

1. Which statement best describes impairment loss?
  - a. The amount by which the carrying amount of an asset exceeds the recoverable amount.
2. What is the recoverable amount of an asset?
  - a. Fair value less cost of disposal or value in use, whichever is higher.
3. What is fair value of an asset?
  - a. The price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.
4. Which statement best describes “value in use”?
  - a. The present value of estimated future cash flows expected to arise from the continuing use of an asset and from the ultimate disposal.
5. What is the best evidence of fair value?
  - a. Quoted price in an active market for identical asset.
6. Which statement is incorrect concerning the estimate of future cash flows?
  - a. The discount rate used in estimating future cash flows shall be the current rate after tax.
7. The estimates of future cash flows in calculating value in use include all of the following, except
  - a. Income tax payments
8. What is a cash generating unit?
  - a. The smallest group of assets that generate independent cash flows from continuing use.
9. If the fair value less cost of disposal cannot be determined
  - a. The recoverable amount is the value in use.
10. If the assets are to be disposed
  - a. The recoverable amount is the fair value less cost of disposal.

11. When deciding on the discount rate to be used, which factor should be taken into account?
  - a. Risk specific to the asset for which future cash flow estimate has been adjusted.
12. What is the allocation of an impairment loss recognized for a cash generating unit?
  - a. First, to any goodwill, and the balance to the others assets prorated based on carrying amount.
13. An impairment loss that relates to an asset that has been revalued shall be recognized in
  - a. Revaluation surplus that relates to the revalued asset
14. Which of the following is not relevant in determining value in use?
  - a. The carrying amount of the asset
15. All of the statements are true with regard to impairment of asset, except
  - a. The impairment test compares the carrying amount with the lower of fair value less cost of disposal and value in use.
16. When impairment testing a cash generating unit, any corporate assets should
  - a. Be allocated on a reasonable and consistent basis.
17. Impairment loss for productive asset is reported
  - a. As a component of income from continuing operations.
18. Long-lived/ an assets are reviewed for impairment
  - a. When circumstances indicate that the carrying amount of an asset might not be recoverable.
19. Which of the following conditions must exist in order for an impairment loss to be recognized?
  - a. The carrying amount of the asset is not recoverable.
20. The impairment rules for long-lived assets apply to all of the following, except
  - a. Financial instrument

21. Cost of disposal include all of the following, except
  - a. Finance cost
22. Estimates of future cash flows normally would cover projections over a maximum of
  - a. Five years
23. Which is the correct definition of a provision?
  - a. A liability of uncertain timing or amount.
24. A provision shall be recognized as liability when
  - a. All of these are required for the recognition of a provision as liability.
25. A legal obligation is an obligation that is derived from all of the following, except
  - a. An established pattern of past practice
26. A constructive obligation is an obligation
  - a. Both I and II
27. It is an event that creates a legal or constructive obligation because the entity has no other realistic alternative but to settle the obligation.
  - a. Obligating event
28. An outflow of resources embodying economic benefits is regarded as “probable” when
  - a. The probability that the event will occur is greater than the probability that the event will not occur.
29. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the range to be used is the
  - a. Midpoint
30. When the provision involves a large population of items, the estimate of the amount
  - a. Reflects the weighting of all possible outcomes by the associated probabilities.

31. When the provision arises from a single obligation, the estimate of the amount
  - a. Is the individual most likely outcome adjusted for the effect of other possible outcomes
32. Which statement is incorrect where the expenditure required to settle a provision is expected to be reimbursed by another party?
  - a. The reimbursement shall not be treated as separate asset but netted against the estimated liability for the provision.
33. Which statement is not true in relation to the measurement of a provision?
  - a. Gains from expected disposal of assets shall be taken into account in measuring a provision.
34. Provisions shall be discounted if the effect of the time value of money is material. Which of the following is incorrect regarding the discount rate?
  - a. Is a post-tax discount rate.
35. Which statement is incorrect concerning recognition of a provision?
  - a. Provisions shall be recognized for future operating losses.
36. It is a contract in which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits to be received under the contract.
  - a. Onerous contract
37. The unavoidable costs under an onerous contract represent the “least net cost of exiting from the contract” which is equal to
  - a. Lower of the cost of fulfilling the contract or the penalty arising from failure to fulfil the contract.
38. This is defined as a structured program that is planned and controlled by the management that materially changes either the

scope of a business of an entity or the manner in which that business is conducted.

- a. Restructuring
39. Examples of events that qualify as restructuring include all of the following, except
- a. Fundamental reorganization of an entity that has an immaterial and insignificant impact on the operations.
40. Which is a cost of restructuring?
- a. Cost of relocating business activities from one location to another
41. It is abusive practice of manipulation and creative accounting by dumping all kinds of provisions under the banner of provision for restructuring.
- a. Big bath provision
42. For which of the following should a provision be recognized?
- a. Obligations for plant decommissioning costs
43. Provisions shall be recognized for all of the following, except
- a. Future refurbishment costs due to introduction of a new computer system.
44. An entity is closing one of its operating divisions, and the conditions for making restructuring provision have been met. The closure will happen in the first quarter of the next financial year. At the current year-end, the entity has announced the formal plan publicly and is calculating the restructuring provision. Which of the following costs should be included in the restructuring provision?
- a. Contractually required costs of retiring staff being made redundant from the division being closed.
45. An entity operates chemical plants. Its published policies include a commitment to making good any damage caused to

the environment by the operations. It has always honoured this commitment. Which of the following scenarios would give rise to an environmental provision?

- a. A chemical spill from one of the entity's plants has caused harm to the surrounding area and wildlife.
46. An entity has been served a legal notice at year-end by the Department of Environment and Natural Resources to fit smoke detectors in its factory on or before middle of next year. The cost of fitting smoke detector can be measured reliably. How should the entity treat this at year-end?
- a. No provision is recognized at year-end because there is no present obligation for the future expenditure since the entity can avoid the future expenditure by changing the method of operations but disclosure is required.
47. A provision is
- a. An event which probable and measurable.
48. Which of the following would not consider a "provision"?
- a. Note payable
49. In calculating present value in a situation with a range of possible outcomes all discounted using the same interest rate, the expected present value would be
- a. The sum of probability-weighted present values
50. An entity received notification of legal action against the entity. The attorneys determined that it is probable the entity will lose the suit and the loss can be estimated reliably. How should the estimated loss be reported?
- a. As a loss in the income statement and a provision in the statement of financial position.
51. A contingent liability is
- a. An event which is not recognized because it is not probable that an outflow will be required or the amount cannot be reliably estimated.

52. The likelihood that the future event will or will not occur can be expressed by a range of outcome. Which range means that the future event occurring is very slight?
- Remote
53. Which statement is incorrect concerning a contingent liability?
- A contingent liability is both probable and measurable.
54. Which statement is incorrect concerning a contingent asset?
- A contingent asset is only disclosed when the occurrence of the future event is possible or remote.
55. An entity did not record an accrual for a present obligation but disclose the nature of the obligation and the range of the loss. How likely is the loss?
- Reasonably possible
56. A present obligation that is probable and for which the amount can be reliably measured should
- Be accrued by debiting an expense account and crediting a liability account.
57. An entity has a self-insurance plan. Each year, the entity appropriated retained earnings for contingencies in an amount equal to insurance premiums saved less recognized losses from lawsuits and other claims. As a result of an accident in the current year, the entity is a defendant in a lawsuit in which it would probably have to pay measurable amount of damages. What are the effects of the lawsuit's probable outcome on the entity's financial statements for the current year?
- An increase in both expenses and liabilities
58. An expropriation of asset which is imminent and for which the amount of loss can be reasonably estimated should be
- Accrued and disclosed

59. An entity operates a plant in a foreign country. It is probable that the plant will be expropriated. However, the foreign government has indicated that the entity will receive a definite amount of compensation for the plant. The amount of compensation is less than the fair value but exceeds the carrying amount of the plant. The contingent asset should be reported
- a. In the notes to financial statements
60. Reserves for contingencies for general or unspecified risks should
- a. Not be accrued in the financial statements and need not to be disclosed.
61. Contingent assets are usually recognized when
- a. Realized
62. Which of the following is the proper accounting treatment of a contingent asset?
- a. A disclosure only
63. When the occurrence of a contingent asset is probable and the amount can be reliably measured, the contingent asset should be
- a. Disclosed but not recognized in the statement of financial position.
64. At year-end, an entity was suing a competitor for patent infringement. The award from the probable favourable outcome can be reliably measured. The entity's financial statements should report the expected award as
- a. Disclosure only
65. Contingent liabilities will or will not become actual liabilities depending on
- a. The outcome of a future event.
66. A contingent liability shall be recognized when

- a. The amount of the loss can be reliably measured and it is probable prior to issuance of financial statements that a liability has been incurred.
67. How should a contingent liability be reported in the financial statements when it is reasonably possible that the entity will have to pay the liability at a future date?
- a. As a disclosure only
68. Disclosure usually is not required for
- a. Contingent losses that are remote and can be reliably measured.
69. Reporting in the financial statements is required for
- a. Loss contingencies that are probable and can be reliably measured.
70. Gain contingencies that are remote and can be reliably measured
- a. Should not be reported or disclosed.
71. A contingent liability
- a. Has a most probable value of zero but may require a payment if a given future event occurs.
72. Which of the following should be disclosed in the financial statements as a contingent liability?
- a. The entity is involved in a legal case which it may possibly lose.
73. What condition is necessary to recognize an environmental liability?
- a. The entity has an existing legal obligation and the amount of the liability can be reliably estimated.
74. Which of the following is not considered when evaluating whether or not to record a liability for pending litigation?
- a. The type of litigation involved
75. Which condition must be met for an item to be recognized as an intangible asset other than goodwill?

- a. The item is nonmonetary, identifiable and lacks of physical substance.
76. An intangible asset is identifiable when
- a. It is either separable or it arises from contractual and other legal right.
77. Which statement is true in relation to control by the entity of the intangible asset?
- a. All of these statements are true.
78. An intangible asset shall be recognized if
- a. It is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the intangible asset can be measured reliably.
79. The cost of a separately acquired intangible asset comprises the purchase price and
- a. Directly attributable cost of preparing the asset for the intended use.
80. Directly attributable costs of preparing the intangible asset for the intended use include all of the following, except
- a. Initial operating losses
81. Which statement is true in relation to internally generated intangible asset?
- a. All of these statements are true.
82. The cost of an internally generated asset includes all of the following, except
- a. Expenditure on training staff to operate the asset.
83. After initial recognition, an intangible asset shall be measured using
- a. Cost model or revaluation model
84. An entity that acquired an intangible asset may use the revaluation model for subsequent measurement only when
- a. An active market exists for the intangible asset.

85. Which statement is true concerning amortization and impairment of intangible assets?
- All of these statements are true.
86. An intangible asset is regarded as having an indefinite useful life when
- There is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the entity.
87. What is the method of amortizing intangible asset?
- The straight line method, unless the pattern of the economic benefits can be determined reliably.
88. The residual value of an intangible asset with a finite useful life shall be assumed zero, except
- When there is a commitment by a third party to purchase the asset at the end of useful life or there is an active market for the asset and it is probable that such market will exist at the end of useful life.
89. One factor that is not considered in determining the useful life of an intangible asset is
- Residual value
90. Factors in determining the useful life of an intangible asset include all, except
- The amortization method
91. Which does not qualify as an intangible asset?
- Notebook computer
92. Which of the following would qualify as an intangible asset?
- Legal costs paid to lawyers to register a patent.
93. The recognition criteria for an intangible asset include which of the following conditions?
- It is probable that future economic benefit will arise from use and the cost can be measured reliably.
94. Which statement in relation to intangible assets is true?

- a. Intangible assets acquired in a business combination shall be recognized separately from goodwill.
- 95. Once recognized, intangible assets can be carried at
  - a. Cost less accumulated amortization and impairment losses
- 96. Which is not a consideration in determining the useful life of an intangible asset?
  - a. Initial cost
- 97. Amortization of an intangible asset with a finite useful life shall commence when
  - a. It is available for the intended use.
- 98. Which disclosure is not required with respect to intangible assets?
  - a. Fair value of similar intangible asset used by the competitor
- 99. Intangible assets are reported
  - a. As a separate line item
- 100. Intangible assets are classified as
  - a. Limited life and indefinite life
- 101. Intangible assets with indefinite useful life are tested for impairment
  - a. Annually at the annual reporting date
- 102. The major problem for an intangible asset is determining
  - a. Useful life
- 103. Operating losses incurred during the start-up years of a new entity should be
  - a. Accounted for like any other operating loss
- 104. Which statement does not describe an intangible asset?
  - a. The asset is monetary
- 105. Which is characteristic of an intangible asset?
  - a. Long-lived
- 106. Costs incurred internally to create an intangible asset are generally
  - a. Expensed when incurred

107. An intangible asset that was acquired separately shall initially be recognized at
  - a. Cost
108. Intangible assets with indefinite life tested at least annually for
  - a. Impairment
109. How should research and development costs be accounted for?
  - a. Must be expensed in the period incurred unless it can be clearly demonstrated that the expenditure will have alternative future use or unless contractually reimbursable.
110. Which of the following would be considered research and development?
  - a. Construction of prototype
111. Which of the following costs should not be capitalized?
  - a. Cost of testing prototype before economic feasibility has been demonstrated.
112. Which of the following costs should be excluded from research and development expense?
  - a. Cost of marketing research for a new product.
113. Which of the following should not be considered research and development activity?
  - a. Adaptation of an existing capability to a particular requirement or customer need.
114. Research activities include all of the following, except
  - a. Design, construction and testing of preproduction prototype and model.
115. Development activities include all of the following, except
  - a. Laboratory activities aimed at obtaining new knowledge.
116. Which of the following is not one of the criteria which must be met before development costs can be capitalized?

- a. The entity can reliably identify the research costs incurred to bring the project to economic feasibility.
117. Which of the following costs should be capitalized?
- a. Engineering cost incurred to advance the product to the full production stage.
118. Which statement is true about development cost?
- a. Development cost may be capitalized as an intangible asset in very restrictive situations.
119. Which research and development costs should be capitalized and amortized over current and future periods?
- a. Research and development general laboratory building
120. If an entity constructs a laboratory building to be used as a research and development facility, the cost of the laboratory building is matched against earnings as
- a. Depreciation deducted as part of research and development expense
121. A research and development activity for which the cost would be expensed as incurred is
- a. Design, construction and testing of preproduction prototype and model
122. Which is a research and development cost?
- a. Development or improvement of technique and process
123. Which is an example of activities that would be excluded from research and development costs?
- a. Quality control during commercial production including routine testing of product
124. An activity that would be expensed currently as research and development costs is
- a. Testing in search for or evaluation of product or process alternative
125. At the beginning of the current year, an entity purchased equipment for use in developing a new product. The entity uses

the straight line depreciation method. The equipment could provide benefits over a 10-year period. However, the new product development is expected to take five years, and the equipment can be used only for this project. The expense for the current year in relation to the equipment equals

- a. The total cost of the equipment
126. Which is not considered a research and development activity?
- a. Routine on-going effort to refine, enrich or improve quality of existing product
127. An entity has recently completed a highly publicized research and development project. Which statement is the most accurate?
- a. Costs incurred during the development phase can be capitalized if criteria such as technical feasibility of the project being established are met.
128. Which of the following research and development costs should be capitalized and amortized over current and future periods?
- a. Cost of testing equipment that will also be used in another separate research and development project scheduled to begin next year.
129. The proper accounting for costs incurred in creating computer software is
- a. To charge research and development expense when incurred until technological feasibility has been established for the product.
130. Which statement is true regarding the proper accounting treatment for internal-use software cost?
- a. All of these statements are true about software cost.
131. Which statement is incorrect regarding internal-use software?

- a. Internal-use software is considered to be software that is marketed as a separate product or as part of a product or process.
132. A computer software purchased as an integral part of a computer controlled machine tool that cannot operate without the specific software shall be treated as
- a. Property, plant and equipment
133. At the beginning of the current year, an entity had capitalized cost for a new computer software product with an economic life of four years. Sales for the current year were ten percent of expected total sales of the software. The pattern of future sales cannot be measured reliably. At year-end, the software had a net realizable value equal to eighty percent of the capitalized cost. What is the unamortized cost of the computer software at the current year-end statement of financial position?
- a. Seventy-five percent of capitalized cost
134. Which statement best describes investment property?
- a. Property held to earn rentals or for capital appreciation
135. An owner-occupied property is held by an owner
- a. For use in production of goods and services and for administrative purposes.
136. Investment property includes all of the following, except
- a. Property held for sale in the ordinary course of business.
137. Which of the following is an investment property?
- a. Property that is being constructed and developed as investment property
138. Which statement is true if the property is partly investment and partly owner-occupied?
- a. Both I and II
139. If an entity owns and manages a hotel, services provided to guests are a significant component of the arrangement as a whole. In such a case, the hotel is classified as

- a. Owner-occupied property
- 140. Directly attributable expenditures related to investment property include
  - a. Professional fees for legal services, property transfer taxes and other transaction cost.
- 141. Which statement is true concerning property leased to an affiliate?
  - a. Both I and II
- 142. Which statement is incorrect in determining the fair value of an investment property?
  - a. An entity shall determine the fair value of investment property by deducting transaction cost that may be incurred upon disposal.
- 143. Subsequent to initial recognition, the investment property shall be measured using
  - a. Cost model or fair value model
- 144. If the entity uses the fair value model for the investment property, which statement is true?
  - a. Changes in fair value are reported in profit or loss in the current period.
- 145. If the entity uses the fair value model for the investment property, which statement is true?
  - a. The entity does not record depreciation on the investment property.
- 146. Transfers from investment property to property, plant and equipment are appropriate
  - a. When there is change of use.
- 147. When the entity uses the cost model, transfer between investment property, owner-occupied property and inventory shall be accounted for at
  - a. Carrying amount

148. A transfer from investment property carried at fair value to owner-occupied property shall be accounted for at
- a. Fair value, which becomes the deemed cost
149. If owner-occupied property is transferred to investment property that is to be carried at fair value, the difference between the carrying amount of the property and the fair value shall be
- a. Accounted for as revaluation of property, plant and equipment.
150. If an inventory is transferred to investment property that is to be carried at fair value, the remeasurement to fair value is
- a. Included in profit or loss
151. An investment property shall be measured initially at
- a. Cost
152. An investment property is derecognized when
- a. In all of these cases
153. Which of the following additional disclosures must be made when an entity chooses the cost model as the accounting policy for investment property?
- a. The fair value of the property
154. Which of the following disclosures shall be made when the fair value model has been adopted?
- a. Net gains or losses from fair value adjustments
155. Which statement regarding investment property is correct?
- a. All of these statements are correct regarding investment property.
156. If the entity uses the fair value model for the investment property, changes in fair value are
- a. Recognized in other comprehensive income
157. Gain or loss from disposal of investment property shall be determined as the difference between the
- a. Net disposal proceeds and carrying amount.