

DISCLOSURE OF ACCOUNTING POLICIES

1. Which of the following is NOT a major consideration in selection and application of accounting policies?
 - a) Prudence
 - b) Comparability
 - c) Materiality
 - d) Substance over form

2. Adoption of different accounting policies by different companies operating in the same industry affects which of the qualitative characteristics the most?
 - a) Comparability
 - b) Relevance
 - c) Faithful representation
 - d) Reliability

3. Which of the following statement would not be correct in relation to disclosures to be made in the financial statements after making any change in an accounting policy?
 - a) Any change in an accounting policy which has a material effect should be disclosed.
 - b) The amount by which any item in the financial statements is affected by such change should be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.
 - c) If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.
 - d) If a change is made in an accounting policy which has material effect on the financial statements for the current period and is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed only in the later periods i.e. year(s) next to the year in which the change is adopted.

4. Two major considerations that govern the selection of accounting policy
 - a) Substance over form and Consistency
 - b) Prudence and Materiality
 - c) Prudence and Reliability
 - d) Reliability and Consistency

5. Fundamental accounting assumption is?
 - a) Materiality
 - b) Business entity
 - c) Going concern
 - d) Dual aspect

6. It is essential to standardize the accounting principles and policies in order to ensure
 - a) Transparency
 - b) Consistency
 - c) Comparability
 - d) All of the three

7. AS 1 recognizes _____ Fundamental Accounting Assumptions?
- three
 - four
 - five
 - none of the three
8. Which of the following is not a primary objective of disclosing accounting policies as per AS 1?
- Enhancing comparability
 - Ensuring transparency
 - Facilitating decision-making
 - Increasing market share
9. AS 1 requires that accounting policies should be applied consistently. What does consistency means to in this context?
- Using different accounting policies for different transactions
 - Applying the same accounting policies for similar transactions over time
 - Changing accounting policies every year
 - Adopting the most popular accounting policies in the industry
10. AS 1 primarily deals with:
- Disclosure of accounting policies
 - Valuation of inventories
 - Prior period items
 - All of the above

Answers:

- (b)
- (a)
- (d)
- (b)
- (c)
- (d)
- (a)
- (d)
- (b)
- (a)