



THEORY of ACCOUNTS

1. The following statements pertain to the provisions of Conceptual Framework on the concepts of Capital Maintenance:
Statement I: The principal difference between two concepts of capital maintenance is the treatment of the effects of changes in the prices of assets and liability of the entity.
Statement II: The selection of the appropriate concept of capital by an entity should be based on the needs of the users of its financial statements.
Statement III: The concept of capital maintenance chosen by an entity shall determine the accounting model used in the preparation of its financial statements.
 - a. None of the foregoing statements is false
 - b. Only statement I is false
 - c. Only statement II is false
 - d. Only statement III is false
2. One element of the objective of financial reporting is to provide:
 - a. information that is useful in assessing cash flow prospects.
 - b. information about the liquidation values of the resources held by the enterprise.
 - c. information about the investors in the business entity.
 - d. information that will attract new investors.
3. The objective of financial reporting in the Conceptual Framework for Financial Reporting:
 - a. Is the foundation for the Framework.
 - b. Includes the qualitative characteristics that make accounting information useful.
 - c. Is found on the third level of the Framework.
 - d. All of the choices are correct regarding the objective of financial reporting.
4. Application of the full disclosure principle:
 - a. is demonstrated by the use of supplementary information explaining the effects of financing arrangements.
 - b. is theoretically desirable but not practical because the costs of complete disclosure exceed the benefits.
 - c. is violated when important financial information is buried in the notes to the financial statements.
 - d. requires that the financial statements be consistent and comparable.
5. Which of the following is a benefit of providing financial information?
 - a. Improved allocation of resources.
 - b. Potential litigation.
 - c. Auditing.
 - d. Disclosure to competition.
6. The International Accounting Standards Board's (IASB) Conceptual Framework _____
 - a. excludes the concept of prudence or conservatism because it is inconsistent with neutrality, which encompasses freedom from bias.
 - b. includes the concept of prudence or conservatism which means when in doubt, choose the solution that will be least likely to overstate assets or income and/or understate liabilities or expenses.
 - c. includes the concept of prudence or conservatism which means when in doubt, choose the solution that will be least likely to understate assets or income and/or overstate liabilities or expenses.
 - d. Includes the concept of prudence or conservatism as a desirable, but not required, quality of financial reporting information.
7. In which section of the Statement of Comprehensive Income is Financing Cost reported?
 - a. Income from continuing operations
 - b. Gross profit
 - c. Income from operations
 - d. Non-controlling interests
8. Which of the following should be disclosed in a "Summary of Significant Accounting Policies?"
 - a. Depreciation method followed
 - b. Types of executor contracts
 - c. Amount for cumulative effect of change in accounting policy
 - d. Claims of equity holders
9. According to PAS 1, which of the following are NOT commonly required disclosures of accounting policies?
 - a. personnel involved in drafting the summary of significant accounting policies or, including those who made the judgments and estimations
 - b. the measurement basis or bases used in the financial statements
 - c. disclosures required by other IFRSs, like the reasons why the entity's ownership interest does not constitute control
 - d. the nature of a company's operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity
10. The accountant of John Company is preparing the Statement of Comprehensive Income and Statement of Financial Position at December 31, 2014. The January 1, 2014 merchandise inventory balance will appear:
 - a. Only in the cost of goods sold section of the statement of comprehensive income
 - b. Only as an asset on the statement of financial position
 - c. As a deduction in the cost of goods sold section of the statement of comprehensive income and as a current asset on the statement of financial position
 - d. As an addition in the cost of goods sold section of the statement of comprehensive income and as a current asset on the statement of financial position

11. The Statement of Financial Position shall classify one of these as a non-current asset
 - a. Cash funds set aside for payment of equipment to be delivered a month after the reporting period
 - b. Goods which are in process of production for sale in the ordinary course of business
 - c. Debt and equity securities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin
 - d. Amounts due from customers within a period of 12 to 18 months, extended within the usual credit terms of the enterprise
12. The disclosure of accounting policies, is important to financial statement readers in determining:
 - a. whether accounting policies are consistently applied from year to year.
 - b. net income for the year.
 - c. the value of obsolete items included in ending inventory.
 - d. whether the working capital position is adequate for future operations.
13. The full disclosure principle, as adopted by the accounting profession, is best described by which of the following?
 - a. Disclosure of any financial facts significant enough to influence the judgment of an informed reader.
 - b. All information related to an entity's business and operating objectives is required to be disclosed in the financial statements.
 - c. Information about each account balance appearing in the financial statements is to be included in the notes to the financial statements.
 - d. Enough information should be disclosed in the financial statements so a person wishing to invest in the shares of the company can make a profitable decision.
14. PAS 1 presents two alternative methods of classifying expenses in the income statement within the Statement of Comprehensive Income. Which of these statements is/are correct?

Statement I: Additional disclosure is required for the function of expense when the nature of expense classification is used.

Statement II: Additional disclosure is required for the nature of expense when the function of expense classification is used.

 - a. II only
 - b. I only
 - c. Both I and II
 - d. Neither I nor II
15. Which of the following is a non-current liability on December 31, 2014 statement of financial position?
 - a. Mortgage note payable due March 15, 2015, in which the entity has the intention and discretion to roll over for a period of at least 24 months from the original maturity date
 - b. Bonds payable maturing on March 2015 which were refinanced in 2015 before issuance of the 2014 financial statements
 - c. Mortgage note payable due March 15, 2015, which was rolled over in 2015 after the issuance of the 2014 financial statements
 - d. Mortgage note payable due March 15, 2015, which was converted into shares of the company's ordinary share capital in 2015 before the issuance of 2014 financial statements
16. PAS 1 requires the following items to appear on the face of the Statement of Changes in Equity:

I: The net amount of cash from the issue of any securities during the period

II: The cumulative effect of changes in accounting policy and the correction of errors

III: Total comprehensive income for the period

IV: Profit or loss for the period

 - a. II, III, and IV
 - b. II and IV only
 - c. I, III and IV
 - d. I, II, III and IV
17. A journal entry to record expenses out of the petty cash fund shall be done:
 - a. Upon replenishment
 - b. Upon disbursement
 - c. At the end of the period
 - d. Whenever the entity wishes
18. When a customer returns merchandise for a cash refund, the seller enters the transaction in the
 - a. Cash payments journal
 - b. Sales journal
 - c. General journal
 - d. Cash receipts journal
19. PFRS 5 requires that a single amount be disclosed within the income statement for:
 - a. the post-tax profit/loss on discontinued operations and the post-tax gain/loss on the disposal of discontinued operational assets.
 - b. the post-tax profit/loss on discontinued operations and the pre-tax gain/loss on the disposal of discontinued operational assets.
 - c. the pre-tax profit/loss on discontinued operations and the post-tax gain/loss on the disposal of discontinued operational assets.
 - d. the pre-tax profit/loss on discontinued operations and the pre-tax gain/loss on the disposal of discontinued operational assets.

20. Which of the following adjusting entries will NOT affect both the balance sheet and income statement?
- None of the choices, both statements are affected by adjusting journal entries
 - Accrued income
 - Prepayments using the expense method
 - Unearned income using the liability method
21. Revenues are:
- A subdivision of equity, providing information about why equity increased.
 - Impacted by debits and credits in the same way that expenses are impacted by debits and credits.
 - Reported on the statement of financial position as a current item.
 - All of the choices are correct.
22. The double-entry accounting system means:
- The dual effect of each transaction is recorded with a debit and a credit.
 - Each transaction is recorded with two journal entries.
 - Each item is recorded in a journal entry, then in a general ledger account.
 - More than one of the above.
23. In a normal sale, what is generally the most uncertain factor in revenue recognition process?
- The realizability of the resource or item to be received by the seller
 - The relevance of the resource or item received by the seller
 - The seller's fulfillment of its responsibility in the transaction
 - The measurability of the resource or item received by the seller
24. Limitations of the income statement include all of the following, EXCEPT
- Only actual amounts are reported in determining net income.
 - Items that cannot be measured reliably are not reported.
 - Income measurement involves judgment.
 - Income numbers are affected by the accounting methods employed.
25. The term 'layaway sales' applies to transactions where goods are delivered only when the buyer makes the final payment in a series of installments. Under PAS 18, revenue from such sales is generally recognized when:
- the goods are delivered
 - the first installment is made
 - the final installment is made
 - the substantial payment is made
26. The income statement information would help in which of the following tasks?
- Estimate future cash flows.
 - Evaluate the liquidity of a company.
 - Evaluate the solvency of a company.
 - Estimate future financial flexibility.
27. Which of the following is an example of managing earnings down?
- Revising the estimated life of equipment from 10 years to 8 years.
 - Changing estimated bad debts from 3% to 2.5% of sales.
 - Not writing off obsolete inventory.
 - Reducing research and development expenditures.
28. Which of the following is an example of managing earnings up?
- Underestimating warranty claims.
 - Decreasing estimated salvage value of equipment.
 - Writing off obsolete inventory.
 - Accruing a contingent liability for an ongoing lawsuit.
29. What might a manager do during the last quarter of a fiscal year if she wanted to improve current annual net income?
- Relax credit policies for customers.
 - Increase research and development activities.
 - Delay shipments to customers until after the end of the fiscal year.
 - Delay purchases from suppliers until after the end of the fiscal year.
30. The results of discontinued operations should be presented as a single amount in the:
- income statement, after tax, separately from income from continuing operations.
 - income statement, before tax, separately from income from continuing operations.
 - statement of changes in equity
 - statement of financial position and in the notes thereto
31. Under PFRS 5, which criterion does not have to be met in order for an operation to be classified as discontinued?
- The operation must be sold within three months after the balance sheet date
 - The operation should represent a separate line of business or geographical area
 - The operation is a subsidiary acquired exclusively with a view to resale
 - The operation is part of a single plan to dispose of a separate major line of business or geographical area
32. PFRS 5 defines a "disposal group" (i.e., that will be disposed through sale) to include:
- current assets, non-current assets and some directly associated liabilities
 - non-current assets only
 - current and non-current assets
 - non-current assets and some directly associated liabilities

33. When the carrying amount of a non-current asset classified as held for sale under PFRS 5 is lower than its fair value less costs to sell, then
 - a. no impairment loss occurs
 - b. impairment loss shall be recognized in profit or loss
 - c. impairment loss shall be recognized in other comprehensive income
 - d. impairment gain shall be disclosed in the notes to the financial statements
34. Estimates of future cash flows for purposes of computing value-in-use under PAS 36 normally would cover projections over a maximum period of how many years?
 - a. Five years
 - b. Ten years
 - c. Fifteen years
 - d. Twenty years
35. Under SIC 32, any cost incurred to develop a Web Site for purposes of promoting company products and services shall be:
 - a. Expensed in the period incurred
 - b. Capitalized and tested for impairment
 - c. Capitalized and amortized over 5 years
 - d. Capitalized and amortized over 10 years
36. How is a significant amount of consignment inventory reported in the statement of financial position?
 - a. The inventory is reported separately on the consignor's statement of financial position.
 - b. The inventory is combined with other inventory on the consignor's statement of financial position.
 - c. The inventory is reported separately on the consignee's statement of financial position.
 - d. The inventory is combined with other inventory on the consignee's statement of financial position.
37. When inventory is misstated, its presentation lacks:
 - a. Faithful representation.
 - b. Relevance.
 - c. Comparability.
 - d. All of the choices are correct.
38. To be consistent with the historical cost principle, overhead costs incurred by an enterprise constructing its own building should be:
 - a. allocated on a pro rata basis between the asset and normal operations.
 - b. allocated on the basis of lost production.
 - c. eliminated completely from the cost of the asset.
 - d. allocated on an opportunity cost basis.
39. For a non-monetary exchange of plant assets, accounting recognition should NOT be given to:
 - a. a gain when the exchange has no commercial substance.
 - b. a loss when the exchange has no commercial substance.
 - c. a gain when the exchange has commercial substance.
 - d. a loss when the exchange has commercial substance.
40. Which of the following costs incurred internally to create an intangible asset is generally expensed?
 - a. Research phase costs.
 - b. Filing costs.
 - c. Legal costs.
 - d. All of these choices are correct.
41. Amortized cost is the initial recognition amount of the investment minus:
 - a. repayments plus or minus cumulative amortization and net of any reduction for uncollectibility.
 - b. repayments and net of any reduction for uncollectibility.
 - c. cumulative amortization and net of any reduction for uncollectibility.
 - d. repayments plus or minus cumulative amortization.
42. All of the following are examples of a provision, EXCEPT:
 - a. Advanced receipt of subscription
 - b. Environmental contamination
 - c. Warranty and guarantee
 - d. Pending court case
43. PAS 19 requires short-term employee benefits to be measured at:
 - a. Nominal value
 - b. Present value
 - c. Fair value
 - d. Future value
44. Where is debt callable by the creditor reported on the debtor's financial statements?
 - a. Current liability.
 - b. Non-current liability.
 - c. Current liability if the creditor intends to call the debt within the year, otherwise a non-current liability.
 - d. Current liability if it is probable that creditor will call the debt within the year, otherwise a non-current liability.

45. The minimum lease payment is defined as including all of the following components, EXCEPT
 - a. Contingent rentals
 - b. Bargain purchase option
 - c. Guaranteed residual value
 - d. Lease payments occurring over lease term
46. To record an environmental liability, the cost associated with the liability is:
 - a. included in the carrying amount of the related long-lived asset.
 - b. expensed
 - c. included in a separate account.
 - d. None of these answer choices are correct.
47. A company is legally obligated for the costs associated with the retirement of a long-lived asset
 - a. whether it hires another party to perform the retirement activities or performs the activities itself.
 - b. only when it hires another party to perform the retirement activities.
 - c. only if it performs the activities with its own workforce and equipment.
 - d. only when the obligation arises at the outset of the asset's use.
48. What condition is necessary to recognize an environmental liability?
 - a. Company has an existing legal obligation and can reasonably estimate the amount of the liability.
 - b. Company can reasonably estimate the amount of the liability.
 - c. Company has an existing legal obligation.
 - d. Obligation event has occurred.
49. A debt instrument with NO ready market is exchanged for property whose fair value is currently indeterminable. When such a transaction takes place:
 - a. the present value of the debt instrument must be approximated using an imputed interest rate.
 - b. it should not be recorded on the books of either party until the fair value of the property becomes evident.
 - c. the board of directors of the entity receiving the property should estimate a value for the property that will serve as a basis for the transaction.
 - d. the directors of both entities involved in the transaction should negotiate a value to be assigned to the property.
50. In a debt extinguishment in which the debt is continued with modified terms and the carrying value of the debt is more than the fair value of the debt:
 - a. a gain should be recognized by the debtor.
 - b. a loss should be recognized by the debtor.
 - c. a new effective-interest rate must be computed.
 - d. no interest expense should be recognized in the future.
51. Long-term debt that matures within one year and is to be converted into shares should be reported:
 - a. as non-current if the refinancing agreement is completed by the end of the year.
 - b. as a current liability.
 - c. in a special section between liabilities and equity.
 - d. as part current and part non-current.
52. Retained earnings are a component of:
 - a. Reserves
 - b. Other equity
 - c. Contributed equity
 - d. Comprehensive income
53. Whether a dividend is paid by a company depends on the decisions made by the:
 - a. Directors of the company
 - b. Auditors of the company
 - c. Creditors of the company
 - d. Shareholders of the company
54. Under IFRIC 17, noncash asset distribution to owners like property dividends should be recognized as
 - a. A liability based on the fair value of the asset to be distributed
 - b. A liability based on the carrying amount of the asset to be distributed
 - c. A direct deduction from share capital
 - d. An appropriation of retained earnings
55. Which of the following is NOT a reason that companies may undertake a share buy-back?
 - a. As a defense against a hostile takeover
 - b. As a way to efficiently manage surplus funds
 - c. To increase the worth per share of the remaining shares
 - d. To manage the capital structure
56. Any errors or adjustments resulting from changes in accounting policies that are accounted for retrospectively requires:
 - a. A retrospective adjustment to both basic and diluted earnings per share
 - b. No retrospective adjustment to either basic or diluted earnings per share
 - c. A retrospective adjustment to basic earnings per share only
 - d. A retrospective adjustment to diluted earnings per share only

57. For the purposes of calculating diluted EPS, an entity shall adjust the profit attributable to ordinary shareholders by the after-tax effect of the following item(s) related to dilutive potential ordinary shares:
- Dividends, interest, other income or expenses
 - Interest only
 - Dividends only
 - Other income or expenses only
58. A "secret reserve" will be created if:
- a capital expenditure is charged to expense.
 - inadequate depreciation is charged to income.
 - liabilities are understated.
 - shareholders' equity is overstated.
59. When treasury shares are purchased for more than the par value of the shares and the cost method is used to account for treasury shares, what account(s) should be debited?
- Treasury shares for the purchase price.
 - Treasury shares for the par value and share premium for the excess of the purchase price over the par value.
 - Share premium for the purchase price.
 - Treasury shares for the par value and retained earnings for the excess of the purchase price over the par value.
60. Which of the following best describes a possible result of treasury share transactions by a corporation?
- May decrease but not increase retained earnings.
 - May increase but not decrease retained earnings.
 - May increase net income if the cost method is used.
 - May decrease but not increase net income.
61. Which of the following features of preference shares makes the security more like debt than an equity instrument?
- Redeemable
 - Participating
 - Voting
 - Noncumulative
62. The cumulative feature of preference shares:
- requires that preference dividends not paid in any year must be made up in a later year before dividends are distributed to ordinary shareholders.
 - limits the amount of cumulative dividends to the par value of the preference shares.
 - means that the shareholder can accumulate preference shares until it is equal to the par value of ordinary shares at which time it can be converted into ordinary shares.
 - enables a preference shareholder to accumulate dividends until they equal the par value of the shares and receive the shares in place of the cash dividends.
63. Redeemable preference shares should be:
- included as a liability.
 - included with ordinary shares.
 - excluded from the statement of financial position.
 - included as a contra item in shareholders' equity.
64. Cumulative preference dividends in arrears should be shown in a corporation's statement of financial position as:
- a footnote.
 - an increase in current liabilities.
 - an increase in equity.
 - an increase in current liabilities for the current portion and non-current liabilities for the long-term portion.
65. The features most frequently associated with preference shares include all of the following, EXCEPT
- Callable at the option of the shareholder.
 - Convertible into ordinary shares.
 - Non-voting.
 - Preference as to assets in the event of liquidation.
66. When preference shares share ratably with the ordinary shareholders in any profit distributions beyond the prescribed rate this is known as the:
- Participating feature.
 - Cumulative feature.
 - Callable feature.
 - Redeemable feature.
67. Which of the following events occurring after the reporting period (i.e., subsequent events) would require adjustments in the financial statements?
- Loss on an uncollectible trade receivable as a result of a customer's deteriorating financial condition leading to customer's bankruptcy subsequent to balance sheet date
 - Purchase of an existing business
 - Decline in net realizable value of inventory as a result of fire
 - Sale of a bond or share capital planned before the balance sheet date

68. Liquidating dividends:
- Reduce amounts paid-in by shareholders.
 - Are prohibited under PFRS.
 - Require a credit to Share Capital.
 - All of these choices are correct.
69. A mining company declared a liquidating dividend. The journal entry to record the declaration must include a debit to:
- Share Premium.
 - Retained Earnings.
 - Accumulated Depletion.
 - Accumulated Depreciation.
70. Which one of the following disclosures should be made in the equity section of the statement of financial position, rather than in the notes to the financial statements?
- Liquidation preferences
 - Dividend preferences
 - Call prices
 - Conversion or exercise prices
71. Dividends are NOT paid on:
- treasury shares.
 - noncumulative preference shares.
 - nonparticipating preference shares.
 - all of the choices.
72. Noncumulative preferred dividends in arrears:
- are not paid or disclosed.
 - must be paid before any other cash dividends can be distributed.
 - are disclosed as a liability until paid.
 - are paid to preference shareholders if sufficient funds remain after payment of the current preference dividend.
73. Convertible bonds:
- Allow a company to issue debt financing at cheaper rates.
 - Are separated into the bond component and the expense component.
 - Are separated into their components based on relative fair values.
 - All of the choices are correct.
74. The conversion of preference shares into ordinary shares requires that any excess of the par value of the ordinary shares issued over the carrying amount of the preference shares being converted should be:
- treated as a direct reduction of retained earnings.
 - reflected currently in income.
 - reflected currently in other comprehensive income.
 - treated as a prior period adjustment.
75. When the cash proceeds from bonds issued with detachable share warrants exceed the fair value of the bonds without the warrants, the excess should be credited to _____
- Share Premium-Share Warrants.
 - Share Premium—Ordinary.
 - Retained Earnings.
 - A share liability account.
76. The major difference between convertible debt and share warrants is that upon exercise of the warrants:
- the holder has to pay a certain amount of cash to obtain the shares.
 - the shares are held by the company for a defined period of time before they are issued to the warrant holder.
 - the shares involved are restricted and can only be sold by the recipient after a set period of time.
 - no share premium can be a part of the transaction.
77. The date on which to measure the compensation element in a share option granted to a corporate employee ordinarily is the date on which the employee:
- is granted the option.
 - has performed all conditions precedent to exercising the option.
 - may first exercise the option.
 - exercises the option.
78. The date on which total compensation expense is computed in a share option plan is the date:
- of grant.
 - of exercise.
 - that the market price coincides with the option price.
 - that the market price exceeds the option price.
79. The statement of cash flows provides answers to all of the following questions, EXCEPT:
- what is the impact of inflation on the cash balance at the end of the year?
 - where did the cash come from during the period?
 - what was the cash used for during the period?
 - what was the change in the cash balance during the period?

80. According to PAS 1, a required format for the presentation of a statement of financial position is
- not prescribed but guidance is provided in the standard for a suitable format
 - not prescribed and no guidance is provided in the standard
 - prescribed by the standard
 - not prescribed by the standard but details are found in the *Corporations Act*
81. Which of the following items, if it exists, does NOT have to be presented as a line item on the face of a statement of profit or loss and other comprehensive income?
- Closing inventory
 - Revenue
 - Post-tax profit or loss of discontinued operations
 - Profit or loss attributable to non-controlling interests
82. The statement of financial position
- Omits many items that are of financial value
 - Makes very limited use of judgments and estimates
 - Uses fair value for most assets and liabilities
 - All of the choices are correct regarding the statement of financial position
83. Statement of financial position information is useful for all of the following, EXCEPT
- determining free cash flows
 - assessing a company's risk
 - evaluating a company's liquidity
 - evaluating a company's financial flexibility
84. Investors and creditors use Statement of Comprehensive Income information for various purposes. Which is NOT among these purposes?
- Evaluate the future performance of the company
 - Provide a basis for predicting future performance
 - Help assess the risk and uncertainty of achieving future cash flows
 - All of the choices are purposes of Statement of Comprehensive Income
85. Which of the following is considered a non-adjusting event under PAS 10?
- Decline in market value of investments between the end of the reporting period and the date when the financial statements are authorized for issue.
 - The receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted.
 - The determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.
 - the determination after the reporting period of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date
86. Under PAS 24, all of the following are considered to be NOT necessarily related parties of the reporting entity, EXCEPT
- Post-employment benefit plans
 - Providers of finance
 - Public utilities
 - Trade unions
87. Under PFRS 8 (Operating Segments), "Major Customer" disclosures include all of the following, EXCEPT
- The identity of the major customers
 - Total amount of revenue from major customers
 - The fact that the entity relies on major customers
 - The identity of the segments reporting the revenue from major customers
88. The statement of cash flows reports all of the following, EXCEPT:
- the free cash flows generated during the period.
 - the net change in cash for the period.
 - the cash effects of operations during the period.
 - investing transactions.
89. If a business entity entered into certain related party transactions, it would be required to disclose all of the following information, EXCEPT:
- nature of any future transactions planned between the parties and the terms involved.
 - nature of the relationship between the parties to the transactions.
 - peso amount of the transactions for each of the periods for which an income statement is presented.
 - amounts due from or to related parties as of the date of each statement of financial position presented.
90. Events that occur after the December 31, 2014 statement of financial position date (but before the statement of financial position is authorized to be issued) and provide additional evidence about conditions that existed at the statement of financial position date and affect the realizability of accounts receivable should be:
- used to record an adjustment to Accounts Receivable at December 31, 2014.
 - discussed only in the Management commentary section of the annual report.
 - disclosed only in the Notes to the Financial Statements.
 - used to record an adjustment directly to the Retained Earnings account

91. Companies should disclose all of the following in interim reports, EXCEPT:
 - a. balance in accounts receivable.
 - b. dividends paid.
 - c. changes in accounting policies.
 - d. seasonal revenue, cost, or expenses.
92. A segment of a business enterprise is to be reported separately when the revenues of the segment exceed 10% of the:
 - a. total revenues of all the enterprise's industry segments.
 - b. total combined revenues of all segments reporting profits.
 - c. total export and foreign sales.
 - d. combined net income of all segments reporting profits.
93. All of the following information about each operating segment must be reported, EXCEPT:
 - a. cost of goods sold.
 - b. unusual items.
 - c. interest revenue.
 - d. depreciation and amortization expense.
94. Which of the following subsequent events would generally require disclosure, but NO adjustment of the financial statements?
 - a. Issue of a large amount of ordinary shares.
 - b. Retirement of the company president
 - c. Settlement of litigation when the event that gave rise to the litigation occurred prior to the statement of financial position date.
 - d. Employee strikes
95. A business combination is defined as a transaction in which:
 - a. an acquirer obtains control of one or more businesses
 - b. an acquirer obtains control of an acquire
 - c. one entity obtains control of one or more entities
 - d. an acquiree obtains control of one or more businesses
96. An accounting system that collects financial and operating data on the basis of the underlying nature and extent of cost drivers is:
 - a. Activity-based costing
 - b. Cycle-time costing
 - c. Variable costing
 - d. Target costing
97. Joint costs are used for:
 - a. determining inventory costs for accounting purposes
 - b. controlling costs
 - c. setting the selling price of a product
 - d. determining whether to continue producing an item
98. The following statements are based on PAS 8 (Accounting policies, changes in accounting estimates and errors):

Statement I: To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognized by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

Statement II: Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate.

Statement III: A change in the measurement basis applied is a change in an accounting estimate, and is not a change in an accounting policy.

 - a. True, true, false
 - b. True, true, true
 - c. True, false, true
 - d. False, true, false
99. Joint product costs are generally allocated using the
 - a. Relative sales value
 - b. Additional costs after split-off
 - c. Relative profitability
 - d. Direct labor hours
100. Standard cost variances are not closed to:
 - a. Direct materials
 - b. Work-in-process
 - c. Finished goods
 - d. Costs of goods sold
101. Which cost accumulate procedure is most appropriate for a just-in-time (JIT) production system?
 - a. Backflush costing
 - b. Process costing
 - c. Job order costing
 - d. Activity-based costing

102. When translating foreign currency denominated financial statements into the functional currency, the exchange differences are recognized:
- as an item of gain or loss in the statement of profit or loss & other comprehensive income
 - as a deferred asset or liability
 - as a separate component of equity
 - directly in the retained earnings account
103. Activity-based costing (ABC) first assigns costs to:
- Activities
 - Departments
 - Products
 - Overhead
104. Financial statements of nonprofit organization (NPO) includes all of the following, EXCEPT:
- Statement of changes in equity
 - Statement of financial position
 - Statement of activities
 - Statement of cash flows
105. In an ABC system, what should be used to assign a department's manufacturing overhead costs to products produced in varying lot sizes?
- Multiple cause-and-effect relationships
 - A single cause-and-effect relationship
 - Relative net sales values of the products
 - A product's ability to bear cost allocations
106. In comparison with firms that use plant-wide overhead rates and departmental overhead rates, companies that have adopted activity-based costing will typically use:
- More cost pools and more cost drivers
 - More cost pools and fewer cost drivers
 - Fewer cost pools and more cost drivers
 - Fewer cost pools and fewer cost drivers
107. A company uses a two-way analysis for overhead variance: budget (controllable) and volume. The volume variance is based on the:
- Fixed overhead application rate
 - Total overhead application rate
 - Variable overhead application rate
 - Variable or fixed overhead application rate
108. The statement of financial position of NPO shall report separately 3 classes of net assets that EXCLUDE _____
- Donated net assets
 - Unrestricted net assets
 - Temporarily restricted net assets
 - Permanently restricted net assets
109. Net assets that are restricted by the governing board of a non-government, not-for-profit organization are reported as part of:
- Unrestricted net assets
 - Any of these, depending on the terms
 - Permanently restricted net assets
 - Temporarily restricted net assets
110. The "contractual adjustment account" of a nonprofit hospital is a (an):
- Contra-revenue account
 - Expense account
 - Loss account
 - Asset account
111. Under NGAS, how frequent should the trial balance be prepared?
- Monthly
 - Quarterly
 - Semi-annually
 - Annually
112. Under NGAS, allotments by DBM are recorded in the registries
- Quarterly
 - Monthly
 - At the beginning of the period
 - At the end of the period
113. Which is not a basic feature of NGAS?
- Four-digit responsibility account coding structure
 - One-fund concept
 - Two-column trial balance
 - Three-digit account number system

114. Which is not a basic feature of NGAS?
- Corollary and negative (red) entries
 - Perpetual inventory system
 - Straight-line depreciation
 - Allowance for doubtful accounts
115. Journals and ledgers are the book of accounts of the national government agencies. Which of the following journals shall be used under NGAS?
- General Journal
 - Journal of checks issued
 - Journal and analysis of obligations
 - Journal of bills rendered
116. Under NGAS, supplies and materials purchased for inventory purposes are recorded using
- Moving average
 - First-in, first-out (FIFO)
 - Last-in, first-out (LIFO)
 - Weighted average
117. Under NGAS, it is the allotment by the Central office to its Regional office.
- Suballotment
 - Regular allotment
 - Ordinary Allotment
 - Secondary Allotment
118. It is an authorization issued by the DBM to government agencies to withdraw cash from the National Treasury through the issuance of Modified Disbursement System checks.
- Notice of Cash Allocation
 - Allotment
 - Obligation
 - Appropriation
119. Build-operate-transfer "BOT" arrangements under the scope of IFRIC 12 are usually made between (among):
- The government (grantor) and a private entity (operator)
 - The government (operator) and a private entity (grantor)
 - The government (grantor), general public (operator) and a private entity
 - General public (grantor), a private entity (operator) and the government
120. Under a build-operate-transfer (BOT) scheme covered by IFRIC 12, any borrowing costs incurred by the private operator for infrastructure projects shall be:
- Expensed (Financial Asset model); Capitalized (Intangible Asset model)
 - Expensed (Financial Asset model); Expensed (Intangible Asset model)
 - Capitalized (Financial Asset model); Expensed (Intangible Asset model)
 - Capitalized (Financial Asset model); Capitalized (Intangible Asset model)

- Nothing Follows -