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    c. Distribution received from an associate increase the carrying amount of the investment
    d. The carrying amount is decreased by the investor's share in the loss of the associate after the date of acquisition.
33. The following statements are based on PAS 28 (Investment in Associates)

    Statement I: An investment in a associate shall be accounted for using the equity method (benchmark) or cost method (alternative)

    Statement II: An investor shall be discontinued the use of equity method from the date when it ceases to have significant influence over an associate and shall account

    Statement III: On the loss of significant influence, the investor shall measure to historical cost any investment the investor retains in the former associate.

	A.	B.	C.	D.
Statement I	False	False	False	False
Statement II	True	True	False	False
Statement III	True	False	True	False

34. Under PFRS, which of the following is not category of financial assets?
    a. Financial assets at amortized cost
    b. Financial assets at fair value through profit or loss
    c. Financial assets at fair value through accumulated profit or loss
    d. Financial assets at fair value through another comprehensive income
35. Under PFRS 9, which type of financial instrument is subject to business test cash flow characteristics test?
    a. Debt securities
    b. Derivative securities
    c. Debt and equality securities
    d. Equity securities
36. PFRS 7 define 'liquidity risk' as the risk that
    a. An entity's cash inflow will not be sufficient to meet the entity's cash outflows
    b. An entity will encounter difficulty in meeting cash flow needs due to cash flow problems
    c. An entity will encounter difficulty in meeting obligations associated with financial liabilities
    d. An entity will encounter will difficulty is disposing a financial asset due to lack if market liquidity
37. Under PFRS 7, market risk refers to the risk
    a. Associated with the extent of fixed charges incurred in a business operation

   b. That a entity will encounter difficulty in meeting obligations associated with financial liabilities
   c. That one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligations
   d. That the fair value or future cash flows financial instrument will fluctuate because of changes in market price(e.g., currency risk, interest rate risk and other price risk)

38. In accordance with PFRS 7, Financial Instruments Disclosures, which two of the following are components of market risk?
    a. Credit risk and currency risk
    b. Credit risk and liquidity risk
    c. Currency risk and interest rate risk
    d. Interest rate risk and liquidity risk
39. What is the type of financial risk involved when entities have outstanding purchased commitments?
    a. Credit risk
    b. Foreign currency risk
    c. Interest rate risk
    d. Price risk
40. Which of the following types of information does PFRS 7 nit required to be disclosed about the significance of financial instruments?
    a. Fair value of financial instruments
    b. Information about the use of hedge accounting
    c. Carrying amounts of categories of financial instruments
    d. Information about financial instruments, contract, and obligations under share-based payments transactions.
41. In a manufacturing company the "just-in-time" concept of inventory management is best illustrated by
    a. Setting finished products before they go out of style
    b. An automated factory with reduced production time below that of other companies in the industry
    c. Completing the manufacturing process just before the deadline establish by the customer
    d. Receiving deliveries of material from suppliers just before the materials are used in the production process
42. When a periodic inventory system is used
    a. Two entries must be made when goods are purchased
    b. Cost of goods sold is a residual amount, rather than an account
    c. Ending inventory is related as an expense and beginning inventory is treated as an asset
    d. Purchases account is not used; all inventory purchased entities are debited to inventory account

43. Which of the following is a characteristic of a perpetual inventory system?
    a. Inventory records are not kept for every item
    b. Cost of goods sold is recorded with each sale
    c. Inventory purchased are debuted to Purchase account
    d. Cost of goods sold is determined as the amount pf purchase less the change in inventory
44. In a perpetual inventory system, an inventory flow assumption is used primarily for determining which costs to use in
    a. Recording sales revenue
    b. Recording the cost of goods sold
    c. Recording purchase and inventory
    d. Forecasts of nature operating result that will be used as basis for the production budget
45. In a perpetual inventory system, two entries are normally made to record each sales transaction
    a. One entry records the purchased of merchandise and the other records the sale
    b. One entry update the subsidiary ledger and the other updates the general ledger
    c. One entry recognizes sales revenue and the other recognized cost of the goods sold
    d. One entry records the cost of goods and the other reduces the balance in the inventory account
46. In a perpetual inventory system, recording a sale on account involves debiting which of the following accounts
    a. Only accounts receivable
    b. Account receivable and inventory
    c. Accounts receivable and cost of goods sold
    d. Accounts receivable and cost of goods sold and inventory
47. In a perpetual inventory system recording a sale on account involves crediting which of the following accounts?
    a. Only sales
    b. Sales and inventory
    c. Sales and cost of goods sold
    d. Sales, inventory and cost of goods sold
48. Generally accepted accounting principles require the selection of an inventory cost flow method which
    a. Most clearly reflected the periodical income
    b. Yields the most conservative amount of reported income
    c. Matches the physical flow of goods fro inventory with sales revenue
    d. Most closely approximates lower of cost and net realizable value for the ending inventory
49. Which of this methods measuring the cost of sales most likely parallels the actual physical flow of the goods?

a. Average cost
b. LIFO
c. FIFO
d. Specific identification

50. The cost of inventories that are not interchangeable and segregated for specific projects, regardless of whether they have been brought or produced, shall be assigned by suing
   a. First-in, first-out method
   b. Last-in, first-out method
   c. Specific identification method
   d. Weighted-average method
51. The specific identification method can be used only
   a. In income tax returns
   b. For financial reporting purpose but not in the income tax returns
   c. When the individual items in inventory are similar in terms of cost, function and sales value
   d. When the actual acquisition costs of individual units can be determined from the accounting records
52. The specific identification method is more appropriate than an inventory cost flow assumption
   a. If purchase costs are rising
   b. If purchase costs are falling
   c. If each item in the inventory is unique
   d. For a large inventory of identical low-price items
53. The costing of inventory must be deferred until the end of the accounting period under which of the following method of inventory valuation
   a. FIFO perpetual
   b. LIFO perpetual
   c. Moving average
   d. Weighted average
54. The weighted-average inventory costing method is particularly suitable to inventory where
   a. Homogeneous products are mixed together
   b. Dissimilar products are stored in separate locations
   c. The entity carries stocks of raw materials, work-in-process and finished goods
   d. Goods have distinct use by dates and the goods produced first must be sold earliest
55. A company's inventory cost was lower in FIFO that is would have been using LIFO. Assuming no beginning inventory, in what direction did the cost of purchase move during the period?
   a. Down
   b. Steady
   c. Up

d. Cannot be determined

56. During a period of steadily rising prices, which of the following methods of measuring the costs of goods sold is likely to result in reporting the highest gross profit?
    a. Average
    b. FIFO
    c. LIFO
    d. Specific identification
57. Losses arising from firm and non-cancellable purchase commitments of inventory items, if material should be
    a. Ignored
    b. Disclosed in the notes
    c. Charge to retained earnings
    d. Recognized in the accounts by debiting loss on purchase commitments and crediting estimated liability for loss on purchase commitments
58. The lower of cost or net realizable value(LCNRV) results in the lowest inventory account if applied to
    a. Total inventory
    b. Groups of similar inventory items
    c. Each item of inventories separately
    d. Any of these
59. How should trade discount be dealt with when valuing inventories at the lower cost and net realizable value?
    a. Ignored
    b. Added to cost
    c. Deducted from cost
    d. Deducted in determining net realizable value
60. At the end each reporting period, inventories shall be measured at lower of
    a. Cost or net replacement cost
    b. Total cost and total net realizable
    c. Current replacement cost and selling price
    d. Cost and net realizable value applied per item
61. Which of the following is LEAST likely to be included in the cost of inventory?
    a. Freight In
    b. Cost to store goods
    c. Purchase cost of Goods
    d. Excise tax on goods purchased
62. When inventory declines in value below original cost, what is the maximum amount that the inventory can be value?
    a. Sales price
    b. Historical cost

c. Net realizable value
d. Sales price reduced by estimated costs to sell

63. Where the net realizable value of inventory falls below cost PAS 2 requires that
a. The inventory be written down to net realizable value
b. The difference be added to the carrying amount of the inventory
c. The inventory continue to be carried in the balance sheet at cost
d. No adjustment be made but the difference between net realizable value and cost be disclosed in the notes to the financial statements.

64. If an item if inventory that was written down to net realizable value in a prior period subsequently recovers, the
a. Previous amount of the write-down can be reversed
b. Carrying amount of the inventory cannot be adjusted
c. Value adjustment can be recognized immediately in equity
d. Adjustment must be recognized in a provision for future inventory write-downs account

65. Which of the following is not required disclosure for inventories in the financial statements?
a. The amount of inventory write-downs during the period
b. The carrying amount of inventories per major classification
c. The circumstances that lead to write-downs of inventories
d. The carrying amount of inventories pledged as collateral security

66. Agricultural activity includes all of the following excepts
a. Annual perennial cropping
b. Floriculture and aquaculture
c. Ocean fishing
d. Raising livestock

67. Agricultural activity results in which of the following types of assets?
a. Biological assets only
b. Agricultural produce only
c. Both biological assets and agricultural produce
d. Financial assets, contingent assets and agricultural produce

68. Biological assets are
a. Living plants only
b. Living animals only
c. Both living animals and living plants
d. Neither living animals nor living plants

69. According to PAS 41, Agriculture, which of the following criteria must be satisfied before a biological assets cab be recognized in a entity's financial statements?
I. The entity controls the asset as a result of past events
II. It is probable the economic benefit relating to the asset will flow to the entity
III. An active market for the asset exists
IV. The asset comes from a homogeneous biological group

a. I and II only
b. II and III only
c. I, II and III only
d. I,II an d IV only

70. According to PAS 41, agriculture, which of the following items would be classified as biological asset?
    a. Chicken
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    c. Land in mango orchard
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    b. The investor's share in the associate's profit is include in the investor' profit or loss
    c. Distribution received from an associate increase the carrying amount of the investment
    d. The carrying amount is decreased by the investor's share in the loss of the associate after the date of acquisition.
33. The following statements are based on PAS 28 (Investment in Associates)
    Statement I: An investment in a associate shall be accounted for using the equity method (benchmark) or cost method (alternative)
    Statement II: An investor shall be discontinued the use of equity method from the date when it ceases to have significant influence over an associate and shall account
    Statement III: On the loss of significant influence, the investor shall measure to historical cost any investment the investor retains in the former associate.

	A.	B.	C.	D.
Statement I	False	False	False	False
Statement II	True	True	False	False
Statement III	True	False	True	False

34. Under PFRS, which of the following is not category of financial assets?
    a. Financial assets at amortized cost
    b. Financial assets at fair value through profit or loss
    c. Financial assets at fair value through accumulated profit or loss
    d. Financial assets at fair value through another comprehensive income
35. Under PFRS 9, which type of financial instrument is subject to business test cash flow characteristics test?
    a. Debt securities
    b. Derivative securities
    c. Debt and equality securities
    d. Equity securities
36. PFRS 7 define 'liquidity risk' as the risk that
    a. An entity's cash inflow will not be sufficient to meet the entity's cash outflows
    b. An entity will encounter difficulty in meeting cash flow needs due to cash flow problems
    c. An entity will encounter difficulty in meeting obligations associated with financial liabilities
    d. An entity will encounter will difficulty is disposing a financial asset due to lack if market liquidity
37. Under PFRS 7, market risk refers to the risk
    a. Associated with the extent of fixed charges incurred in a business operation

b. That a entity will encounter difficulty in meeting obligations associated with financial liabilities
c. That one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligations
d. That the fair value or future cash flows financial instrument will fluctuate because of changes in market price(e.g., currency risk, interest rate risk and other price risk)

38. In accordance with PFRS 7, Financial Instruments Disclosures, which two of the following are components of market risk?
    a. Credit risk and currency risk
    b. Credit risk and liquidity risk
    c. Currency risk and interest rate risk
    d. Interest rate risk and liquidity risk
39. What is the type of financial risk involved when entities have outstanding purchased commitments?
    a. Credit risk
    b. Foreign currency risk
    c. Interest rate risk
    d. Price risk
40. Which of the following types of information does PFRS 7 nit required to be disclosed about the significance of financial instruments?
    a. Fair value of financial instruments
    b. Information about the use of hedge accounting
    c. Carrying amounts of categories of financial instruments
    d. Information about financial instruments, contract, and obligations under share-based payments transactions.
41. In a manufacturing company the "just-in-time" concept of inventory management is best illustrated by
    a. Setting finished products before they go out of style
    b. An automated factory with reduced production time below that of other companies in the industry
    c. Completing the manufacturing process just before the deadline establish by the customer
    d. Receiving deliveries of material from suppliers just before the materials are used in the production process
42. When a periodic inventory system is used
    a. Two entries must be made when goods are purchased
    b. Cost of goods sold is a residual amount, rather than an account
    c. Ending inventory is related as an expense and beginning inventory is treated as an asset
    d. Purchases account is not used; all inventory purchased entities are debited to inventory account

43. Which of the following is a characteristic of a perpetual inventory system?
    a. Inventory records are not kept for every item
    b. Cost of goods sold is recorded with each sale
    c. Inventory purchased are debuted to Purchase account
    d. Cost of goods sold is determined as the amount pf purchase less the change in inventory
44. In a perpetual inventory system, an inventory flow assumption is used primarily for determining which costs to use in
    a. Recording sales revenue
    b. Recording the cost of goods sold
    c. Recording purchase and inventory
    d. Forecasts of nature operating result that will be used as basis for the production budget
45. In a perpetual inventory system, two entries are normally made to record each sales transaction
    a. One entry records the purchased of merchandise and the other records the sale
    b. One entry update the subsidiary ledger and the other updates the general ledger
    c. One entry recognizes sales revenue and the other recognized cost of the goods sold
    d. One entry records the cost of goods and the other reduces the balance in the inventory account
46. In a perpetual inventory system, recording a sale on account involves debiting which of the following accounts
    a. Only accounts receivable
    b. Account receivable and inventory
    c. Accounts receivable and cost of goods sold
    d. Accounts receivable and cost of goods sold and inventory
47. In a perpetual inventory system recording a sale on account involves crediting which of the following accounts?
    a. Only sales
    b. Sales and inventory
    c. Sales and cost of goods sold
    d. Sales, inventory and cost of goods sold
48. Generally accepted accounting principles require the selection of an inventory cost flow method which
    a. Most clearly reflected the periodical income
    b. Yields the most conservative amount of reported income
    c. Matches the physical flow of goods fro inventory with sales revenue
    d. Most closely approximates lower of cost and net realizable value for the ending inventory
49. Which of this methods measuring the cost of sales most likely parallels the actual physical flow of the goods?

a. Average cost
b. LIFO
c. FIFO
d. Specific identification

50. The cost of inventories that are not interchangeable and segregated for specific projects, regardless of whether they have been brought or produced, shall be assigned by suing
   a. First-in, first-out method
   b. Last-in, first-out method
   c. Specific identification method
   d. Weighted-average method
51. The specific identification method can be used only
   a. In income tax returns
   b. For financial reporting purpose but not in the income tax returns
   c. When the individual items in inventory are similar in terms of cost, function and sales value
   d. When the actual acquisition costs of individual units can be determined from the accounting records
52. The specific identification method is more appropriate than an inventory cost flow assumption
   a. If purchase costs are rising
   b. If purchase costs are falling
   c. If each item in the inventory is unique
   d. For a large inventory of identical low-price items
53. The costing of inventory must be deferred until the end of the accounting period under which of the following method of inventory valuation
   a. FIFO perpetual
   b. LIFO perpetual
   c. Moving average
   d. Weighted average
54. The weighted-average inventory costing method is particularly suitable to inventory where
   a. Homogeneous products are mixed together
   b. Dissimilar products are stored in separate locations
   c. The entity carries stocks of raw materials, work-in-process and finished goods
   d. Goods have distinct use by dates and the goods produced first must be sold earliest
55. A company's inventory cost was lower in FIFO that is would have been using LIFO. Assuming no beginning inventory, in what direction did the cost of purchase move during the period?
   a. Down
   b. Steady
   c. Up

d. Cannot be determined

56. During a period of steadily rising prices, which of the following methods of measuring the costs of goods sold is likely to result in reporting the highest gross profit?
    a. Average
    b. FIFO
    c. LIFO
    d. Specific identification
57. Losses arising from firm and non-cancellable purchase commitments of inventory items, if material should be
    a. Ignored
    b. Disclosed in the notes
    c. Charge to retained earnings
    d. Recognized in the accounts by debiting loss on purchase commitments and crediting estimated liability for loss on purchase commitments
58. The lower of cost or net realizable value(LCNRV) results in the lowest inventory account if applied to
    a. Total inventory
    b. Groups of similar inventory items
    c. Each item of inventories separately
    d. Any of these
59. How should trade discount be dealt with when valuing inventories at the lower cost and net realizable value?
    a. Ignored
    b. Added to cost
    c. Deducted from cost
    d. Deducted in determining net realizable value
60. At the end each reporting period, inventories shall be measured at lower of
    a. Cost or net replacement cost
    b. Total cost and total net realizable
    c. Current replacement cost and selling price
    d. Cost and net realizable value applied per item
61. Which of the following is LEAST likely to be included in the cost of inventory?
    a. Freight In
    b. Cost to store goods
    c. Purchase cost of Goods
    d. Excise tax on goods purchased
62. When inventory declines in value below original cost, what is the maximum amount that the inventory can be value?
    a. Sales price
    b. Historical cost

c. Net realizable value
d. Sales price reduced by estimated costs to sell

63. Where the net realizable value of inventory falls below cost PAS 2 requires that
   a. The inventory be written down to net realizable value
   b. The difference be added to the carrying amount of the inventory
   c. The inventory continue to be carried in the balance sheet at cost
   d. No adjustment be made but the difference between net realizable value and cost be disclosed in the notes to the financial statements.
64. If an item if inventory that was written down to net realizable value in a prior period subsequently recovers, the
   a. Previous amount of the write-down can be reversed
   b. Carrying amount of the inventory cannot be adjusted
   c. Value adjustment can be recognized immediately in equity
   d. Adjustment must be recognized in a provision for future inventory write-downs account
65. Which of the following is not required disclosure for inventories in the financial statements?
   a. The amount of inventory write-downs during the period
   b. The carrying amount of inventories per major classification
   c. The circumstances that lead to write-downs of inventories
   d. The carrying amount of inventories pledged as collateral security
66. Agricultural activity includes all of the following excepts
   a. Annual perennial cropping
   b. Floriculture and aquaculture
   c. Ocean fishing
   d. Raising livestock
67. Agricultural activity results in which of the following types of assets?
   a. Biological assets only
   b. Agricultural produce only
   c. Both biological assets and agricultural produce
   d. Financial assets, contingent assets and agricultural produce
68. Biological assets are
   a. Living plants only
   b. Living animals only
   c. Both living animals and living plants
   d. Neither living animals nor living plants
69. According to PAS 41, Agriculture, which of the following criteria must be satisfied before a biological assets cab be recognized in a entity's financial statements?
   I. The entity controls the asset as a result of past events
   II. It is probable the economic benefit relating to the asset will flow to the entity
   III. An active market for the asset exists
   IV. The asset comes from a homogeneous biological group

a. I and II only
b. II and III only
c. I, II and III only
d. I,II an d IV only

70. According to PAS 41, agriculture, which of the following items would be classified as biological asset?
a. Chicken
b. Eggs
c. Land in mango orchard
d. Oranges