

SAMPLE TEST 1 - ANSWER

Time: 30 minutes

A. ACCOUTING

1. Which of the following depreciation method is not available in VAS 03? (Q47 – 416)
 - A. Straight-line depreciation method
 - B. Declining-balance depreciation method
 - C. Adjusted declining-balance depreciation method
 - D. Units-of-output depreciation method

Answer: C

2. If sales are in the form of deferred payment, installments, the sales revenue shall be recognized accordance with: (Q170 – 416)
 - A. The amount paid in installments
 - B. The payment price even excluding interest
 - C. The payment price even including interest

Answer: B

3. According to VAS 03, in which case that a company could not re-appraised tangible fixed assets: (Q53 – 416)
 - A. There are the State's regulations
 - B. When enterprises are reorganized, transformed or changed their ownership
 - C. Using assets for enterprises' investment
 - D. At the end of the accounting period

Answer: D

4. On 1 October 20X4, Kalatra Co commenced drilling for oil from an undersea oilfield. Kalatra Co is required to dismantle the drilling equipment at the end of its five-year licence. This has an estimated cost of \$30m on 30 September 20X9. Kalatra Co's cost of capital is 8% per annum and \$1 in five years' time has a present value of \$0.68. What is the provision which Kalatra Co would report in its statement of financial position as at 30 September 20X5 in respect of its oil operations?
- A. \$32,400,000
 B. \$22,032,000
 C. \$1,632,000
 D. \$20,400,000

Answer: \$22,032,000

Dismantling provision at 1 October is \$20.4 million ($30,000 \times 0.68$) discounted.

This will increase by an 8% finance cost by 30 September 20X5 = \$22,032,000

5. On 1 October 20X4, Pyramid Co acquired 80% of Square Co's 9 million (\$1) equity shares. At the date of acquisition, Square Co had an item of plant which had a fair value of \$3m in excess of its carrying amount. At the date of acquisition, it had a remaining life of five years. Pyramid Co's policy is to value non-controlling interests at fair value at the date of acquisition. For this purpose, Square Co's shares had a value of \$3.50 each at that date. In the year ended 30 September 20X5, Square Co reported a profit of \$8m. At what amount should the non-controlling interests of Square Co be valued in the consolidated statement of financial position of Pyramid Co as at 30 September 20X5?

Answer: \$7,780,000

	\$'000s
FV NCI at 1/10/14 ($9000 \times 20\% \times \3.50)	6,300
Post acq'n profit ($8000 - (3000/5)$) = $7,400 @ 20\%$	1,480
	7,780

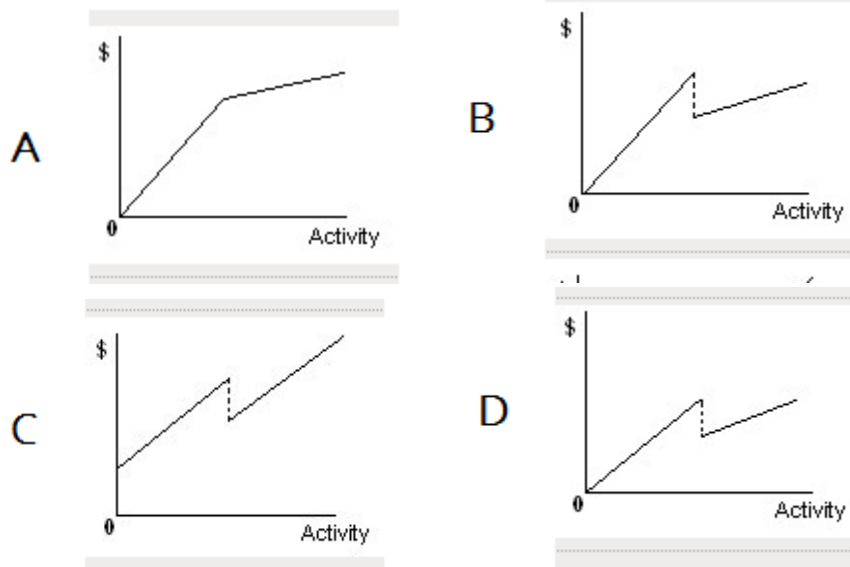
6. Financial statements represent transactions in words and numbers. To be useful, financial information must represent faithfully these transactions in terms of how they are reported. Only one of the following four statements regarding faithful representation is true. What is it?
- A. Charging the rental payments for an item of plant to profit or loss where the rental agreement meets the criteria for a right of use asset is an example of faithful representation

- B. Including a convertible loan note in equity on the basis that the holders are likely to choose the equity option on conversion is an example of faithful representation
- C. Derecognising factored trade receivables sold without recourse is an example of faithful representation
- D. Treating redeemable preference shares as part of equity in the statement of financial position is an example of faithful representation

Answer: C

7. Up to a given level of activity in each period the purchase price per unit of a raw material is constant. After that point a lower price per unit applies both to further units purchased and also retrospectively to all units already purchased.

Which of the following graphs depicts the total cost of the raw materials for a period?



Answer: D

B. AUDITING

8. Which of the following is the definition of internal control system according to VAS 400: Risk assessments and internal control?
- A. Internal control system means all the policies and procedures designed and adopted by an entity to assist compliance with the provisions of law and relevant regulations for prevention and detection of fraud and error, preparation of financial statements that give a true and fair view, and effective safeguarding, management and use of its assets

- B. The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- C. The audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion

Answer: A

9. An audit junior has been assigned to the audit of bank and cash balances of H Co. He has obtained the following audit evidence:
- 1. Bank reconciliation carried out by the cashier
 - 2. Bank confirmation report from H's bankers
 - 3. Verbal confirmation from the directors that the overdraft limit is to be increased
 - 4. Cash count carried out by the audit junior

What is the order of reliability of the audit evidence starting with the most reliable first?

- A. 4, 2, 1 and 3
- B. 2, 1, 4 and 3
- C. 4, 3, 2 and 1
- D. 2, 4, 1 and 3

Answer: D

10. Which of the below is classified as fraud?
- A. Manipulation, falsification of records or documents relating to financial statements;
 - B. Mathematical or clerical mistakes in the underlying records;
 - C. Oversight or misinterpretation of amounts and transactions;
 - D. Misapplication of accounting standards, principles, procedures and policies and financial regulations.

Answer: A

11. Which of the following situations may require external confirmation?
- 1. Bank balances and other information from bankers;
 - 2. Accounts receivable balances;
 - 3. Stocks held by third parties at bonded warehouses for processing or on consignment;
 - 4. Property title deeds held by lawyers or financiers for safe custody or as security;
- A. 1 only

- B. 4 only
- C. 1 and 3 only
- D. All of the situations

Answer: D

12. Which of the following statements relate to review engagements?

- 1 Subject matter is plausible
 - 2 Reasonable assurance
 - 3 Nothing has come to our attention which would indicate that the subject matter contains material misstatements
 - 4 Positive assurance
- A. 1 and 3
 - B. 2 and 4
 - C. 2 and 3
 - D. 1 and 4

Answer: A

13. According to VSA 530: Audit sampling and other selective testing procedure, “Tolerable error means the ... error in a population that the auditor and audit firm are willing to accept. Tolerable error is normally.....”

Answer: maximum and immaterial

14. During the planning stages of the final audit, the auditor believes that the probability of giving an inappropriate audit opinion is too high.

How should the auditor amend the audit plan to resolve this issue?

- A. Increase the materiality level
- B. Decrease the inherent risk
- C. Decrease the detection risk

Answer: C

15. What is audit risk?

- A. Can be completely eliminated through appropriate sampling of transactions.
- B. Is the risk that a "clean" opinion will be issued when, in reality, the financial statements are materially misstated.
- C. Is what creates the demand for an audit.
- D. Is the risk that a company may hire an incompetent auditor.

Answer: B

16. Which of the following audit phases would generally be conducted before all of the others listed below?

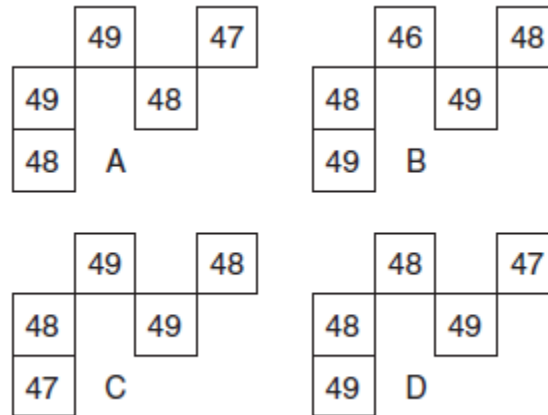
- A. Auditing business processes and related accounts.
- B. Evaluation of audit evidence.
- C. Gaining an understanding of the client's industry.
- D. Consideration of internal control systems.

Answer: C

C. IQ

17. Which is the missing section? (Q1 – T2)

50	51	49	52	48
46	47	45	48	44
49	50		51	
47		46		45
48		47	50	46



Answer: A; each line moves 45° clockwise from top to bottom

18. What number is, logically, missing from the sequence below? (Q12 – T2)

348269, 284315, *****, 8438, 4811, 842, 86

Answer: 34826: each number is the sum of the last two digits of the previous number, preceded by the remaining numbers in reverse.

19. SUNDAY

MONDAY

TUESDAY

WEDNESDAY

THURSDAY

FRIDAY

SATURDAY

What day comes three days after the day which comes two days after the day which comes immediately after the day which comes two days after Monday? (Q3 – T3)

Answer: Tuesday

20. A bag of potatoes weighs 50 kg divided by half of its weight.

How much does the bag of potatoes weigh? (Q13 – T4)

Answer:

$$X = 50/(x/2) \Rightarrow 50 = x^2/2 \Rightarrow x^2 = 100 \Rightarrow x = 10$$

D. FINANCE

21. What is the difference between the current ratio and the quick ratio?

- A. The current ratio includes inventories and the quick ratio does not.
- B. The current ratio does not include inventories and the quick ratio does.
- C. The current ratio includes physical capital and the quick ratio does not.
- D. The current ratio does not include physical capital and the quick ratio does

Answer: A The current ratio is the ratio of current assets/current liabilities. The quick ratio (sometimes known as the acid test) is simply current assets minus inventories divided by current liabilities. Inventories may be excluded if it would be reasonable to expect that they would have to be deeply discounted to sell them quickly.

22. Which of the following is not a classic economic motive for holding money?

- A. Transactions motive: day-to-day expenditure.
- B. Need for compensation balance: often a condition of the bank providing commercial loans or other financial services.
- C. Speculative motive: cash flow that can be deployed quickly in the event of an investment opportunity.
- D. Precautionary motive: cash for unexpected expenditure.

Answer: B

When the subject of the demand for money was originally developed by economists, they did not include the need for businesses to hold compensating balances with their bank.

23. If C_n stands for the value of the cash flow after n periods (years), r - for the rate of interest (annual), and n - for the number of periods (years), then present value (PV) is given by the following formula:

- A. $PV = C_n * (1+r)/n$
- B. $PV = C_n * (1+r)^n$
- C. $PV = C_n + (1+r)^n$
- D. $PV = C_n / (1+r)^n$

Answer: D. Again, clearly d, which expresses the present value as a function of the future cash flow C_n , multiplied by the discount factor $1/(1+r)^n$, is the right answer. ?Options a and b are clearly nonsense formulas.

24. Which investment will be characterized by the highest monetary return at the end of the investment horizon? Assume annual compounding.

- A. 5 years at the interest rate of 5% per year.
- B. 7 years at the interest rate of 3% per year.
- C. 4 years at the interest rate of 9% per year.
- D. 2 years at the interest rate of 6% per year.

Answer: C. $1.05^5 = 1.276282$; $1.03^7 = 1.229874$; $1.09^4 = 1.411582$; $1.06^2 = 1.1236$.

25. Using an interest rate of 10% per year the net present value (NPV) of a project has been correctly calculated as \$50. If the interest rate is increased by 1% the NPV of the project falls by \$20.

What is the internal rate of return of the project?

- A. 11.7%

- B. 12.5%
- C. 20.0%
- D. 7.5%

Answer: 12.5%

At 13% NPV should be –10

Using interpolation: $10\% + (50/60)(13\% - 10\%) = 12.5\%$

E. SOCIAL

26. During business cycles the opposite of a trough is...

- A. An inflation
- B. A hyperinflation
- C. A trend
- D. A peak

Answer: D. Together these are the cyclical turning points.

27. In order to influence spending on goods and services in the short-run, monetary policy is directed at directly influencing...

- A. Unemployment rates.
- B. Inflation rates.
- C. Interest rates.
- D. Economic growth rates.

Answer: C. Interest rates affect a household's decision how much to save and how much to consume. Hence, they affect spending on goods and services. "Short-run" turns out to be an important qualifier

28. An important indicator of a nation's well-being is..

- A. ...gross domestic product (GDP)
- B. ...gross national product (GNP)
- C. ...gross national income (GNI)
- D. ...the growth rate of GDP or GNP

Answer: A. The GDP measures the output and income during a given year. It defines production based on the geographical location of production and not supplied by the citizens of a country as the GNP does.

29. Which movie is dominated for Best Picture for Oscar 2020?

- A. Joker
- B. Avengers: Endgame

- C. 1917
 - D. Parasite
- Answer: D

30. Which retail company was merged with Masan Consumer Holding in December 2019?

- A. VinEco
- B. VinCommerce
- C. VinPro
- D. VinSmart

Answer: B

F. SHORT ESSAY

“Why do you choose Deloitte and Deloitte Passport?”