F.A.S.T
first attempt success tutorials

CA Inter
ACCOUNTING STANDARDS

Question Bank with Video Solutions



STRIKER

Covers - Latest ICAI SM | Past Exam | RTP | MTP Questions

CA Inter

ACCOUNTING STANDARDS STRIKER (AS)

Question Bank

Volume - I



Covers questions of Latest ICAI SM, RTP, MTP, Past Exams and additional practice questions

F.A.S.T
first attempt success tutorials
www.fast.edu.in

NTER

ACCOUNTING STANDARDS

QUESTIONS Q&A ANSWERS

A Question Bank by CA. Sarthak Niraj Jain for Advanced Accounting

Index

1 **Introduction to Accounting Standards** 1-2

2 **Framework for Preparation and Presentation of Financial Statements** 3-8

3 **Applicability of Accounting Standards** 9-10

4 **Presentation & Disclosures Based Accounting Standards** 11-105

Unit -1	**AS 1 :** Disclosure of Accounting Policies	11-17
Unit -2	**AS 3 :** Cash Flow Statement	18-40
Unit -3	**AS 17 :** Segment Reporting	41-54
Unit -4	**AS 18 :** Related Party Disclosures	55-68
Unit -5	**AS 20 :** Earnings Per Share	69-92
Unit -6	**AS 24 :** Discontinuing Operations	93-97
Unit -7	**AS 25 :** Interim Financial Reporting	98-105

5 **Assets Based Accounting Standards** 106-217

Unit -1	**AS 2 :** Valuation of Inventory	106-119
Unit -2	**AS 10 :** Property, Plant and Equipment	120-135
Unit -3	**AS 13 :** Accounting for Investments	136-158
Unit -4	**AS 16 :** Borrowing Costs	159-174
Unit -5	**AS 19 :** Leases	175-193
Unit -6	**AS 26 :** Intangible Assets	194-207
Unit -7	**AS 28 :** Impairment of Assets	208-217

6 **Liabilities Based Accounting Standards** 218-240

Unit -1	**AS 15 :** Employee Benefits	218-224
Unit -2	**AS 29 :** Provisions, Contingent Liabilities and Contingent Assets	225-240

7 **Accounting Standards Based on Items Impacting Financial Statement** 241-292

Unit -1	**AS 4 :** Contingencies and Events Occurring after the Balance Sheet Date	241-254
Unit -2	**AS 5 :** Net profit or loss for the Period, Prior Period Items & Changes in Accounting Policies	255-266
Unit -3	**AS 11 :** The effects of changes in foreign exchange rates	267-277
Unit -4	**AS 22 :** Accounting for Taxes on Income	278-292

8 **Revenue Based Accounting Standards** 293-332

Unit -1	**AS 7 :** Construction Contracts	293-312
Unit -2	**AS 9 :** Revenue Recognition	313-332

9 **Other Accounting Standards** 333-354

Unit -1	**AS 12 :** Accounting for Government Grants	333-344
Unit -2	**AS 14 :** Accounting for Amalgamations	345-354

Integrated Case Study 355-382

Chapter 10 to 15 : Refer Question Bank

F.A.S.T first attempt success tutorials

Chapter 1 INTRODUCTION TO ACCOUNTING STANDARDS

THEORETICAL QUESTIONS

Q 1. Explain the objective of "Accounting Standards" in brief. State the advantages of setting Accounting Standards.

Ans.

Accounting Standards are the written policy documents issued by Government relating to various aspects of measurement, treatment, presentation and disclosure of accounting transactions and events.

Following are the objectives of Accounting Standards:

a. Accounting Standards harmonize the diverse accounting policies and practices followed by different companies in India.
b. Accounting Standards facilitates the preparation of financial statements and make them comparable.
c. Accounting Standards give a sense of faith and reliability to the users.

The main advantage of setting accounting standards are as follows:

a. Accounting Standards makes the financial statements of different companies comparable which helps investors in decision making.
b. Accounting Standards prevent any misleading accounting treatment.
c. Accounting Standards prevent manipulation of data by the management.

Q 2. Briefly explain the process of issuance of Indian Accounting Standards.

Ans.

Due to the recent stream of overseas acquisitions by Indian companies, there is need for adoption of high-quality standards to convince foreign enterprises about the financial standing as also the disclosure and governance standards of Indian acquirers.

The Government of India in consultation with the ICAI decided to converge and not to adopt IFRSs issued by the IASB. The decision of convergence rather than adoption was taken after the detailed analysis of IFRSs requirements and extensive discussion with various stakeholders.

The ICAI has worked towards convergence of global accounting standards by considering the application of IFRS in Indian corporate environment. Recognising the growing need of full convergence of Ind AS with IFRS, ICAI constituted a Task Force to examine various issues involved.

Ind AS are issued by the Central Government of India under the supervision and control of ASB of ICAI and in consultation with NFRA. NFRA recommends these standards to the MCA and MCA has to spell out the accounting standards applicable for companies in India.

Q 3. Explain the significance of emergence of IFRS as Global Standards.

Ans.

Global Standards facilitate cross border flow of money, global listing in different bourses and comparability of financial statements. Global Standards improve the ability of investors to compare investments on a global basis and thus lowers their risk of errors of judgment. It facilitates accounting and reporting for companies with global operations and eliminates some costly requirements say reinstatement of financial statements.

Q 4. What do you mean by Carve outs/ins in Ind AS? Explain. **(RTP-May-2024, MTP-Jan-2025)**

Ans.

Certain changes have been made in Ind AS considering the economic environment of the country, which is different as compared to the economic environment presumed to be in existence by IFRS. These differences are due to differences in economic conditions prevailing in India. These differences which are in deviation to the accounting principles and practices stated in IFRS, are commonly known as 'Carve-outs'. Additional guidance given in Ind AS over and above what is given in IFRS, is termed as 'Carve in'.

Q 5. What are the issues, with which Accounting Standards deal? **(MTP-May-2024)**

Ans.

Accounting Standards deal with the issues of (i) Recognition of events and transactions in the financial statements, (ii) Measurement of these transactions and events, (iii) Presentation of these transactions and events in the financial statements in a manner that is meaningful and understandable to the reader, and (iv) Disclosure requirements.

MCQs

Q 1. Accounting Standards for non-corporate entities in India are issued by
(a) Central Govt. (b) State Govt.
(c) Institute of Chartered Accountants of India. (d) MCA

Q 2. Accounting Standards
(a) Harmonise accounting policies and eliminate the non-comparability of financial statements.
(b) Improve the reliability of financial statements.
(c) Both (a) and (b).
(d) manipulate the data for the management.

Q 3. It is essential to standardize the accounting principles and policies in order to ensure
(a) Transparency. (b) Consistency. (c) Comparability . (d) All the above.

Q 4. Which committee is responsible for approval of accounting standards and their modification for the purpose of applicability to companies?
(a) NFRA. (b) MCA.
(c) Central Government Advisory Committee. (d) IASB

Q 5. Global Standards facilitate
(a) Cross border flow of money.
(b) Comparability of financial statements.
(c) Uniformity and Transparency of financial statements.
(d) All the three.

Q 6. IASB stands for
(a) International Accounting Standards Bureau (b) International Advisory Standards Board
(c) International Accounting Standard Board. (d) International Accounting System Board

Q 7. IFRS stands for
(a) International Financial Reporting System (b) International Finance Reporting Standard
(c) International Financial Reporting Standard. (d) International Financial Reserve Standard

Q 8. Additional guidance given in Ind AS over and above what is given in IFRS are called
(a) Carve-outs. (b) Carve-ins. (c) Carve clarifications. (d) Clarifications

Q 9. Phase I of Ind AS was applicable to:
(a) All listed companies in India or outside India
(b) Companies with turnover INR 500 crores or more
(c) Companies with net worth INR 500 crores or more.
(d) Companies with turnover INR 250 crores or more

ANSWERS

1.	(c)	**2.**	(c)	**3.**	(d)	**4.**	(b)	**5.**	(d)
6.	(c)	**7.**	(c)	**8.**	(b)	**9.**	(c)		

Chapter 2 FRAMEWORK FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

PRACTICAL QUESTIONS

Q 1. Balance sheet of a trader on 31st March, 20X1 is given below:

Liabilities	₹	Assets	₹
Capital	60,000	Property, Plant and Equipment	65,000
Profit and Loss Account	25,000	Stock	30,000
10% Loan	35,000	Trade receivables	20,000
Trade payables	10,000	Deferred expenditure	10,000
		Bank	5,000
	1,30,000		**1,30,000**

Additional information:

(a) The remaining life of Property, Plant and Equipment is 5 years. The pattern of use of the asset is even. The net realisable value of Property, Plant and Equipment on 31.03.X2 was ₹ 60,000.

(b) The trader's purchases and sales in 20X1-X2 amounted to ₹ 4 lakh and ₹ 4.5 lakh respectively.

(c) The cost and net realisable value of stock on 31.03.X2 were ₹ 32,000 and ₹ 40,000 respectively.

(d) Expenses (including interest on 10% Loan of ₹ 3,500 for the year) amounted to ₹ 14,900.

(e) Deferred expenditure is amortised equally over 4 years.

(f) Trade receivables on 31.03.X2 is ₹ 25,000, of which ₹ 2,000 is doubtful. Collection of another ₹ 4,000 depends on successful re-installation of certain product supplied to the customer.

(g) Closing trade payable is ₹ 12,000, which is likely to be settled at 5% discount.

(h) Cash balance on 31.03.X2 is ₹ 37,100.

(i) There is an early repayment penalty for the loan ₹ 2,500.

You are required to prepare Profit and Loss Accounts and Balance Sheets of the trader in both cases (i) assuming going concern (ii) not assuming going concern. **(SM)**

Ans.

Profit and Loss Account for the year ended 31st March, 20X2

	Case (i) ₹	Case (ii) ₹		Case (i) ₹	Case (ii) ₹
To Opening Stock	30,000	30,000	By Sales	4,50,000	4,50,000
To Purchases	4,00,000	4,00,000	By Closing Stock	32,000	40,000
To Expenses	14,900	14,900	By Trade payables	–	600
To Depreciation	13,000	5,000			
To Provision for doubtful debts	2,000	6,000			
To Deferred expenditure	2,500	10,000			
To Loan penalty	–	2,500			
To Net Profit (b.f.)	19,600	22,200			
	4,82,000	**4,90,600**		**4,82,000**	**4,90,600**

Balance Sheet as at 31st March, 20X2

Liabilities	Case (i) ₹	Case (ii) ₹	Assets	Case (i) ₹	Case (ii) ₹
Capital	60,000	60,000	Property, Plant and Equipment	52,000	60,000
Profit & Loss A/c	44,600	47,200	Stock	32,000	40,000
10% Loan	35,000	37,500	Trade receivables (less provision)	23,000	19,000
Trade payables	12,000	11,400	Deferred expenditure	7,500	Nil
			Bank	37,100	37,100
	1,51,600	**1,56,100**		**1,51,600**	**1,56,100**

Q 2. A trader commenced business on 01/01/20X1 with ₹ 12,000 represented by 6,000 units of a certain product at₹ 2 per unit. During the year 20X1 he sold these units at:
₹ 3 per unit and had withdrawn ₹ 6,000. Let us assume that the price of the product at the end of year is ₹ 2.50 per unit. In other words, the specific price index applicable to the product is 125.
Current cost of opening stock = (₹ 12,000 / 100) x 125 = 6,000 x ₹ 2.50 = ₹ 15,000
Current cost of closing cash = ₹ 12,000 (₹ 18,000 – ₹ 6,000)
Opening equity at closing current costs = ₹ 15,000
Closing equity at closing current costs = ₹ 12,000
Retained Profit = ₹ 12,000 – ₹ 15,000 = (-) ₹ 3,000
The negative retained profit indicates that the trader has failed to maintain his capital. The available fund of₹ 12,000 is not sufficient to buy 6,000 units again at increased price of ₹ 2.50 per unit. The drawings should have been restricted to ₹ 3,000 (₹ 6,000 – ₹ 3,000). Had the trader withdrawn ₹ 3,000 instead of ₹ 6,000, he would have left with ₹15,000, the fund required to buy 6,000 units at ₹ 2.50 per unit.
You are required to compute the Capital maintenance under all three bases ie. (i) Historical costs, (ii) Current purchasing power and (iii) Physical capital maintenance. **(SM)**

Ans.

Financial Capital Maintenance at historical costs

	₹	₹
Closing capital (At historical cost)		12,000
Less: Capital to be maintained		
Opening capital (At historical cost)	12,000	
Introduction (At historical cost)	Nil	(12,000)
Retained profit		Nil

Financial Capital Maintenance at current purchasing power

	₹	₹
Closing capital (At closing price)		12,000
Less: Capital to be maintained		
Opening capital (At closing price)	15,000	
Introduction (At closing price)	Nil	(15,000)
Retained profit/(loss)		(3,000)

Physical Capital Maintenance

	₹	₹
Closing capital (At current cost) (4,800 units)		12,000
Less: Capital to be maintained		
Opening capital (At current cost) (6,000 units)	15,000	
Introduction (At current cost)	Nil	(15,000)
Loss resulting in non-maintenance of capital		(3,000)

Q 3. "Accounting Standards standardize diverse accounting policies with a view to eliminate the non-comparability of financial statements and improve the reliability of financial statements." Discuss and explain the benefits of Accounting Standards. **(MTP-Sept-2024)**

Ans.

Accounting Standards standardize diverse accounting policies with a view to eliminate the non-comparability of financial statements and improve the reliability of financial statements. Accounting Standards provide a set of standard accounting policies, valuation norms and disclosure requirements. Accounting standards aim at improving the quality of financial reporting by promoting comparability, consistency and transparency, in the interests of users of financial statements.
The following are the benefits of Accounting Standards:

(i) **Standardization of alternative accounting treatments:** Accounting Standards reduce to a reasonable extent confusing variations in the accounting treatment followed for the purpose of preparation of financial statements.

(ii) **Requirements for additional disclosures:** There are certain areas where important is not statutorily required to be disclosed. Standards may call for disclosure beyond that required by law.

(iii) **Comparability of financial statements:** The application of accounting standards would facilitate comparison of financial statements of different companies situated in India and facilitate comparison, to a limited extent, of financial statements of companies situated in different parts of the world. However, it should be noted in this respect that differences in the institutions, traditions and legal systems from one country to another give rise to differences in Accounting Standards adopted in different countries.

Q 4. Mohan started a business on 1st April 20X1 with ₹ 12,00,000 represented by 60,000 units of ₹ 20 each. During the financial year ending on 31st March, 20X2, he sold the entire stock for ₹ 30 each. In order to maintain the capital intact, calculate the maximum amount, which can be withdrawn by Mohan in the year 20X1-X2 if Financial Capital is maintained at historical cost. **(RTP-May-2024, MTP-May-2025)**

Ans.

Particulars	Financial Capital Maintenanceat Historical Cost (₹)
Closing equity (₹ 30 x 60,000 units)	18,00,000 represented by cash
Opening equity	60,000 units x ₹ 20 = 12,00,000
Permissible drawings to keep Capital intact	6,00,000 (18,00,000 – 12,00,000)

Q 5. Opening Balance Sheet of Mr. A is showing the aggregate value of assets, liabilities and equity ₹ 8 lakh, ₹ 3 lakh and ₹ 5 lakh respectively. During accounting period, Mr. A has the following transactions:

(1) Earned 10% dividend on 2,000 equity shares held of ₹ 100 each

(2) Paid ₹ 50,000 to creditors for settlement of ₹ 70,000

(3) Rent of the premises is outstanding ₹ 10,000

(4) Mr. A withdrew ₹ 9,000 for his personal use.

You are required to show the effect of above transactions on Balance Sheet in the form of Assets - Liabilities = Equity after each transaction. **(MTP-May-2024)**

Ans.

Effects of each transaction on Balance sheet of the trader is shown below:

Transactions	Assets ₹ lakh	–	Liabilities ₹ lakh	=	Equity ₹ lakh
Opening	8.00	–	3.00	=	5.00
(1) Dividend earned	8.20	–	3.00	=	5.20
(2) Settlement of Creditors	7.70	-	2.30	=	5.40
(3) Rent Outstanding	7.70	–	2.40	=	5.30
(4) Drawings	7.61	–	2.40	=	5.21

Q 6. Balance Sheet of Anurag Trading Co. on 31st March, 20X1 is given below:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	50,000	Property, Plant and Equipment	69,000
Profit and Loss A/c	22,000	Stock in Trade	36,000
10% Loan	43,000	Trade Receivables	10,000
Trade Payables	18,000	Deferred Expenditure	15,000
		Bank	3,000
	1,33,000		**1,33,000**

Additional Information:

(i) Remaining life of Property, Plant and Equipment is 5 years with even use. The net realisable value of Property, Plant and Equipment as on 31st March, 20X2 was ₹ 64,000.

(ii) Firm's sales and purchases for the year 20X1-X2 amounted to ₹ 5 lacs and ₹ 4.50 lacs respectively.

(iii) The cost and net realisable value of the stock were ₹ 34,000 and ₹ 38,000 respectively.

(iv) General Expenses for the year 20X1-X2 were ₹ 16,500.

(v) Deferred Expenditure is normally amortised equally over 4 years starting from F.Y. 20X0-X1 i.e. ₹ 5,000 per year.

(vi) Out of trade receivables worth ₹10,000, collection of ₹4,000 depends on successful re-design of certain product already supplied to the customer.

(vii) Closing trade payable is ₹10,000, which is likely to be settled at 95%.

(viii) There is pre-payment penalty of ₹2,000 for Bank loan outstanding.

Prepare Profit & loss Account for the year ended 31st March, 20X2 by assuming it is not a Going Concern. **(SM)**

Ans.

Profit and Loss Account of Anurag Trading Co. for the year ended 31st March, 20X2
(Assuming business is not a going concern)

	₹		₹
To Opening Stock	36,000	By Sales	5,00,000
To Purchases	4,50,000	By Trade payables	500
To General expenses	16,500	By Closing Stock	38,000
To Depreciation (69,000-64,000)	5,000		
To Provision for doubtful debts	4,000		
To Deferred expenditure	15,000		
To Loan penalty	2,000		
To Net Profit (b.f.)	10,000		
	5,38,500		**5,38,500**

THEORETICAL QUESTIONS

Q 7. What are the qualitative characteristics of the financial statements which improve the usefulness of the information furnished therein? **(MTP-May-2024)**

Ans.

The qualitative characteristics are attributes that improve the usefulness of information provided in financial statements. Understandability; Relevance; Reliability; Comparability are the qualitative characteristics of financial statements.

Qualitative Characteristics of Financial Statements

• Understandability	• Information presented in financial statements should be readily understandable by the users with reasonable knowledge of business and economic activities.
• Relevance	• Financial statements should contain relevant information only. Information, which is likely to influence the economic decisions of the users is called relevant.
• Reliability	• Information must be reliable; that is to say, they must be free from material error and bias.
• Comparability	• Financial statements should provide both inter-firm and intra-firm comparison.

Q 8. "One of the characteristics of financial statements is neutrality"- Do you agree with this statement? **(MTP-May-2024, MTP-Jan-2025)**

Ans.

Yes, one of the characteristics of financial statements is neutrality. To be reliable, the information contained in financial statement must be neutral, that is free from bias. Financial Statements are not neutral if by the selection or presentation of information, the focus of analysis could shift from one area of business to another thereby arriving at a totally different conclusion on the business results.

Q 9. Briefly explain the elements of financial statements. **(MTP-Jan-2025)**

Ans.

Elements of Financial Statements

Asset	Resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise
Liability	Present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow of a resource embodying economic benefits.

Equity	Residual interest in the assets of an enterprise after deducting all its liabilities
Income/gain	Increase in economic benefits during the accounting period in the form of inflows or enhancement of assets or decreases in liabilities that result in increase in equity other than those relating to contributions from equity participants
Expense/loss	Decrease in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity other than those relating to distributions to equity participants

Q 10. With regard to financial statements, name any five qualitative characteristics and elements. **(MTP-May-2025)**

Ans.

Qualitative Characteristics of Financial Statements:

Understandability, Relevance, Comparability, Reliability & Faithful Representation

Elements of Financial Statements:

Asset, Liability, Equity, Income/Gain and Expense/Loss

MCQs

Q 1. The 'going concern' concept assumes that:

(a) The business can continue in operational existence for the foreseeable future.

(b) The business cannot continue in operational existence for the foreseeable future.

(c) The business is continuing to be profitable.

(d) The business cannot continue if it is not able to earn profits.

Q 2. Two principal qualitative characteristics of financial statements are:

(a) Understandability and materiality (b) Relevance and reliability

(c) Relevance and materiality (d) Comparability and materiality.

Q 3. All of the following are components of financial statements except:

(a) Balance sheet (b) Statement of Profit and loss

(c) Human responsibility report (d) Social responsibility report.

Q 4. An accounting policy can be changed if the change is required:

(a) By statute or accounting standard

(b) For more appropriate presentation of financial statements

(c) Both (a) and (b)

(d) By statute as well as accounting standards.

Q 5. Value of equity may change due to:

(a) Contribution from or Distribution to equity participants

(b) Income earned

(c) expenses incurred

(d) All the three.

Q 6. Which of the assumption is not considered as fundamental accounting assumption?

(a) Going Concern (b) Accrual (c) Reliability. (d) Comparability.

Q 7. An item that meets the definition of an element of financial statements should be recognised in the financial statements if:

(a) It is probable that any future economic benefit associated with the item will flow to the enterprise

(b) Item has a cost or value that can be measured with reliability

(c) Both 1and 2

(d) It is probable that no future economic benefit associated with the item will flow to the enterprise.

Q 8. Liabilities are recorded at the undiscounted amount of cash expected to be paid on settlement of liability in the normal course of business under:

(a) Present value. (b) Realizable value.

(c) Current cost. (d) Fair value.

Q 9. A machine was acquired in exchange of an old machine and ₹ 20,000 paid in cash. The carrying amount of old machine was ₹ 2,00,000 whereas its fair value was ₹ 1,50,000 on the date of exchange. The historical cost of the new machine will be taken as

(a) ₹ 2,00,000 (b) ₹ 1,70,000

(c) ₹ 2,20,000 (d) ₹ 1,80,000.

ANSWERS

1.	(a)	**2.**	(b)	**3.**	(c)	**4.**	(c)	**5.**	(d)
6.	(c)	**7.**	(c)	**8.**	(b)	**9.**	(b)		

Notes:



Founder of FAST Career Consultants India's largest private CA Placement Company placing CA Freshers across India at packages upto 35 Lacs

46th AIR
Rank Holder in CA Final

Faculty of Audit and FR/ Accounts at CA Final and Intermediate Level

180,000+
CA Students taught till date

Chief Mentor of FAST TEST SERIES

336+
AIRs including AIR 1 & 2

Degree in Management and Administration

ACCOUNTING STANDARDS

by CA. SARTHAK JAIN

AIR 1 & 2 from FAST



F.A.S.T
first attempt success tutorials

Feedback at : hello@casj.live

Corp. Office: M-1, Trade Centre, South Tukoganj, Indore M.P. (452001)
Contact: 9584510000, 9522564050

Scan to Download FAST APP from Play Store

Want to Buy CA Inter & Video Lectures scan this QR Code
Visit : www.fast.edu.in

95225 64050 /esarthak /SarthakJainCA /FAST Education /CASarthakJain /SarthakJainCA

IASST-001 Adv. Account AS Striker