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Accounting Standards MCQ Practice

A comprehensive set of multiple-choice questions covering AS 3, AS 17, AS 18, AS 24, Interim Reporting, and EPS computations — designed for Level I entity examination preparation.

1. For Level I Entities, which of the following statements is correct?

- (a) All Accounting Standards are mandatory without exception
- (b) Some AS are not applicable
- (c) Both (a) and (b)
- (d) Some paragraphs of certain AS are relaxed

2. The Framework for Preparation and Presentation of Financial Statements is primarily concerned with:

- (a) Special Purpose Financial Reports only
- (b) General Purpose Financial Statements only
- (c) Management Information Reports
- (d) Both General and Special Purpose Reports

3. Cash Equivalents under AS 3 are:

- (a) Long-term investments with fixed returns
- (b) All marketable securities
- (c) Short-term, highly liquid investments convertible to known amounts of cash
- (d) Treasury Bills with maturity exceeding 12 months

4. Under AS 17, a segment's assets are reportable if:

- (a) Its assets are $\geq 10\%$ of the combined assets of all segments
- (b) Its liabilities are $> 10\%$ of total liabilities of the enterprise
- (c) Its assets are $\geq 10\%$ of the external revenue of all segments
- (d) Its assets are $> 5\%$ of the total assets of the enterprise

5. Under AS 18, which of the following is NOT a related party of a Reporting Enterprise?

- (a) Its Holding Company
- (b) Its Fellow Subsidiary
- (c) A bank providing finance at arm's length
- (d) A Key Management Personnel of the enterprise

Scenario: Rohan Ltd reported Net Profit Before Tax of ₹ 200 Lakhs. Income Tax Rate is 30%. The company has 10% Cumulative Preference Share Capital of ₹ 100 Lakhs and 8% Non-Cumulative Preference Share Capital of ₹ 50 Lakhs. Dividends declared: Non-Cumulative – full current year; Cumulative – for current year only. Transfer to General Reserve ₹ 8 Lakhs. You are required to calculate the Net Profit for the period attributable to Equity Shareholders.

6. Net Profit after Tax for the period is:

- (a) ₹ 160 Lakhs
- (b) ₹ 140 Lakhs
- (c) ₹ 200 Lakhs
- (d) ₹ 170 Lakhs

7. Total Preference Dividend to be deducted for computing EPS is:

- (a) ₹ 18 Lakhs
- (b) ₹ 22 Lakhs
- (c) ₹ 10 Lakhs
- (d) ₹ 14 Lakhs

8. Net Profit attributable to Equity Shareholders is:

- (a) ₹ 123.62 Lakhs
- (b) ₹ 132.00 Lakhs
- (c) ₹ 118.62 Lakhs
- (d) ₹ 126.00 Lakhs

9. Under AS 24, the initial disclosure event for a Discontinuing Operation occurs when:

- (a) The discontinuing operation reports a net loss
- (b) The assets of the discontinuing segment are physically disposed
- (c) The Board approves a detailed formal plan and public announcement is made
- (d) The enterprise enters into a binding sale agreement

10. Priya Ltd reported Profit Before Tax of ₹ 12 Lakhs for the 3rd quarter ending 31st December 2014. An annual advertising expense of ₹ 1,20,000 was fully charged in this quarter. What adjustment is required for interim reporting purposes?

- (a) Deduct ₹ 90,000
- (b) Add ₹ 90,000
- (c) No Adjustment Required
- (d) Add ₹ 30,000

Answer Key

Q1	(a)	Q2	(b)	Q3	(c)	Q4	(a)	Q5	(c)
Q6	(b)	Q7	(d)	Q8	(d)	Q9	(c)	Q10	(b)