1. Examples of contingent liabilities include:

A. Future payments arising under employee entitlements for long service leave.

B. Past tax deductions claimed that is under review by the Australian Taxation Office, but which the entity intends to dispute if disallowed.

C. Out of court settlements in the case of liability for damage to health due to products manufactured by the entity.

D. past tax deductions claimed that are under review by the Australian Taxation Office, but which the entity intends to dispute if disallowed and out of court settlements in the case of liability for damage to health due to products manufactured by the entity

2. Which of the following share-based payment transactions are considered cash-settled transactions within the scope of AASB 2?

A. Company A grants 5000 options each to its directors in return for services to be received over two years.

B. Company B purchases machinery in exchange for shares.

C. Company C incurs a liability based on the price of the entity's share options to pay for the services of its sales executives.

D. Company A grants 5000 options each to its directors in return for services to be received over two years; Company B purchases machinery in exchange for shares.

3. On 1 July 2012 York Ltd (a start-up biotech company) grants its senior manager a choice of receiving cash equivalent of 100 000 shares or 120000 shares. The grant is conditional upon the senior manager working for the entity for 3 years but if the share alternative is chosen, the grant vests after two years. At grant date the entity's share price is $12.50. The entity does not expect to pay dividends in the next 3 years. After taking into account the effects of post-vesting transfer restrictions, the entity estimates the grant-date fair value of the share alternative to be $12.

What is the fair value of the equity component of the compound instrument?

A. $10 000

B. $20 000

C. $190 000

D. $300 000

4. Wattle Ltd is in the process of completing its financial reports for the period ended 30 June 2014 when its accountant completes the collection of information about the realisable value of inventory as at reporting date. A number of items are reflected at a cost greater than net realisable value with a material effect on the accounts. What treatment does AASB 110 require for this event?

A. It should be disclosed in the Directors’ Declaration

B. The effect on the accounts should be disclosed in the notes to the financial statements

C. No disclosure is required

D. The financial statement should be adjusted to reflect the impact of the event

5. A redeemable preference share is one that may be:

A. converted into debt at the option of the shareholder.

B. converted into cash at the option of either the company or the shareholder.

C. forgiven any future calls where the company has profits in excess of specified levels.

D. have any dividends converted into further preference shares rather than receiving them in cash

6. If an event or transaction that occurs after reporting date does not relate to conditions that existed at reporting date then:

A. No action should be taken to report the event or transaction in the financial reports.

B. The statement of financial position should not be adjusted but effects on the statement of comprehensive income should be reflected in that statement.

C. The event or transaction should be disclosed in the notes to the accounts as a post-reporting date event and the financial statements adjusted appropriately.

D. The event or transaction should be disclosed in the notes to the accounts if it is material.

7. Kerry Gill works for Kentucky Enterprises for an annual salary of $60 000. Kerry is entitled to 4 weeks' annual leave per year with a leave loading of 17.5%. What entry each week, additional to the one recording wages expense and PAYG tax deduction, would be required to accrue Kerry's entitlement to annual leave? When Kerry takes his 4 weeks' annual leave, what entry would be made to record this (only)? The tax is calculated at 30%. (Assume that there are 52 weeks in a year and round to the nearest dollar.)

(no multiple choice giving)

8. Cavalier Co Ltd is being sued for negligence in manufacturing a piece of equipment that has allegedly resulted in injury to an employee of the claimant business. The accident occurred after reporting date, but Cavalier has settled quickly so the outcome is now known before the authorisation date of the financial statements. The settlement is for a material amount. How should this transaction be recorded in the financial statements according to AASB 110?

A. The event should be disclosed in a note to the financial statements.

B. The event should be fully reflected in the financial statements as the outcome is complete and known before the time of completion of the reports.

C. No reporting is required.

D. The event should be disclosed in a note to the financial statements and fully reflected in the financial statements as the outcome is complete and known before the time of completion of the reports.

9. What discount rate does AASB 119 require to be used to discount estimated future cash outflows associated with the relevant employee entitlements?

A. risk-adjusted, organisation-specific discount rate

B. market-determined, organisation-specific discount rate

C. inflation adjusted, real rate of return required on equity financing

D. the interest rate on high quality corporate bonds with terms to maturity that match the terms of the related liabilities.

10. Motion Ltd issued $5 million in redeemable preference shares in a private placement on 1 July 2012. The shares are redeemable on 30 June 2016, have no voting rights and offer a fixed rate of return to the holder. The shares are redeemed as expected with a fresh issue of shares. What are the accounting entries and note disclosures to record the transactions on 1 July 2012and 30 June 2016?

a. Note disclosure: redeemable preference shares have characteristics different to ordinary shares and so have been disclosed separately in the shareholders' funds section of the statement of financial position.

b. Note disclosure: redeemable preference shares have characteristics different to ordinary shares and so have been disclosed separately in the shareholders' funds section of the statement of financial position.

c. Note disclosure: redeemable preference shares have the characteristics of debt and so have been classified as liabilities in the statement of financial position.

d. Note disclosure: redeemable preference shares are to be redeemed on 30 June 2008.

11. The inflation rate for the foreseeable future is 1.5%. The future salaries of the employees are expected to keep pace with inflation but not increase as a result of promotion. If the opening balance of the LSL provision is $87 560 what is the entry to record LSL expense for the current period (round amounts to the nearest dollar)?

(No Multiple choice is giving)

12. Major Ltd has a weekly payroll of $30 000. Its employees work a 5-day week (Monday to Friday) and are paid on Thursdays in arrears (i.e. for the five days up to, and including, the Thursday). Pay-as-you-go tax on the weekly payroll is $10 000 and this is paid to the Australian Tax Office on the following Monday. Deductions of $1000 are also made on behalf of employees to pay into a medical benefits fund. The year ended 30 June 2014 falls on a Wednesday. What is the accounting entry to record accrued salaries and wages for this period?

no multiple choice is given

13. The interest rate implicit in the lease is 11% and the fair value of the asset at the inception of the lease is $37 031. What are the journal entries to record the lease, the payment at lease inception and the first lease payment in the books of the lessee (rounded to the nearest dollar)?

If it becomes known after reporting date that a debtor is now not able to pay a material amount that is owed to the reporting entity, the appropriate action according to AASB 110 is

A. Adjust the balance of accounts receivable and write off the bad debt and make a note disclosure that this event occurred after reporting date.

B. Adjust the balance of accounts receivable and write off the bad debt.

C. Disclose the event in the notes to the accounts.

D. Do nothing this period but write the debt off in the accounts for the next period.

14.The interest rate implicit in the lease is 8% and the fair value of the leased asset is $24 987. The lease is cancellable if the lessee immediately enters into a further lease for the same or equivalent asset. The economic benefits provided by the lease asset are expected to be consumed evenly over its life. The lease payment has not been made on 30 June before the adjusting entries are made for the year end. What are the appropriate entries in the books of the lessee at the end of the reporting period 30 June 2013?

No multiple choice is given

15. In a share-based payment transaction like an option, vesting date is:

A. grant date.

B. expiry date of option.

C. date when all vesting conditions are satisfied.

D. balance date.

16. Preference shares are often considered to be closer to debt as they:

A. may be issued with the condition that they are redeemable by the company in the future.

B. may guarantee a regular or cumulative payment, similar to interest.

C. may be able to be converted into ordinary shares at a specific date in the future, indicating they are a liability until that time.

D. may guarantee a regular or cumulative payment, similar to interest and may be able to be converted into ordinary shares at a specific date in the future, indicating they are a liability until that time.