



# T7<sup>Q&As</sup>

International Financial Reporting Standards for Compensation  
Professionals Exam

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### QUESTION 1

What is the difference between the present value of defined benefit obligation and fair value of plan assets at the end of the reporting period called?

- A. The financial position
- B. The deficit or surplus
- C. The discount
- D. The present fair value

Correct Answer: B

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### QUESTION 2

What is a constructive obligation?

- A. When a company recognizes the expected cost of profit-sharing and bonus payments
- B. When a company has no realistic alternative but to make payments
- C. When a change in the company's informal practices would cause unacceptable damage to its relationship with employees
- D. The required accounting entry for liabilities or accrued expenses or cash paid

Correct Answer: C

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### QUESTION 3

The economic activities of US-based Company XYZ is divided into 12-month periods for the purpose of issuing annual reports. Which basic assumption of accounting does this practice represent?

- A. Going concern
- B. Monetary unit
- C. Periodicity
- D. Economic entity

Correct Answer: C

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### QUESTION 4

Employee benefits that are not short-term, post-employment or termination benefits are considered what kind of benefits?



- A. Short-term benefits
- B. Post-employment benefits
- C. Termination benefits
- D. Long-term benefits

Correct Answer: D

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#### QUESTION 5

Which statement below most accurately describes a primary purpose of the Standards Advisory Council (SAC)?

- A. Informs International Accounting Standards Board (IASB) of implications of proposed standards
- B. Appoints International Accounting Standards Board (IASB) members
- C. Approves principles-based standards but does not issue detailed application guidelines
- D. Has the sole responsibility for setting standards

Correct Answer: A

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#### QUESTION 6

What is the reconciliation of the beginning and ending balances of stockholders' equity accounts called?

- A. Statement of Financial Position
- B. Statement of Income
- C. Statement of Cash Flows
- D. Statement of Stockholders' Equity

Correct Answer: D

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#### QUESTION 7

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 8

Which of the following describes the change in the net defined benefit liability (asset) during the period due to passage of time?

- A. Past service cost
- B. Current service cost
- C. Net interest on the net defined benefit liability (asset)
- D. Time value of money

Correct Answer: C

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#### QUESTION 9

Why is accounting for defined benefits plans one of the most complex issues in International Financial Reporting Standards?

- A. Because it involves incorporating actuarial assumptions into measurement of the obligation and the expenses
- B. Because defined benefits plan obligations are not measured on a discounted basis
- C. Because defined benefits plans must be settled within ten years after the employee renders the related service
- D. Because the employer is not allowed to incorporate actuarial assumptions into measurement of the obligation and the expenses

Correct Answer: A

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#### QUESTION 10

Identify the characteristic being employed when companies in the same industry are using the same accounting principles.

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

Correct Answer: A

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### QUESTION 11

What is the timing of revenue recognition?

- A. When it is probable that future economic benefits will flow to the company and reliable measurement of the amount of revenue is possible
- B. When the company reports current and non-current classifications in its statement of financial position
- C. When economic benefits are received by the company and reliable measurement of the amount of revenue is possible
- D. When users have sufficient reasonable knowledge of business and financial accounting matters to understand the information

Correct Answer: A

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### QUESTION 12

Defined contribution plans are an example of which kind of employee benefits?

- A. Short-term benefits
- B. Post-employment benefits
- C. Termination benefits
- D. Long-term benefits

Correct Answer: B

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### QUESTION 13

Defined benefit pension commitments often represent a company's largest single financial liability. IAS 19 was amended as of January, 2014. What does this amendment require?

- A. That surplus or deficit of a pension fund be detailed in the financial statement
- B. That any existing deficit of a pension fund be detailed in the financial statement
- C. That any projected deficit of a pension fund be detailed in the financial statement
- D. That companies state whether they have a defined benefit or defined contribution plan in the financial statement

Correct Answer: A

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### QUESTION 14

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 15

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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