

Two example questions from the Certificate in International Financial Reporting (CertIFR) assessment

1 Sebastian Ltd enters into a new four-year operating lease agreement on 1 January 2011.

As an incentive to sign up they receive a six-month rent-free period initially, after which rent will be charged annually in arrears at a cost of £4,000 per annum.

What figures should appear on the statement of financial position (SOFP) and in the statement of profit or loss (SOPL) for the year ended 31 December 2011 in relation to this lease?

	SOFP	SOPL
A	No balance	Expense of £2,000
B	Accrual of £1,500	Expense of £3,500
C	Prepayment of £1,500	Expense of £3,500
D	Payable of £2,000	Expense of £2,000

The correct answer is B.

2 Under IFRS 9 which of the following assets should be held at fair value?

1. An investment in 1m ordinary shares of Edward Plc
2. £3m of 5% 2018 bonds. The company intends to sell the bonds within the next three years. Until then the company will receive interest.
3. £500,000 loan to a supplier. Interest charged at 4% and due for repayment in two years.

- A** 1 and 2
- B** 1 only
- C** All of the above
- D** 2 and 3

The correct answer is A.