79. What is meant by comparability when discussing financial accounting information?
Correct answer: Information that is measured and reported in a similar fashion across companies.

80. Which of the following is an ingredient of faithful representation?
Correct answer: Neutrality.

81. What is meant by consistency when discussing financial accounting information?
Correct answer: Information that is measured and reported in a similar fashion across points in time

82. Neutrality is an ingredient of which fundamental quality of information?
Correct answer: Faithful representation.

83. When information about two different enterprises has been prepared and presented in a similar manner, the information exhibits the characteristic of
Correct answer: None of these answer choices are correct.

84. Company A issuing its annual financial reports within one month of the end of the year is an example of which enhancing quality of accounting information?
Correct answer: Timeliness.

85. Accounting information is considered to be relevant when it
Correct answer: is capable of making a difference in a decision

86. Financial information exhibits the characteristic of consistency when
Correct answer: a company applies the same accounting treatment to similar events, from period to period.

87. If the FIFO inventory method was used last period, it should be used for the current and following periods because of
Correct answer: consistency.

88. The pervasive criterion by which accounting information can be judged is that of
Correct answer: decision usefulness.

89. Which of the following is an ingredient of relevance?
Correct answer: Materiality.

90. Which of the following is a fundamental quality of useful accounting information?
Correct answer: Relevance.

91. The two fundamental qualities that make accounting information useful for decision making are
Correct answer: relevance and faithful representation.

92. Neutrality is an ingredient of which fundamental quality of information?
Correct answer: Faithful representation.

93. Which of the following is a primary quality of useful accounting information?
Correct answer: Faithful representation.

94. The quality of information that means the numbers and descriptions match what really existed or happened is
Correct answer: faithful representation.

95. In the absence of an IFRS that specifically applies to a transaction, other event or condition management shall refer to, and consider the applicability of, the following sources, except for:
Correct answer: Accepted accounting practice of other industry
123. The measurement provisions of PAS 2 Inventories do not apply to which of the following?
I. Inventories of producers of agricultural, forest, and mineral products to the extent that they are measured at net realizable value in accordance with well-established practices in those industries.
II. Inventories of commodity broker-traders measured at fair value less costs to sell.
III. Inventories of a retail store.
IV. Inventories of a service concessionaire.
Correct answer: I, II

124. Which of the following is correct regarding the recognition of inventories?
Correct answer: Inventories are recognized only when they meet the definition of inventory and they qualify for recognition as assets.

125. Which of the following is incorrect regarding the accounting for inventories?
Correct answer: Transfer of ownership over inventories may coincide with or follow but never precedes the transfer of physical possession of the goods.

126. In which of the following shall PAS 2 Inventories be applied?
Correct answer: Inventory of a service provider consisting only of direct labor and overhead

127. Who owns the goods in transit under FOB shipping point?
Correct answer: buyer

128. Who should properly shoulder the freight of the goods shipped?
Correct answer: the entity who owns the goods

129. Under a freight collect shipping cost agreement, who is supposed to pay for the freight?
Correct answer: either a or b

130. If the terms of a purchase or sale transaction is FOB Destination, ownership is transferred
Correct answer: when the buyer receives the goods

131. Under this shipping cost agreement, freight is paid in advance by the seller before shipment.
Correct answer: freight prepaid

132. Under this shipping cost agreement, the buyer initially pays the freight of the goods delivered.
Correct answer: freight collect

133. If the term of a purchase transaction is FOB Destination, liability is recognized
Correct answer: upon receipt of buyer of the goods shipped

134. If the term of a purchase transaction is FOB Shipping Point, liability is recognized
Correct answer: upon shipment of the goods

135. Under this shipping cost agreement, freight is not yet paid upon shipment. The carrier collects shipping costs from the buyer upon delivery.
Correct answer: freight collect

136. If the term of a purchase transaction is FOB Shipping Point, Freight collect, the party who finally shoulders the freight is the
Correct answer: buyer

137. If the term of a purchase transaction is FOB Shipping Point, Freight prepaid, the party who finally shoulders the freight is the
Correct answer: buyer

138. If the term of a sale or purchase transaction is FOB Shipping Point, ownership is transferred
Correct answer: upon shipment of the goods

139. Under this agreement, the seller should pay for the freight of goods delivered.
Correct answer: FOB destination

140. Who owns the goods in transit under FOB destination?
Correct answer: seller
193. Which of the following principles supports the capitalization of interest?
Correct answer: Matching

194. Which of the following is not a term used as substitute for government grants?
Correct answer: income tax holiday

195. Which of the following are considered characteristics of a recognized government grant?
I. An economic benefit received from the government
II. Direct benefits is specific to the recipient entity
III. With measurable value
IV. Received or receivable in return for past or future compliance with attached condition
V. There is reasonable assurance that the recipient entity will comply to the attached conditions and that the grant will be received.
VI. Direct recognition in equity.
Correct answer: I, II, III, IV, V

196. What type of borrowing costs is eligible for capitalization under PAS 23?
Correct answer: avoidable borrowing costs

197. Which of the following may qualify as a qualifying asset?
Correct answer: Biological asset measured at cost

198. Under PAS 20, this refers to government, government agencies and similar bodies whether local, national or international.
Correct answer: Government

199. Which of the following statements incorrectly relate to the scope of PAS 20?
Correct answer: PAS 20 shall be applied in accounting for, and in the disclosure of, government grants and other forms of government assistance.

200. In relation to the accounting for government grants, which of the following is true?
Correct answer: Government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received

201. A property will be classified as investment property if
Correct answer: the entity provides relatively insignificant ancillary services (security, janitorial services) to the occupants of the property

202. A new office building used by an insurance entity as its head office which was purchased specifically in the center of a major city in order to exploit its capital gains potential. The property should be accounted for under
Correct answer: PAS 16

203. An agricultural land is purchased for its investment potential. Planning permission has not been obtained for building constructions of any kind. Which of the following is correct?
Correct answer: the property may be classified as investment property despite the lack of permission

204. Investment properties are initially recognized at cost which comprises purchase price and any directly attributable expenditure. Which of the following may be treated as direct costs of acquisition and, therefore, increases the cost to be initially recognized for the investment property?
Correct answer: Professional fees for legal services and property transfer taxes.

205. All of the following will not qualify as investment property, except?
Correct answer: An agricultural land purchased for appreciation purposes

206. The fair value of an investment property excludes which of the following?
Correct answer: prepaid or accrued operating lease income
Micko Company provided the following data:
Value of biological asset at acquisition asset on December 31, 2015
600,000
Fair valuation surplus on initial recognition at fair value on December 31, 2015
700,000
Change in fair value to December 31, 2016 due to growth and price fluctuation
100,000
Decrease in fair value due to harvest in 2016
90,000

What is the gain from change in fair value of biological asset that should be reported in the 2016 income statement?
Correct answer: 10,000

What is the carrying amount of the biological asset on December 31, 2016?
Correct answer: 1,310,000

Vanity Company showed the following balance at year-end:
Copyright 500,000
Deposit with advertising agency used to promote goodwill 400,000
Bond sinking fund 1,000,000
Excess of cost over fair value of identifiable net assets of acquired subsidiary 4,000,000
Trademark 900,000

What total amount should be reported as intangible assets?
Correct answer: 5,400,000

Forester Company provided the following assets in a forest plantation:
Freestanding trees 5,100,000
Land under trees 600,000
Roads in forests 300,000
Animals related to recreational activities 1,000,000
Bearer plants — rubber trees and grape vines 1,500,000

What total amount of the assets should be classified as biological assets?
Correct answer: 5,100,000

Zambia Company purchased four convenience store buildings on January 1, 2010 for a total of P25,000,000. The buildings have been depreciated using the straight-line method with a 20-year useful life and 10% residual value.
On January 1, 2016, the entity has converted the buildings into a hotel and restaurant. Because of the change in the use of the buildings, the entity is evaluating the buildings for possible impairment.

The entity estimated that the building have a remaining useful life of 10 years, that their residual value will be zero, that undiscounted net cash inflows from the buildings will total P1,500,00 per year, and that the current fair value of the four building totals P10,000,000. The appropriate discount rate is 12%. The present value of an ordinary annuity of 1 at 12% for 10 periods is 5.65.

What amount of impairment loss should be recognized for 2016?
Correct answer: 8,250,000

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What is the depreciation of the building for 2016?
Correct answer: 847,500