



National Federation of Junior Philippine Institute of Accountants

2011 NATIONAL CPA MOCK BOARD EXAMINATION

In partnership with the Professional Review & Training Center, Inc. and Isla Lipana & Co.

THEORY OF ACCOUNTS

INSTRUCTIONS: Select the best answer for each of the following questions. Mark only one answer for each item on the answer sheet provided. AVOID ERASURES. Answers with erasures may render your examination answer sheet INVALID. Use PENCIL NO.2 only. GOODLUCK!

1. Choose the incorrect statement.
 - a. The objective of external financial statements is to communicate the economic effects of completed transactions and other events in the entity.
 - b. General purpose financial statements were developed primarily because all outside users have the same information needs.
 - c. The double-entry system of accounting has been used for centuries.
 - d. The practice of accounting requires considerable professional judgment.
2. Which statement is incorrect regarding Philippine Financial Reporting Standards (PFRSs)?
 - a. PFRSs set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements.
 - b. PFRSs are based on the Framework, which addresses the concepts underlying the information presented in general purpose financial statements.
 - c. PFRSs are designed to apply to the general purpose financial statements and other financial reporting of all profit-oriented entities.
 - d. PFRSs are designed to apply to not-for-profit activities in the private sector.
3. Which of the following statements regarding the conceptual framework is correct?
 - a. The framework is concerned with special-purpose financial statements.
 - b. The framework applies to financial statements of business reporting enterprises in the private sector but not in the public sector
 - c. In cases where there is conflict between the framework and an PFRS, the requirement of the framework will prevail
 - d. The framework deals with concepts of capital
4. If an item of income is not material, then the manner of presenting that information, or whether or not it is disclosed:
 - a. will have an impact on the economic decisions of users;
 - b. should not affect the economic decisions of users;
 - c. should not be included in the determination of profit or loss for the period;
 - d. will be included directly in retained earnings.
5. Which of the following statements is false?
 - a. Depreciation expense, bad debt expense, and warranty expense are estimated expense because they all depend upon future events.
 - b. Reversing entries are made to eliminate the need to monitor the effect of year-end adjusting entries during the next accounting period
 - c. Depreciation expense and accrued revenues are example of deferred items.
 - d. When a company records reversing entries, adjusting entries like deferred expenses recorded initially as assets upon payment of cash generally are not reversed.
6. Which of the following statements is correct?
 - a. The use of a general journal implies that there is no need for special journals.
 - b. Each subsidiary ledger has a related control account in the general journal.
 - c. Assume a company always records prepaid expenses as assets upon payment of cash, and deferred revenues as liabilities upon receipt of cash. If this company records reversing entries, generally only adjusting entries for accrued expenses and accrued revenues should be reversed.
 - d. All entries in the general journal are supported by details contained in the special journals.
7. OJ Inc. decided to extend its reporting period from a year (12-month period) to a 15-month period. Which of the following is(are) not required under PAS in case of change in reporting period?
 - I. XYZ Inc. should disclose the reason for using a longer period than a period of 12 months
 - II. XYZ Inc. should change the reporting period only if other similar entities in the geographical area in which it generally operates have done so in the current year; otherwise its financial statements would not be comparable to others
 - III. XYZ Inc. should disclose that comparative amounts used in the financial statements are not entirely comparable
 - a. I and II
 - b. II and III
 - c. III only
 - d. II only
8. At a minimum, based on PAS 1, the face of the Statement of Financial Position shall include all of the following line items, except
 - a. Biological assets
 - b. Investment property
 - c. Agricultural produce
 - d. Deferred tax assets and liabilities
9. The statement of changes in equity should disclose the following, except
 - a. total comprehensive income
 - b. effect of the change in an accounting estimate
 - c. capital transactions with owners and distributions to owners
 - d. effects of retrospective restatement
10. Revenue should be measured at
 - a. Fair value of the consideration received or receivable
 - b. Cost of the consideration received or receivable
 - c. Amount of cash received or receivable
 - d. Book value of the consideration received or receivable

11. Which of the following criteria do **not** have to be met in order for an operation to be classified as discontinued?
- The operation should represent a separate line of business or geographical area
 - The operation is part of a single plan to dispose of a separate major line of business or geographical area
 - The operation is a subsidiary acquired exclusively with a view to resale
 - The operation must be sold within three months of the year-end.**
12. Which statement is incorrect regarding investment property ?
- Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which it arises.
 - The cost of the purchased investment property includes its purchase price and any directly attributable expenditure
 - Transfer from investment property to property, plant, and equipment are appropriate only when the entity adopts the fair value model under PAS 38.**
 - Investment property includes property that is being constructed or developed for use as an investment property
13. Which statement is incorrect regarding PPE?
- Items of PPE should be recognized as assets when it is probable that the future economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably.
 - If an asset acquired in exchange for another asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.
 - Depreciation should be charged to the income statement, unless it is included in the carrying amount of another asset.
 - Depreciation is not recognized if the fair value of the asset exceeds its carrying amount, even if the asset's residual value does not exceed its carrying amount.**
14. An entity imported machinery to install in its new factory before year-end. However, due to circumstances beyond its control, the machinery was delayed by a few months but reached the factory premises before year-end. While this was happening, the entity learned from the bank that it was being charged interest on the loan it had taken to fund the cost of the plant. What is the proper treatment of freight and interest expense under PAS 16?
- Both expenses should be capitalized
 - Interest may be capitalized but freight should be expensed
 - Freight charges should be capitalized but interest cannot be capitalized under these circumstances**
 - Both expenses should be expensed
15. Which statement is correct regarding initial recognition of research and development costs?
- All research costs should be charged to expense.**
 - All development costs should be capitalized.
 - If an enterprise cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the enterprise treats the expenditure for that project as if it were incurred in the development phase only.
 - A research and development project acquired in a business combination is not recognized as an asset.
16. Which is incorrect concerning the recognition and measurement of an intangible asset?
- If an intangible asset is acquired separately, the cost comprises its purchase price, including import duties and taxes and any directly attributable expenditure of preparing the asset for its intended use.
 - If an intangible asset is acquired in a business combination that is an acquisition, the cost is based on its fair value at the date of acquisition.
 - If an intangible asset is acquired free of charge or by way of government grant, the cost is equal to its fair value.
 - If payment for an intangible asset is deferred beyond normal credit terms, its cost is equal to the total payments over the credit period.**
17. Which of the following expenditures would never qualify as an exploration and evaluation asset?
- Expenditure for acquisition of rights to explore
 - Expenditure for exploratory drilling
 - Expenditures related to the development of mineral resources**
 - Expenditure for activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource
18. Which statement is incorrect regarding recognition of government grants as income?
- Grants in recognition of specific expenses should be recognized as income over the period of the related expense.
 - Grants related to depreciable assets should be recognized as income over the periods and in proportion to the depreciation of the related assets.
 - Grants related to nondepreciable assets requiring fulfillment of certain conditions should be recognized as income immediately after meeting the condition.**
 - A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognized as income in the period in which it is receivable.
19. What is the acceptable approach in accounting for government grants?
- Government grants should be recognized as income over the periods necessary to match them with the related costs**
 - Government grants should be credited directly to donated capital
 - Government grants should be credited directly to retained earnings
 - Government grants should be deferred and amortized over a maximum period of 20 years
20. Which of the following is not considered a borrowing cost?
- Interest on short-term and long-term borrowings
 - Finance charges in respect of finance leases
 - Dividends paid on preferred stock**

- d. All of the above are considered borrowing costs
21. When a qualifying asset is financed by both specific and general borrowings, the interest rate to be used in computing capitalizable borrowing costs attributed to general borrowings should be
- the lowest interest rate on the general borrowings
 - the highest interest rate on the general borrowings
 - the weighted average interest rate on general borrowings
 - the average of the lowest and highest interest rates on the general borrowings
22. Capitalization of borrowing costs
- Shall be suspended during temporary periods of delay
 - May be suspended only during extended periods of delay in which active development is delayed
 - Should never be suspended once capitalization commences
 - Shall be suspended only during extended periods of delays in which active development is delayed
23. The following may be included in the cost of inventories, except
- Administrative overheads.
 - Wasted materials, labor and other production costs.
 - Storage costs.
 - Selling costs.
24. BMC, Inc. is evaluating whether to apply the lower of cost or net realizable value rule to total inventory, to groups of similar items, or to each item. Which application should it use if it wants to show the lowest inventory amount?
- Separately to each item.
 - Total inventory.
 - Groups of similar items.
 - It does not matter, as all applications result in the same amount.
25. The retail method has been used by a retail department store during its first year of operations. As of the end of the year, compare (A) the markdowns with (B) the markdown cancellations:
- A will be equal to B
 - A will be less than or equal to B
 - A will be greater than or equal to B
 - A cannot be equal to B
26. Which of the following is an appropriate combination of a biological asset and its agricultural produce?
- | | <u>Biological assets</u> | <u>Agricultural produce</u> |
|----|------------------------------|-----------------------------|
| a. | Sheep | Yarn |
| b. | Trees in a plantation forest | Logs |
| c. | Dairy cattle | Butter |
| d. | Pigs | Carcass |
27. Which statement is incorrect concerning biological assets and agricultural produce?
- Inventories comprising agricultural produce that an entity has harvested from its biological assets are measured on initial recognition at fair value.
 - Changes in fair value of a biological assets or an agricultural produce are included in the determination of income of the current period.
- An unconditional government grant related to a biological asset that has been measured at fair value less point of sale costs should be recognized as income when the grant becomes receivable.
 - Biological assets are measured at fair value less costs to sell at initial recognition and at each subsequent reporting period.
28. Which of the following values is unlikely to be used in fair value measurement for biological assets?
- Quoted price in a market
 - The most recent market transaction price
 - The present value of the expected net cash flows from the assets
 - External independent valuation
29. Which of the following statements regarding discontinued operations is true?
- The assets and liabilities of a disposal group classified as held for sale by an entity may be offset and shown as a single item on the Statement of Financial Position of the entity.
 - The assets and liabilities of a disposal group of an entity must be shown separately in the asset and liabilities sections of the Statement of Financial Position of the entity and cannot be offset.
 - An adjustment in a subsequent period to the selling price of a component of an entity sold must be reported as a retrospective adjustment in the prior-period financial statements of the entity in which the discontinued operation was reported.
 - The gain or loss on disposal of a component of an entity classified as a discontinued operation need not be disclosed separately from the loss from operations of the discontinued segment.
30. Which of the following is correct?
- Discontinued operations are shown as the last category on the Statement of Comprehensive Income after income from continuing operations.
 - The Discontinued Operations section of the Statement of Comprehensive Income consists only of the gain or loss on disposal of the discontinued component net of the tax effect.
 - The Discontinued Operations section of the Statement of Comprehensive Income consists only of the income or loss from operating the discontinued component net of the tax effect.
 - The Discontinued Operations section of the Statement of Comprehensive Income consists of the income or loss from operating the discontinued component net of the tax effect as well as the gain or loss on disposal of the discontinued component net of the tax effect.
31. The following are external indicators of impairment, except
- Market value declines.
 - Negative changes in technology, markets, economy, or laws.
 - Increases in market interest rates.
 - Worse economic performance than expected.
32. Which statement is incorrect concerning the reversal of an impairment loss?
- The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized.
 - Reversal of an impairment loss is recognized as income in the income statement.
 - Adjust depreciation for future periods.

d. Reversal of an impairment loss for goodwill is recognized as income in the income statement.

33. Which statement is incorrect in determining recoverable amount?

- a. If the carrying amount is less than fair value less costs to sell or value in use, it is not necessary to calculate the other amount.
- b. If fair value less costs to sell cannot be determined, then recoverable amount is value in use.
- c. For assets to be disposed of, recoverable amount is fair value less costs to sell.
- d. All of the above statements are correct

34. Which of the following appears on the bank side of the bank reconciliation?

- a. Outstanding checks
- b. Interest earned on bank balance
- c. NSF check
- d. Book error

35. If the balance shown on a company's bank statement is less than the correct cash balance, and neither the company nor the bank has made any errors, there must be

- a. deposits credited by the bank but not yet recorded by the company.
- b. outstanding checks.
- c. bank charges not yet recorded by the company.
- d. deposits in transit.

36. Which of the following is a method to generate cash from accounts receivable?

	Assignment	Factoring
a.	No	Yes
b.	Yes	Yes
c.	Yes	No
d.	No	No

37. Which of the following items would be excluded from current liabilities?

- a. A long-term liability callable or due on demand by the creditor even though the creditor has given no indication that the debt will be called.
- b. Normal accounts payable which had been assigned by the creditor to the finance company.
- c. Long-term debt callable within one year or less because the debtor violated a debt provision.
- d. Short-term debt which at the discretion of the entity can be rolled over at least twelve months after the balance sheet date.

38. Which of the following statements regarding provisions is incorrect?

- a. Provisions should be recognized for penalties or clean-up costs for unlawful environmental damage.
- b. Provisions should be recognized for product warranties
- c. Provisions should be recognized for future operating losses
- d. Provisions should be recognized for outstanding premiums offered to customers

39. A contingent liability is

- a. A liability of uncertain timing or amount.
- b. A possible obligation depending on whether some uncertain future event occurs.
- c. A present obligation but payment is not probable or the amount cannot be measured reliably.
- d. Either b or c.

40. Which of the following is true of a premium on bonds payable?

- a. It is a contra-stockholders' equity account.
- b. It is an account that appears only on the books of the investor.
- c. It increases when amortization entries are made until it reaches its maturity value.
- d. It decreases when amortization entries are made until its balance reaches zero at the maturity date.

41. Use of the effective interest method in amortizing a premium on bonds payable would result in

- a. A constant amount of premium amortization each period over the life of the bonds
- b. An increasing amount of premium amortization each period over the life of the bonds
- c. A decreasing amount of premium amortization each period over the life of the bonds
- d. Cannot be determined from the information given.

42. Which of the following transactions does not result in a decrease in retained earnings?

- a. Declaration and issuance of dividends for the period.
- b. Incurrence of a net loss for the period.
- c. Acquisition of treasury stock for more than par value but less than the original issue price, when the cost method is used.
- d. Correction of an error in which depreciation expense was understated in a prior period.

43. What do an appropriation of retained earnings and a declaration of cash dividend (for the same amount) have in common?

- a. Both increase the amount of appropriated retained earnings
- b. Both have the same consequences for stockholders
- c. Both permanently reduces future ability to pay dividends.
- d. Both result in a decrease in unappropriated retained earnings.

44. A temporary difference which would result in a deferred tax liability is

- a. Accrual of estimated litigation loss
- b. Accrual of estimated warranty cost
- c. Subscriptions received in advance
- d. An installment sale which is included in financial income at the time of sale and included in taxable income when collected

45. It is the amount attributed to an asset or liability for tax purposes

- a. Carrying amount
- b. Tax base
- c. Measurement base
- d. Taxable amount

46. A future taxable amount is exemplified by:

- a. revenue that is included in the tax return before it is included in pretax accounting income
- b. gain that is included in the tax return before it is included in pretax accounting income.
- c. expense that is included in the tax return after it is included in pretax accounting income.
- d. expense that is included in the tax return before it is included in pretax accounting income.

47. The classification of the lease is normally carried out

- a. At the end of the lease term.
- b. After "cooling off" period of one year.
- c. At the inception of the lease.

- d. When the entity deems it necessary.
48. An eight-year capital lease specifies equal minimum annual lease payments. Part of this payment represents interest and part represents a reduction in the net lease liability. The portion of the minimum lease payment in the fourth year applicable to the reduction of the net lease liability should be
- the same as in the third year
 - less than in the third year
 - less than in the fifth year
 - more than in the fifth year
49. PROCESSOR Inc. leased a new machine having an expected useful life of 30 years from Carbide Co. Terms of the noncancellable 25-year lease were that PROCESSOR would gain title to the property upon payment of a sum equal to the fair market value of the machine at the termination of the lease. PROCESSOR accounted for the lease as a finance lease and recorded an asset and a liability in the finance records. The asset recorded under this lease should properly be amortized/depreciated over
- 5 years (the period of actual ownership).
 - 22.5 years (the period of actual ownership).
 - 25 years (the term of the lease).
 - 30 years (the total asset life).
50. The excess of the fair value of leased property at the inception of the lease over its cost or carrying amount should be classified by the lessor as
- Unearned income from a sales-type lease.
 - Unearned income from a direct-financing lease.
 - Manufacturer's or dealer's profit from a sales-type lease.
 - Manufacturer's or dealer's profit from a direct-financing lease.
51. Which of the following is a correct statement of one of the criteria for finance lease?
- The lease transfers ownership of the property to the lessor.
 - The lease contains a purchase option.
 - The lease term is equal to or more than 75% of the estimated economic life of the leased property.
 - The minimum lease payments (excluding executory costs) equals or exceeds 90% of the fair value of the leased property.
52. Which of the following statements characterizes defined benefit plans
- They are comparatively simple in construction and raise few accounting issues for employers
 - Retirement benefits are based on the plan's benefit formula
 - Retirement benefits depend on how well pension fund assets have been managed
 - All of the above
53. What is measured by the projected benefit obligation?
- The pension expense, computed by the plan formula applied to years of service to date, assuming future salary levels.
 - The pension expense, computed by the plan formula applied to years of service to date, using existing salary levels.
 - The pension obligation, computed by the plan formula applied to years of service to date, assuming future salary levels.
 - The pension obligation, computed by the plan formula applied to years of service to date, using existing salary levels.
54. Which of the following is *not* a component of the retirement benefit expense under the defined benefit plan?
- Interest cost
 - Expected return on plan assets
 - Benefits paid to retirees
 - Amortization of prior service cost
55. Accounting policies should be followed -
- When the financial results are improved
 - Consistently
 - Never
 - Rarely
56. A cumulative effect of change in an accounting policy is measured as the
- the difference between the prior periods' pre tax profit under the old method and what would have been reported if the new method had been used in the prior years
 - the post tax difference between the prior period profit under the old method and what would have been reported if the new method had been used in the prior years
 - the difference between the total of the prior period profit and the current period profit under the new method and the total of the prior period profit and current period profit under the old method
 - the post tax difference between the total of the prior period profit and current period profit under the new method and the total of the prior period profit and current period profit under the old method
57. Which statement is correct regarding changes in accounting policies?
- An entity is not permitted to change an accounting policy.
 - Changes in accounting policies include applying an accounting policy to a kind of transaction or event that did not exist in the past.
 - If a change in accounting policy is required by a new FRSC standard or interpretation, the change is accounted for as required by that new pronouncement.
 - If a new pronouncement does not include specific transition provisions, the change in accounting policy is applied prospectively.
58. Which of the following items is reported only in current and future periods?
- correction of a prior period error
 - effects of a change in accounting estimates
 - effects of a change in accounting policies
 - all of the above
59. If it is impracticable to determine the cumulative effect of a change in accounting policy to any of the prior periods, the change in accounting policy should be accounted for
- As a correction of prior period error
 - On a prospective basis
 - As a correction of prior period error, with a cumulative effect on the Statement of Comprehensive Income
 - As a correction of prior period error, with a cumulative effect on the Statement of Comprehensive Income
60. In computing the weighted-average number of shares outstanding during the year, which of the following midyear events must be treated as if it had occurred at the beginning of the year?
- Declaration and distribution of bonus

- b. **issue.**
Purchase of treasury stock.
- c. Sale of additional ordinary shares.
- d. Sale of convertible preference share.

- a. recognition in the income statement;
- b. recognition in the balance sheet;
- c. recognition in the cash flow statement;
- d. note disclosure in the financial statements.**

61. When computing basic earnings per share on ordinary shares, dividends on cumulative, nonconvertible preference shares should be

- a. deducted from net income only if the dividends were declared or paid in the current period.
- b. deducted from net income regardless of whether the dividends were not paid or declared in the period.**
- c. deducted from net income only if net income is greater than the dividends.
- d. ignored.

62. Which statement is incorrect regarding cash flow statements?

- a. All enterprises that prepare financial statements in conformity with GAAP are required to present a cash flow statement.
- b. Cash flows must be analyzed between operating, investing and financing activities.
- c. The cash flow statement analyses changes in cash and cash equivalents during a period.
- d. For operating cash flows, the indirect method of presentation is encouraged, but the direct method is acceptable.**

63. PAS 7 *Cash Flow Statements*, requires that investing and financing transactions that do not require the use of cash or cash equivalents should be:

- a. excluded from a cash flow statement;**
- b. included in a cash flow statement before operating, investing and financing activities;
- c. presented in the cash flow statement after operating activities and before investing and financing activities;
- d. presented in a cash flow statement after the operating, investing and financing activities have been presented.

64. Which of the following information should be included in Melay, Inc.'s 2010 summary of significant account policies?

- a. Property, plant and equipment is recorded at cost with depreciation computed principally by the straight-line method.**
- b. During 2010, the Delay Segment was sold.
- c. Business segment 2010 sales are Alay P1 M, Belay P2M, and Celay P3M.
- d. Future common shares dividends are expected to approximate 60% of earnings.

65. The management of an entity completes draft of financial statements for the year ended December 31, 2008 on February 28, 2009. On March 15, 2009, the board of directors reviews the financial statements and authorizes them for issue. The entity announces its profit and selected other financial information on March 20, 2009. The financial statements are made available to shareholders and others on April 1, 2009. The shareholders approved the financial statements at their annual meeting on May 10, 2009 and the approved financial statements are then filed with SEC and BIR on May 30, 2009. For purposes of identifying events after balance sheet date, the financial statements were authorized for issue on

- a. March 15, 2009**
- b. May 10, 2009
- c. March 20, 2009
- d. May 30, 2009

66. Non-adjusting events that are indicative of conditions that arose after the balance sheet date are given the following treatment:

67. Which statement is incorrect regarding events after balance sheet date?

- a. Events after the balance sheet date that provide further evidence of conditions that existed at the balance sheet date will require adjustments to the financial statements.
- b. Events or conditions that arose after the balance sheet date does not require adjustments to the financial statements.
- c. If an entity declares dividends after the balance sheet date, the entity shall recognize those dividends as a liability at the balance sheet date.**
- d. An entity shall not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

68. Unrelated parties include all of the following, except

- a. Providers of finance
- b. Two venturers simply because they share joint control over the joint venture
- c. Single customer with whom the entity transacts significant volume of business merely by virtue of the resulting economic dependence
- d. Key management personnel and close family members of such individual**

69. The minimum disclosures prescribed under PAS 24 are to be made separately for certain categories of related parties. Which of the following is **not** among the list of categories specified under the Standard for the purposes of separate disclosure?

- a. Entities with joint control or significant influence over the entity
- b. The parent company of the entity
- c. An entity that has a common director with the entity**
- d. Joint ventures in which the entity is a venturer

70. Under PFRS 8 *Operating Segments*, separate segments of an entity must be identified as reportable segments until at least:

- a. 100% of total entity result is included;
- b. 80% of total entity liabilities are included;
- c. 75% of total entity revenue is included;**
- d. 70% of total entity assets are included.

71. Interim period is a financial reporting period

- a. equal to six months
- b. shorter than one year**
- c. longer than one year
- d. equal to three months

72. Financial liabilities include

- a. Bank overdraft.**
- b. Loans receivable.
- c. Income tax payable.
- d. Cumulative, redeemable preference shares at the option of the issuer

73. The following transfers/reclassifications of financial assets are permitted, except

- a. Transfer from held-to-maturity investments to available-for-sale category.
- b. Reclassification of non-derivative financial assets out of the fair value through profit or

loss category if the financial asset is no longer held for the purpose of selling it in the near term in particular circumstances.

- c. Reclassification of non-derivative financial assets designated at fair value through profit or loss by the entity upon initial recognition out of the fair value through profit or loss category.
- d. Transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.
74. In which of the following circumstances is derecognition of a financial asset **not** appropriate?
- The contractual rights to the cash flows of the financial assets have expired
 - The financial asset has been transferred and substantially all the risks and rewards of ownership of the transferred asset have also been transferred
 - The financial asset has been transferred and the entity has retained substantially all the risks and reward of ownership of the transferred asset
 - The financial asset has been transferred and the entity has neither retained nor transferred substantially all the risks and rewards of ownership of the transferred asset. In addition, the entity has lost control of the transferred asset
75. When two or more venturers combine their operations, resources and expertise to manufacture, market and distribute jointly a particular product such as aircraft is an example of
- Joint venture
 - Jointly controlled operation
 - Jointly controlled asset
 - Jointly controlled entity
76. A feature of government accounting that provides for the ceiling or maximum amount an agency can spend or incur in the performance of its functions is known as
- Budgetary accounting
 - Responsibility accounting
 - Obligation accounting
 - Fund accounting
77. A statement of financial position reports unrestricted, temporarily restricted and permanently restricted net assets is required for which of the following?
- A public university
 - A private, nonprofit hospital
- Both I and II
 - I only
 - Neither I nor II
 - II only
78. Financial reporting by a development stage enterprise differs from financial reporting for an established operating enterprise in regard to note disclosures
- Only
 - And expense recognition principles only
 - And revenue recognition principles only
 - And revenue and expense recognition principles
79. An entity shall disclose in the summary of significant accounting policies:
- the measurement basis (or bases) used in preparing the financial statements.
 - all the measurement bases specified in the *PFRS for SMEs* irrespective of whether they were used by the entity in preparing its financial statements.
 - the measurement basis (or bases) used in preparing the financial statements and the accounting policies used that are relevant to an understanding of the financial statements.
 - all of the measurement bases and the accounting policy choices available to the entity (ie specified in the *PFRS for SMEs*) irrespective of whether they were used by the entity in preparing its financial statements.
80. An entity:
- must choose to present either a statement of income and retained earnings or a statement of comprehensive income and a statement of changes in equity (ie a free accounting policy choice available to all entities that prepare their financial statements in accordance with the *PFRS for SMEs*).
 - whose only changes to its equity in the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy is required to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity.
 - whose only changes to its equity in the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy is permitted but not required to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity.
 - that chooses to present a statement of income and retained earnings must also present a statement of comprehensive income and a statement of changes in equity.

End of Examination

Thank you for participating in the 2011 National Mock CPA Board Examinations!