1 : How is a grant recognized in profit or loss when it is set up as deferred income?

Answer:

- 1 : It is recognized as income in the year the grant is received
- 2 : It is recognized in profit or loss on a systematic basis over the useful life of the asset
- 3 : It is recognized as a reduction in depreciation expense over the life of the asset
- 4 : It is recognized as a separate item in the other comprehensive income section

Question - 2 : According to Ind AS 20 , when should government grants be recognized by an entity?

Answer:

- 1 : As soon as the grant is offered by the government
- 2 : Once the entity fulfills the conditions attached to the grants
- 3 : When there is reasonable assurance that the entity will comply with the conditions and receive the grants
- 4 : After the entity has received the grants

Question - 3 : According to Ind AS 20, which of the following is included in the definition of "government"?

Answer:

- 1 : Local and national bodies only
- 2 : Government agencies only
- 3 : International bodies only
- 4 : Government, government agencies, and similar bodies whether local, national, or international

Question - 4 : Which Ind AS provides guidance on accounting for government grants and disclosure of government assistance?

Answer:

- 1 : Ind AS 115
- 2 : Ind AS 20
- 3 : Ind AS 38
- 4 : Ind AS 16

Answers

Q1	2	Q2	3	Q3	4	Q4	2
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Unit 3: Ind AS 102 "Share Based Payment"

Question - 1 : In respect of an entity which is a first-time adopter of Ind AS, Ind AS 102 would not necessarily be required to be applied to which of the following equity instruments?

Answer:

- 1 : Equity instruments that vested before date of transition to Ind AS
- 2 : Equity instruments that vested after date of transition to Ind AS
- 3 : Equity instruments that vested on the date of transition to Ind AS
- 4 : All equity instruments that vested before, on and after date of transition to Ind AS

Question - 2 : Silver Jubilee Motors granted 2,000 share options to each of its three Branch Manager on 1 April 2017, subject to the Branch Managers being in employment till 31 March 2020. The options will vest on 31 March 2020 only if the company's share price reaches INR 14 per share at that time. The fair value of each option on 1 April 2017 is INR 10. The share price at 31 March 2018 is INR 8 and it is not anticipated that it will rise over the next two years. Further, it is anticipated on 31 March 2018 that only two Branch Managers will be in employment by 31 March 2020. Determine the value of share option to be recorded per Ind AS 102 Share Based Payment in the Balance Sheet for the year ended 31 March 2018.

Answer:

- 1 : INR 20,000
- 2 : INR 13,333
- 3 : INR 10,667
- 4 : INR 18,667

Question - 3 : On 1 April 20X1, ABC Ltd acquired an item of plant for an agreed consideration of its own 1,000 shares. The plant was received on same date and the obligation to transfer shares was to be settled on 1 May 20X1. The fair value of the item of the plant was ₹ 10,000 on 1 April 20X1. ABC Ltd. share price was INR 8.00 on 1 April 20X1 and INR 9.00 on 31 March 20X2. In accordance with Ind AS 102 Share-based Payment, ABC Ltd should:

Answer:

- 1 : remeasure the equity to 9,000 on 31 March 20X2
- 2 : initially recognise the plant and equity at 8,000 on 1 April 20X1
- 3 : make no entry in relation to the transaction until 1 May 20X1
- 4 : initially recognise the plant and equity at 10,000 on 1 April 20X1

Answers

Q1	1	Q2	2	Q3	4
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CHAPTER 8

Ind AS on Liabilities of the Financial Statements

Unit 1: Ind AS 19 "Employee Benefits"

Question - 1 : While recognizing the expenses for paid leave to employees which are carried forward to next year if unutilized. An employee can utilize such carry forward leaves anytime subject to maximum of 30 accumulated leaves. How should the Company recognize re-measurement of liability comprising the actuarial gain/loss?

Answer:

- 1 : In the statement of profit or loss
- 2 : In other comprehensive income as item to be reclassified to profit or loss
- 3 : In other comprehensive income as item not to be reclassified to profit or loss
- 4 : Directly in equity

Question - 2 : An entity has decided to improve its defined benefit pension scheme. The benefit payable will be determined by reference to 60 years of service rather than 80 years of service. As a result the deemed benefit pension liability will increase by ₹ 2 Crores. The average remaining service lives of its employees is 10 years. The Company wants to understand as to how should the increase in pension liability by ₹ 2 Crores be treated in the financial statements?

Answer:

- 1 : The past service cost should be charged against retained profit
- 2 : The past service cost should be charged against profit or loss for the year
- 3 : The past service cost should be spread over the remaining working lives of the employees
- 4 : The past service cost should not be recognised

Question - 3 : How should we treat maternity or paternity leaves while accruing liability for compensated absences as per actuarial valuation?

Answer:

- 1 : Depends on accounting policy of the company
- 2 : Should be included for actuarial valuation
- 3 : Should not be included for actuarial valuation
- 4 : Only maternity leaves should be included for actuarial valuation

Question - 4 : From the following items, identify what must be classified as other long-term benefits under Ind AS 19?

Answer:

- 1 : Paid maternity leave
- 2 : Cash bonus payable in August 20X3 for results obtained up to 31st March, 20X3
- 3 : Deferred compensation payable 20 months after the period in which it is earned
- 4 : Lump sum retirement benefit of ₹ 10 lakh that vests after five years of service

Question - 5 : While accounting for a defined benefit obligation, there is net interest to be recognized in profit or loss. Based on the prevailing accounting practices, which of the following statement is true?

Answer:

- 1 : Net interest cost shall be recognized as 'employee benefit expenses' in the statement of profit or loss
- 2 : Net interest cost shall be recognized as 'finance cost' in the statement of profit or loss
- 3 : Net interest cost shall be recognized as 'other expenses' in the statement of profit or loss
- 4 : The Company has an accounting policy choice of recognizing net interest cost either in 'employee benefit expenses' or 'finance cost'

Answers

Q1	1	Q2	2	Q3	3	Q4	3	Q5	4
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Unit 2: Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets"

Question - 1 : As per Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets, where measurement uncertainty exists, which one of the following methods is NOT an appropriate valuation for a provision based on accounting standards?

Answer:

- 1 : the mid-point of a range of equally likely outcomes of expenditure
- 2 : no provision should be recognised where measurement uncertainty exists
- 3 : the minimum amount expected to represent a best estimate, where the other option is omission
- 4 : the most likely amount expected to represent a best estimate, where there is a single obligation

Question - 2 : Which one of the following represents an appropriate discount rate for measuring a provision based on Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets?

Answer:

- 1 : market yields on national government bonds
- 2 : market yields on high-quality corporate bonds
- 3 : pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability
- 4 : pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the entity

Question - 3 : As at 31 March 20X1 (reporting date), ABC Ltd is involved in a legal dispute with one of its supplier in relation to the early termination of the exclusive licence agreement between the two companies. The supplier seeks damages of ₹ 50 crore. The directors of ABC believe that, they will be successful in defending this claim. ABCs lawyers have advised that there is 90% chances that the entity would not be made liable for this claim. In accordance with Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets, which one of the following is the most appropriate option for ABC while preparing its financial statements for 31 March 20X1?

Answer:

- 1 : Neither recognition of provision nor disclosure of contingent liability is required
- 2 : Disclose information about the possible liability as a contingent liability
- 3 : Recognise a provision for the best estimate of the obligation to the supplier
- 4 : Recognise a contingent liability for the best estimate of the obligation to the supplier

Question - 4 : Which one of the following is a correct statement in relation to provisions and contingencies?

Answer:

- 1 : An item of a contingent nature may be recognised, but not disclosed, in the body of the financial statements

- 2 : Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets applies to provisions to perform land rehabilitation activity
- 3 : Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets applies to contingent liabilities and contingent assets of insurers that result from insurance contracts
- 4 : A present obligation exists in all circumstances where a company may have some choice in whether or not to make a future sacrifice of economic benefits in settlement of an obligation

Answers

Q1	2	Q2	3	Q3	2	Q4	2
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CHAPTER 9

Ind AS on Items impacting the Financial Statements

Unit 1: Ind AS 12 "Income Taxes"

Question - 1 : Entity A has calculated taxable temporary differences of ₹ 50,00,000 and deductible temporary differences of ₹ 20,00,000 on separate items. The tax rate of the current year is 35%. However, tax rate in the previous year is 30% and it is expected that in future the tax rate would be 40%. What basis should be used for measurement of deferred tax assets and liabilities?

Answer:

- 1 : 30%
- 2 : 35%
- 3 : 40%
- 4 : 5%

Question - 2 : During the year ended 31 March 20X1, Zee Ltd has acquired 60% shares of Global. In accordance with Ind AS 103 Business Combinations, goodwill arising on acquisition of subsidiary amounted to INR 20 lakh. The tax rate applicable for Zee Ltd is 30%. The deferred tax liability relating to goodwill will be:

Answer:

- 1 : INR 6,00,000
- 2 : INR 36,000
- 3 : INR 3,60,000
- 4 : Zero

Question - 3 : To calculate the tax base of a liability for employee benefits, which one of the following formulas would be used?

Answer:

- 1 : Carrying amount + Future assessable amounts
- 2 : Carrying amount ? Future non-assessable amounts of revenue
- 3 : Carrying amount+ Future deductible amounts ? Future assessable amounts
- 4 : Carrying amount? Future deductible amounts + Future assessable amounts

Question - 4 : Star Ltd expects that it will earn a minimum of ₹ 250 lakh per year for the anticipatable future and will be subject to 30% tax. A liability for ₹ 50 lakh in respect of accrued product warranty costs has been recognised by Star Ltd. For tax purposes, the product warranty costs will be deductible when the enterprise claims or incurs the costs. In accordance with Ind AS 12 Income Taxes, which of the following Star Ltd should recognise as a deferred tax asset /liability?

Answer:

- 1 : A deferred tax asset of ₹ 15 lakh
- 2 : A deferred tax liability of ₹ 15 lakh

3 : A deferred tax liability of ₹ 35 lakh

4 : Neither a deferred tax asset or liability

Answers

Q1	2	Q2	4	Q3	4	Q4	4
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Unit 2: Ind AS 21 "The Effects of Changes in Foreign Exchange Rates"

Question - 1 : XYZ Ltd., during the financial year ended 31 March 20X2, disposed of an investment in a foreign operation. Up to the date of disposal, XYZ had to translate the financial statement of the foreign operation from another currency for inclusion in its consolidated financial statements. During prior reporting periods, ₹ 14,000 of exchange difference gains net of tax (pre-tax exchange difference gains ₹ 20,000) had been recognised in OCI in the consolidated financial statements of XYZ Ltd. During the year 20X2 reporting period, ₹ 3,500 exchange difference gain net of tax (pre-tax exchange difference gain ₹ 5,000) up to the date of disposal of the foreign operation had been recognised in OCI.

Which one of the following statements is correct in relation to the treatment of the disposal of the foreign operation in the consolidated statement of profit or loss and OCI of XYZ for the year ended 31 March 20X2?

Answer:

- 1 : OCI would include an exchange difference net of tax gain of ₹ 3,500
- 2 : OCI would include a reclassification adjustment net of tax of ₹ 14,000
- 3 : OCI would include a reclassification adjustment net of tax of ₹ 17,500
- 4 : No reclassification adjustment from OCI to profit or loss is necessary on disposal of the foreign operation

Question - 2 : XYZ Ltd prepares consolidated financial statements. During the financial year ended 31st March 20X2, XYZ disposed of an investment in a foreign operation. Up to the date of disposal, XYZ had to translate the financial statement of the foreign operation from another currency for inclusion in its consolidated financial statements. During prior reporting periods, ₹ 14,000 of exchange difference gains net of tax (pre-tax exchange difference gains ₹ 20,000) had been recognised in other comprehensive income in the consolidated financial statements of XYZ Ltd. During the reporting period ending on 31st March, 20X2, ₹ 3,500 exchange difference gain net of tax (pre-tax exchange difference gain ₹ 5,000) up to the date of disposal of the foreign operation had been recognised in other comprehensive income. **Which one of the following statements is correct in relation to the treatment of the disposal of the foreign operation in the consolidated statement of profit and loss and other comprehensive income of XYZ Ltd. for the year ended 31st March 20X2?**

Answer:

- 1 : Other comprehensive income would include an exchange difference net of tax gain of ₹ 3,500
- 2 : Other comprehensive income would include a reclassification adjustment net of tax of ₹ 14,000
- 3 : Other comprehensive income would include a reclassification adjustment net of tax of ₹ 17,500
- 4 : No reclassification adjustment from other comprehensive income to profit or loss is necessary on disposal of the foreign operation

Question - 3 : Parent P owns 80% of the net assets of Subsidiary S. S functional currency is Dinar. S was acquired on 30th September, 20X1 and its net assets fair value was Dinar 40,000. P has recognised a cost of investment amounting to CU 10,675 in its financial statements. The groups accounting policy for goodwill is to recognise it on a proportionate basis. Exchange rates are as follows: 30th September, 20X1 CU 1= 6.5 Dinar 31st December, 20X2 CU 1= 6.0 Dinar Calculate the goodwill to be recognised in the consolidated statement of balance sheet as at 31st December, 20X2 under Ind AS 21

Answer:

- 1 : CU 3,207
- 2 : CU 3,918
- 3 : CU 5,342
- 4 : CU 6,231

Question - 4 : Casper Ltd is a New York based company engaged in the business of manufacturing mobile handsets. Caspers functional currency is the dollar. Casper purchased a machine on credit from a European supplier for 6 million on 31 January 2018. At this date the exchange rate was 2 = \$1. Casper did not settle the dues until its reporting date i.e. 31 March 20X1. At this date the closing exchange rate was 1.5 = \$1. Casper follows cost model for measuring its non-current assets. Which one of the following statements is correct in accordance with Ind AS 21 The Effects of Changes in Foreign Exchange Rates for the period ending 31 March 20X1?

Answer:

- 1 : Cost of machine \$ 4 million, trade payable \$ 3 million, exchange gain \$ 1 million
- 2 : Cost of machine \$ 3.0 million, trade payable \$ 4 million, exchange loss \$ 1 million
- 3 : Cost of machine \$ 3.0 million, trade payable \$ 4 million, exchange loss \$ 1.2 million
- 4 : Cost of machine \$ 4 million, trade payable \$ 4 million, no exchange loss

Question - 5 : Zed Ltd. imported an item of Property, plant and equipment i.e. machinery costing USD 100,000. The exchange rate as at the date of receipt of the Plant and Machinery in India was ₹ 60 = 1 USD. However, at the time of remitting the payment to the foreign vendor [30 days after receipt of the Plant and machinery in India] the exchange rate was ₹ 62 = 1 USD. Accordingly, ZED Ltd. passed a journal entry debiting Vendor account for ₹ 60,00,000, debiting Exchange loss for ₹ 2,00,000 and crediting bank account for ₹ 62,00,000. At the first balance sheet date after the acquisition of the aforesaid Plant and Machinery, Zed Ltd. opted to use the Revaluation model. The accounting treatment as per Ind AS 21 as regards the exchange loss of ₹ 2,00,000 is as follows:

Answer:

- 1 : ₹ 2,00,000 being a realised exchange loss on a monetary item, it should be recognized in Profit or Loss account
- 2 : ₹ 2,00,000 being an unrealised exchange loss on a monetary item, it should be recognised in Profit or Loss account
- 3 : ₹ 2,00,000 being a realised loss on a non-monetary item, it should be recognised in Profit or Loss account
- 4 : ₹ 2,00,000 being a realised loss on a non-monetary item, it should be recognised in Other Comprehensive Income as the asset is being accounted under the revaluation model

CHAPTER 10

Ind AS on Disclosures in the Financial Statements

Unit 1: Ind AS 24 "Related Party Disclosures"

Question - 1 : Era is a director of Titanic Ltd. She also owns 60% of Gracious Ltd and is a director of, but not a shareholder in, Fortuner Ltd. Eras husband is the sole shareholder in Kite Ltd. Era's daughter holds 6% of the shares in Bluebell Ltd. The only involvement she has in the company is to receive dividends. Which of the following companies would be classified under Ind AS 24 Related Party Disclosures as related parties of Titanic Ltd?

Answer:

- 1 : Gracious Ltd and Kite Ltd
- 2 : Gracious Ltd only
- 3 : Bluebell Ltd and Fortuner Ltd
- 4 : Kite Ltd, Gracious Ltd and Bluebell Ltd

Question - 2 : Mr. K owns all of the issued share capital of entity L. He is also a member of the key management personnel of entity M which, in turn, owns all of the issued share capital of entity N. Which of the following is true about the related party relationships from the above structure?

Answer:

- 1 : K is not a related party of L & M
- 2 : L & M are related parties
- 3 : L & N are related parties
- 4 : Both (b) & (c)

Question - 3 : Sunbeam Ltd has a 70% subsidiary Hexa Ltd and is a venturer in Texotech, a joint venture company. During the financial year to 31 March 2018, Sunbeam sold goods to both companies. Consolidated financial statements are prepared combining the financial statements of Sunbeam Ltd and Hexa Ltd. Under Ind AS 24 Related Party Disclosures, in the separate financial statements of Sunbeam Ltd for the year ended 31 March 2018, disclosure is required of transactions with

Answer:

- 1 : Neither Hexa Ltd nor Texotech Ltd.
- 2 : Hexa Ltd only
- 3 : Texotech Ltd. only
- 4 : Both Hexa Ltd and Texotech Ltd.

Answers

Q1	1	Q2	4	Q3	4
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Unit 2: Ind AS 33 "Earnings per Share"

Question - 1 : Following information is available for A Ltd: 1 January - Shares in issue 1,000,000 Profit for the year ended 31 March ₹ 2,000,000 Average fair value during the period ₹8 Weighed Average number of shares under options during the year = 2,00,000 shares Exercise price ₹6 Calculate Diluted earnings per shares (DEPS) for the year.

Answer:

1 : ₹ 2.50

2 : ₹ 2.10

3 : ₹ 1.74

4 : Options would be anti-dilutive and hence DEPS would be ₹ 2

Question - 2 : A Limited has the following options with regards to its own equity shares. Which of these should be included in the calculation of diluted earnings per share?

Answer:

1 : In the money purchased put options

2 : In the money purchased call options

3 : In the money written put options

4 : Out of the money written put options

Answers

Q1	3	Q2	3
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Unit 3: Ind AS 108 "Operating Segments"

Question - 1 : As per Ind AS 108 Operating Segments, if a financial statement contains both the consolidated financial statements of a parent, as well as parents separate financial statements, segment information is required:

Answer:

- 1 : Only in the consolidated financial statements
- 2 : Only in the parents separate financial statements
- 3 : Both sets of financial statements
- 4 : Either in the consolidated financial statement or in the parents separate financial statements

Question - 2 : Entity A and Entity B both manufacture and distribute furniture and electrical products used in residential and commercial units. Entity A is structured such that decisions are made and performance is evaluated on a regional basis (e.g., India, Asia Pacific), whereas Entity B makes decisions and evaluates performance on a product-line basis (e.g., furniture, electrical products). How should Entity A and Entity B report operating segments as per Ind AS 108, Operating Segments?

Answer:

- 1 : Entity A and B should report similar operating segments
- 2 : Entity A should report operating segments based on regions and Entity B should report operating segments based on product lines
- 3 : Entity A and B have a choice to report operating segments based on regions or product lines
- 4 : Entity A and B have a choice not to report any operating segment

Question - 3 : As per Ind AS 108 Operating Segments, if a financial statement contains both the consolidated financial statements of a parent, as well as parents separate financial statements, segment information is required:

Answer:

- 1 : Only in the consolidated financial statements
- 2 : Only in the parents separate financial statements
- 3 : Both sets of financial statements
- 4 : Either in the consolidated financial statement or in the parents separate financial statements

Answers

Q1	1	Q2	2	Q3	1
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CHAPTER 11

Accounting and Reporting of Financial Instruments

Question - 1 : From the below list of instruments held by Swan Limited as at 31.03.20X2, you need to identify the financial instrument which does not meet the contractual cash flow characteristics test as per the provisions of Ind AS 109:

Answer:

- 1 : Variable rate instrument with a stated maturity date that permits the borrower to choose to pay three-month LIBOR for a three-month term or one-month LIBOR for a one-month term
- 2 : A fixed term variable market interest rate bond where the variable market interest rate is capped
- 3 : A financial instrument with an interest rate that is reset to a higher rate if the debtor misses a particular number of payments
- 4 : A financial instrument with an interest rate that is reset to a higher rate if a specified equity index reaches a particular level

Question - 2 : New Age Technology Limited has taken loan from a bank which has debt to equity ratio as one of its financial covenants. Any new fund raise could have a direct implication on the covenants of existing loans. Therefore, the CFO wants to understand which amongst the following instruments is an equity instrument as per Ind AS 32 Financial Instruments: Presentation?

Answer:

- 1 : Non-redeemable preference shares with payment of dividend at market rates
- 2 : Preference shares redeemable at the option of the issuer with payment of dividend at the discretion of the issuer
- 3 : Preference shares redeemable at the option of the holder with payment of dividend at the discretion of the issuer
- 4 : Preference shares redeemable at the option of the holder with payment of dividend at market rates

Question - 3 : Which of the following categories of financial assets is NOT subject to impairment requirements of Ind AS 109 "Financial Instruments"?

Answer:

- 1 : Equity instruments measured at fair value through profit or loss
- 2 : Investment in debentures where (i) Contractual cash flows represent solely payment of principal and interest; and (ii) entity's business model is to hold financial assets in order to collect contractual cash flows
- 3 : Lease receivables
- 4 : Trade debtors

Question - 4 : A Ltd. has invested in debentures whose interest rate is floating in nature and as per the terms of the instrument interest will be reset every month. Terms of interest is 0.5 x (MIBOR + 2%). Classify the financial asset and determine the subsequent measurement for the aforesaid instrument.

Answer:

- 1 : Financial asset measured at amortised cost
- 2 : Financial asset measured at FVOCI without recycling
- 3 : Financial asset measured at FVTPL
- 4 : Financial asset measured at FVOCI with recycling

Question - 5 : Entity A has issued preference shares to the investors which has similar voting rights and dividend rights and will be converted into one is to one equity shares at the time of IPO. As per the terms of the agreement, if the IPO does not happen by the end of the 7th year, then the Company will have to buy back the shares from the investors. The Company is growing very fast and is confident of going through the IPO within 3 years itself. How will the company classify the above instrument in the financial statement?

Answer:

- 1 : Equity
- 2 : Liability
- 3 : Hybrid
- 4 : Compound

Question - 6 : On 1 January 20X6, XYZ Ltd issues a new instrument with the following characteristics. Face value ₹ 100, issue price ₹ 90. Cumulative dividend payable at 5% per annum for 10 years. After 10 years, the dividend is payable at the discretion of the issuer. The holder of the note has the option to convert to ordinary shares of XYZ Ltd. after 10 years, and conversion will be 10 ordinary shares for each instrument. The holder can demand redemption for the face value at any time, with six months notice up until the end of 10 years. After 10 years, redemption is at the discretion of the issuer. There is no fixed maturity date. How should the instrument be classified by XYZ Ltd. in the first 10 years in accordance with Ind AS 32? Select which one of the following is correct.

Answer:

- 1 : as equity
- 2 : as a liability
- 3 : as either equity or liability
- 4 : as a compound instrument

Answers

Q1	4	Q2	3	Q3	1	Q4	3	Q5	4	Q6	2
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CHAPTER 12

Ind AS 103 "Business Combinations"

Question - 1 : Entity C acquires Entity D as per the principles of Ind AS 103 Business Combinations. Fair Value of identifiable assets is ₹ 10,00,000. Fair Value of Liability assumed is ₹ 6,00,000. Consideration paid for the acquisition of Entity D is ₹ 5,00,000 Goodwill on acquisition is deductible for tax purposes. You need to compute the Goodwill amount to be recognised the books of Acquirer i.e. Entity C at acquisition date? (Assume tax rate @ 30%)

Answer:

- 1 : ₹ 1,00,000
- 2 : ₹ 1,30,000
- 3 : ₹ 4,00,000
- 4 : ₹ 70,000

Question - 2 : P Ltd acquires 95% of the issued share capital of S Ltd on 1 October 2017 by way of a share for share exchange. The profits before tax of P and S for the year ended 31 March 2018 are ₹ 2,00,000 and ₹ 1,50,000 respectively. How much profit before tax would be shown in the consolidated statement of profit or loss of P Ltd for the year ended 31 March 2018, in accordance with Ind AS 103 'Business Combinations'?

Answer:

- 1 : ₹ 271,250
- 2 : ₹ 275,000
- 3 : ₹ 342,500
- 4 : ₹ 350,000

Question - 3 : PQR Holdings Limited enters into a number of transactions each year. The accountant has requested your help to identify which of these must be accounted for as a business combination:

Answer:

- 1 : PQR Holdings Limited purchases 30% equity in TP Ltd, an unlisted company
- 2 : PQR Holdings Limited purchases a 45% interest which gives it control over TR Ltd.
- 3 : PQR Holdings Limited purchases one of many brand names and products of TQ Ltd.
- 4 : PQR Holdings Limited purchases a 30% equity and invests in debentures of TS Ltd.

Answers

Q1	1	Q2	2	Q3	2
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CHAPTER 13

Consolidated and Separate Financial Statements of Group Entities

Question - 1 : You are the finance manager of Vassar, a listed company which prepares consolidated financial statements as per AS. The newly appointed managing director who is not an accountant, reviewed the draft financial statements for the year ended 31 March 20X1 which were due to be published shortly. The managing director had a query out of the review regarding the exclusion of certain investment in subsidiaries from preparing consolidated financial statements. Which of the following statements are correct about the exclusion of subsidiary from consolidation?

Answer:

- 1 : Vassar had acquired a subsidiary Aqua on 1 October 20X0. This acquisition was temporary in nature and that it had held exclusively with a view to its subsequent disposal in near future
- 2 : There was another subsidiary acquired in the first quarter of the year, which had huge losses. Vassar believed that due to change in management and other synergies, it could turn around the losses into profits in few years. But, due to the losses in the current year, you had not consolidated this subsidiary
- 3 : If there is an investment acquired without the intention of subsequent disposal in near future, but which was decided to dispose off subsequently, this investment can be excluded from consolidation
- 4 : If the relevant investment was acquired with the intention of subsequent disposal in near future but could not be disposed off due to some valid reasons, it will later be included in the consolidation

Question - 2 : On 1st March 20X2, Quixote Ltd acquired 30% of the shares of Tintin Ltd. The investment was accounted for as an associate in Quixotes consolidated financial statements. Both Quixote and Tintin have an accounting year ending at 31st October 20X2. Quixote Ltd has no other investments in associates. Net profit for the year in Tintins income statement for the year ended 31st October 20X2 was ₹ 2,30,000. It declared and paid dividend of ₹100,000 on 1st July 20X2. No other dividends were paid in the year. What amount will be shown as an inflow in respect of earnings from the associate in the consolidated cash flow statement of Alpha for the year ended 31st October 20X2?

Answer:

- 1 : ₹ 20,000
- 2 : ₹ 26,000
- 3 : ₹ 30,000
- 4 : ₹ 46,000

Question - 3 : A Ltd. controls another entity B Ltd., owning 60% of its ordinary share capital. At the groups year end, 31st December 20X1, B Ltd. included ₹ 6,000 in its receivables in respect of goods supplied to A Ltd. However, the payables of A Ltd. included only ₹ 4,000 in respect of amounts due to B Ltd. The difference arose because, on 31st December 20X1, A Ltd. sent a cheque of ₹ 2,000, which was not received by B Ltd. until 3rd January 20X2. Which one of the following sets of consolidation adjustments to current assets and current liabilities is correct?

Answer:

- 1 : Deduct ₹ 6,000 from both consolidated receivables and consolidated payables
- 2 : Deduct ₹ 3,600 from both consolidated receivables and consolidated payables
- 3 : Deduct ₹ 6,000 from consolidated receivables and ₹ 4,000 from consolidated payables and include ₹ 2,000 as cash-in-transit
- 4 : Deduct ₹ 6,000 from consolidated receivables and ₹ 4,000 from consolidated payables and include inventory in transit of ₹ 2,000

Question - 4 : In consolidated financial statements of PQR Ltd., non-controlling interest should be presented:

Answer:

- 1 : Within long-term liabilities
- 2 : In between long-term liabilities and current liabilities
- 3 : Within the parent shareholders equity
- 4 : Within equity but separate from the parent shareholders equity

Question - 5 : P owns a controlling investment of 70% of S. During the year, P sold goods to S for ₹ 60,000 at cost plus 20%. At the year end, S still had half of the goods in their inventory. P's total inventory at the year-end was ₹ 120,000, and S's total inventory was ₹ 80,000. How much inventory should be recognised in P's consolidated statement of financial position prepared in accordance with Ind AS?

Answer:

- 1 : ₹ 1,95,000
- 2 : ₹ 2,00,000
- 3 : ₹ 1,76,000
- 4 : ₹ 1,58,500

Answers

Q1	1	Q2	3	Q3	3	Q4	4	Q5	1
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CHAPTER 14

Ind AS 101 "First-time Adoption of Indian Accounting Standards"

Question - 1 : According to Ind AS 101, when should the accounting under Ind AS be applied?

Answer:

- 1 : Prospectively from the date of adoption
- 2 : Retrospectively at the time of transition to Ind AS
- 3 : Selectively based on management's judgment
- 4 : In accordance with Indian GAAP principles

Question - 2 : Under Ind AS 101, what is the treatment of items that are not permitted to be recognized as assets or liabilities under Ind AS?

Answer:

- 1 : They should be recognized as assets or liabilities in the opening Ind AS Balance Sheet
- 2 : They should not be recognized as assets or liabilities in the opening Ind AS Balance Sheet
- 3 : They should be recognized as contingent assets or liabilities in the opening Ind AS Balance Sheet
- 4 : They should be recognized as deferred assets or liabilities in the opening Ind AS Balance Sheet

Question - 3 : What is the purpose of Ind AS 101?

Answer:

- 1 : To prescribe accounting principles for first-time adoption of Ind AS
- 2 : To provide exemptions from disclosure requirements in Ind AS
- 3 : To mandate retrospective application of Ind AS in all areas
- 4 : To lay down transition requirements from Ind AS to Indian GAAP

Answers

Q1	2	Q2	2	Q3	1
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CHAPTER 15

Analysis of Financial Statements

Question - 1 : Jatin purchases investment properties and funds this by issuing bonds in the market. The liability in respect of the bonds is designated to be measured at fair value through profit or loss. The bonds had an overall fair value decline of ₹ 50 crores in the year, out of which ₹ 5 crores relates to decrease in Jatin's credit worthiness. Which of the following is the correct accounting treatment?

Answer:

- 1 : ₹ 50 crores should be recorded in P&L
- 2 : ₹ 50 crores should be recorded in OCI
- 3 : ₹ 5 crores should be recorded in OCI and ₹ 45 crores in P&L
- 4 : ₹ 45 crores should be recorded in OCI and ₹ 5 crores in P&L

Question - 2 : A Ltd is a public sector entity under the Ministry of Defence and is in the business of construction of warships. The contracts are awarded on fixed price basis except certain variable components, such as, foreign exchange variation and cost of spares etc. The payment for fixed price part is on the basis of completion of milestones. The payment for variable component is based on actual cost to the shipyard. The payment terms for the fixed price portion of the contract are generally spread over 10-12 milestones starting with initial payment of 10% on signing of the contract. As the gestation period of the contracts for shipbuilding is longer, it so happens that during initial period when funds are made available, at times, become temporary surplus funds, which are deployed in short-term fixed deposits. However, in the later part of the execution of the contract, the cost incurred on the project exceeds the stage payments received on the vessel leading to a negative cash flow. Further, the last stage payment of the project is deferred till one year after the delivery of the vessel. Thus, the interest earned initially on the temporary surplus compensates to a certain extent for the period of deficit cash flow, especially at the later part of the execution of the project. A Ltd wants to check the presentation requirement of interest earned on deposits made out of temporary surplus as per AS?

Answer:

- 1 : To be presented as Other income
- 2 : To be presented as Other operating revenue
- 3 : Option to present either as Other income or Other operating revenue
- 4 : To be netted off from costs

Question - 3 : An asset had a carrying value of ₹10,00,000 as on 1st April 20X1. It was revalued at ₹11,00,000 as on 31st March 20X2 by crediting the increase of ₹ 1,00,000 to revaluation surplus. Later it was sold for ₹ 12,50,000 on 30 June 20X2. The amount to be taken to retained earnings would be:

Answer:

- 1 : ₹ 2,50,000
- 2 : ₹ 1,00,000
- 3 : ₹ 1,50,000
- 4 : ₹ 1,25,000

Answers

Q1	3	Q2	1	Q3	2
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CHAPTER 16

Professional and Ethical Duty of a Chartered Accountant

Question - 1 : What should a Chartered Accountant do to comply with the principle of Professional Behaviour?

Answer:

- 1 : Discredit the profession to raise awareness
- 2 : Follow relevant laws and regulations
- 3 : Promote personal interests over professional obligations
- 4 : Engage in conduct that may compromise business relationships

Question - 2 : What is the primary responsibility of a Chartered Accountant in relation to pressure to breach the fundamental principles?

Answer:

- 1 : Succumb to the pressure if it comes from a superior
- 2 : Resist the pressure and report it to higher management
- 3 : Apply pressure on others to ensure compliance with the principles
- 4 : Evaluate the level of threat and take appropriate actions

Question - 3 : Which principle emphasizes being straightforward and honest in professional and business relationships?

Answer:

- 1 : Integrity
- 2 : Objectivity
- 3 : Professional Competence and Due Care
- 4 : Confidentiality

Question - 4 : What is the stance of a Chartered Accountant regarding conflicts of interest?

Answer:

- 1 : Conflicts of interest are acceptable if managed properly
- 2 : Conflicts of interest should be disclosed but can still compromise judgment
- 3 : Conflicts of interest should not compromise professional or business judgment
- 4 : Conflicts of interest are unavoidable and should be embraced

Question - 5 : Which principle is violated if a conflict of interest compromises professional or business judgment?

Answer:

- 1 : Integrity
- 2 : Objectivity
- 3 : Professional Competence and Due Care
- 4 : Confidentiality

Answers

Q1	2	Q2	4	Q3	1	Q4	3	Q5	2		
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CHAPTER 17

Accounting and Technology

Question - 1 : Which of the following statements best describes cloud computing?

Answer:

- 1 : The use of physical servers located in a company's premises to store and process data
- 2 : The delivery of computing services over the internet, allowing access to data and software from any device with an internet connection
- 3 : The process of using local storage devices to store and manage data
- 4 : The practice of relying on traditional client-server architecture for remote data access

Question - 2 : Which of the following best describes AI?

Answer:

- 1 : The simulation of human intelligence in machines, enabling them to perform tasks that would typically require human intervention
- 2 : The process of programming computers to perform tasks without learning
- 3 : The analysis of large amounts of data to make predictions about future trends
- 4 : The automation of routine tasks in the accounting profession

Question - 3 : Which of the following is NOT a benefit of automation processes?

Answer:

- 1 : Streamlining data entry
- 2 : Enhancing accuracy in accounting processes
- 3 : Increasing the risk of human error
- 4 : Saving time and resources

Question - 4 : What is the purpose of employee training in mitigating cybersecurity risks?

- 1 : To ensure that all staff members are aware of the importance of cybersecurity
- 2 : To make employees responsible for creating strong passwords
- 3 : To limit access to sensitive data to a few select individuals
- 4 : To eliminate the need for data backups

Question - 5 : Automation processes aid in compliance by:

- 1 : Introducing inaccuracies in accounting practices
- 2 : Generating financial statements that don't meet standards
- 3 : Streamlining data entry from source documents
- 4 : Increasing the risk of non-compliance and penalties

Question - 6 : How do ERP systems work?

- 1 : By using different data structures for each department to ensure data security
- 2 : By integrating multiple business systems from various vendors
- 3 : By providing real-time data to help managers compare performance across different locations
- 4 : By relying on manual data entry and validation processes

Answers

Q1	2	Q2	1	Q3	3	Q4	1	Q5	3	Q6	3
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