

Indian Accounting Standard – II

2 Marks Question with Answer Module-1

1. Meaning of Group Entity.

Ans:- A group of companies consists of a parent company and one or more subsidiary companies which are controlled by the parent company.

2. Meaning of Holding Company.

Ans:- When a company holds majority shares of another company it is called holding company or parent company or controlling company. Majority shares means at least 51% of the equity share of the company.

3. Meaning of Subsidiary Company.

Ans:- The shares of which are held is called subsidiary company.

4. Meaning of Non- Controlling Interest.

Ans:- Parent company may not purchase all the shares of its subsidiary. When some of the shares of the subsidiary company are held by outsiders, their interest in the subsidiary company is known as Non-Controlling Interest.

5. Meaning of cost of control.

Ans:- Cost of control refers to the excess price that the holding company pays to the subsidiary company in order to acquire its shares.

6. Pre-acquisition Profit.

Ans:- The reserves created by the subsidiary company and the profits earned by the subsidiary company upto the date of acquisition of shares by the parent company is called pre-acquisition profit or capital profits.

7. Post-acquisition Profit.

Ans:- The reserves created by the subsidiary company and profits earned by the subsidiary company after the date of acquisition of shares by the parent company is called post-acquisition profit or revenue profits

8. Treatment of unrealized profit.

Ans:- When the stock of parent company includes the goods supplied by subsidiary company or the stock of subsidiary company include the stock supplied by the parent company at a profit, the profit included in the closing inventory at the date of consolidation is known as unrealized profit.

MODULE -2:- DISCLOSURES IN THE FINANCIAL STATEMENTS

1. Meaning of employee benefit.

Ans:- All forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

2. Short term employee benefit.

Ans:- Payable less than 12 months employee benefit is called short term employee benefit. Ex:- Salary, Wages, Paid annual leave and Sick leave.

3. Other long term employee benefit.

Ans:- Residual i.e. payable after 12 months but before retirement employee benefit is called other long term employee benefit. Ex:- Silver jubilee benefit, long term disability benefit.

4. Post employee benefit.

Ans:- Payable at /after retirement employee benefit is called post employee benefit. Ex:- Gratuity, Pensions.

5. Termination employee benefit.

Ans:- Payable on voluntary retirement employee benefit is called termination employee benefit. Ex:- VRS.

6. Meaning of finance lease.

Ans:- A finance lease is one which transfer substantially all the risk and rewards incidental to ownership of an underlying asset.

7. Meaning of operating lease.

Ans:- An operating lease is one which does not transfer substantially all the risk and rewards incidental to ownership of an underlying asset.

8. Meaning of sub lease.

Ans:- It refers to a situation where the original lessee leases out the leased asset to a third party for a portion.

9. What is unearned finance income?

Ans:- It is the difference between the total revenue expected to be earned from a lease agreement and the revenue that has been earned to date.

Unearned finance income = total revenue expected - revenue earned to date.

10. Meaning of guaranteed residual value.

Ans:- It is a promise made by the lessee that the lessor can sell the leased asset at the end of the lease for a guaranteed amount.

11. Meaning of Basic EPS.

Ans: The EPS calculated using the weighted average number of equity shares outstanding during the period.

12. Meaning of Diluted EPS.

Ans: The EPS calculated using the weighted average number of equity shares outstanding during the period, adjusted for the diluted effects of options, warrants.

2. Meaning of Anti-dilution.

Ans:- Anti-dilution is an increase in earnings per share or loss per share resulting from the assumption that convertible instruments are converted that options or warrants.

MODULE -3:- MEASUREMENT BASED ON ACCOUNTING POLICIES

1. What are the Meaning of Accounting policies?

Ans: They are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

2. What is change in accounting policies?

Ans: A change in accounting policy is a change in the principal or basis of accounting used by an entity for a transaction.

Example:- An entity changes its accounting policy from FIFO to LIFO for inventory valuation.

3. What is Government Assistance?

Ans: It refers to action by government, designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria.

4. Define Non-Monetary Government Grant?

Ans: Government grants may take the form of non-monetary assets, such as land or other resources, given at concessional rates.

5. Define shared based payment?

Ans: A transaction where the entity receives goods and services as consideration for equity instruments or incurs a liability for amounts based on the price of the entity's shares.

6. What is vesting date?

Ans: It is the date on which the employee becomes entitled to receive the share based payments benefits, provided they meet the specified conditions.

MODULE-4:- ACCOUNTING AND REPORTING OF FINANCIAL INSTRUMENTS

1. Define Financial instrument.

Ans: A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

2. What is Financial Assets?

Ans: A financial asset is a non-physical asset whose value is derived from a contractual right or ownership claim. Ex:- bank deposits, bonds.

3. What is Financial Liability?

Ans: A financial liability is one that is a contractual obligation, to deliver cash or other financial asset to another entity.

4. Define Hedge Accounting.

Ans: Hedge accounting is a practice of accountancy that attempts to reduce any volatility created by the repeated adjustment of a financial instrument's value.

5. What is Credit Loss.

Ans: A loss that a business or financial organization records, which is caused by customers not paying money they owe.

MODULE-5:- REVENUE BASED ACCOUNTING STANDARD

1. Define Fair Value.

Ans: Fair value measurement – date price received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants.

2. Meaning of Contract Liability.

Ans: An entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

3. Meaning of Contract Asset.

Ans: An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

4. What is transaction Price?

The transaction price is the amount of consideration an entity expects to be entitled to in exchange for transferring the promised goods and services behalf third parties.