



# T7 Q&As

International Financial Reporting Standards for Compensation Professionals Exam

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### QUESTION 1

IAS 19 classifies employee benefits into four main categories. Which of the following best represent those categories?

- A. Wages, short-term benefits, long-term benefits, termination benefits
- B. Wages, profit-sharing, bonuses, non-monetary bonuses
- C. Short-term benefits, post-employment benefits, long-term benefits, termination benefits
- D. Wages, short-term benefits, bonuses, termination benefits

Correct Answer: C

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### QUESTION 2

Which of the following best defines the term "equity"?

- A. The residual interest in the assets of the entity after deducting all its liabilities
- B. A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits
- C. Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants
- D. Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants

Correct Answer: A

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### QUESTION 3

Which statement best describes the revalued amount of an asset?

- A. Its fair value at the date of revaluation less accumulated impairment
- B. Its fair value at the date of revaluation less accumulated depreciation
- C. Its fair value, less retained earnings
- D. Its fair value at the date of revaluation less accumulated depreciation and accumulated impairment

Correct Answer: D

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### QUESTION 4

Which of the following is the best description of liquidity?



- A. The historical cost of an asset
- B. The fair value of an asset
- C. The ease of converting a noncash asset to cash
- D. Liabilities, minus equity

Correct Answer: C

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#### QUESTION 5

What is the purpose of an income statement?

- A. To show liability and equity and the manner in which those funds are employed
- B. To account for changes in cash during the accounting period
- C. To show details of the nature of a company's operating activities
- D. To reconcile the beginning and ending balances of stockholders' equity

Correct Answer: C

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#### QUESTION 6

What is the term that describes the outflows of assets or incurring of liabilities during a period as a result of delivering or producing goods and/or rendering services?

- A. Period costs
- B. Production costs
- C. Cost of materials
- D. Expenses

Correct Answer: D

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#### QUESTION 7

Which characteristic requires a high degree of consensus among individuals on a given measurement?

- A. Faithful representation
- B. Verifiability
- C. Comparability
- D. Neutral



Correct Answer: B

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#### QUESTION 8

When an employee has provided service in exchange for benefits to be paid in the future, what is it considered in accounting terms?

- A. The employee value proposition
- B. A long term benefit
- C. A noncurrent expense
- D. A liability

Correct Answer: D

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#### QUESTION 9

Why is accounting for short-term employee benefits generally a straightforward process?

- A. Because no actuarial assumptions are required to measure the obligation or cost and there is no possibility of any actuarial gain or loss
- B. Because short-term employee benefit obligations are measured on a discounted basis
- C. Because short-term employee benefits are not provided in exchange for the service of the employee
- D. Because the employer is required to incorporate actuarial assumptions into measurement of the obligation and the expenses

Correct Answer: A

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#### QUESTION 10

The concept that numbers and descriptions must match what really existed or happened is represented by which fundamental qualitative characteristic?

- A. Predictive value
- B. Complete
- C. Faithful representation
- D. Relevance

Correct Answer: C

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#### QUESTION 11



What is the sum of current and noncurrent liabilities called?

- A. Total cost
- B. Current debt
- C. Total expenses
- D. Total liabilities

Correct Answer: D

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#### QUESTION 12

What is the main objective of IAS 19?

- A. To prescribe the accounting and disclosure for employee benefits
- B. To prescribe the timing of payments
- C. To draw a distinction between long and short term benefits
- D. To draw a distinction between a defined contribution and defined benefit plan

Correct Answer: A

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#### QUESTION 13

In defined contribution plans when the contributions are not expected to be settled wholly before twelve months after the end of the reporting period, what must occur?

- A. The employer must assume risk for the plan
- B. Contributions must be discounted
- C. Contributions must not be discounted
- D. The employer must pay a specified amount to the employee

Correct Answer: B

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#### QUESTION 14

Why is faithful representation important in accounting documentation?

- A. It ensures neutrality on the part of the company's accounting department
- B. It guarantees that all information is free from error
- C. It is useful if information represents what it purports to represent



D. It indicates that accountants have confirmed all of the data

Correct Answer: C

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#### QUESTION 15

Which fundamental qualitative characteristics make accounting information useful for decision-making?

A. Relevance and faithful representation

B. Cost and materiality

C. Assets and liability

D. Income and expenses

Correct Answer: A

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