

AS 5: NET PROFIT OR LOSS FOR THE PERIOD, PRIOR PERIOD ITEMS AND CHANGES IN ACCOUNTING POLICIES

ICAI MCQs

- 1) A change in the estimated life of the asset, which necessitates adjustment in the depreciation is an example of
 - a) Prior period item.
 - b) Ordinary item.
 - c) Extraordinary item.
 - d) Change in accounting estimate.
- 2) Which of the following is considered as an extraordinary item as per AS 5?
 - a) Write down or write-off of receivables, inventory and intangible assets.
 - b) Gains and losses from sale or abandonment of equipment used in a business.
 - c) Effects of a strike, including those against competitors and major suppliers.
 - d) Flood damage from unusually heavy rain or a normally dry environment.
- 3) Which one of the following is an example of extraordinary item?
 - a) The write down of inventories to their net realisable value
 - b) Reversal of write down of inventories
 - c) Government grants become refundable
 - d) Reversal of provisions.
- 4) Extraordinary items are income or expenses
 - a) That arise from events clearly distinct from the ordinary activities of the enterprise.
 - b) That are not expected to recur frequently or regularly.
 - c) Both (a) and (b).
 - d) None of the three.
- 5) An audit stock verification during the year ended 31st March, 2021 revealed that opening stock of the year was understated by ₹ 5 lakhs due to wrong counting. While finalizing accounts, your opinion will be
 - a) It is not a prior period item and no separate disclosure is required
 - b) It should be treated as a prior period adjustment and should be separately disclosed in the current year's financial statement
 - c) The adjustment of ₹ 5 lakhs in both opening stock of current year and profit brought forward from previous year should be made
 - d) Both (b) and (c).
- 6) Following is not required to be disclosed separately in the statement of P&L?
 - a) Profit or loss from ordinary activities
 - b) Profit or loss from extraordinary activities
 - c) The nature and amount of prior period items
 - d) Impact of change in estimate which is not material.
- 7) Which of the following is a Prior Period item?
 - a) Arrears payable to workers as a result of revision of wages with retrospective effect during the current period

- b) Change in the useful life of the asset in current year based on 3 years old technical estimate.
- c) Income or expense recognised on the outcome of a contingency which previously could not be estimated reliably
- d) Change in the estimate of the amount of bad debts based on court order in current year
- 8) Which of the following may not be considered as an extra-ordinary item?
- a) Attachment of property of the enterprise
- b) Losses sustained as a result of an earthquake
- c) Claims from policyholders arising from an earthquake for an insurance enterprise that insures against such risks
- d) Loss due to major fire in an important plant of the company
- 9) Which of the following circumstances may not give rise to the separate disclosure of items of income and expense
- a) The write-down of inventories to net realizable value
- b) Legislative changes having retrospective application
- c) Litigation settlements
- d) Separation cost paid to CEO of the company

ADDITIONAL MCQs

- 10) There was an omission of ₹ 15,000 purchases from last year books and this error is traced in current year. This will be called as
- a) Exceptional item
- b) Prior period item
- c) Extraordinary item
- d) Change in accounting estimates
- 11) Nature and amount of each extra-ordinary item is disclosed.....in notes to accounts.
- a) Jointly
- b) Separately
- c) As per management's discretion
- d) None of the above
- 12) Following items require separate disclosures.
- a) Litigation settlements
- b) Disposal of long term investments
- c) Writing down of inventories
- d) All of the above
- 13) Accounting policies can be changed only if:
- a) When it is required by statute
- b) To comply with AS
- c) When change is required for more appropriate presentation
- d) All of the above

Answers:

1: (d)	2: (d)	3: (c)	4: (c)	5: (d)	6: (d)	7: (b)
8: (c)	9: (d)	10: (b)	11: (b)	12: (d)	13: (d)	