

## MULTIPLE CHOICE – CONCEPTUAL

1. Which of the following is not a financial asset?
  - a. Cash
  - b. Equity investment
  - c. Inventory
  - d. Receivables
  
2. Debt investments not held for collection are reported at
  - a. amortized cost
  - b. fair value
  - c. the lower of amortized cost or fair value
  - d. net realizable value
  
3. Debt investments that meet the business model and contractual cash flow tests are reported at
  - a. net realizable value
  - b. fair value
  - c. amortized cost
  - d. the lower of amortized cost or fair value
  
4. Which of the following are reported at fair value?
  - a. Debt investments
  - b. Equity investments
  - c. Both debt and equity investments
  - d. None of these answers choices are correct
  
5. The IASB permits which of the following measurement categories for financial assets?

	Fair value	Amortized cost
a.	No	No
b.	Yes	No
c.	Yes	Yes
d.	No	Yes
  
6. IFRS requires companies to measure their financial assets based on all of the following except
  - a. The company's business model for managing its financial assets
  - b. Whether the financial asset is a debt or equity investment
  - c. The contractual cash flow characteristics of the financial asset
  - d. All of these answer choices are IFRS requirements

7. Match the investment accounting approach with the correct valuation approach:

Not held-for-collection	Held-for-collection
-------------------------	---------------------

- |                   |                |
|-------------------|----------------|
| a. Amortized cost | Amortized cost |
| b. Fair value     | Fair value     |
| c. Fair value     | Amortized cost |
| d. Amortized cost | Fair value     |

8. Debt investments that are accounted for and reported at amortized cost, are

- Debt investments which are managed and evaluated based on a documented risk-management strategy
- Trading debt investments
- Held-for-collection debt investments
- All of these answer choices are correct

9. Amortized cost is the initial recognition amount of the investment minus

- repayments and net of any reduction for uncollectibility
- cumulative amortization and net of any reduction for uncollectibility
- repayments plus or minus cumulative amortization and net of any reduction for uncollectibility
- repayments plus or minus cumulative amortization

10. A gain on sale of a debt investment is the excess of the selling price over the bonds

- market price
- fair value
- face value
- book value

11. Held-for-collection investments are reported at

- acquisition cost
- amortized cost
- maturity value
- fair value

12. A held-for-collection debt investment is purchased at a premium. The entry to record the amortization of the premium includes a

- Credit to Debt Investments
- Credit to Interest Receivable
- Credit to Interest Revenue
- None of these answers are correct

13. Which of the following is correct about the effective-interest method of amortization?
- The effective-interest method applied to debt investments is different from that applied to bonds payable
  - Amortization of a discount decreases from period to period
  - Amortization of a premium decreases from period to period
  - The effective-interest method applies the effective-interest rate to the beginning carrying amount for each interest period
14. Which of the following is not generally correct about recording a sale of a debt investment before maturity date?
- Accrued interest will be received by the seller even though it is not an interest payment date
  - An entry must be made to amortize a discount to the date of sale
  - The entry to amortize a premium to the date of sale includes a debit to Debt investments
  - A gain on the sale is the excess of the selling price over the book value of the bonds
15. An unrealized holding gain or loss on a trading debt investment is the difference between the investment's
- fair value and original cost
  - face value and amortized cost
  - fair value and amortized cost
  - face value and original cost
16. Which of the following is not correct in regard to trading investments?
- They are held with the intention of selling them in a short period of time
  - Unrealized holding gains and losses are reported as part of net income
  - Any discount or premium is not amortized
  - All of these answer choices are correct
17. In accounting for debt investments that are classified as trading investments,
- Any unrealized gain (loss) is reported as part of equity
  - A premium is reported separately
  - The fair value is compared to amortized cost to compute any unrealized gain (loss)
  - No discount or premium amortization is required

18. Investments in trading debt investments are generally reported at
- amortized cost
  - face value
  - fair value
  - maturity value
19. Investments in trading debt investments should be recorded on the date of acquisition at
- face value
  - fair value
  - amortized cost
  - the lower of face value or amortized cost
20. Which of the following statements is true regarding the differences between amortized cost and fair value for debt investments?
- When bonds are sold at a discount and are accounted for using amortized cost, interest revenue will be greater than the interest revenue recorded under fair value
  - When bonds are sold at a premium and are accounted for using amortized cost, interest revenue will be less than the interest revenue recorded under fair value
  - Under the fair value approach, an unrealized gain or loss is recorded in each year whereas no unrealized gains or losses are recorded under the amortized cost method
  - All of these answer choices are correct

### MULTIPLE CHOICE ANSWERS – CONCEPTUAL

ITEM	ANS	ITEM	ANS	ITEM	ANS	ITEM	ANS
1	C	6	B	11	B	16	C
2	B	7	C	12	A	17	C
3	C	8	C	13	D	18	C
4	C	9	C	14	C	19	C
5	C	10	D	15	C	20	C