

1. What is accounting concept that is principally used in computing diluted earnings per share?
 - a. Completeness
 - b. Neutrality
 - c. Substance over form
 - d. Timeliness
2. What is the inherent justification underlying the concept of potential ordinary shares (diluters) in ESP computation?
 - a. Cost-benefit
 - b. Materiality
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3. What is the effect on ESP and shareholders' equity with the reacquisition by an entity of its own stock?

	A	B	C	D
Earnings per share	No effect	Decrease	Increase	Decrease
Shareholders equity	Increase	Increase	Decrease	Decrease

4. For which type of hedge are change in fair value deferred and amortized as an equity adjustment?
 - a. Cash flow hedge
 - b. Fair value hedge
 - c. Notional value hedge
 - d. Operating hedge
5. A hedge of the exposure to change in the fair value of a recognized asset or liability, or a unrecognized firm commitment, is classified as a
 - a. Cash flow hedge
 - b. Fair value hedge
 - c. Foreign currency hedge
 - d. Underlying
6. The weighted-average number of shares outstanding during the period for all periods (other than conversation of potential common shares) shall be adjusted for
 - a. Any prior-year adjustment
 - b. Any new issue of shares for cash
 - c. Any convertible instrument settled in cash
 - d. Any change in the number of ordinary shares without a change in resources
7. For purpose of computing the weighted-average number of shares outstanding in EPS computation a midyear event that must be treats as occurring at the beginning of the year is the
 - a. Issuance of shares
 - b. Issuance of share warrants
 - c. Issuance of share out of stock split

- d. Purchase and reissuance of treasury shares
- 8. Ordinary shares issued as part of business combination are included in the ESP computation from
 - a. The beginning of the accounting period
 - b. The date of acquisition
 - c. The end of the accounting period
 - d. The midpoint of the accounting year
- 9. Financial instruments sometimes contain features that separately meet the definition of a derivative instruments. These features are classified as
 - a. Embedded derivatives
 - b. Notional amounts
 - c. Swap options
 - d. underlying
- 10. Which of the following is not a distinguishing characteristics of a derivative instrument?
 - a. No initial investment
 - b. Must be “highly effective” throughout its life
 - c. Term that require or permit net settlement
 - d. One or more underlying and national amounts
- 11. All of the following are derivate financial instrument, except
 - a. Currency futures
 - b. Interest rate swaps
 - c. Stock index figure
 - d. Treasury bills and notes
- 12. Which of the following is not a derivative instrument?
 - a. Credit indexed contracts
 - b. Future contracts
 - c. Interest rate swaps
 - d. Variable entity contracts
- 13. Derivatives are financial instruments that derive their value from changes in a benchmark(“underlying”) based on any of the following except
 - a. Commodity prices
 - b. Discount on accounts receivable
 - c. Mortgage and currency rates
 - d. Stock price
- 14. Hedge accounting is permitted for all of the following types of hedge, except
 - a. Available-for-sale securities
 - b. Net investments in foreign operations
 - c. Trading securities
 - d. Unrecognized firm commitments
- 15. Derivatives are measured at
 - a. Cost

- b. Fair value
 - c. Fair value less cost to sell
 - d. Higher between fair value and cost
16. Changes in fair value of a derivative instrument determined to be effective fair value hedge shall
- a. Be recognized directly in equality
 - b. Be recognized in profit or loss
 - c. Be included in retained earnings
 - d. Not be recognized
17. Changes in fair value of a derivative financial instrument that is determined to be an effective cash flow hedge shall
- a. Be recognized directly in equality
 - b. Be recognized in profit or loss
 - c. Be included in retained earnings
 - d. Not be recognized
18. Changes in fair value of derivative instrument that is not designated as a hedging instrument are
- a. Not recognized
 - b. Recognized in earnings immediately
 - c. Recognized in equity section of the balance sheet
 - d. Recognized in earning only when realized through sale
19. To be highly effective, the actual results of the hedge must be within a range of
- a. 80%- 100%
 - b. 80%-125%
 - c. 100%-125%
 - d. 100%-150%
20. Which information should be disclosed in relation to derivative contracts?
- a. Fair value only
 - b. Notional amount only
 - c. Both fair value and notional amount
 - d. Neither fair value nor notional amount
21. It is right and not an obligation to purchase or sell an asset
- a. Equity contracts
 - b. Forward contracts
 - c. Options contracts
 - d. Swap contracts
22. A derivative that usually requires a little or small initial net investment as a protection against unfavorable movements in price
- a. Forward contract
 - b. Future contract
 - c. Option

- d. Swap
23. If the price of the underlying is greater than the strike or exercise price of the underlying, the call option is
- a. At the money
 - b. In the money
 - c. On the money
 - d. Out of the money
24. For hedging purpose, derivative instruments may be broadly designated as either
- a. Cost hedge or cash flow hedge
 - b. Cost hedge or fair value hedge
 - c. Fair value hedge or cash flow hedge
 - d. Fair value hedge or market hedge
25. It is a hedge of the exposure to variability in cash flows that is attribute to a particular risk associated with a recognized asset or liability or a highly probably forecast transaction and could affect profit or loss
- a. Cash flow hedge
 - b. Fair value hedge
 - c. Hedge of a net investment of foreign operation
 - d. None of the choices
26. The rationale of the issuance of PFRS 4, Insurance contracts is
- a. To completely overhaul insurance accounting
 - b. As a response to recent scandals within the insurance accounting
 - c. Because of pressure from financial service authorities in several countries
 - d. To ensure that insurance companies could comply with Philippines Financial Reporting Standard
27. An entity should apply PFRS 4, Insurance Contract to which of the following
- a. Reinsurance contract
 - b. Contingent considerations receivable in business combination
 - c. Product warranties issued by an entities which is a manufacturer
 - d. Employers assets and liabilities under employment benefit plans
28. Which of the following types of insurance contracts would probably not be covered by PFRS 4?
- a. Life insurance
 - b. Motor insurance
 - c. Medical insurance
 - d. Pension plan
29. Which of the following accounting practice has been outlawed by PRFS 4?
- a. Shadow accounting
 - b. Catastrophe provisions
 - c. An impairment test for reinsurance assets
 - d. A test for the adequacy of recognized insurance liabilities

30. The cash surrender value of an insurance policy on the company president would be presented on the balance sheet as
- Cash
 - Marketable securities
 - Long-term investment
 - Prepaid expense
31. Money loses purchasing power at such a rate that comparison of amount from transactions and event that have occurred at different times, even within the same accounting period is misleading. This financial accounting problem is addressed through
- Fair value accounting
 - Peso accounting
 - Price level accounting
 - Revaluation of property
32. Under Pain 29, the financial statements of an entity that reports in the currency of a hyperinflationary economy are stated in terms of
- Current cost
 - Historical cost
 - Lower of cost or market value
 - Measuring unit current at the balance sheet date
33. A company should disclosed information about the effects of changing price in a hyperinflation economy
- In the body of the financial statements
 - In the notes of the financial statements
 - In the managements report to shareholders
 - As a supplementary information to the financial statements

34. The following statements are based on PAS 29 (Financial Reporting in Hyperinflationary Economies)

Statements I: The financial statements of an entity whose functional currency is the currency of a hyperinflation economy, whether they are based on a historical cost approach or a current cost approach , shall be stated in terms of the measuring unit current at end of the reporting period

Statements II: When in economy ceases to be hyperinflation, an entity shall discontinue the preparation and presentation of financial statements under PAS 29 and shall treat the amount expressed in the measuring unit current at the end of the reporting as the basis for the carrying amounts in its subsequent financial statements

	A	B	C	D
Statements I	True	True	False	False
Statements II	True	False	True	False

35. The following statements are based on the PAS 29 (Financial Reporting in Hyperinflationary Economies)

Statements I: The financial statements of an entity whose functional current is the currency of a hyperinflation economy shall be stated in terms of measuring unit current at the end of the reporting period (balance sheet date)

Statement II: The gain or loss on the net monetary position shall be included in profit or loss and separately disclosed

Statements III: When an economy ceases to be hyperinflationary, an entity shall treat the amounts expressed in the measuring unit current at the end of the reporting period as the basis for carrying amounts in the subsequent financial statements

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

36. Which of the following would indicate that hyperinflation exist?

- People prefer to keep their wealth in monetary assets
- People prefer to keep their wealth in relatively stable foreign currency
- The cumulative inflation rate over three years exceed or is approaching 50%
- Credit sales and purchase take place the price that do not compensate for the expected loss of purchasing power during the credit period even if credit period is short

37. According to PAS 29, which of the following would indicate that hyperinflation exists?

- Monetary items do not increase in value
- Sales on credit are at lower price than cash sales
- Inflation is approaching; or exceeds, 20% per year
- People prefer to keep their wealth in non-monetary assets or a stable foreign currency

38. Which of the following is among those listed under PAS 29 as indicators of hyperinflation according to PAS 29?

- People to keep their wealth in monetary assets
- Interest rates, wages and price are not linked to a price index
- People prefer to keep their wealth in relatively stable foreign currency
- The cumulative inflation rate over five years exceeds or is approaching 100%

39. Given a hyperinflation economy under PAS 29, which price index is used in restating financial statements and measuring inflation? (Legend: GIP – general price index; CPI – consumer price index)

	A	B	C	D
Restating financial statements	GPI	GPI	CPI	GPI
Measuring inflation	GPI	CPI	GPI	CPI

40. Which of the following statements is true in relation to hyperinflation economies?

- Gain or loss on net monetary position is include in profit or loss
- Gain or loss on purchasing power arise from non-monetary assets
- Gain or loss on purchasing power arise from non-monetary liabilities
- In the income statements all amounts need to be restated into the measuring unit current at balance sheet by applying both consumer price index

41. Which of these term cannot be used to describe a line items in the statement of comprehensive income?

- Extraordinary item

- b. Gross profit
 - c. Profit before tax
 - d. revenue
42. Which of the following gains and losses can an entity elect (i.e., an accounting policy choice) to recognize in other comprehensive income (i.e., total comprehensive income outside of profit or loss?)
- a. Losses from discontinued operations
 - b. Actuarial gains and losses of defined benefit plans
 - c. Gains and losses that management considers extraordinary items
 - d. Gains and losses arising on translating the financial statements of a foreign operation
43. Investments in an associate must be tested for impairment if the entity uses
- a. The cost model or the equity method
 - b. The cost model or the fair value model
 - c. The equity method or the fair value model
 - d. The cost model, equity method or fair value model
44. Under Section 34, which is not a category of Specialized Activities?
- a. Insurance
 - b. Agriculture
 - c. Extractive activities
 - d. Service concessions
45. Which types of entities are required to apply PAS 30, Disclosures in the FS of banks and similar financial institutions?
- a. All entities
 - b. Internationally active banks and similar financial institutions
 - c. Banks, insurance companies and other financial institutions that are subject to prudential supervision by regulators
 - d. Banks and similar financial institutions, one of whose principal activities is to take deposits and borrow with the object of lending and investing, and which are within the scope of banking or similar legislation
46. What type of information does PAS 30 require to be disclosed about the concentration of assets and liabilities
- a. Concentration of credit risk
 - b. Concentration of liquidity risk
 - c. Concentration of net foreign currency position
 - d. Concentration of assets, liabilities and off-balance sheet items
47. The regulatory of Bank A requires the bank to set aside an amount equal to a fixed percentage of its loan assets as a reserve for possible future impairment losses. How should Bank A account for the charge in this reserve under PAS 30?
- a. In profit or loss, but the balance sheet is not affected
 - b. Within equity as an appropriation of retained earnings
 - c. As an adjustment to the carrying amount of loan assets with the increase in the reserve reported directly in equity
 - d. As an adjustment to the carrying amount of loan assets with the increase in the reserve reported as an expense in profit or loss

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 - c. Banks, insurance companies and other financial institutions that are subject to prudential supervision by regulators
 - d. Banks and similar financial institutions, one of whose principal activities is to take deposits and borrow with the object of lending and investing, and which are within the scope of banking or similar legislation
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