

FRAMEWORK FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

ICAI MCQs

- 1) The 'going concern' concept assumes that?
 - a) The business can continue in operational existence for the foreseeable future.
 - b) The business cannot continue in operational existence for the foreseeable future.
 - c) The business is continuing to be profitable.
 - d) The business cannot continue if it is not able to earn profits.
- 2) Two principal qualitative characteristics of financial statements are?
 - a) Understandability and materiality
 - b) Relevance and Reliability
 - c) Relevance and materiality
 - d) Comparability and materiality
- 3) All of the following are components of financial statements except?
 - a) Balance sheet
 - b) Statement of Profit and loss
 - c) Human responsibility report
 - d) Social responsibility report.
- 4) An accounting policy can be changed if the change is required
 - a) By statute or accounting standard
 - b) For more appropriate presentation of financial statements
 - c) Both (a) and (b)
 - d) By statute as well as accounting standards.
- 5) Value of equity may change due to
 - a) Contribution from or Distribution to equity participants
 - b) Income earned
 - c) expenses incurred
 - d) All the three.
- 6) An item that meets the definition of an element of financial statements should be recognised in the financial statements if?
 - a) It is probable that any future economic benefit associated with the item will flow to the enterprise.
 - b) Item has a cost or value that can be measured with reliability.
 - c) Both (a) and (b)
 - d) It is probable that no future economic benefit associated with the item will flow to the enterprise.
- 7) A machine was acquired in exchange of an old machine and ₹ 20,000 paid in cash. The carrying amount of old machine was ₹ 2,00,000 whereas its fair value was ₹ 1,50,000 on the date of exchange. The historical cost of the new machine will be taken as
 - a) ₹ 2,00,000
 - b) ₹ 1,70,000
 - c) ₹ 2,20,000
 - d) ₹ 1,80,000

- 8) Liabilities are recorded at the undiscounted amount of cash expected to be paid on settlement of liability in the normal course of business under?
- Present value
 - Realizable value
 - Current cost
 - Fair value
- 9) Which of the assumption is not considered as fundamental accounting assumption?
- Going Concern
 - Accrual
 - Reliability
 - Consistency

ADDITIONAL MCQs

- 10) Framework for preparation and presentation of financial statements suggests that the financial statements should observe?
- Relevance
 - Understandability
 - Reliability
 - All the three
- 11) Which of the following are underlying assumptions of financial statements?
- Relevance and reliability.
 - Going concern and Accrual basis.
 - Financial capital maintenance and physical capital maintenance.
 - Prudence and conservatism.
- 12) Mr. A purchased a machine on 1st January, 2016 at ₹ 7,00,000. As on 1.1.2021, Mr. A found that it would cost ₹ 25,00,000 to purchase that machine. Mr. X also took loan from a bank as on 1st January, 2016 for ₹ 5,00,000 @ 18% p.a. repayable at the end of 15th year together with interest. As per historical cost, what amount of liability & asset will be recorded in the books of accounts?
- 5,00,000 and 7,00,000
 - 18,50,000 and 25,00,000
 - 7,00,000 and 5,00,000
 - 25,00,000 and 18,50,000

Answers:

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