

# Sample Question Papers for Certificate Course on Ind AS (Abroad)



The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)  
New Delhi



Sample Question Papers  
Certificate Course on Ind AS  
(Abroad)

Total No. of Questions : 39  
Total Marks : 100

Total No. of printed pages : 9  
Time Allowed : 3 Hours

All the questions are compulsory. Question No. 1 to 30 carry 1.5 marks each, Question No. 31 to 37 carry 5 marks each and Questions 38 to 39 carry 10 marks each.

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PART - A  
OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State whether each of the following statements is true or false (with reasons)

- Q1.A 'disposal group' is a group of assets, possibly with some associated liabilities, which an entity intends to dispose of in a single transaction.
- Q2.A business model refers to how an entity manages its financial assets in order to generate cash flows—by collecting contractual cash flows, selling financial assets or both.
- Q3.As per IAS 36, an entity shall test tangible assets not yet available for use for impairment on annual basis.
- Q4.As per IAS 12, a deferred tax asset shall be recognized for all taxable temporary differences, except for certain items specified therein.
- Q5.In the case of a non monetary grant, IAS 20 mandates to record the asset and the grant at fair value.
- Q6.The acquirer is always the combining entity that obtains control of the other combining entity or entities.
- Q7.Deferred tax liabilities are non-monetary in nature.
- Q8.A provision should be recognised only when there is a possible obligation.

Q9. Financial guarantee contracts that are accounted for as financial liabilities under IAS 39 by the issuer are initially recognized at cost.

Q10. As per IAS 32, a puttable financial instrument includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset on exercise of the put.

State the correct answer for each of the following statements

Q11. A lease could be classified as:

- a) a finance lease by the lessor and the lessee.
- b) an operating lease by the lessor and the lessee.
- c) a finance lease by the lessor and an operating lease by the lessee.
- d) all of (a)–(c) above.
- e) none of (a)–(c) above.

Q12. IAS 17 does not apply as the basis of measurement for the following leased assets:

- a) biological assets held by lessees under finance leases
- b) biological assets provided by lessors under operating leases
- c) investment property provided by lessors under operating leases.
- d) all of the above

Q13. IAS 16 requires that revaluation surplus resulting from initial revaluation of property, plant, and equipment should be treated in one of the following ways. Which of the four options mirrors the requirements of IAS 16?

- a) Credited to a reserve captioned “revaluation surplus” which is presented under “equity”.
- b) Released to the income statement an amount equal to the difference between the depreciation calculated on historical cost vis-à-vis revalued amount.
- c) Deducted from current assets and added to the property, plant, and equipment.
- d) Credited to a reserve captioned “revaluation surplus” which is presented under “equity” as well as under “Other Comprehensive Income”.

Q14. XYZ Inc. is a first-time adopter under IFRS 1. The most recent financial statements it presented under its previous GAAP were as of December 31, 2005. It has adopted IFRS for the first time and intends to present the first IFRS financial statements as of December 31, 2006. It plans to present two-year comparative information for the years 2005 and 2004. The opening IFRS balance sheet should be prepared as of

- a) January 1, 2005.
- b) January 1, 2003.
- c) January 1, 2004.
- d) January 1, 2006.

Q15. Revenue from an artistic performance is recognized once

- a) The audience register for the event online.

- b) The tickets for the concert are sold.
- c) Cash has been received from the ticket sales.
- d) The event takes place.

Q16. A profit-sharing plan requires an entity to pay a specified proportion of its cumulative profit for a five-year period to employees who serve throughout the five-year period.

The profit-sharing plan is:

- a) a short-term employee benefit.
- b) a post-employment benefit.
- c) an other long-term employee benefit.
- d) a termination benefit.

Q17. Temporary differences means difference between

- a) the carrying value of assets and its related liabilities
- b) the carrying amount of an asset and liability and its tax base
- c) the carrying amount of an asset or liability and its tax base
- d) None of the above

Q18. \_\_\_\_\_ comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset as per IAS 41.

- a) Agricultural activity
- b) Agricultural produce
- c) Biological transformation
- d) Biological asset

Q19. The mandatory exceptions as per IFRS 1 includes:

- a) Estimates, Derecognition of financial assets and financial liabilities, Hedge accounting, Noncontrolling interests.
- b) Estimates, Non-controlling interests, business combination and insurance contracts
- c) Derecognition of financial assets and financial liabilities, borrowing costs and leases
- d) Severe hyperinflation, Share-based payment transactions, Insurance contracts and Fair value or revaluation as deemed cost

Q20. An intangible asset is identifiable when:

- a) it is separable (ie capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability).
- b) it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
- c) either (a) or (b) applies.
- d) both (a) and (b)

Calculate the correct amount in each of the following statement:

Q21. Micrium, a computer chip manufacturing company, sells its products to its distributors for onward sales to the ultimate customers. Due to frequent fluctuations in the market prices for these goods,

Micrium has a “price protection” clause in the distributor agreement that entitles it to raise additional billings in case of upward price movement. Another clause in the distributor’s agreement is that Micrium can at any time reduce its inventory by buying back goods at the cost at which it sold the goods to the distributor. Distributors pay for the goods within 60 days from the sale of goods to them. When should Micrium recognize revenue on sale of goods to the distributors?

- a) When the goods are sold to the distributors.
- b) When the distributors pay to Micrium the cost of the goods (i.e., after 60 days of the sale of goods to the distributors).
- c) When goods are sold to the distributor provided estimated additional revenue is also booked under the “protection clause” based on past experience.
- d) When the distributor sells goods to the ultimate customers and there is nouncertainty with respect to the “price protection” clause or the buyback of goods.

Q22. Healthy Inc. bought a private jet for the use of its top-ranking officials. The cost of the private jet is \$15 million and can be depreciated either using a composite useful life or useful lives of its major components. It is expected to be used over a period of 7 years. The engine of the jet has a useful life of 5 years. The private jet’s tires are replaced every 2 years. The private jet will be depreciated using the straight-line method over

- a) 7 years composite useful life.
- b) 5 years useful life of the engine, 2 years useful life of the tires, and 7 years useful life applied to the balance cost of the jet.
- c) 2 years useful life based on conservatism (the lowest useful life of all the parts of the jet).
- d) 5 years useful life based on a simple average of the useful lives of all major components of the jet.

Q23. Entity A acquired 50 per cent of the equity of entity B on 1 January 20X3 for CU520,000 (cash) when the fair value of entity B’s identifiable net assets (total assets less total liabilities and contingent liabilities) was CU1,000,000 (including cash and cash equivalents of CU100,000). With effect from 1 January 20X3 entity A controls entity B. In the group’s consolidated statement of cash flows the separate line item ‘cash flow on acquiring a subsidiary’ is:

- a) a cash inflow of CU420,000
- b) a cash outflow of CU520,000
- c) a cash inflow of CU520,000
- d) a cash outflow of CU420,000

Q24. Entity A exchanges car X with a book value of C13,000 and a fair value of C13,250 for cash of C150 and car Y which has a fair value of C13,100. The transaction lacks commercial substance as the company’s cash flows are not expected to change as a result of the exchange; it is in the same position as it was before the transaction. At what amount the Entity A recognises car Y?

- a) 13250
- b) 13000
- c) 13100
- d) None of the above

Q25. At the beginning of the year the entity, domiciled in the UAE, has a \$1m foreign currency loan. The interest rate on the loan is 4% and is paid at the end of the period. An equivalent borrowing in AED would carry an interest rate of 6%. The spot rate at the beginning of the year is AED1 = US\$

1.55 and at the end of the year it is AED1 = US\$ 1.50. The expected interest cost on a sterling borrowing would be AED645,161 at 6% = AED38,710. What amount of exchange difference can be treated as interest/borrowing cost?

- a) 12043
- b) 15063
- c) 9000
- d) 7896

Q26. An entity prepares financial statements to a December year end. Under its previous GAAP it adopted a policy of revaluing its land and buildings. It carried out a full revaluation at 31 December 20X0 (valuing them at C1m), an interim valuation at 31 December 20X3 (valuing them at C2m), and another full valuation at 31 December 20X5 (valuing them at C2.5m). The land and buildings were stated at C1.8m in the financial statements immediately prior to revaluation at 31 December 20X5, having had C100,000 of depreciation charged in 20X4 and C100,000 charged in 20X5. The revaluations were equivalent to fair value. The entity adopts IFRS for its financial statements to 31 December 20X6 and its date of transition is 1 January 20X5. It decides to take advantage of the 'fair value as deemed cost' exemption with respect to the land and buildings. It will adopt a cost based policy under IAS 16 and will use its valuation made under previous GAAP. What valuation can the entity use as at 31 December 20X5?

- a) C1900
- b) C900
- c) C2400
- d) None of the above

Q27. On 1 January 20X1 an entity acquired a patent for CU500,000. At 31 December 20X1 management:

- assessed the patent's useful life at 10 years from the date of acquisition
- assessed that the entity will consume the patent's future economic benefits evenly over 10 years from the date of acquisition
- assessed the fair value of the patent at CU380,000.

The entity shall measure the carrying amount of the patent on 31 December 20X1 at:

- a) CU500,000.
- b) CU450,000.
- c) CU300,000.
- d) CU423,500.

Q28. An entity operates in a jurisdiction where income taxes are payable at a lower rate on undistributed profits (20 per cent) with an additional amount (10 per cent) being payable when profits are distributed (ie the tax rate on distributed profits is 30 per cent). On 31 December 20X1 the entity expects to propose dividends in March 20X2 of approximately CU20,000 for the year ended 20X1. The financial statements will be authorised for issue in April 20X2. Taxable profit for 20X1 is CU100,000. The entity has temporary differences that are expected to increase taxable profit in the future for the year 20X1 of CU30,000. The entity was formed on 1 January 20X1. On 31 December 20X1 the entity should recognise the following:

- a) A current tax liability (and expense) of CU20,000 and a deferred tax liability (and expense) of CU6,000.

- b) A current tax liability (and expense) of CU20,000 and a deferred tax liability (and expense) of CU9,000.
- c) A current tax liability (and expense) of CU22,000 and a deferred tax liability (and expense) of CU6,000.
- d) A current tax liability (and expense) of CU25,000 and a deferred tax liability (and expense) of CU7,500.
- e) A current tax liability (and expense) of CU30,000 and a deferred tax liability (and expense) of CU9,000.

Q29. Duke LLC has acquired 20% shares of Associate LLP as on 01 April 2010 at Rs. 600,000. This acquisition of shares leads to Investor LLC having significant influence on Associate LLP. Since the date of acquisition till 31 March 2015, Associate LLP has earned a profit of Rs. 50,00,000. Also, on 31 March 2013, Associate LLP revalued its property by Rs. 2,00,000 and accounted for it in the revaluation reserve. Calculate the carrying value of Investor LLC's investment in Associate LLP in its consolidated books of accounts as on 31 March 2015.

- a) Rs. 50,00,000
- b) Rs. 27,00,000
- c) Rs. 16,40,000
- d) Rs. 26,60,000

Q30. PQR Ltd. has a plant with a carrying amount of Rs. 60,000 as on March 31, 2015. Useful life is 10 years of which 5 years remain as on the date. The company decides to revalue the plant to Rs. 200,000 on March 31, 2015 and recognize revaluation reserve of Rs. 40,000. Calculate depreciation to be accounted for in the statement of profit or loss.

- a) Rs. 38,000
- b) Rs. 45,000
- c) Rs. 40,000
- d) Rs. 42,000

PART – B  
DESCRIPTIVE QUESTIONS  
Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q31.Explain what is contingent liabilities as per IAS 37. Also explain the exception to recognition principle with respect to contingent liabilities given in IFRS 3.

Q32.Explain recognition and measurement of biological asset and agricultural produce.

Q33.Wessa Ltd. prepares its financial statements for the period April 2014 to March 2015. On 1 April 2013, Wessa had granted share appreciation rights to 500 senior executives. Each executive will receive 1,000 rights on 31 March 2016 provided he or she continues to be employed by Wessa at that date. On 1 April 2013, the directors estimated that all the executives would remain employed by Delta for the three-year period ending on 31 March 2016. However, 50 executives left in the year ended 31 March 2014 and at 31 March 2014 the directors believed that a further 100 executives would leave in the following two years. 70 executives actually left in the year ended 31 March 2014 and the directors now believe that 40 more executives will leave in the year ended 31 March 2016. Since 1 April 2013, the fair value of the share appreciation rights has fluctuated as follows:

Date	Fair value of one right (in AED)
1 April 2013	5
31 March 2014	7
31 March 2015	12

Explain accounting in the books of Wesra in Statement of Financial Position as at 31 March 2015 and Statement of Comprehensive Income for the year ending 31 March 2015.

Q34.Explain the concept of “embedded derivatives” in brief as per IAS 39.

Q35.Arnav Ltd has been formed to design games for the next generation of systems. Arnav’s current activities include researching and developing its first product, obtaining contracts to fabricate and package its product, and developing a market for the product. Since its inception, Arnav has produced little revenues and has received funding from third parties. With a workforce comprised primarily of engineers, Arnav has the intellectual property needed to design the game as well as the software and fixed assets required to develop it. Entity A does not have any commitments from customers to buy the game. The entity is being purchased by a financial investor, a venture capital fund, with the purpose of making an initial public offering. Is the entity a business? Give detailed reasons for your answer.

Q36.KKT Ltd is preparing its financial statements for the year ending 30 September 2013. On 1 April 2013 KKT Ltd sold a property for AED20 million. The carrying amount of the property was AED23 million and its market value on 1 April 2013 was AED25 million. On 1 April 2013, KKT Ltd entered into an agreement to lease the property on a five-year lease. On that date the useful economic life of the property was estimated at 25 years. Annual lease rentals of AED1.8 million were payable on 1 April in advance. These rentals reflected the fact that the property had been sold at a price which was lower than its fair value. Please explain the accounting in the books of KKT.

Q37. Alex Ltd. prepares its financial statements for year ending 31 December 2014. On 1 January 2014, Alex Ltd purchased an equity investment for AED 500,000. The investment was designated as fair value through other comprehensive income. On 31 December 2014, the fair value of the investment was AED550,000. In the tax jurisdiction in which Alex Ltd operates, unrealised gains and losses arising on the revaluation of investments of this nature are not taxable unless the investment is sold. Alex Ltd has no intention of selling the investment in the foreseeable future. Explain treatment of deferred taxes in the books of Alex Ltd as on 31 December 2014 along with journal entry. (Assume tax rate of 25%)

PART – C  
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q38. ACQ Ltd prepares consolidated financial statements to 30 September each year. On 1 January 2014, ACQ Ltd acquired 75% of the equity shares of SEL Ltd and gained control of SEL Ltd. SEL Ltd has 12 million equity shares in issue. Details of the purchase consideration are as follows: –

- a) On 1 January 2014, ACQ Ltd issued two shares for every three shares acquired in SEL Ltd. On 1 January 2014, the market value of an equity share in ACQ Ltd was AED6.50 and the market value of an equity share in SEL Ltd was AED6.00.
- b) On 31 December 2014, ACQ Ltd will make a cash payment of AED7.15 million to the former shareholders of SEL Ltd who sold their shares to ACQ Ltd on 1 January 2014. On 1 January 2014, ACQ Ltd would have needed to pay interest at an annual rate of 10% on borrowings.
- c) On 31 December 2015, ACQ Ltd may make a cash payment of AED 30 million to the former shareholders of SEL Ltd who sold their shares to ACQ Ltd on 1 January 2014. This payment is contingent upon the revenues of ACQ Ltd growing by 15% over the two-year period from 1 January 2014 to 31 December 2015. On 1 January 2014, the fair value of this contingent consideration was AED 25 million. On 30 September 2014, the fair value of the contingent consideration was AED 22 million.

On 1 January 2014, the carrying values of the identifiable net assets of SEL Ltd in the books of that company totalled AED 60 million. On 1 January 2014, the fair values of these net assets totalled AED 70 million. The rate of deferred tax to apply to temporary differences is 20%. During the nine months ended on 30 September 2014, SEL Ltd had a poorer than expected operating performance. Therefore on 30 September 2014 it was necessary for ACQ Ltd to recognise an impairment of the goodwill arising on acquisition of SEL Ltd, amounting to 10% of its total computed value.

Compute the impairment of goodwill and explain how this impairment should be recognised in the consolidated financial statements of ACQ Ltd. You should do this under BOTH the methods permitted by IFRS 3 for the initial computation of the non-controlling interest in SEL Ltd at the date of acquisition.

Q39. P Ltd is 100% parent company of S Ltd. P gives interest free loan to S of AED 2,187,000 on April 1, 2014 and is repayable on April 1, 2016. P prepares its financial statements on 30 June 2014.

Please explain accounting of this transaction along with journal entries in the books of P as well as S. Also, mention classification of the loan into current or non-current. Also discuss deferred tax impact of the same.

Assume a market rate of interest of 8% and that all inter-company loans and receivables are carried at amortized cost. Also assume that no adjustment in the loan is required as per the tax laws of P and S. Applicable tax rate for P and S is 25%.



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PART - A  
OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State whether each of the following statements is true or false (with reasons)

- Q1. When an employee has rendered service to an entity during an accounting period, the entity shall recognise the discounted amount of short-term employee benefits expected to be paid in exchange for that service.
- Q2. Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset as per IAS 41.
- Q3. Normal amounts of wasted materials, labor, or other production costs should be excluded in valuation of inventories.
- Q4. Initially at recognition, an item of equipment should always be measured at fair value or cost whichever is less.
- Q5. As per IFRS 5, if the sale is expected to occur beyond a year, the entity shall measure the costs to sell at their present value.
- Q6. In the case of a non-monetary grant, IAS 20 mandates to record the asset and the grant at fair value.
- Q7. A 'disposal group' is a group of assets, possibly with some associated liabilities, which an entity intends to dispose of in a single transaction.
- Q8. As per IFRS 5, an entity shall classify as held for sale a non-current asset (or disposal group) that is to be abandoned.
- Q9. As per IFRIC 20, when the costs of the stripping activity asset and the inventory produced are not separately identifiable, the entity shall allocate the entire cost to the stripping activity asset.
- Q10. As per IFRS 2, in case of option with reload feature, it shall be accounted as a new option grant.

State the correct answer for each of the following statements

Q11.As per IAS 12, temporary difference means difference between:

- a) carrying value of assets and its related liabilities
- b) carrying amount of asset and its tax base
- c) carrying amount of an asset and liability and its tax base
- d) None of the above

Q12.As per IFRS 4, an insurer may change its accounting policies for insurance contracts if, and only if, the change makes the financial statements

- a) more relevant and no less reliable
- b) more reliable and no less relevant
- c) reliable and more relevant
- d) a or b

Q13.In a fair value hierarchy, level 1 inputs are:

- a) Unobservable inputs for the asset or liability.
- b) Unquoted prices for identical assets or liabilities that the entity can access at the measurement date
- c) Observable for the asset or liability, either directly or indirectly
- d) None of the above

Q14.If an entity adopts IFRS for the first time, disclosure requirements for the changes in accounting policies shall be in accordance to:

- a) IAS 8
- b) IFRS 1
- c) Both (a) and (b)
- d) Either (a) or (b)

Q15.IAS 17 does not apply as the basis of measurement for the following leased assets:

- a) biological assets held by lessees under finance leases
- b) biological assets provided by lessors under operating leases
- c) investment property provided by lessors under operating leases
- d) all of the above

Q16.Financial guarantee contracts that are accounted for as financial liabilities under IAS 39 by the issuer are initially recognized at:

- a) Fair value
- b) Present value of future payments
- c) (a) or (b) whichever is less
- d) (a) or (b) whichever is higher

Q17.Revenue from sale of flight tickets by an airline is recognized once

- a) The ticket is purchased by the customer
- b) Payment for the tickets is received and considered to be non-refundable
- c) The ticket is purchased by the customer and considered to be non-refundable
- d) The journey takes place

Q18. An entity must measure its property, plant and equipment after initial recognition at:

- a) cost
- b) cost less any accumulated depreciation less any accumulated impairment losses
- c) cost less any accumulated depreciation less any accumulated impairment losses plus the cost of regular servicing
- d) cost plus the cost of servicing

Q19. The acquirer is always the combining entity:

- a) whose relative size is significantly greater than that of the other combining entity or entities.
- b) that obtains more than 50 per cent of the voting equity of the other combining entity or entities.
- c) that obtains control of the other combining entity or entities.
- d) All of the above

Q20. A financial asset is measured at fair value through other comprehensive income ("FVOCI"), only if:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling financial assets;
- b) The asset's contractual cash flows represent solely payment of principal and interest c)(a) and (b) are satisfied
- d) Either (a) or (b) are satisfied

Calculate the correct amount in each of the following statement:

Q21. ABC Record Inc. acquires copyrights to the original recordings of a famous singer. The agreement with the singer allows the company to record and rerecord the singer for a period of five years. During the initial six-month period of the agreement, the singer is very sick and consequently cannot record. The studio time that was blocked by the company had to be paid even during the period the singer could not sing.

These costs were incurred by the company:

- (i) Legal cost of acquiring the copyrights \$10 million
- (ii) Operational loss (studio time lost, etc.) during start-up period \$ 2 million (iii) Massive advertising campaign to launch the artist \$ 1 million. What is the capitalisation amount?

- a) \$13 million
- b) \$12 million
- c) \$11 million
- d) \$10 million

Q22. Net profit available for ordinary shareholder:

December 2015: Rs. 3500

The ordinary shares as on January 1, 2015 were 800

On April 1, 2015, entity offered right issue to existing shareholders of one share to every 5 shares held at Rs.6 per share. Assume that all shareholders exercised their right.

The market value of per share is Rs. 10

Calculate the basic EPS for 2015

- a) 3.75
- b) 2.45
- c) 3.5
- d) 2.75

Q23. An entity enters as lessee into a two-year lease in respect of a machine that has a fair value of CU16,000 and an economic life of four years with nil scrap value. Rent of CU8,500 per year is payable yearly in advance. The lessee holds an option to acquire the machine for CU1.

The option is exercisable at the end of the lease term, when the fair value of the machine (estimated at the inception of the lease) is expected to be CU6,000.

Assume a discount rate of 10% per annum

At the commencement of the lease term, the lessor would:

- a) derecognise the machine and recognise a lease receivable of CU16,000
- b) derecognise the machine and recognise a lease receivable of CU17,000
- c) derecognise the machine and recognise a lease receivable at present value of CU17,001
- d) continue to recognise the carrying amount of the machine subject to the lease as an item of property, plant and equipment

Q24. PQR Co. acquired 50 per cent of the equity of XYZ co. on 1 January 20X4 for CU730,000 (cash) when the fair value of XYZ's identifiable net assets (total assets less total liabilities and contingent liabilities) was CU1,000,000 (including cash and cash equivalents of CU100,000).

With effect from 1 January 20X4 PQR Co. controls XYZ Co. In the group's consolidated statement of cash flows the separate line item 'cash flow on acquiring a subsidiary' is:

- a) a cash inflow of CU100,000 and cash outflow of CU730,000
- b) a cash inflow of CU50,000 and cash outflow of CU730,000
- c) a cash inflow of CU630,000
- d) a cash outflow of CU630,000

Q25. A acquires 25% of the voting shares of B on January 1, 20x9. The purchase consideration was \$10 million, and A has significant influence over B. The retained earnings of B were \$15 million at the date of acquisition, and the A group has several other subsidiaries. The retained earnings of B at December 31, 20x9, were \$21 million. Calculate the carrying value of the investment in B in the group financial statements at December 31, 20x9.

- a) \$ 5.25 million
- b) \$ 36 million
- c) \$ 11.5 million
- d) \$ 12.75 million

Q26. On 31 December 20X1 ABC Co. acquired 30 per cent of the ordinary shares that carry voting rights of entity Z for CU100,000. In acquiring those shares ABC Co. incurred transaction costs of CU1,000.

Entity A has entered into a contractual arrangement with another party (entity C) that owns 25 per cent of the ordinary shares of entity Z, whereby ABC Co. and C jointly control entity Z.

ABC Co. uses the cost model to account for its investments in jointly controlled entities. A published price quotation does not exist for entity Z.

In January 20X2, entity Z declared and paid a dividend of CU20,000 out of profits earned in 20X1. No further dividends were paid in 20X2, 20X3 or 20X4.

At 31 December 20X1, 20X2 and 20X3, for Impairment of Assets, management of ABC Co. assessed the fair values of its investment in entity Z as CU102,000, CU110,000 and CU90,000 respectively. Costs to sell are estimated at CU4,000 throughout.

ABC Co. measures its investment in entity Z on 31 December 20X1, 20X2 and 20X3 respectively at:

- e) CU100,000, CU100,000, CU100,000.
- f) CU101,000, CU101,000, CU90,000.
- g) CU98,000, CU100,000, CU86,000.
- h) CU98,000, CU101,000, CU86,000.

Q27. Wealthy Inc. bought a private jet for the use of its top-ranking officials. The cost of the private jet is \$15 million. It is expected to be used over a period of 7 years. The engine of the jet has a useful life of 5 years. The private jet's tires are replaced every 2 years. The jet will require a major inspection every 3 years and costs \$3 million. The private jet will be depreciated using the straightline method over

- a) 7 years composite useful life
- b) 5 years useful life of the engine, 2 years useful life of the tires, 3 years useful life of major inspection costs and 7 years useful life applied to the balance cost of the jet
- c) 5 years useful life of the engine, 2 years useful life of the tires and 7 years useful life applied to the balance cost of the jet
- d) 5 years useful life based on a simple average of the useful lives of all major components of the jet

Q28. An entity enters into a finance lease to lease a truck from another entity. The truck's fair value is \$140,000. The lease rentals are payable monthly, and the lease term is five years. The present value of the minimum lease payments at the inception of the lease is \$132,000 and the unguaranteed residual value of the truck is estimated at \$20,000.

At which amount will the lease liability be recorded in the financial accounts at the inception of the lease?

- a) \$140,000
- b) \$132,000
- c) \$112,000
- d) \$152,000

Q29. An entity operates in a jurisdiction where income taxes are payable at a lower rate on undistributed profits (20 per cent) with an additional amount (10 per cent) being payable when profits are

distributed (i.e. the tax rate on distributed profits is 30 per cent). On 31 December 20X1 the entity expects to propose dividends in March 20X2 of approximately CU20,000 for the year ended 20X1. The financial statements will be authorised for issue in April 20X2. Taxable profit for 20X1 is CU100,000. The entity has temporary differences that are expected to increase taxable profit in the future for the year 20X1 of CU30,000. The entity was formed on 1 January 20X1. On 31 December 20X1 the entity should recognise the following:

- a) A current tax liability (and expense) of CU20,000 and a deferred tax liability (and expense) of CU6,000.
- b) A current tax liability (and expense) of CU20,000 and a deferred tax liability (and expense) of CU9,000.
- c) A current tax liability (and expense) of CU20,000 and a deferred tax asset (and income) of CU6,000.
- d) A current tax liability (and expense) of CU20,000 and a deferred tax asset (and income) of CU9,000.

Q30. An entity is preparing its financial statements for the year ending November 30, 20X8. Certain items of plant and equipment were scrapped on January 1, 20X9. At November 30, 20X8, these assets were being used in production by the entity and had a carrying value of \$5 million. The value-in-use of the asset at November 30, 20X8, was deemed to be \$6 million, and its fair value less costs to sell was thought to be \$50,000 (the scrap value). What is the recoverable amount of the plant and equipment at November 30, 20X8?

- a) \$ 5 million
- b) \$ 5.5 million
- c) \$ 6 million
- d) \$ 50,000

PART – B

DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q31. Company A holds an “Asset 1” classified as property, plant and equipment under IAS 16. Asset 1 has a carrying amount of AED 15,000 on 31 December 2014 and a fair value of AED 12,000 on that date. Company B holds an “Asset 2” classified as property, plant and equipment under IAS 16. Asset 2 has a carrying amount of AED 14,000 on 31 December 2014 and a fair value of AED 11,000 on that date. Company A exchanges Asset 1 for Asset 2 with Company B. Give accounting entries in the books of Company A on 31 December 2014 for de-recognition of Asset 1 and recognition of Asset 2.

Q32. A company buys an aircraft for AED 10,000,000 on 1 January 2013. Under civil aviation rules, the aircraft requires a major inspection every three years at a cost of AED 200,000. Calculate the carrying amount of the aircraft as on 31 December 2014. Useful life of aircraft is 10 years.

Q33. To encourage entities to expand their operations in a specified development zone, where it is difficult for entities to obtain financing for their projects, the government provides interest-free loans to fund the purchase of manufacturing equipment. In accordance with the development scheme, an entity receives an interest-free loan from the government for CU 500 for a period of three years. The market rate of interest for similar loans is 5 per cent per year (i.e. the market rate of interest for a similar three-year loan to the entity). There are no future performance conditions attached to the interest-free loan. Explain the accounting treatment and give journal entry for the same. (Discounting factor @ 5% for 3 years = 0.863838)

Q34. XYZ Inc. and its subsidiaries have provided you with a list of the properties they own:

1. Land held by XYZ Inc. for undetermined future use
2. A vacant building owned by XYZ Inc. and to be leased out under an operating lease
3. Property held by a subsidiary of XYZ Inc., a real estate firm, in the ordinary course of its business
4. Property held by XYZ Inc. for the use in production
5. A hotel owned by ABC Inc., a subsidiary of XYZ Inc., and for which ABC Inc. provides security services for its guests' belongings

Advise XYZ Inc. and its subsidiaries as to which of the aforementioned properties would qualify under IAS 40 as investment properties. If they do not qualify thus, how should they be treated under IFRS?

Q35. An entity has these balances in its financial records:

	\$m
Value of biological asset at cost 12/31/13	600
Fair valuation surplus on initial recognition at fair value 12/31/13	700
Change in fair value to 12/31/14 due to growth and price fluctuations	100
Decrease in fair value due to harvest	90

Show how these values would be incorporated into the financial statements at December 31, 2014.

Q36. What are the quantitative thresholds for reporting separately information about an operating segment.

Q37. Explain different types of hedges.

PART – C  
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q38. APL Packaging entered into a new arrangement with one of its customers, Max Mobile, to manufacture a large volume of Mobile packing boxes. The design and components of the boxes are specified by Max Mobile. In order to make the boxes, specialized manufacturing equipment is required. The know-how to make the equipment belongs to Max Mobile. However, APL Packaging has constructed the specialised manufacturing equipment at its own cost of AED 1,000,000 as per Max Mobile's design. APL Packaging is paid a fixed price of AED 20 per Box produced. Average Market price of a box is AED 8 per box. Further, there is a minimum fee of AED 200,000 (i.e. 10,000 boxes) even if no Box are made. The contract is non-cancellable for a period of 20 years, which is also the useful life of the equipment. A clause in the contract with Max Mobile prevents APL Packaging from using the manufacturing equipment to make boxes for other customers. (20 years annuity factor at 10% = 8.51). Provide journal entries for the transaction along with detailed calculations.

Q39. On 1 January 2014, CP LLC entered into a contractual arrangement with another party, KL LLC, to manufacture products together. For this, they set up a new company, CPKL LLC, in which each party holds 50% of the ordinary shares and is entitled to a 50% share of profits. Equipment and cash to set up the business were contributed by each investor to CPKL LLC in proportion to their ownership and in return for the share capital. The arrangement is to last five years. After the five years, the arrangement can be terminated and the parties can take back the equipment that they have contributed. Any new equipment necessary during the period of the agreement will be contributed by one of the parties to CPKL LLC in return for an increased shareholding and rights to the equipment at the end of the arrangement. Each party to the arrangement uses the equipment it has contributed to perform its part of the work under the arrangement. Under the terms of the agreement, each party is liable to pay for the supplies used by their equipment in the event that revenues do not cover costs. Also, financial and operating policy decisions must be made together by both parties to the arrangement. CPKL LLC also took out loan finance which was guaranteed by the two investors in proportion to their ownership.

Give accounting treatment in the Consolidated and Separate financial statements of CP LLC as on 31 December 2014 of the investment in CPKL LLC.



Sample Question Papers  
Certificate Course on Ind AS  
(Abroad)

Total No. of Questions : 39  
Total Marks : 100

Total No. of printed pages : 8  
Time Allowed : 3 Hours

All the questions are compulsory. Question No. 1 to 30 carry 1.5 marks each, Question No. 31 to 37 carry 5 marks each and Questions 38 to 39 carry 10 marks each.

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PART - A  
OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State whether each of the following statements is true or false (with reasons)

- Q1. An entity should not present any items of income or expense as extraordinary items, in the statement of profit and loss or in the notes.
- Q2. Exploration, Extraction for and evaluation of minerals is search for mineral resources, including minerals, oil, natural gas and similar non-generative resources after the entity has obtained as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource legal rights to explore in a specific area.
- Q3. Trade union consisting of all employees except key management personnel (KMP), directors and shareholders is a related party.
- Q4. The definition of cash as used in IAS 7 – Cash Flow Statement includes cash in hand and all deposits including term deposits.
- Q5. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumption that market participants would use when pricing the asset or liability.
- Q6. On derecognition of a financial assets in its entirety, entity shall recognize the difference between the carrying amount and the consideration received in OCI.
- Q7. No amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a non-vesting condition.
- Q8. As per IAS 37, when using discounting factor, increase in carrying amount of the provision in each period, shall be considered as borrowing cost.
- Q9. Constructive obligation contract are contracts under which neither party has performed any of its obligation or both parties have partially performed their obligations to an equal extent.

Q10. While translating financials from functional currency to presentation currency, all resulting exchange difference shall be recognized in income statement.

State the correct answer for each of the following statements

Q11. A construction company signed a contract to build a stadium over a period of three years, and with this contract also signed another contract for maintenance for twelve years. Both the contracts are negotiated as a single package and are closely inter-related to each other. The two contracts should be -

- a) Combined and treated as a single contract
- b) Segmented and considered two separate contracts
- c) Recognized under the completed contract method
- d) Treated differently - the building contract under the completed contract method and maintenance contract under the percentage of completion method

Q12. Hedge relationship have 3 types, i.e.,

- a) Fair value hedge, cash flow hedge and equity hedge
- b) Cash flow hedge, equity hedge and carrying value hedge
- c) Carrying value hedge, fair value hedge and realizable value hedge
- d) None of the above

Q13. Options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds \_\_\_\_\_ of the options and warrants.

- a) Exercise price
- b) spot price
- c) future value
- d) fair value

Q14. \_\_\_\_\_ is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

- a) Harvest
- b) Agricultural activity
- c) Biological transformation
- d) bearer plant

Q15. After the measurement period ends, the acquirer shall revise the accounting for a business combination only to \_\_\_\_\_.

- a) change of estimate
- b) correction of error
- c) recorded new update
- d) consolidate

Q16. Inventories are assets -

- a) Held for sale in the ordinary course of business
- b) In the process of production for such sale
- c) In the form of materials or supplies to be consumed in the production process or rendering of services
- d) All of the above choices a, b and c

Q17.As per IAS 19 – Employee Benefits, which of these elements are taken into account when determining the discount rate to be used -

- a) Market yields at the end of the reporting period on high-quality corporate bonds
- b) Investment or actuarial risk
- c) Specific risk associated with the entity’s business
- d) Risk that future experiences may differ from actuarial assumptions

Q18.In case of non-monetary grant, IAS 20 mandates to record the asset and the grant at:

- a) fair value
- b) nominal amount
- c) (a) or (b) whichever is lower
- d) option (a) or (b)

Q19.An entity shall recognize an impairment loss for any initial or subsequent write down of the asset to \_\_\_\_\_.

- a) fair value less cost to sell
- b) carrying amount
- c) fair value
- d) carrying amount less cost to sell

Q20.Gains or loss associated with redemptions and refinancing of equity instruments are recognized as \_\_\_\_\_.

- a) Profit or loss
- b) other comprehensive income
- c) change in equity
- d) liability

Calculate the correct amount in each of the following statement:

Q21.Give & Take, a public limited company, has granted 100 share appreciation rights to each of its 1,000 employees in January 2015. The management feels that as on December 31, 2015, 90% of the awards will vest on December 31, 2016. The fair value of each share appreciation right on December 31, 2015, is \$ 10. What is the fair value of the liability to be recorded in the financial statements for the year ended December 31, 2015?

- a) \$ 300,000
- b) \$ 10 million
- c) \$ 100,000
- d) \$ 90,000

- Q22. An entity has a subsidiary that operates in a foreign country. The subsidiary sold goods to the parent for € 10 million. The functional currency of the entity is the dollar. The cost of the goods to the subsidiary was € 9.1 million. The goods were recorded by the entity at \$ 5.0 million (€ 2 = \$ 1) and all were unsold at the year end of December 31, 2015. The exchange rate at that date was € 1.5 = \$
1. What is the value of the intragroup profit that will be eliminated at December 31, 2015? a) \$ 205,000
- b) \$ 600,000
- c) \$ 450,000
- d) \$ 350,000

Q23. An entity has the following balances relating to its defined benefit plan:

Present value of obligation	\$ 13 million
Fair value of plan assets	\$ 17 million
Actuarial losses (unrecognized)	\$ 1.3 million
Past service cost (unrecognized)	\$ 1.2 million
Present value of available future refunds and reduction in future contributions	\$ 0.1 million

The value that will be given to the net plan assets under IAS 19 – Employee Benefits?

- a) \$ 6.5 million
- b) \$ 3.9 million
- c) \$ 4 million
- d) \$ 2.6 million
- Q24. Directors of a company have announced restructuring. The costs incurred in relation to the restructuring will include relocation costs for a new manager and retraining of some of the remaining employees in new systems in other departments. Expected costs to be incurred are:
- i. Retraining: CU 60,000
- ii. Redundancy payments: CU 45,000
- iii. Relocation of employees and equipment (from a factory (to be closed) to a factory which will continue to be used) : CU 14,000

What would be the amount of the provision?

- a) CU 1,19,000
- b) CU 45,000
- c) CU 1,05,000
- d) None of the above
- Q25. Gupta Developers has entered into a very profitable fixed-price contract for constructing a high rise building over a period of three years. It incurs the following costs relating to the contract during the first year:
- Cost of material = \$ 2.5 million

- Site labour costs = \$ 2.0 million
- Agreed administrative costs as per contract to be reimbursed by the customer = \$ 1 million
- Depreciation of the plant used for the construction = \$ 0.5 million
- Marketing costs for selling apartments when they are ready = \$ 0.1 million

Total estimated cost of the project = \$ 18 million.

The percentage of completion of this contract at the year-end is:

- a) 50% (= 6.0 / 18.0)
- b) 27% (= 4.5 / 16.5)
- c) 25% (= 4.5 / 18.0)
- d) 39% (= 7.0 / 18.0)

Q26. Entity A exchanges surplus land with a book value of C100,000 for cash of C200,000 and plant and machinery valued at C250,000. The transaction has commercial substance. At what value should be the plant and machinery be recorded? a) CU 1,00,000

- b) CU 2,50,000
- c) CU 4,50,000
- d) None of the above

Q27. HGF and Co. has a lease on a property at a rental of CU 12,000 a year. There are 5 years remaining on the lease. The market rent is CU 5,000 a year. The company no longer occupies the property and it is not used in the business. A sublease (non-cancellable) on the property has been arranged at a rent of CU 5,000 a year for the remaining 5 years on the lease. Determine the provision amount that is to be provided?

- a) CU 55,000
- b) CU 60,000
- c) CU 35,000
- d) None of the above

Q28. An entity has a subsidiary that operates in a foreign country. The subsidiary sold goods to the parent for € 10 million. The functional currency of the entity is the dollar. The cost of the goods to the subsidiary was € 9.1 million. The goods were recorded by the entity at \$ 5.0 million (€ 2 = \$ 1) and all were unsold at the year end of December 31, 2015. The exchange rate at that date was € 1.5 = \$ 1. What is the value of the intragroup profit that will be eliminated at December 31, 2015?

- a) \$ 205,000
- b) \$ 600,000
- c) \$ 450,000
- d) \$ 350,000

Q29. Company X grants 500 shares options each to 100 employees, options to purchase shares of the Company at CU. 1. The options will vest after 3 years. The fair value of each option is estimated to be CU 15 on the date of grant. The fair values are CU. 18, CU. 25 and CU. 30 at the end of year 1, year 2 and year 3 respectively. The employee service cost to be debited to profit and loss account at the end of year 1 is

- a) CU. 7,50,000

- b) CU. 2,50,000
- c) CU. 3,00,000
- d) None of the above

Q30. An entity issued a convertible bond on January 1, 2015 that matures in five years. The bond can be converted into ordinary shares at any time. The entity has calculated that the liability and equity components of the bond are \$ 3 million for the liability component and \$ 1 million for the equity component, giving the total amount of the bond of \$ 4 million. The interest rate on the bond is 6% and the local tax laws allows a tax deduction for the interest paid in cash. Calculate the deferred tax liability arising on the bond at the year ending December 31, 2015. The local tax rate is 30%.

- a) \$ 1.2 million
- b) \$ 900,000
- c) \$ 300,000
- d) \$ 4 million

PART – B

DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q31. Cite the conditions required for two or more operating segments to be aggregated into a single operating segment.

Q32. Explain the term “net investment in foreign operations” and give its accounting as per IAS 21.

Q33. What components are included in Other Comprehensive Income (OCI)?

Q34. A company buys a Ship for USD 100,000 on 1 January 2015. The ship requires a major inspection to be conducted every three years at a cost of USD 20,000 to obtain a certificate of seaworthiness. Calculate the carrying amount of the ship as on 31 December 2015. Useful life of the ship is 10 years.

Q35. Explain hedged items and hedging instruments under IFRS 9.

Q36. Asha Ltd owns a building, which it leases out to its subsidiary, Sabby Ltd. The lease is a short-term lease. Sabby Ltd uses the building as its head office. How will this building be classified in the individual financial statements of Asha Ltd. and the consolidated financial statements of the Group? Give reasons to support your answer.

Q37. Define Agricultural activity. Also state, along with reasons, whether the following activities are agricultural activities?

- (a) Ocean fishing
- (b) Deforestation
- (c) Plantation

PART – C  
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q38. An entity issues 2,000 convertible debentures at the start of year 1. The debentures have a three-year term, and are issued at par with face value of \$ 1,000 per debenture, giving total proceeds of \$ 2,000,000. Interest is payable annually at 6% p.a. Each debenture is convertible at any time up to maturity into 250 shares. When the debentures are issued, the prevailing market interest rate for similar debt without conversion option is 9% p.a.

Required:

- (a) Compute the recognition amounts of the compound instrument.
- (b) Explain the accounting flow (journal entries – ignore narration) for years 1 to 3, assuming that 1000 debentures are converted into equity shares in year 3.

Q39. A pharmacy chain operates a customer loyalty programme. It grants programme members loyalty points when they spend a specified amount on medicines. Programme members can redeem the points for further medicines. The points have no expiry date. In one period, the entity grants 100 points. Management estimates the fair value of medicines for each loyalty point can be redeemed as \$ 1.25. This amount takes into account an estimate of the discount that management expects would otherwise be offered to customers who have not earned award credits from an initial sale. In addition, management expects only 80 of these points to be redeemed. At the end of first year, 40 of the points have been redeemed in exchange for medicines, i.e. half of those expected to be redeemed. In the second year, management revises its expectations. It now expects 90 points to be redeemed altogether. During the second year 41 points are redeemed. In the third year, a further nine points are redeemed. Management continues to expect that only 90 points will ever be redeemed i.e. that no more points will be redeemed after third year.

Required:

How would the pharmacy chain account for customer loyalty program each year?



Sample Question Papers  
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(Abroad)

(Code - IEC)

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All the questions are compulsory. Question No. 1 to 30 carry 1.5 marks each, Question No. 31 to 37 carry 5 marks each and Questions 38 to 39 carry 10 marks each.

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PART - A  
OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State whether each of the following statements is true or false (with reasons)

- Q1. An entity shall not report separately information about an operating segment when its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments
- Q2. When an entity completes the construction, or development, of a self-built investment property that will be carried at fair value, any difference between the fair value of the property at that date, and its previous carrying amount should be written off over the life of the asset.
- Q3. An entity should present the income from discontinued operations as a single amount on the face of the income statement with analysis in the notes or a section of the income statement separate from continuing operations.
- Q4. The determination of an incentive or bonus payment after the reporting period when an entity has a constructive obligation at the reporting period is an adjusting event.
- Q5. Where the fair value of the biological asset on initial recognition cannot be determined reliably the biological asset should be measured at net realisable value.
- Q6. In case of a non-monetary grant, the asset is recorded at replacement cost and the grant at a nominal value.
- Q7. A provision can be recognised in accordance with IAS 37, when there is a possible obligation arising from a past event, the outflow of resources is probable, and an approximate amount can be set aside toward the obligation.
- Q8. When there are transactions between related parties only transactions need to be disclosed.

Q9. When it is difficult to distinguish between a change of estimate and a change in accounting policy, then an entity should treat entire change as a change in accounting policy.

Q10. An exploration and evaluation asset should no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Q11. When applying IAS 17 Leases, an entity measures fair value in accordance with IAS 17, not IFRS 13.

State the correct answer for each of the following statements

Q12. Which of the following is to be considered to judge whether an additional line item is to be presented separately or not?

- i. Rate of interest applicable for the borrowings
- ii. The function, nature, and liquidity of assets
- iii. Useful life of the assets
- iv. The amounts, nature and timing of liabilities

The options are:

- a) (i), (ii), and (iii)
- b) (ii) and (iv)
- c) (ii), (iii) and (iv)
- d) All of the Above

Q13. In accordance with IFRS 15, to account for the transfer of products with a right of return (and for some services that are provided subject to a refund), an entity shall recognise:

- a) revenue for the transferred products in the amount of consideration to which the entity expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);
- b) a refund liability; and
- c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.
- d) All of the above

Q14. An entity is developing a new production process. During 2015, expenditure incurred was CU 10,000, of which CU 8,000 was incurred before 1 November 2015 and CU 2,000 was incurred between 1 November 2015 and 31 December 2015.

The entity is able to demonstrate that, at 1 November 2015, 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 out flows to complete the process before it is available for use) is estimated to be CU 2,500.

Entity has given the following possible treatment for the year ended 31<sup>st</sup> December, 2015.

Which of the following accounting treatment is correct?

	Amount recognised As an expense	Amount recognised as Intangible assets a)
		CU 8,000
		CU 2,000
b)	CU 10,000	CU Nil
c)	CU Nil	CU 2,500
d)	CU Nil	CU 10,000

Q15. \_\_\_\_\_ is the earlier of the date of the lease agreement and the date of commencement by the parties to the principal provisions of the lease.

- a) Commencement of lease
- b) Inception of lease
- c) Renewal of lease
- d) Term of lease

Q16. Which of the following is not covered by the Appendix D to IFRS 1, "Exemptions from other IFRSs"?

- a) Impairment of Assets
- b) Compound Financial Instruments
- c) Borrowing Cost
- d) Transfer of assets from customers

Q17. Examples of costs that are not costs of an item of property, plant and equipment are:

- a) initial delivery and handling costs
- b) costs of site preparation
- c) costs of opening a new facility
- d) installation and assembly costs

Q18. In case of a sale and leaseback transaction that results in an operating lease, if the sale is below the fair value of the assets and the loss is compensated by future lease payments, the loss is:

- a) Deferred and amortised over the useful life of the asset
- b) Deferred until the end of the lease term
- c) Recognised immediately in the profit and loss statement
- d) Recognised immediately in reserves

Q19. If an entity does not prepare interim financial reports, then:

- a) The year-end financial statements are deemed not to comply with IFRS
- b) Interim financial reports should be included in the year-end financial statement
- c) The year-end financial statement's compliance with IFRS is not affected
- d) The year-end financial statement will not be acceptable under local legislation

Q20. Under IFRS 15, Revenue from Contracts with Customers, when determining the transaction price, an entity shall consider the effects of :

- a) Variable Consideration

- b) The existence of a significant financing component in the contract
- c) Non-cash consideration
- d) All of the above

Q21.As per IAS 37, Provisions, Contingent Liabilities and Contingent Assets, which one of the following should be recognised as a provision?

- a) Future operating losses
- b) Obligations for plant decommissioning costs
- c) Obligations under insurance contracts
- d) Reductions in fair value of financial instruments

Q22.A brand name that was acquired separately should be initially recognised, according to IAS 38, Intangible Assets, at .....

- a) Either at cost or fair value
- b) Recoverable amount
- c) Fair value
- d) Cost.

Q23.On 1<sup>st</sup> July, 2015, an entity decided to adopt IFRS. The entity's first IFRS reporting period is as of and for the year ended 31<sup>st</sup>December 2015. The entity will present one year of comparative information. The company's date of transition to IFRS is .....

- a) 31<sup>st</sup> December 2015
- b) 1<sup>st</sup> January 2015
- c) 1<sup>st</sup> July, 2015
- d) 1<sup>st</sup> January 2014.

Q24.In accordance with IFRS 2,Share-based Payment if the entity cannot estimate reliably the fair value of the goods or services received, the entity should use .....

- a) The par value of the shares given
- b) The reload option
- c) Fair value of the equity instruments granted
- d) Intrinsic value

Q25.An entity is planning to dispose of a collection of assets. It designates these assets as a disposal group. The carrying amount of these assets immediately before classification as held for sale was CU 40 million. Upon being classified as held for sale, the assets were revalued to CU 36 million. The entity feels that it would cost CU 3 million to sell the disposal group. The carrying amount of the disposal group in the entity's accounts after its classification as held for sale would be CU .....

- a) CU 40 million
- b) CU 36 million
- c) CU 39 million
- d) CU 33 million

Q26.If bank overdrafts form an integral part of an entity's cash management, they are considered to be

.....

- a) Cash equivalents
- b) Operating activities
- c) Investing activities
- d) Financial activities

Q27. An entity is commencing a new construction project, which is to be financed by borrowing. It should start capitalising interest from .....

The key dates are follows:

- a) 15<sup>th</sup> May 2015: Loan interest relating to the project starts to be incurred
- b) 5<sup>th</sup> June 2015: Technical site planning commences
- c) 12<sup>th</sup> June 2015: Expenditures on the project start to be incurred
- d) 18<sup>th</sup> July 2015: Construction work commences.

Q28. At initial recognition, an entity should measure a financial asset.....

- a) At fair value
- b) At cost
- c) At fair value plus transaction costs
- d) For financial assets FVTPL at fair value for all other assets at fair value plus transaction costs.

Q29. For other long-term employee benefits, an entity shall recognise the net total of the \_\_\_\_\_ amounts in profit or loss, except to the extent that another IFRS requires or permits their inclusion in the cost of an asset:

- a) service cost
- b) net interest on the net defined benefit liability (asset)
- c) remeasurements of the net defined benefit liability (asset)
- d) All of the above

Q30. An investor sells inventory for cash to its associate company. The investor has investment of 25% of equity share capital of the associate company. The inventory costs the investor CU 12 million and is sold to the associate for CU20 Million. None of the inventory has been sold at year end. Profit on the transaction that is reported in the group accounts is.....

- a) CU 6 million
- b) CU 8 million
- c) CU 2 million
- d) Zero

## PART – B

### DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q31. Define cash-generating unit? How to recognise impairment loss of a cash-generating unit?

- Q32. Define fair value in the context of IFRS 13, Fair Value Measurement. Discuss the hierarchy of valuation.
- Q33. Under what circumstances deferred tax liability is not recognised as per IAS 12, Income Taxes?
- Q34. How the components of defined benefit cost are recognised?
- Q35. Define 'control' in the context of IFRS 10, Consolidated Financial Statements? When an investor controls an investee?
- Q36. Explain the concept of functional currency. Also state the factors to be considered in determining the functional currency?
- Q37. Define the term 'joint arrangement' and its characteristics? "A joint arrangement is either a joint operation or a joint venture". Explain?

PART – C  
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q38.1. On April 1, 2015, Entity A contracted with Entity B to construct a building for CU 3,00,00,000 on land that Entity A had purchased years earlier.

2. Entity A was to make five payments in 2015-16, with the last payment scheduled for the date of completion.
3. The building was completed March 31, 2016.
4. Entity A made the following payments during the accounting year 2015-16:

	CU.
April 1, 2015	30,00,000
June 30, 2015	60,00,000
September 30, 2015	81,00,000
December 31, 2015	64,00,000
March 31, 2016	65,00,000
	-----
	3,00,00,000
	=====

5. Entity A had the following debt outstanding at March 31, 2016.
  - a. A 12%, 4-year bond dated 1<sup>st</sup> April, 2015 with interest compounded quarterly. Both principal and interest due March 31, 2016 (relates specifically to building project) 85,00,000

Entity A has temporarily invested funds in liquid funds and earned CU 40,000 from the said investments.

- b. A 10%, 10-year bond with simple interest and Interest payable annually on March, 31 60,00,000
- c. A 12%, 5-year bond dated with simple interest and interest payable annually on March, 31 70,00,000

Calculate the Interest cost to be capitalised and to be expensed out for the financial year ending March 31, 2016.

Q39. Genius Start Up is in process of developing an innovative computer processing system. It intends to seek patent once the commercial feasibility and viability is established. The processing system it will be able to reduce the manufacturing cost of circuits and chips drastically.

The management seeks your opinion on capitalisation of intangible assets with specific regards to the followings:

- a. When to start capitalising the cost?
- b. Which types of cost can be capitalised?
- c. What if the entity is unable to establish feasibility and viability of the processing system?