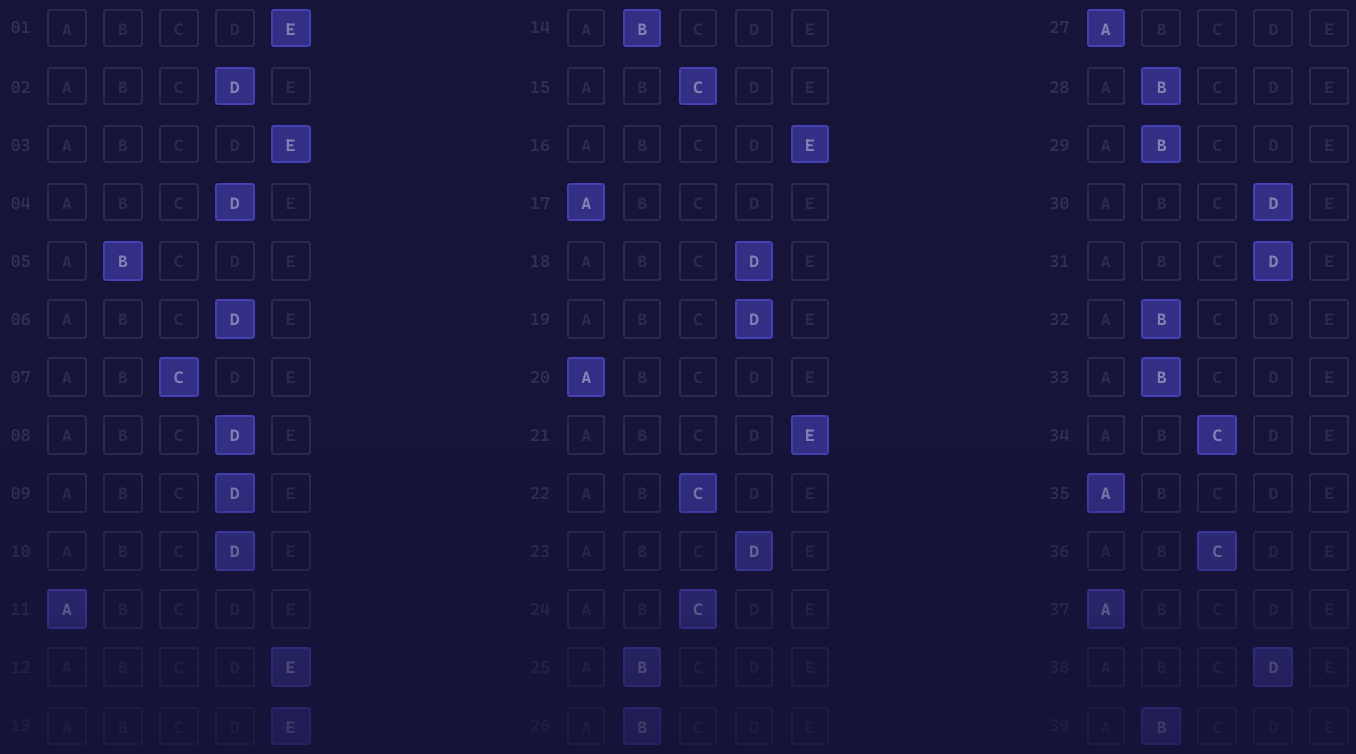
MOMETRIX
SMARTER PREP. BETTER RESULTS.



PRACTICE QUESTIONS

CPA

REGIQ

International Qualification Exam

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

WEB www.mometrix.net

SUPPORT support@mometrix.net

Before you begin

What this is

9 practice questions for CPA `REGIQ`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `REGIQ`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

mometrix.net

QUESTION 1 SINGLE CHOICE

An accountant working in the public sector is responsible for the stewardship of public resources. Which of the following best describes the primary accountability relationship that distinguishes public sector accounting from private sector accounting?

A Accountability to shareholders for return on investment

B Accountability to citizens and their elected representatives for the proper use of public funds

C Accountability to creditors for the repayment of debt

D Accountability to customers for the quality of goods and services

ANSWER B

WHY In the public sector, accountability is fundamentally to citizens and their elected representatives, because resources are raised through taxation and other compulsory means rather than through voluntary market transactions. This stewardship relationship drives the unique features of public sector accounting, including the emphasis on budgetary control, fund accounting and compliance with legislative authority. Options A and C describe private sector relationships, and option D describes a customer-focused market relationship that does not reflect public sector accountability.

QUESTION 2 SINGLE CHOICE

Which of the following are considered the primary users of general purpose financial reports (GPFRs) of a national government, according to the IPSASB's Conceptual Framework?

A Only taxpayers and beneficiaries of government services

B Citizens, their elected representatives, and resource providers such as taxpayers and donors

C Only the governing party and senior public servants

D Only creditors and lenders to the government

ANSWER B

WHY The IPSASB Conceptual Framework identifies the primary users of GPFRs of governments as citizens and their elected representatives, as well as resource providers (taxpayers, donors and lenders). These users need information to make decisions about providing resources to the government, holding government accountable, and assessing the delivery of services. Limiting users to only taxpayers (A), only political actors (C) or only lenders (D) does not reflect the broad accountability focus of public sector reporting.

QUESTION 3 SINGLE CHOICE

A government entity recognizes revenue only when cash is received and recognizes expenditure only when cash is paid. Which basis of accounting is being applied?

A Modified accrual basis

B Accrual basis

C Cash basis

D Commitment basis

ANSWER C

WHY The cash basis of accounting recognizes transactions and events only when cash is received or paid. Under IPSAS, governments are permitted to use the cash basis when an accruals framework is not yet feasible, although the accrual basis is strongly encouraged. Modified accrual (A) and accrual (B) both involve recognition before cash moves, and the commitment basis (D) records obligations when incurred rather than only when paid.

QUESTION 4 SINGLE CHOICE

Which statement correctly describes the scope of International Public Sector Accounting Standards (IPSAS) issued by the IPSASB?

A IPSAS apply only to central government ministries

B IPSAS apply to public sector entities engaged in providing goods and services to the public, including national, regional and local governments and their agencies

C IPSAS apply exclusively to state-owned enterprises operating as commercial businesses

D IPSAS apply only to non-profit organizations outside of government

ANSWER B

WHY IPSAS are designed for public sector entities engaged in providing goods and services to the public, whether at national, regional or local level, including government agencies and other entities that deliver non-commercial public services. They do not apply exclusively to central government (A), to commercial state-owned enterprises (C, which would use IFRS), or only to non-profits outside government (D).

QUESTION 5 SINGLE CHOICE

Which of the following is a principal difference between IPSAS and IFRS that arises from the public sector context?

A IPSAS eliminates the requirement to present a statement of financial position

B IPSAS requires reporting on budget versus actual amounts because budget discipline is central to public sector accountability

C IPSAS prohibits the recognition of any non-current assets

D IPSAS applies the same revenue recognition rules as IFRS for all exchange transactions without modification

ANSWER B

WHY A distinctive IPSAS requirement arising from the public sector context is the inclusion of budget-to-actual comparisons within the financial statements, because compliance with authorized budgets is a key element of public accountability. Options A and C misstate IPSAS requirements, and option D ignores the public-sector specific guidance on non-exchange revenue (such as taxation and transfers) in IPSAS 23.

QUESTION 6 SINGLE CHOICE

A government grants a transfer of cash to a public sector entity with no conditions attached. Under IPSAS 23, when should the recipient entity recognize revenue?

A When the cash is received, if the transfer has no conditions

B Only when the entity spends the cash on its intended purpose

C When the donor approves the transfer in principle

D Revenue is never recognized; the receipt is recorded as equity

ANSWER A

WHY Under IPSAS 23, an inflow of resources from a non-exchange transaction is recognized as an asset (cash) and revenue when the entity has control of the resource and the transaction is not subject to a condition. Unconditional transfers are recognized when receivable; conditional transfers are deferred until the condition is met. Option B confuses conditional transfers, option C is premature, and option D is incorrect because revenue recognition is the standard treatment.

QUESTION 7 SINGLE CHOICE

Under the cash basis of accounting as set out in IPSAS 2, cash flows arising from taxes collected on behalf of other governments should be classified as:

A **Operating activities**

B Investing activities

C Financing activities

D Cash flows from taxes collected on behalf of other governments are not disclosed

ANSWER **A**

WHY IPSAS 2 requires cash flows from taxes collected on behalf of other governments to be disclosed separately and classified as cash flows from operating activities. This is because, although the entity does not have the discretion to use these funds, they arise from the primary revenue-generating activity of many public sector entities and are not investing or financing in nature. They must, however, be clearly disclosed so users can identify amounts the entity cannot use directly.

QUESTION 8 SINGLE CHOICE

Which of the following is included in a complete set of financial statements under accrual-based IPSAS?

A **Statement of financial position, statement of financial performance, statement of changes in net assets/equity, cash flow statement, and notes including comparison with budget**

B Statement of financial position and statement of cash receipts and payments only

C Statement of comprehensive income, statement of cash flows, and a director's report only

D Only a statement of assets and liabilities and a statement of revenue collected

ANSWER **A**

WHY Accrual-basis IPSAS require a complete set of financial statements comprising: a statement of financial position, a statement of financial performance, a statement of changes in net assets/equity, a statement of cash flows, and notes (including comparison of budget and actual amounts where the entity makes publicly available its approved budget). Options B, C and D omit one or more required components and do not represent a complete IPSAS-compliant set.

QUESTION 9 MULTIPLE CHOICE

Which of the following are key features that distinguish public sector financial reporting from private sector financial reporting under the IPSASB framework? (Choose two.)

A **The importance of budget information and reporting actual results against approved budgets**

B **The need to report service delivery achievements and the resources used to achieve them**

C The objective of maximizing shareholder profit

D The reliance on market prices as the primary indicator of entity performance

ANSWER **A** · **B**

WHY Two distinguishing features of public sector reporting are the centrality of the approved budget and reporting actual results against it (A), and the focus on service delivery and the resources used to provide it (B). Maximizing shareholder profit (C) is a private sector objective, and reliance on market prices (D) is a market-based private sector indicator that is generally not available for many non-commercial public services.

mometrix.net