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<tr>
<td>Exam Code</td>
<td>ToA Open FPB: 1009</td>
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<tr>
<td>Date</td>
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<td>8:00 AM to 11:00 AM</td>
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<td>Exam Coverage</td>
<td>CPA Review</td>
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<td>No. of Questions</td>
<td>100</td>
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<td>RPCPA Licensure</td>
<td>Examination Syllabus</td>
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**OPEN CPA REVIEW**

**FINAL PRE-BOARD EXAMINATIONS**

**THEORY OF ACCOUNTS**
INSTRUCTIONS: Select the best answer for each of the following questions. Mark only one answer for each item on the answer sheet provided. Strictly NO ERASURES ALLOWED. Erasures will render your examination answer sheet INVALID. Use PENCIL NO. 2 only. GOODLUCK!

1. Revenue should be measured at
   a. Fair value of the consideration received or receivable
   b. Cost of the consideration received or receivable
   c. Amount of cash received or receivable
   d. Book value of the consideration received or receivable

2. When measuring the revenue from dividends, PAS 18 Revenue, allows the recognition of dividend revenue only when:
   a. the revenue has been realized;
   b. the cash is received;
   c. when the right to receive payment is established;
   d. the dividend amount is determined and the dividend has been declared.

3. Which of the following is correct?
   a. Discontinued operations are shown as the last category on the Statement of Comprehensive Income after income from continuing operations.
   b. The Discontinued Operations section of the Statement of Comprehensive Income consists only of the gain or loss on disposal of the discontinued component net of the tax effect.
   c. The Discontinued Operations section of the Statement of Comprehensive Income consists only of the income or loss from operating the discontinued component net of the tax effect.
   d. The Discontinued Operations section of the Statement of Comprehensive Income consists of the income or loss from operating the discontinued component net of the tax effect as well as the gain or loss on disposal of the discontinued component net of the tax effect.
6. Any gain on a subsequently increased in the fair value less cost the asset is held for sale should be:
   a. recognized in a discontinuance
   b. recognized in a discontinuance segment
   c. recognized in a discontinuance segment of the entity in which the discontinued operation was reported

5. While an asset is held for sale, PRS § Non-current Assets
   a. the asset or loss from operations of the disposal group of an entity
   b. the gain or loss on disposal of a component of an entity
   c. the gain or loss on disposal of a component of an entity
   d. the gain or loss from operations of a discontinued operation

4. Which of the following statements regarding discontinued operations is true?
   a. Exchange difference resulting in the translation of foreign operations into the currency of the reporting entity, are disclosed in the Statement of Comprehensive Income
   b. Cash flows from investing activities
   c. Cash flows from financing activities
   d. Revenues from discontinued operations after balance sheet date

3. Criteria for determining when investments are treated as minority interests in equity method investees
   a. Control
   b. Significant influence
   c. Joint control
   d. None of the above

2. Which of the following information should be disclosed in the Statement of Financial Position?
   a. Statement of Financial Position
   b. Statement of Comprehensive Income
   c. Inventory
   d. Cash flow statement

1. Velocity of cash flows from investing activities
   a. Cash flows resulting from the purchase and sale of investments
   b. Cash flows from portfolio investments
   c. Cash flows from investing activities
   d. None of the above
7. An entity is planning to dispose of a collection of assets. The entity designates these assets as a disposal group. The carrying amount of these assets immediately before classification as held for sale was P20 million. Upon being classified as held for sale, the assets were revalued to P18 million. The entity feels that it would cost P1 million to sell the disposal group. What would be the carrying amount of the disposal group in the entity's accounts after its classification as held for sale?
   a. P20 million  
   b. P18 million  
   c. P17 million  
   d. P19 million

8. Ordinary shares issued as part of a business combination are included in the EPS calculation in the case of the "purchase" method from
   a. The beginning of the accounting period  
   b. The date of acquisition  
   c. The end of the accounting period  
   d. The midpoint of the accounting year

9. If a new issue of shares for cash is made between the year-end and the date that the financial statements are authorized, then
   a. EPS for both the current and the previous year are adjusted  
   b. EPS for the current year only is adjusted  
   c. No adjustment is made to EPS  
   d. Diluted EPS only is adjusted

10. Which statement is correct regarding changes in accounting policies?
    a. An entity is not permitted to change an accounting policy.  
    b. Changes in accounting policies include applying an accounting policy to a kind of transaction or event that did not exist in the past.  
    c. If a change in accounting policy is required by a new FRSC standard or interpretation, the change is accounted for as required by that new pronouncement.  
    d. If there is a Standard or Interpretation that specifically applies to a transaction, it overrides the Framework. In the absence of a Standard or an Interpretation that specifically applies to a transaction, management should consider the applicability of the Framework in developing and applying an accounting policy that results in information that is relevant and reliable.  
    e. The Framework applies only when FRSC develops new or revised Standards. An entity is never required to consider the Framework.

96. Which of the following is not regarded as constituting a separate element in the FRSC Framework?
   a. Income  
   b. Gain  
   c. Expense  
   d. Equity

97. The basic purpose of preparing a trial balance is -
   a. To find out the financial position and performance of the entity  
   b. To find out all errors in accounting  
   c. To list all day books.  
   d. To list all ledger account balances

98. Which of the following pairs of transactions and special journals is not properly matched?
    Transaction  
    Journal  
    a. Collect cash on account  
    b. Pay voucher for purchase of merchandise on account  
    c. Prepare adjusting entries  
    d. Sell merchandise on account  
    c. Collect cash on account  
    d. Pay voucher for purchase of merchandise on account  
    c. Prepare adjusting entries  
    d. Sell merchandise on account  
    a. Cash receipts journal  
    b. Voucher register  
    c. General journal  
    d. Sales journal
14. Choose the correct statement about recording the discounting.

a. 7.5% and 7.5% 
   b. 7% and 7% 
   c. 7% and 6% 
   d. 6% and 6% 

13. The company received a seven-year zero-interest note from the issuing company. The note has a face value of $200,000. The note matures on December 31, 2008. If the note is held for a period of one year, what is the interest income for the year ended December 31, 2008?

12. Which of the following Audit Standards applies to a professional accountant who is engaged to perform an audit of financial statements that are intended to be distributed to a large number of users?

a. GAAP 
   b. IRS 
   c. SEC 
   d. AICPA 

11. The government's objective in operating the business is to achieve a specific rate of return on its investments. The rate of return is measured by the difference between the actual income and the income derived from operations of the government agencies engaged in business activities.

9. Which of the following would be included in the government's rate of return on investments?

a. Sales revenue 
   b. General income 
   c. Other business income 
   d. Miscellaneous income

8. The菲律宾 International Accounting Standards are issued by the FNCC. These standards consist of:

a. The PSC 
   b. The PSG 
   c. The PSB 
   d. The PSN

7. The Philippine government's objective in operating the business is to achieve a specific rate of return on its investments. The rate of return is measured by the difference between the actual income and the income derived from operations of the government agencies engaged in business activities.
a. The gain or loss on discounting equals the difference between the proceeds and the face value of the note.
b. There is only one way to disclose the contingent liability.
c. The notes receivable discounted account represents both a contra-notes receivable and a contingent liability.
d. The financial institution bases its discount (fee) on the face value of the note.

15. The following may be included in the cost of inventories, except
   a. Administrative overheads.
   b. Wasted materials, labor and other production costs.
   c. Storage costs.
   d. Selling costs.

16. The specific identification method of inventory costing
   a. eliminates all opportunity for profit manipulation.
   b. matches the flow of recorded costs with the physical flow of goods.
   c. can be used only with a perpetual inventory system.
   d. is a violation of generally accepted accounting principles.

17. BMC, Inc. is evaluating whether to apply the lower of cost or net realizable value rule to total inventory, to groups of similar items, or to each item. Which application should it use if it wants to show the lowest inventory amount?
   a. Separately to each time.
   b. Total inventory.
   c. Groups of similar items.
   d. It does not matter, as all applications result in the same amount.

18. ABC LLC manufactures and sells paper envelopes. The stock of envelopes was included in the closing inventory as of December 31, 2009, at a cost of P50 each pack. During the final audit, the auditors noted that the subsequent sale price for the inventory at January 15, 2010, was P40 each per
c. The eventual sale proceeds should be estimated and matched to the profit and loss account over the 30-year period.
d. The plantation forest should be valued every 5 years and the increase in value should be shown in the statement of recognized gains and losses.

22. Regarding the choice of measurement basis used for valuing biological assets, PAS 41:
   a. Sets out several ways of measuring fair value
   b. Recommends the use of historical cost
   c. Recommends the use of current cost
   d. Recommends the use of present value

23. Investment property includes:
   I. Property being constructed or developed on behalf of third parties.
   II. Property that is being redeveloped for continuing use as investment property.
   III. Property that is being constructed or developed for use as an investment property.
   IV. Property leased to another entity under a finance lease.
      a. II only
      b. III only
      c. II and III only
      d. II, III and IV only

24. Directly attributable expenditures related to investment property include:
   a. Professional fees for legal services, property transfer taxes and other transaction costs
   b. Start up costs
   c. Initial operating losses incurred before the investment achieves the planned level of operation
   d. Abnormal amounts of wasted material, labor and other resources incurred in constructing or developing the property

25. An entity shall not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

83. Unrelated parties include all of the following, except:
   a. Providers of finance
   b. Two venturers simply because they share joint control over the joint venture
   c. Single customer with whom the entity transacts significant volume of business merely by virtue of the resulting economic dependence
   d. Key management personnel and close family members of such individual

84. The minimum disclosures prescribed under PAS 24 are to be made separately for certain categories of related parties. Which of the following is not among the list of categories specified under the Standard for the purposes of separate disclosure?
   a. Entities with joint control or significant influence over the entity
   b. The parent company of the entity
   c. An entity that has a common director with the entity
   d. Joint ventures in which the entity is a venturer

85. What is the principle for recognition of a financial asset or a financial liability in PAS 39?
   a. A financial asset is recognized when, and only when, it is probable that future economic benefits will flow to the entity and the cost or value of the instrument can be measured reliably
   b. A financial asset is recognized when, and only when, the entity obtains control of the instrument and has ability to dispose of the financial asset independent of the actions of others
the annual general meeting where the shareholders approve the financial statements.

c. Events after the balance sheet date are favorable and unfavorable events between the balance sheet date and the date on which the financial statements are authorized for issue by management.

d. Events after the balance sheet date are favorable events between the balance sheet date and the date on which financial statements are authorized for issue.

81. The management of an entity completes draft of financial statements for the year ended December 31, 2008 on February 28, 2009. On March 15, 2009, the board of directors reviews the financial statements and authorizes them for issue. The entity announces its profit and selected other financial information on March 20, 2009. The financial statements are made available to shareholders and others on April 1, 2009. The shareholders approved the financial statements at their annual meeting on May 10, 2009 and the approved financial statements are then filed with SEC and BIR on May 30, 2009. For purposes of identifying events after balance sheet date, the financial statements were authorized for issue on


82. Which statement is incorrect regarding events after balance sheet date?

a. Events after the balance sheet date that provide further evidence of conditions that existed at the balance sheet date will require adjustments to the financial statements.

b. Events or conditions that arose after the balance sheet date does not require adjustments to the financial statements.

c. If an entity declares dividends after the balance sheet date, the entity shall recognize those dividends as a liability at the balance sheet date.

25. Which statement is correct regarding investment property?

a. Entities should determine the fair value of investment property.

b. Entities should use the fair value model.

c. Entities should use the cost model.

d. Entities should determine the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification.

26. In case of property held by a finance lessee under an operating lease and classified as investment property?

a. The entity has to account for the investment property under the cost model only.

b. The entity has to use the fair value model only.

c. The entity has the choice between the cost model and the fair value model.

d. The entity needs only to disclose the fair value and can use the cost model under PAS 38.

27. Theoretically, which of the following costs incurred in connection with a machine purchased for use in company’s manufacturing operations be capitalized?

Insurance on machine  Testing and preparation of
while in transit  machine for use

a. Yes  Yes
b. Yes  No
c. No  No
d. No  Yes

28. A machine with a four-year estimated useful life and an estimated 15% salvage value was acquired on January 1, 2009. The increase in accumulated depreciation for 2010 using the double-declining balance method would be

a. original cost x 85% x 50%.

b. original cost x 50%.

c. original cost x 85% x 50% x 50%.

d. original cost x 50% x 50%.
29. Healthy Inc. bought a private for the use of its top-ranking officials. The cost of the private jet is P15 million and can be depreciated either using a composite useful life or useful lives of its major components. It is expected to be used over a period of 7 years. The engine of the jet has a useful life of 5 years. The private jet's tires are replaced every 2 years. The private jet will depreciated using the straight-line method over
   a. 7 years composite useful life
   b. 5 years useful of the engine, 2 years useful life of the tires,  and 7 years useful life applied to the balance of the jet
   c. 2 years useful life based on conservatism (lowest useful life of all the parts of the jet)
   d. 5 years useful life based on a simple average of the useful lives of all major components of the jet

30. Which statement is incorrect regarding initial measurement of PPE?
   a. PPE should be initially recorded at cost, which includes all costs necessary to bring the asset to working condition for its intended use.
   b. If payment for an item of property, plant, and equipment is deferred, interest at a market rate must be recognized or imputed.
   c. If an asset is acquired in exchange for another asset the cost will be measured at the fair value.
   d. If an asset acquired in exchange for another asset is not measured at fair value, its cost is measured at the carrying amount of the asset received.

31. In relation to an asset revaluation surplus, an entity:
   a. is not able to use this surplus for the payment of future dividends;
   b. is able to use this surplus for the payment of future dividends;
   c. is not able to transfer this surplus to any other reserve account;
   d. can transfer the surplus to the income statement when the asset is disposed of.

77. Based on PFRS 8, the method used to determine what information to report for operating segments is referred to as the
   a. Segment approach
   b. Operating approach
   c. Enterprise approach
   d. Management approach

78. Entity (Enterprise)-wide disclosures include the disclosures about
   Geographical areas  Major customers
   a. Yes                Yes
   b. Yes                No
   c. No                 Yes
   d. No                 No

79. Everest Corp. and its divisions are engaged solely in manufacturing operations. The following data (consistent with prior years' data) pertain to the industries in which operations were conducted for the year ended December 31, 2009:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total revenue</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>P10,000,000</td>
<td>P1,750,000</td>
</tr>
<tr>
<td>B</td>
<td>8,000,000</td>
<td>1,400,000</td>
</tr>
<tr>
<td>C</td>
<td>6,000,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>D</td>
<td>3,000,000</td>
<td>550,000</td>
</tr>
<tr>
<td>E</td>
<td>4,250,000</td>
<td>675,000</td>
</tr>
<tr>
<td>F</td>
<td>1,500,000</td>
<td>225,000</td>
</tr>
<tr>
<td>P32,750,000</td>
<td>P5,800,000</td>
<td>P57,500,000</td>
</tr>
</tbody>
</table>

   In its segment information for 2009, how many reportable segments does Everest have?
   a. Three
   b. Four
   c. Five
   d. Six

80. Which of the following statements is correct?
   a. Events after the balance sheet date are favorable events between the balance sheet date and the date on which the financial statements are authorized for issue
   b. Events after the balance sheet date are favorable and unfavorable events between the balance sheet date and
33. Which of the following is not considered a borrowing cost?

- a. Interest
- b. Both a and b
- c. None of the above

34. Non-monetary assets, such as land or other resources, are usually accounted for at

- a. Nominal amount
- b. Fair value
- c. Cost

35. Which of the following is not a component of the retirement benefit experienced?

- a. Interest cost
- b. Expected return on plan assets
- c. Service cost
- d. Amortization of prior service cost

36. Which of the following is not a component of the retirement benefit earned?

- a. The investment return on plan assets.
- b. Post-employment benefits are based on how well the plan's plan's performance.
- c. Post-employment benefits are based on the employee's service.
- d. The investment return of the retirement plan is borne by the employee.

37. The information that is not required for an enterprise to measure the asset,

- a. Expected return on plan assets, in accordance with the actuarial valuation.
- b. Service cost, in accordance with the actuarial valuation.
- c. Fair value of the service asset, in accordance with the actuarial valuation.
- d. Actuarial present value of the expected future benefit.
36. Under the revised PAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset
   a. should be charged to expense when incurred
   b. should be capitalized as part of the cost of the asset for which the funds borrowed are used
   c. may be charged to expense or capitalized, depending on the decision of management
   d. should not be charged to expense nor capitalized

37. When a qualifying asset is financed by both specific and general borrowings, the interest rate to be used in computing capitalize borrowing costs attributed to general borrowings should be
   a. the lowest interest rate on the general borrowings
   b. the highest interest rate on the general borrowings
   c. the weighted average interest rate on general borrowings
   d. the average of the lowest and highest interest rates on the general borrowings

38. Ecuri Co. has a portfolio of marketable equity securities which it does intend to sell in the near term. How should Ecuri classify these securities, and how should it report unrealized gains and losses from these securities?
   a. Trading securities
   b. Available-for-sale securities
   c. Trading securities
   d. Available-for-sale securities

70. Which of the following statements is incorrect?
   a. The lessee's incremental borrowing rate is the rate that, at the inception of the lease, the lessee would have incurred to borrow over a similar term the funds necessary to purchase the leased asset.
   b. One reason for capitalizing a leased asset is so that the financial statements are comparable to those of an entity that purchases such assets outright.
   c. The classification of a lease is primarily determined by the nature of the leased asset.
   d. A finance lease transfers substantially the risk and rewards relative to ownership from the lessor to the lessee, whereas an operating lease does not.

71. An eight-year finance lease specifies equal minimum annual lease payments. Part of this payment represents interest and part represents a reduction in the net lease liability. The portion of the minimum lease payment in the fourth year applicable to the reduction of the net lease liability should be
   a. the same as in the third year
   b. less than in the third year
   c. less than in the fifth year
   d. more than in the fifth year

72. In a finance lease, the lessee records all, except
   a. A leased asset and a lease liability.
   b. Depreciation on the leased asset.
   c. Rent expense.
   d. Interest on the lease liability.

73. Which of the following statements is true?
   a. An operating lease is based upon the view that there was a sale/purchase (between the parties) of the leased asset at the inception date of the lease.
   b. The concept underlying an operating lease is that the lessee sold the leased asset and the lessor purchased it (at lease inception date).
41. When the equity method is used to account for investments in companies' stocks, which of the following affects the investor's reported investment income?

- No
- Yes

42. When goodwill is acquired by an investor in an associate the net income of the associate, cash dividends, and

- No
- Yes

43. A future tax deductible amount is established by:

- a) Depreciation tax benefit
- b) Deferred tax expense
- c) Tax expense
- d) Current tax expense

44. At the beginning of the year a company did not pay any dividends. During the year the market price fluctuated, resulting in a credit balance in the account "Investment in Subsidiaries." Trading securities are considered to be:

- Non-current under any circumstances.
- Current under any circumstances.
- Held-to-maturity securities or non-current depending on management's intent.
- Held-to-maturity securities can be classified as current or non-current depending on management's intent.

39. Which of the following is true?

- The accounting for intercompany transactions depends on management's intent.
- Intercompany transactions should not be classified as current, and/or
- Intercompany transactions should not be classified as non-current.
43. Which statement is correct regarding initial recognition of research and development costs?
   a. All research costs should be charged to expense.
   b. All development costs should be capitalized.
   c. If an enterprise cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the enterprise treats the expenditure for that project as if it were incurred in the development phase only.
   d. A research and development project acquired in a business combination is not recognized as an asset.

44. Which is incorrect concerning the recognition and measurement of an intangible asset?
   a. If an intangible asset is acquired separately, the cost comprises its purchase price, including import duties and taxes and any directly attributable expenditure of preparing the asset for its intended use.
   b. If an intangible asset is acquired in a business combination that is an acquisition, the cost is based on its fair value at the date of acquisition.
   c. If an intangible asset is acquired free of charge or by way of government grant, the cost is equal to its fair value.
   d. If payment for an intangible asset is deferred beyond normal credit terms, its cost is equal to the total payments over the credit period.

45. In relation to the amortization of intangible assets, the general rule in PAS 38 Intangibles, is that unless demonstrated otherwise:
   a. the residual value does not enter into the determination of the amortisation charge.
   b. the residual need not be reviewed at the end of each annual reporting period.
   c. all intangible assets have a residual value at least equal to the amount of maintenance costs incurred.
   d. the residual value is presumed to be zero.

62. How would retained earnings be affected by the declaration of each of the following:

<table>
<thead>
<tr>
<th>Stock Dividend</th>
<th>Share Split</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Decrease</td>
<td>Decrease</td>
</tr>
<tr>
<td>b. No effect</td>
<td>Decrease</td>
</tr>
<tr>
<td>c. No effect</td>
<td>No effect</td>
</tr>
<tr>
<td>d. Decrease</td>
<td>No effect</td>
</tr>
</tbody>
</table>

63. Five thousand (5,000) shares of ordinary share with a par value of P10 per share were issued initially at P12 per share. Subsequently, one thousand (1,000) of these shares were acquired as treasury share at P15 per share. Assuming that the cost method of accounting for treasury share transactions is used, what is the effect of the acquisition of the treasury share on each of the following?

<table>
<thead>
<tr>
<th>Additional-paid-in-capital</th>
<th>Retained earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. No effect</td>
<td>No effect</td>
</tr>
<tr>
<td>b. Increase</td>
<td>Decrease</td>
</tr>
<tr>
<td>c. Decrease</td>
<td>Increase</td>
</tr>
<tr>
<td>d. Decrease</td>
<td>Decrease</td>
</tr>
</tbody>
</table>

64. Which of the following statements is true?
   a. In all situations, income tax expense is allocated only to (a) income before extraordinary items, (b) extraordinary items, and (c) prior period adjustments.
   b. To compute EPS, share splits are treated as if they had occurred at the beginning of the period.
   c. If a corporation changes from reporting investments on the cost basis to reporting to the equity basis, the prospective approach of reporting must be used.
   d. The effect of a change in an accounting estimate, like a prior period adjustment, is reported in the retained earnings statement.

65. Which of the following items would be presented in a cash flow statement?
   a. payment of dividends through a share investment scheme;
49. Which statement is incorrect regarding fair value less costs to sell?

a. All of the above statements are correct.
   b. Value less costs to sell.
   c. For assets to be disposed of, recoverable amount is fair value less costs to sell.
   d. If fair value less costs to sell cannot be determined, then recoverable amount is value in use.
   e. If fair value less costs to sell is less than fair value, less costs to sell or value in use, it is not necessary to calculate the other amount.

50. Which statement is incorrect in determining recoverable amount?

a. Lower of cost or net realizable value.
   b. Net realizable value.
   c. Lower of cost or market value.
   d. Market value

51. The following are external indicators of impairment, except

a. Changes in technology, market, economy, or laws.
   b. Market value declines.
   c. No indicator.
   d. Neither a nor b.

52. Which of the following is true of a premium on bonds?

a. Paid at maturity date.
   b. Decreases by equal amounts.
   c. Decreases by equal amounts and another equity account.
   d. A contra-stockholders' equity account.

53. Which of the following is false for a company?

a. Total equity increases.
   b. Total equity decreases.
   c. Legal equity decreases.
   d. Nonlegal equity decreases.

54. The bonds issued as shares has the following impact on the balance sheet?

a. Correction of an error in which depreciation expense was understated in a prior period.
   b. Correction of an error in which depreciation expense was understated.
   c. Decrease in net investment in associates.
   d. Increase in net investment in associates.

55. Which of the following transactions does not result in a decrease in equity?

a.Sale of bonds payable.
   b. Redemption of bonds payable.
   c. Dividends paid.
   d. Redemption of preferred stock.
50. Which statement is incorrect concerning the reversal of an impairment loss?
   a. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized.
   b. Reversal of an impairment loss is recognized as income in the income statement.
   c. Adjust depreciation for future periods.
   d. Reversal of an impairment loss for goodwill is recognized as income in the income statement.

51. Which measurement model applies to exploration and evaluation assets subsequent to initial recognition?
   a. The cost model
   b. The revaluation model
   c. Either the cost model or the revaluation model
   d. The recoverable amount model

52. A financial liability that is due to be settled within twelve months after the balance sheet date is classified as noncurrent.
   I. When it is refinanced on a long-term basis on or before the balance sheet date.
   II. When the entity has the discretion to refinance or roll over the obligation for at least twelve months after the balance sheet date under an existing loan facility.
   a. I only
   b. II only
   c. Both I and II
   d. Neither I nor II

53. Which of the following items would be excluded from current liabilities?
   a. A long-term liability callable or due on demand by the creditor even though the creditor has given no indication that the debt will be called.
   b. Normal accounts payable which had been assigned by the creditor to the finance company.
   c. Long-term debt callable within one year or less because the debtor violated a debt provision.
   d. Short-term debt which at the discretion of the entity can be rolled over at least twelve months after the balance sheet date.

54. Which of the following statements regarding provisions is incorrect?
   a. Provisions should be recognized for penalties or clean-up costs for unlawful environmental damage.
   b. Provisions should be recognized for product warranties.
   c. Provisions should be recognized for future operating losses.
   d. Provisions should be recognized for outstanding premiums offered to customers.

55. It is an existing liability of uncertain amount or uncertain timing.
   a. Contingent liability
   b. Provision
   c. Unearned income
   d. Discount on note payable

56. A contingent liability is
   a. A liability of uncertain timing or amount.
   b. A possible obligation depending on whether some uncertain future event occurs.
   c. A present obligation but payment is not probable or the amount cannot be measured reliably.
   d. Either b or c.

57. To compute the price to pay for a bond, you use
   a. Only the present value of P1 concept.
   b. Only the present value of an annuity of P1 concept.
   c. Both a and b.
   d. Neither a nor b.