Chapter 03: Accounting Standards–Objectives and Interpretation (Part 2) -

Course Name: IC-46: General Insurance Accounts Preparation and Regulation of Investment

1) Which of the following does AS 2 deal with?

(a) Disclosure of accounting policies
(b) Valuation of inventories
(c) Cash flow statement
(d) Contingencies events occurring after balance sheet date

Correct Options: (b)

2) Which of the following is true for reporting of cash flow statements?

(a) An enterprise should report cash flows from operating activities using either Direct method or Indirect method.
(b) Under direct method, net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferral or accruals of the past or future operating cash receipts or payments and items of income or expense associated with investment or financing cash flows.
(c) Under indirect method, major classes of gross cash receipts and gross cash payments are disclosed.
(d) Cash flows arising from transactions in a foreign currency should be recorded in foreign currency.

Correct Options: (a)

3) Which of the following statement is incorrect for AS 2?

(a) This standard deals with the determination of the value at which the inventories are carried in the financial statements.
(b) The inventories of an enterprise should always be valued at net realizable value.
(c) The financial statements should disclose the accounting policies adopted in measuring the inventories, including the cost formula used.
(d) Inventory is valued on the basis of conservative principle to prevent unnecessary overstatement of inventories which results in an overstatement of profit.

Correct Options: (b)

4) Accounting Standard 6 deals with ‘Depreciation accounting’.

(a) True

(b) False

Correct Options: (a)

5) Which of the following aspects is dealt with, in the AS 9?

(a) Revenue arising from construction contracts

(b) Revenue arising from hire purchase or lease agreements

(c) Revenue arising from Govt. grant and other similar subsidies

(d) Revenue arising from royalties and dividends

Correct Options: (d)

6) Which of the following is not true as per AS 12?

(a) Govt. grants related to depreciable fixed assets should be credited to capital reserve

(b) Govt. grants that become refundable should be accounted for as an extra ordinary item

(c) Govt. grants related to revenue may be presented as a credit to the profit and loss statement, either separately or under ‘other income’

(d) Govt. grants should not be recognized, until there is reasonable assurance that, the enterprise will comply with the conditions attached to them and the grants will be received

Correct Options: (a)

7) Which of the following implies the number of days for which specific shares are outstanding as a proportion of the total number of days in the period?

(a) Period-weighting factor

(b) Share-weighting factor

(c) Time-weighting factor

(d) Share-earning factor

Correct Options: (c)
8) Deferred tax is the amount of income tax determined to be payable/recoverable, in respect of the taxable income (tax loss) for a period.

(a) True
(b) False
Correct Options: (b)

9) _____ is the amount by which the carrying amount of an asset exceeds its recoverable amount.

(a) Tax loss
(b) Accounting loss
(c) Impairment gain
(d) Impairment loss
Correct Options: (d)

10) Which of the following loan commitments are not within the scope of the AS 30?

(a) Loan commitments that the entity designates as financial liabilities at fair value, through profit or loss
(b) Loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
(c) Commitments to provide a loan at below-market interest rate
(d) Loan commitments in the form of contingent assets at market value
Correct Options: (d)
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