



## QUESTION-1

Investments greater than 50% of the voting shares in another company are reported using the .....method

- a) Un-consolidation
- b) Minority
- c) Consolidation
- d) Related

Answer::: .....

## QUESTION-2

In preparing its 2017 financial statements, management of Abzwater.com discovered that a delivery truck purchased early in 2015 had been incorrectly reported as a repair and maintenance expense in that year rather than being capitalized. The vehicle's cost was USD 60000 and was expected to have a useful life of 5 years with a residual value of USD 10000. Assume that depreciation using the straight-line method for tax purposes is calculated in the same way as for accounting purposes, and that the company's tax rate is 20%. Also assume that prior year tax returns will be refilled to reflect the correction of the error. Which of the following statements is incorrect

- a) The adjustment required to the accumulated depreciation in 2015 is USD 30000
- b) The adjustment required to the accumulated depreciation in 2015 is USD 20000
- c) The adjustment required to the accumulated depreciation in 2015 is

USD 5000

d) The adjustment required to the accumulated depreciation in 2015 is USD 10000

Answer::: .....

### QUESTION-3

Market (fair) values can go up or down while fair value through net income (FVNI) investments are being held. These increases and decreases are referred to as .....

- a) realized gains and losses and are reported in depreciation expenses
- b) unrealized gains and losses and are reported in net income
- c) unrealized gains and losses and are reported in net operating income
- d) realized gains and losses and are reported in net comprehensive income

Answer::: .....

### QUESTION-4

In preparing its 2017 financial statements, management of Abzwater.com discovered that a delivery truck purchased early in 2015 had been incorrectly reported as a repair and maintenance expense in that year rather than being capitalized. The vehicle's cost was USD 60000 and was expected to have a useful life of 5 years with a residual value of USD 10000. Assume that depreciation using the straight-line method for tax purposes is calculated in the same way

as for accounting purposes, and that the company's tax rate is 20%. Also assume that prior year tax returns will be refilled to reflect the correction of the error. The corrected net incomes in 2017 and 2016 are USD 200000 and USD 160000, respectively. If the uncorrected opening retained earnings in 2015 is 1000000, the corrected opening retained earnings in 2017 is.....

- a) USD 1000000
- b) USD 1400000
- c) USD 1600000
- d) USD 1200000

Answer::: .....

#### QUESTION-5

A joint operation exists if the investor has rights to the .....of the joint entity and a joint venture exists if the investor has rights to net assets (assets and limited liability obligations) of the joint entity.

- a) current assets and unlimited liability obligations
- b) assets and limited liability obligations
- c) assets and unlimited liability obligations
- d) non-current assets and limited liability obligations

Answer::: .....

#### QUESTION-6

The dividends payable of a company in 2016 and 2015 are USD 25 and USD 30, respectively. The net income of the company in 2016 is USD 80. If USD 58 of dividends were declared in 2016, the payment of

dividends that contributes to the cash flows from financing activities is.....

- a) USD 63
- b) USD 83
- c) USD 98
- d) USD 58

Answer::: .....

### QUESTION-7

On January 1, 2015, Abzwater.com purchased 20% of the 100,000 outstanding common shares of Sourceit Ltd. for USD 400,000. Sourceit is one of Abzwater.com' suppliers. The outstanding shares of Sourceit are widely held, so with this purchase, Abzwater.com can exercise significant influence over Sourceit. This investment solidified the relationship between Abzwater.com and Sourceit and will guarantee a steady supply needed by Abzwater.com for its customers. The net income of Sourceit for the year ended December 31, 2015 is USD 200000. On December 31, 2015, Sourceit declared and paid dividends to its shareholders. The total amount of the dividends paid to its shareholders is USD 150000. If Sourceit is the only associates of Abzwater.com, the reported investment in associates in the balance sheet of Abzwater.com is .....

- a) USD 400000
- b) USD 470000
- c) USD 440000
- d) USD 410000

Answer::: .....

### QUESTION-8

The accounting treatment for an error or omission is a ..... adjustment with restatement

- a) Regressive
- b) Prospective
- c) Retrospective
- d) Regional

Answer::: .....

### QUESTION-9

Retained earnings in the statement of changes in equity accumulate .....over time

- a) tax income
- b) net unrealized gain/loss
- c) net income/loss
- d) other comprehensive income/losses

Answer::: .....

### QUESTION-10

Fair value through net income (FVNI) investments in debt and equity are reported at their fair value at each balance sheet date with fair value changes reported in..... Any gain (loss) upon sale of the investment is reported in.....

- a) depreciation expenses, depreciation expenses
- b) depreciation expenses , net income
- c) net income , net income
- d) net income , depreciation expenses

Answer::: .....

**SAMPLE**

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# ----Answer Sheet----

1) Consolidation

2) The adjustment required to the accumulated depreciation in 2015 is USD 10000

3) unrealized gains and losses and are reported in net income

4) USD 1200000

5) assets and unlimited liability obligations

6) USD 63

7) USD 410000

8) Retrospective

9) net income/loss

10) net income , net income

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