

**CERTIFICATE IN INTERNATIONAL
FINANCIAL REPORTING**

QUESTION BANK

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GETTHRC



**INTERNATIONAL SOURCES
OF AUTHORITY AND
CONCEPTUAL FRAMEWORK****A1: International Sources of Authority and Conceptual Framework****1. Who governs the IFRS Foundation?**

- A Members of IASB
- B Members of IFRS Interpretations Committee
- C IFRS advisory Council
- D None of the above

2. Who appoints the members of the IFRS Advisory Council?

- A Members of IASB
- B Members of IFRS Interpretations Committee
- C Trustees of the IFRS Foundation
- D None of the above

3. How is public involvement ensured in the standard-setting process?

- (i) Discussion Papers and Exposure Drafts issued for public comment.
- (ii) IASB may hold public meeting with interested organisation to listen to or exchange views on specific topic
- (iii) Podcasts and webcasts of the meetings are made available on IFRS foundation's website.

- A (i) and (ii)
- B (ii) and (iii)
- C (i) and (iii)
- D All of the above

4. What is the main duty of the IFRS Interpretation Committee?

- A To appoint members of IFRS advisory council
- B To draft accounting standards
- C To withdraw accounting standards
- D To guide on accounting standards

5. Tower Ltd has a pressing machine that was originally purchased for \$10,000 in 2011. To buy the same machine today it would cost \$12,000; plus an installation cost of \$1,000. Babel Ltd wants to buy the machine from Tower Ltd. It is willing to pay \$11,000; the selling costs that would be incurred by Tower Ltd are \$2,000.

Which of the following is correct?

	Replacement cost	Realisable value
A	\$12,000	\$11,000
B	\$12,000	\$9,000
C	\$13,000	\$11,000
D	\$13,000	\$9,000

6. Which of the following is not a qualitative characteristic of financial reporting?

- A Faithful representation
- B Comparability
- C Going concern
- D Relevance

7. Which of the following statement(s) is / are correct?

- (i) The Framework is a financial reporting standard.
 - (ii) In the case of conflict between the Framework and a reporting standard, the Framework will prevail over the reporting standard.
- A Only (i)
B Only (ii)
C Both (i) and (ii) are correct
D Both (i) and (ii) are incorrect

8. Which of the following statement applies to the qualitative characteristic of 'understandability' in relation to the information presented in financial statements?

- A Users should be willing to study the information with reasonable diligence
B Users are expected to have significant business knowledge
C Financial statements should not contain complex matters
D Financial statements should be not contain any material misstatement

9. Which, if any, of the following statements about accounting concepts and the characteristics of financial information are correct?

- (i) The concept of substance over form means that the legal form of a transaction must be reflected in the financial statements, regardless of the economic substance.
 - (ii) The historical cost concept means that only items capable of being measured in monetary terms can be recognised in the financial statements.
 - (iii) It may sometimes be necessary to exclude information that is relevant and reliable from financial statements because it is too difficult for some users to understand it.
- A (i) and (ii)
B (ii) and (iii)
C (i) and (iii)
D None of the above

10. Which of the following statements is/ are correct?

- (i) The money measurement concept is that only items capable of being measured in monetary terms can be recognised in the financial statements.
 - (ii) Materiality means that only physical assets are recognised in the financial statements.
- A Only (i)
B Only (ii)
C Both (i) and (ii)
D None of the above

11. Which of the following statements about accounting concepts are correct?

- (i) The historical cost concept requires that non-current assets be initially recognised at their purchase cost.
 - (ii) The accruals accounting means that transactions are recognised when the cash is received or paid, not when they actually occur.
 - (iii) The substance over form convention is that the economic reality of a transaction should be reflected in the financial statements rather than the legal form.
 - (iv) The prudence concept means it is desirable to understate liabilities in financial statements.
- A (i) and (ii)
B (iii) and (iv)
C (i) and (iii)
D (ii) and (iv)

12. What is meant by comparability when discussing financial accounting information?

- A Information has predictive or feedback value
B Information is reasonably free from error
C Information is measured and reported in a similar manner across companies
D Information is timely

13. Changing the method of inventory valuation should be reported in the financial statements under what qualitative characteristic of accounting information?
- A Comparability
 - B Verifiability
 - C Timeliness
 - D Understandability
14. Alpha Ltd issuing its annual financial reports within one month of the end of the year is an example of which ingredient of primary quality of accounting information?
- A Neutrality
 - B Timeliness
 - C Predictive value
 - D Representational faithfulness
15. In accordance with the IASB's Conceptual Framework, the fundamental qualitative characteristics are:
- A Faithful representation and verifiability
 - B Relevance and faithful representation
 - C Relevance and timeliness
 - D Faithful representation and understandability
16. The enhancing qualitative characteristics of financial reporting are:
- A Relevance, reliability and faithful representation
 - B Cost-benefit and materiality
 - C Comparability, verifiability, timeliness and understandability
 - D Completeness, neutrality and freedom from error
17. Which ONE of the statements given below describes the qualitative characteristic of 'Faithful representation' in relation to information presented in financial statements?
- A Influence on the economic decisions of users
 - B Inclusion of a degree of caution
 - C Freedom from material error
 - D Comprehensibility to users
18. In times of rising prices, what effect does the use of the historical cost concept have on a company's asset values and profit?
- A Asset values and profit both understated
 - B Asset values and profit both overstated
 - C Asset values overstated and profit understated
 - D Asset values understated and profit overstated
19. According to the IASB's Conceptual Framework, which one of the following options are the criteria for incorporating an item into the statement of comprehensive income or statement of financial position?
- A It meets the definition of relevance and faithful representation
 - B It meets the definition of an element and can be measured reliably
 - C It meets the requirements of comparability and consistency
 - D It satisfies the criteria of capital maintenance
20. The following are the responsibilities of IASB, except:
- A Responsibility for all IFRS technical matters
 - B Publish IFRSs
 - C Overall supervisory body of the IFRS organisations
 - D Final approval of interpretations by the IFRS Interpretations Committee

21. IFRS 1 First-time adoption of International Financial Reporting Standards requires an undertaking to do the following in the opening IFRS statement of financial position that it prepares as a starting point for its accounting under IFRSs:

- (i) Recognise all assets and liabilities whose recognition is required by IFRSs;
- (ii) Not recognise items as assets or liabilities if IFRSs do not permit such recognition;
- (iii) Reclassify items that it recognised under previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under IFRSs;
- (iv) Apply IFRSs in measuring all recognised assets and liabilities;
- (v) Deduct goodwill from equity.

- A Only (i)
- B (i) to (ii)
- C (i) to (iv)
- D All of the above

22. Hedra Ltd decided to publish IFRS statements for 2008 with comparatives for the last 2 years. The company made an explicit and unreserved statement of compliance with IFRSs. No interim financial reports were produced.

The first IFRS reporting date is the 31 December:

- A 2006
- B 2007
- C 2008
- D 2009

23. Royale Paint Ltd is preparing its financial statements for the year ended 31 March 2012. The management of the company decided to adopt IFRS and comply with IFRS completely going forward. In accordance with the local legislation Royale Ltd has to give comparative figures for one year while presenting its financial statements.

According to IFRS1, which IFRSs should be used when preparing the opening IFRS statement of financial position and the comparative figures for the year ended 31 March 2012.

- A IFRS in existence at 31 March 2011
- B IFRS in existence at 31 March 2012
- C IFRS in existence at 31 March 2011 for comparative SOFP and IFRS in existence at 31 March 2012 for the current year SOFP
- D IFRS in existence at 1 April 2011

24. Greenwood decided to publish IFRS statements for 2008 with comparatives for the last two years.

The accountant produced an interim financial report for January to June 2008. The company has made an explicit and unreserved statement of compliance with IFRSs.

Is it necessary to apply IFRS 1 First-time adoption of International Financial Reporting Standards to the interim financial report?

- A Yes
- B No
- C You have an option to do either
- D Interim financial statements are not published under IFRS

25. Smart Ltd has its reporting date on 31 December each year. The Directors wish to present the annual report for year ended 31 December 2012 under IFRS as permitted by the local regulation.

What is Smart Ltd's transition date to IFRS under IFRS 1 First Time Adoption of IFRS?

- A 31 December 2012
- B 1 January 2011
- C 31 December 2011
- D 1 January 2010