

**NET PROFIT OR LOSS FOR THE PERIOD, PRIOR PERIOD  
ITEMS & CHANGES IN ACCOUNTING POLICIES**AS  
05

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. 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
7. 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

8. There was an omission of ₹ 32,000 sales in 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
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
10. AS 5 doesn't applies to:
  - a. Contingencies
  - b. Prior period items
  - c. Change in accounting policies
  - d. Net profit/loss for the period
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. (b)
7. (c)
8. (b)
9. (d)
10. (a)
11. (b)
12. (d)
13. (d)