

ADDITIONAL QUESTIONS

| | Marks |
|---------------------------------------|-------|
| SECTION A QUESTIONS | |
| Objective Test (OT) Questions – Set 1 | 30 |
| Objective Test (OT) Questions – Set 2 | 30 |
| SECTION B QUESTIONS | |
| <u>OT-case Questions – Set 1</u> | |
| Annex Co | 10 |
| Pup Co | 10 |
| Reef Co | 10 |
| <u>OT-case Questions – Set 2</u> | |
| Blithe Co | 10 |
| Amond Co | 10 |
| Rowe Co | 10 |
| SECTION C QUESTIONS | |
| Paula Group | 20 |
| Iron Co | 20 |
| Touro Group | 20 |
| Tigera Co | 20 |

OBJECTIVE TEST (OT) QUESTIONS – SET 1**15 objective test questions, each worth 2 marks**

1 Which TWO of the following are fundamental qualitative characteristics of financial information according to the IFRS® *Conceptual Framework for Financial Reporting*?

- Comparability
- Relevance
- Verifiability
- Faithful representation

2 Which of the following financial instruments must be measured in the financial statements at fair value, with fair value changes recognised in profit or loss?

- Purchase of 5% equity investment that is not held for trading
- Investment in redeemable preference shares
- Issue of a bond that is convertible into a fixed number of equity shares
- Purchase of 7% equity investment held for trading

3 At 31 March 20X4, Shaw Co had a flock of sheep included in the financial statements at \$400,000. At 31 March 20X5, the flock has a fair value of \$480,000. If Shaw Co sold the flock of sheep, commission of 4% would be payable.

Which of the following describes the correct accounting treatment for the flock of sheep at 31 March 20X5?

- Measure at \$480,000 and include the gain in the statement of profit or loss
- Measure at \$460,800 and include the gain in the statement of profit or loss
- Measure at \$480,000 and include the gain in other comprehensive income
- Measure at \$460,800 and include the gain in other comprehensive income

4 Klop Co decided to sell an item of plant during the year ended 31 August 20X3. On 1 September 20X2, the plant had a carrying amount of \$500,000 and a remaining useful life of five years. The plant met the held for sale criteria on 1 March 20X3. At 1 March 20X3, the plant had a fair value less costs to sell of \$470,000, which had fallen to \$460,000 at 30 September 20X3.

Calculate the carrying amount of the plant in Klop Co's statement of financial position as at 31 August 20X3 in accordance with IFRS® 5 *Non-current Assets Held for Sale and Discontinued Operations*.

\$

OBJECTIVE TEST (OT) QUESTIONS – SET 1 – ANSWERS

1

- Relevance
- Faithful representation

Tutorial note: *The fundamental qualitative characteristics of financial information per the IFRS® Framework are relevance and faithful representation. Comparability and verifiability are two of the four enhancing qualitative characteristics of financial information (the other two are timeliness and understandability).*

2

- Purchase of 7% equity investment held for trading

Tutorial note: *An equity investment that is not held for trading may be designated at FVTOCI (so is not necessarily measured at FVTPL).*

Redeemable preference shares are debt instruments, and so measured at amortised cost.

A bond that is convertible into a fixed number of equity shares is a compound financial instrument that has two components: a financial liability (measured at amortised cost) and an equity instrument.

3

- Measure at \$460,800 and include the gain in the statement of profit or loss

Tutorial note: *Biological assets are revalued each year to fair value less point of sale costs, taking any gain to the statement of profit or loss.*

Biological assets are measured at the end of each reporting period at fair value less costs to sell and any gain (or loss) arising is included in the statement of profit or loss for the period in which it arises.

4

\$ 450000

WORKING

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Carrying amount at 1 March is \$450,000 $((500 - (500/5 \times 6/12))$.