

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.

91. Which of the following is a primary quality of useful accounting information?

Correct answer: Faithful representation.

92. The quality of information that means the numbers and descriptions match what really existed or happened is

Correct answer: faithful representation.

93. Which of the following is a change in accounting policy?

I - the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring

II - the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial

Correct answer: Neither I nor II

94. Which of the following is false?

Correct answer: Early application of an IFRS is a voluntary change in accounting policy.

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 cost 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

290 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

291. 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 intangible assets of acquired subsidiary 4,000,000

Trademark 900,000

What total amount should be reported as intangible assets?

Correct answer: 5,400,000

292. 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

293. Forester Company provided the following assets in a forest plantation:

Freestanding tress 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

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What is the depreciation of the building for 2016?

Correct answer: 847,500