BUSINESS FUTURE
For Auditing Accounting, Tax & Advisory

IFRS exam: study notes and practice questions

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The exam checks that you can apply IFRS Accounting Standards to everyday situations. These notes cover the standards that come up most, in plain language.

What the exam covers

1 Framework and presentation

Assets, liabilities, equity, income and expenses are defined in the Conceptual Framework. IAS 1 sets the statements that make up a full set. IFRS 18 replaces IAS 1 for periods starting on or after 1 January 2027. It adds required subtotals such as operating profit and disclosure of management-defined performance measures.

2 Revenue (IFRS 15)

Five steps:

- identify the contract;
- identify the performance obligations;
- set the transaction price, including variable consideration only where a significant reversal is not highly probable;
- allocate it on relative stand-alone selling prices;
- recognise revenue when or as each obligation is satisfied.

An agent recognises only its commission.

3 Leases (IFRS 16)

A lessee recognises a right-of-use asset and a lease liability for almost every lease. The liability is the present value of the lease payments, discounted at the rate implicit in the lease or, if that is not known, the incremental borrowing rate. Short-term leases (12 months or less) and low-value assets may be expensed. Lessors still classify leases as finance or operating.

4 Assets and impairment (IAS 16, IAS 38, IAS 36)

Property, plant and equipment is carried at cost or revalued amount, depreciated by significant component. Research is expensed; development is capitalised only when all six IAS 38 criteria are met. An asset is impaired when its carrying amount exceeds its recoverable amount: the higher of fair value less costs of disposal and value in use. Goodwill is tested every year.

5 Financial instruments (IFRS 9, IAS 32)

Financial assets are measured at amortised cost, at fair value through OCI or at fair value through profit or loss. The choice depends on the business model and on whether the cash flows are solely payments of principal and interest. Impairment uses expected credit losses. Trade receivables usually use the simplified approach with lifetime losses. IAS 32 decides whether an instrument is a liability or

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equity.

6 Provisions and events after the reporting period (IAS 37, IAS 10)

Recognise a provision only for a present obligation from a past event, when an outflow is probable and the amount can be estimated reliably. Contingent liabilities are disclosed. Events after the reporting period that give evidence of conditions at the year end are adjusting; new conditions are disclosed if material.

7 Group accounts (IFRS 10, IFRS 3, IAS 28, IFRS 11)

Control means power over the investee, exposure to variable returns and the ability to use that power to affect the returns. Goodwill is the consideration plus non-controlling interest, less the fair value of net assets acquired. Intra-group balances and profits are eliminated. Associates (significant influence, usually 20–50%) use the equity method.

8 Inventories, tax, currencies and changes (IAS 2, IAS 12, IAS 21, IAS 8)

Inventory is measured at the lower of cost and net realisable value. LIFO is not allowed. Deferred tax arises on temporary differences, which matters now that UAE Corporate Tax applies. Monetary items in foreign currency are retranslated at the closing rate. Changes in accounting policy and prior-period errors are applied retrospectively; changes in estimates prospectively.

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Practice questions

1 **Under IFRS 15, which step comes right after setting the transaction price?**

A) Identify the performance obligations
B) Allocate the transaction price to the performance obligations
C) Recognise revenue
D) Identify the contract

2 **A company leases a machine for 10 months and elects the short-term lease exemption. How is the lease accounted for?**

A) Right-of-use asset and lease liability
B) Payments expensed on a straight-line basis
C) Finance lease receivable
D) Disclosed only

3 **Carrying amount 500, fair value less costs of disposal 420, value in use 460. What is the impairment loss?**

A) 0
B) 40
C) 80
D) 60

4 **Inventory cost AED 100 per unit, expected selling price AED 110 and costs to sell AED 15. At what amount is it carried?**

A) AED 100
B) AED 110
C) AED 95
D) AED 85

5 **Select all that apply: which are adjusting events under IAS 10?**

A) A customer at the year end goes bankrupt after the year end
B) A fire destroys a warehouse after the year end
C) Settlement after the year end of a court case that existed at the year end
D) Sale of inventory after the year end below cost, showing its value at the year end

6 **Consideration 1,000, non-controlling interest at fair value 300, fair value of net assets 1,100. What is goodwill?**

A) 100
B) 200
C) 300
D) 1,300

7 **An investor holds 25% of the voting shares and appoints one of five directors. How is the investment accounted for?**

A) Consolidated
B) Equity method

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C) Fair value through profit or loss
D) At cost only

8 **True or false: changing the useful life of a machine is a change in accounting policy applied retrospectively.**

A) True
B) False

9 **Which impairment approach is normally used for trade receivables with no significant financing component?**

A) 12-month expected credit losses
B) Simplified approach with lifetime expected credit losses
C) Incurred loss model
D) No impairment

10 **When can development costs be capitalised under IAS 38?**

A) Always
B) Never
C) Only when all the recognition criteria (feasibility, intention, ability, future benefits, resources, reliable measurement) are met
D) When the board approves the project

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Answer — Practice questions

1. Answer (B): The order is: contract, performance obligations, transaction price, allocation, recognition.
2. Answer (B): IFRS 16 lets a lessee expense leases of 12 months or less instead of recognising a right-of-use asset and liability.
3. Answer (B): Recoverable amount is the higher of 420 and 460, so 460. Impairment = 500 460 = 40.
4. Answer (C): Net realisable value = 110 15 = 95, which is lower than cost, so 95.
5. Answer (A, C, D): They give evidence about conditions at the year end. The fire is a new event: disclose it if material.
6. Answer (B): Goodwill = 1,000 + 300 1,100 = 200.
7. Answer (B): Board representation is evidence of significant influence, so the investee is an associate under IAS 28.
8. Answer (B): It is a change in an accounting estimate, applied prospectively under IAS 8.
9. Answer (B): IFRS 9 requires the simplified approach for these receivables.
10. Answer (C): All six criteria must be shown; otherwise the costs are expensed.

This guide is general study material. It is not legal or tax advice, and it does not replace the ACCA course. Laws and standards change: always check the current text.

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