Board Exam Desk

Accountancy Reviewer

BS Accountancy | CPALE | 120 original questions

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Practice all six CPA board subjects, from financial reporting to taxation and business law.

Practice questions

Financial Accounting and Reporting

1. A business has assets of PHP 120,000 and liabilities of PHP 45,000. What is its equity?

A. PHP 45,000
B. PHP 75,000
C. PHP 120,000
D. PHP 165,000

2. A business buys equipment with cash. What happens to total assets immediately?

A. They increase
B. They decrease
C. They stay the same
D. They equal liabilities

3. The owner contributes PHP 20,000 in cash to the business. What increases?

A. Assets and equity
B. Liabilities and equity
C. Assets and expenses
D. Revenue and liabilities

4. A company pays PHP 5,000 toward an existing payable. What happens?

A. Assets rise and liabilities fall
B. Assets and liabilities both fall
C. Liabilities and equity both rise
D. Only equity falls

5. Which accounting element is an amount owed to a supplier?

A. Asset
B. Revenue
C. Liability
D. Owner contribution

6. A business earns revenue and receives cash immediately. Which two elements increase?

A. Assets and liabilities
B. Expenses and equity
C. Liabilities and expenses
D. Assets and equity

7. A company receives cash from a bank loan. What happens to its accounting equation?

A. Assets and liabilities increase equally
B. Assets and equity increase equally
C. Assets and liabilities decrease equally
D. Only assets increase

8. A firm has equity of PHP 70,000 and liabilities of PHP 30,000. What are its total assets?

A. PHP 40,000
B. PHP 100,000
C. PHP 70,000
D. PHP 30,000

9. Under the Conceptual Framework for Financial Reporting, which two are the fundamental qualitative characteristics of useful financial information?

A. Comparability and verifiability
B. Timeliness and understandability
C. Relevance and faithful representation
D. Prudence and consistency

10. Lakan Corp. bought a machine with a list price of PHP 800,000 less a 10% trade discount. It also paid import duties of PHP 40,000, delivery of PHP 15,000, installation of PHP 25,000 and operator training of PHP 12,000. What is the initial cost of the machine?

A. PHP 812,000
B. PHP 880,000
C. PHP 800,000
D. PHP 720,000

11. Equipment costing PHP 1,500,000 with a residual value of PHP 150,000 and a 6-year useful life was acquired on April 1, 2025. Using straight-line depreciation and a calendar year, what is depreciation for 2025?

A. PHP 168,750
B. PHP 225,000
C. PHP 187,500
D. PHP 250,000

12. A delivery truck costs PHP 600,000, has a 5-year life and a residual value of PHP 60,000. Using the double-declining-balance method, what is depreciation in Year 2?

A. PHP 108,000
B. PHP 129,600
C. PHP 144,000
D. PHP 240,000

13. A work-in-process item has a cost of PHP 50,000. Its estimated selling price when finished is PHP 56,000, costs to complete are PHP 4,000 and costs to sell are PHP 5,000. At what amount should it be reported under PAS 2?

A. PHP 50,000
B. PHP 52,000
C. PHP 47,000
D. PHP 51,000

14. Bituin Store had 200 units at PHP 100 at the start of the period, then purchased 300 units at PHP 110 and later 500 units at PHP 120. It sold 700 units. Under a periodic FIFO system, what is ending inventory?

A. PHP 33,900
B. PHP 31,000
C. PHP 77,000
D. PHP 36,000

15. At year-end, accounts receivable total PHP 2,400,000 and an aging analysis indicates PHP 96,000 is uncollectible. The allowance for doubtful accounts has a PHP 30,000 credit balance before adjustment. What is doubtful accounts expense for the year?

A. PHP 96,000
B. PHP 126,000
C. PHP 66,000
D. PHP 30,000

16. The allowance for doubtful accounts began the year at PHP 50,000. During the year, PHP 35,000 of accounts were written off and PHP 5,000 of previously written-off accounts were recovered. The required ending allowance is PHP 70,000. What is the expense for the year?

A. PHP 55,000
B. PHP 20,000
C. PHP 50,000
D. PHP 70,000

17. In the PFRS 15 five-step revenue model, which step comes immediately after identifying the performance obligations in the contract?

A. Identify the contract with the customer
B. Allocate the transaction price to the performance obligations
C. Recognize revenue when obligations are satisfied
D. Determine the transaction price

18. A seller bundles equipment with a two-year service plan for a total price of PHP 900,000. Standalone selling prices are PHP 800,000 for the equipment and PHP 200,000 for the service. How much of the transaction price is allocated to the equipment?

A. PHP 800,000
B. PHP 700,000
C. PHP 720,000
D. PHP 450,000

19. At commencement, a lessee's lease liability is PHP 1,000,000. It also paid PHP 50,000 at commencement, incurred PHP 30,000 of initial direct costs and received a PHP 20,000 lease incentive from the lessor. What is the initial right-of-use asset under PFRS 16?

A. PHP 1,000,000
B. PHP 1,080,000
C. PHP 1,060,000
D. PHP 1,030,000

20. A lessee recognized a lease liability of PHP 2,000,000 on January 1. Annual payments of PHP 500,000 are made every December 31 and the implicit rate is 8%. What is the lease liability after the first payment?

A. PHP 1,500,000
B. PHP 1,620,000
C. PHP 2,160,000
D. PHP 1,660,000

21. Which of the following is NOT part of a complete set of financial statements under PAS 1?

A. Statement of changes in equity
B. Statement of cash flows
C. Notes, including material accounting policy information
D. A management commentary or directors' report

22. Which transaction is classified as an investing activity in the statement of cash flows?

A. Cash paid to suppliers for merchandise
B. Cash paid to acquire a delivery van
C. Cash received from issuing ordinary shares
D. Cash paid to employees for salaries

23. At year-end a company has petty cash of PHP 10,000, a checking account balance of PHP 450,000, a time deposit with an original maturity of 60 days of PHP 200,000, a 6-month time deposit of PHP 300,000 and a customer's postdated check of PHP 40,000. What is cash and cash equivalents?

A. PHP 660,000
B. PHP 960,000
C. PHP 700,000
D. PHP 460,000

24. The bank statement shows a balance of PHP 485,000. Deposits in transit are PHP 60,000 and outstanding checks are PHP 95,000. The bank erroneously charged the company's account PHP 8,000 for another depositor's check. What is the adjusted cash balance?

A. PHP 458,000
B. PHP 442,000
C. PHP 450,000
D. PHP 520,000

25. Financial statements are normally prepared on the assumption that the entity will continue operating for the foreseeable future. What is this assumption called?

A. Accrual basis
B. Monetary unit
C. Going concern
D. Periodicity

26. Beginning inventory is PHP 400,000, purchases are PHP 1,600,000 and sales are PHP 2,000,000. The gross profit rate is 30% of sales. Using the gross profit method, what is the estimated ending inventory?

A. PHP 461,538
B. PHP 1,400,000
C. PHP 600,000
D. PHP 400,000

Advanced Financial Accounting and Reporting

27. Ana invests PHP 200,000 cash in a new partnership. Ben contributes equipment with a carrying amount of PHP 150,000 and a fair value of PHP 180,000, subject to a PHP 50,000 mortgage that the partnership assumes. What is Ben's initial capital credit?

A. PHP 100,000
B. PHP 130,000
C. PHP 180,000
D. PHP 150,000

28. Partners A and B share profit as follows: salaries of PHP 60,000 to A and PHP 40,000 to B, 10% interest on capitals of PHP 250,000 each, and the remainder 3:2. Profit is PHP 360,000. What is A's total share?

A. PHP 149,000
B. PHP 216,000
C. PHP 180,000
D. PHP 211,000

29. A (capital PHP 300,000) and B (capital PHP 200,000) share profit 3:2. C invests PHP 300,000 for a one-fourth interest in capital. Using the bonus method, how much bonus is credited to A?

A. PHP 100,000
B. PHP 50,000
C. PHP 40,000
D. PHP 60,000

30. Partner B retires and is paid PHP 210,000 for a capital balance of PHP 180,000. The remaining partners A and C share profit 60:40. Under the bonus method, by how much is A's capital reduced?

A. PHP 18,000
B. PHP 30,000
C. PHP 15,000
D. PHP 12,000

31. When a partnership is liquidated, which claims are paid first from the cash realized?

A. Loans made by partners to the partnership
B. Partners' capital balances
C. Partners' shares in undistributed profits
D. Claims of outside creditors

32. Parent Co. pays PHP 5,000,000 for 80% of Sub Co. The fair value of the non-controlling interest is PHP 1,300,000 and the fair value of Sub's identifiable net assets is PHP 5,500,000. If NCI is measured at fair value, what is goodwill?

A. PHP 600,000
B. PHP 800,000
C. PHP 1,300,000
D. Gain on bargain purchase of PHP 500,000

33. Under PFRS 3, how should an acquirer account for legal and due diligence fees incurred to complete a business combination?

A. Add them to goodwill
B. Add them to the cost of the identifiable assets acquired
C. Expense them as incurred
D. Deduct them from share premium

34. An acquirer pays PHP 3,200,000 for 100% of a business whose identifiable net assets have a fair value of PHP 3,500,000. After reassessing the measurements, the excess remains. How is the PHP 300,000 recognized?

A. As negative goodwill amortized over five years
B. As a direct credit to retained earnings
C. As a gain in profit or loss on the acquisition date
D. As deferred income in liabilities

35. A parent sold inventory costing PHP 300,000 to its subsidiary for PHP 400,000. At year-end, 40% of these goods remain in the subsidiary's inventory. What unrealized profit is eliminated in consolidation?

A. PHP 100,000
B. PHP 40,000
C. PHP 60,000
D. PHP 160,000

36. A subsidiary reports profit of PHP 1,000,000. The parent owns 75%, and depreciation on the fair value adjustment of the subsidiary's equipment is PHP 80,000 for the year. What is the non-controlling interest in profit?

A. PHP 230,000
B. PHP 250,000
C. PHP 270,000
D. PHP 750,000

37. On November 1, a Philippine company bought goods on account for USD 10,000 when the rate was PHP 56. On December 31 the rate is PHP 58, and the account is paid on February 1 at PHP 57. What is the foreign exchange result for the year ended December 31?

A. Gain of PHP 20,000
B. Loss of PHP 10,000
C. Loss of PHP 20,000
D. Gain of PHP 10,000

38. Under PAS 21, which of the following is a monetary item?

A. Prepaid rent paid in US dollars
B. Trade payable to be settled in US dollars
C. Inventory bought from a US supplier
D. Equipment imported from Japan

39. When translating a foreign operation's financial statements into the presentation currency under PAS 21, where are the resulting exchange differences recognized?

A. Profit or loss
B. Other comprehensive income
C. Directly in retained earnings
D. As an adjustment to goodwill only

40. A contractor signs a PHP 10,000,000 contract recognized over time using the cost-to-cost method. In Year 1 it incurs PHP 2,400,000 and estimates PHP 3,600,000 more to complete. What revenue is recognized in Year 1?

A. PHP 2,400,000
B. PHP 6,666,667
C. PHP 1,600,000
D. PHP 4,000,000

41. Continuing a PHP 10,000,000 contract: Year 1 gross profit recognized was PHP 1,600,000. At the end of Year 2, cumulative costs are PHP 5,100,000 and estimated costs to complete are PHP 1,700,000. What gross profit is recognized in Year 2?

A. PHP 2,400,000
B. PHP 1,120,000
C. PHP 800,000
D. PHP 3,200,000

42. A PHP 5,000,000 contract has costs to date of PHP 2,000,000 and estimated costs to complete of PHP 3,400,000. What loss should be recognized in the current year, assuming no loss was recognized earlier?

A. PHP 400,000
B. PHP 148,148
C. PHP 0
D. PHP 251,852

43. The home office bills merchandise to its branch at 125% of cost. The branch's ending inventory from the home office is PHP 150,000 at billed price. What balance should the allowance for overvaluation of branch inventory have at year-end?

A. PHP 37,500
B. PHP 120,000
C. PHP 187,500
D. PHP 30,000

44. In the branch's books, which account is the reciprocal of the home office's Investment in Branch account?

A. Home Office
B. Shipments from Home Office
C. Allowance for Overvaluation
D. Branch Current Receivable

45. A branch reports a net loss of PHP 20,000 using billed prices. Goods are billed at 125% of cost. Beginning branch inventory at billed price was PHP 50,000, shipments received were PHP 500,000 and ending inventory is PHP 75,000. What is the branch's true net income?

A. PHP 75,000
B. Net loss of PHP 20,000
C. PHP 98,750
D. PHP 95,000

Auditing

46. If the auditor assesses the risk of material misstatement as higher than originally planned, what should happen to acceptable detection risk?

A. It increases, so fewer substantive procedures are needed
B. It stays the same because it is set by the firm
C. It decreases, so more persuasive substantive evidence is needed
D. It becomes irrelevant because controls will be tested

47. Which component of audit risk can the auditor directly influence through the nature, timing and extent of procedures?

A. Inherent risk
B. Control risk
C. Business risk
D. Detection risk

48. An auditor sets overall materiality at 5% of profit before tax of PHP 8,400,000 and performance materiality at 75% of overall materiality. What is performance materiality?

A. PHP 420,000
B. PHP 105,000
C. PHP 6,300,000
D. PHP 315,000

49. Which audit evidence is generally the most reliable?

A. A bank reconciliation prepared by the client's accountant
B. Oral explanations from the finance manager
C. Photocopies of bank statements provided by the client
D. A bank confirmation sent and received directly by the auditor

50. An auditor selects shipping documents and traces them to recorded sales invoices in the sales journal. Which assertion is primarily tested?

A. Occurrence
B. Valuation
C. Presentation
D. Completeness

51. Which of the following is NOT a component of an entity's system of internal control under PSA 315 (Revised)?

A. Control environment
B. Entity's risk assessment process
C. Monitoring of the system of internal control
D. Substantive analytical procedures

52. Which pair of duties assigned to one employee represents the most serious segregation-of-duties weakness?

A. Preparing payroll and filing payroll tax returns
B. Receiving customer remittances and posting to customer accounts
C. Counting inventory and preparing receiving reports
D. Approving vacation leave and scheduling shifts

53. The auditor concludes that misstatements in the financial statements are both material and pervasive. What opinion should be expressed?

A. Qualified opinion
B. Adverse opinion
C. Disclaimer of opinion
D. Unmodified opinion with an Emphasis of Matter paragraph

54. The auditor cannot obtain sufficient appropriate evidence and concludes the possible effects of undetected misstatements could be both material and pervasive. What opinion is appropriate?

A. Disclaimer of opinion
B. Adverse opinion
C. Qualified opinion
D. Unmodified opinion

55. Under PSA 701, communicating key audit matters in the auditor's report is required for audits of which entities?

A. All small and medium-sized entities
B. Complete general purpose financial statements of listed entities
C. Only government-owned corporations
D. Any entity whose auditor issues a qualified opinion

56. What is the effect of including an Emphasis of Matter paragraph in the auditor's report?

A. It changes the opinion to qualified
B. It draws attention to a properly disclosed matter without modifying the opinion
C. It reports a material misstatement the client refused to correct
D. It replaces the Basis for Opinion section

57. A material uncertainty related to going concern exists and is adequately disclosed in the financial statements. How should the auditor report?

A. Adverse opinion
B. Unmodified opinion with a separate Material Uncertainty Related to Going Concern section
C. Disclaimer of opinion in all cases
D. Qualified opinion

58. Which of the following is NOT one of the fundamental principles in the Code of Ethics for Professional Accountants in the Philippines?

A. Integrity
B. Objectivity
C. Confidentiality
D. Advocacy

59. An audit firm prepares the client's journal entries and financial statements and then audits them. Which threat to independence is most directly created?

A. Advocacy threat
B. Self-review threat
C. Intimidation threat
D. Self-interest threat

60. An engagement partner has led the same client's audit for many consecutive years. Which threat is most likely created?

A. Self-review threat
B. Advocacy threat
C. Familiarity threat
D. Intimidation threat

61. Holding other factors constant, what happens to the required sample size in a test of details if the tolerable misstatement is increased?

A. Sample size increases
B. Sample size decreases
C. Sample size is unaffected
D. Sample size doubles automatically

62. After year-end but before the auditor's report date, a major customer files for bankruptcy because of financial difficulties that existed at the reporting date. What should the auditor expect?

A. An adjustment to the allowance for receivables in the financial statements
B. Disclosure only, with no adjustment
C. No action because the event occurred after year-end
D. Withdrawal from the engagement

63. Under PSA 580, how should the date of management's written representations relate to the auditor's report?

A. Exactly one month before the report date
B. As near as practicable to, but not after, the date of the auditor's report
C. On the last day of the reporting period
D. Any date after the report is issued

64. Under PSA 210, which is a precondition for accepting an audit engagement?

A. The auditor guarantees the absence of fraud
B. Management acknowledges its responsibility for preparing the financial statements and for internal control
C. The entity must have reported a profit
D. The client agrees to an unmodified opinion in advance

Management Services

65. Maintenance cost was PHP 540,000 at 12,000 machine hours and PHP 390,000 at 7,000 machine hours. Using the high-low method, what is the fixed cost?

A. PHP 150,000
B. PHP 360,000
C. PHP 180,000
D. PHP 210,000

66. A product sells for PHP 250 with a variable cost of PHP 150 per unit. Fixed costs are PHP 900,000. What is the break-even point in units?

A. 9,000 units
B. 3,600 units
C. 6,000 units
D. 2,250 units

67. Fixed costs are PHP 1,200,000 and the contribution margin ratio is 30%. What sales revenue is needed to earn an operating profit of PHP 300,000?

A. PHP 4,000,000
B. PHP 5,000,000
C. PHP 2,142,857
D. PHP 1,500,000

68. Actual sales are PHP 2,500,000 and break-even sales are PHP 2,000,000. What is the degree of operating leverage?

A. 5.0
B. 1.25
C. 0.2
D. 4.0

69. A company produced 10,000 units and sold 8,000 units with no beginning inventory. Fixed manufacturing overhead was PHP 300,000. How does absorption costing profit compare with variable costing profit?

A. Higher by PHP 60,000
B. Lower by PHP 60,000
C. Higher by PHP 240,000
D. Equal under both methods

70. Credit sales are PHP 400,000 in January, PHP 500,000 in February and PHP 600,000 in March. Collections are 30% in the month of sale, 60% the next month and 8% the second month after sale; 2% is uncollectible. What are budgeted March collections?

A. PHP 480,000
B. PHP 600,000
C. PHP 512,000
D. PHP 530,000

71. Budgeted sales are 20,000 units. Desired ending finished goods are 3,000 units and beginning finished goods are 4,500 units. How many units should be produced?

A. 18,500 units
B. 21,500 units
C. 20,000 units
D. 27,500 units

72. A company bought and used 5,200 kg of material at PHP 48 per kg. The standard price is PHP 50 per kg and the standard quantity for actual output is 5,000 kg. What is the materials price variance?

A. PHP 10,000 favorable
B. PHP 10,400 favorable
C. PHP 10,000 unfavorable
D. PHP 400 unfavorable

73. Actual direct labor hours were 3,300 at an actual rate of PHP 125. Standard hours allowed for actual output were 3,000 at a standard rate of PHP 120. What is the labor efficiency variance?

A. PHP 36,000 unfavorable
B. PHP 37,500 unfavorable
C. PHP 16,500 unfavorable
D. PHP 52,500 unfavorable

74. A part costs PHP 20 direct materials, PHP 15 direct labor, PHP 10 variable overhead and PHP 12 allocated fixed overhead per unit to make; the fixed overhead is unavoidable. A supplier offers the part at PHP 50. For 10,000 units, what should the company do?

A. Make the part; it saves PHP 50,000
B. Buy the part; it saves PHP 70,000
C. Buy the part; it saves PHP 20,000
D. Make the part; it saves PHP 70,000

75. With idle capacity, a company receives a one-time order for 3,000 units at PHP 80 each. Variable cost is PHP 65 per unit, total fixed cost per unit is PHP 20, and the order needs extra shipping of PHP 2 per unit. Fixed costs will not change. What is the effect on profit if accepted?

A. Increase of PHP 39,000
B. Increase of PHP 45,000
C. Decrease of PHP 15,000
D. Decrease of PHP 21,000

76. In deciding whether to replace an old machine, which item is irrelevant?

A. The current disposal value of the old machine
B. The book value of the old machine
C. The cost of the new machine
D. Differences in future operating costs

77. A project costs PHP 1,800,000 and produces cash inflows of PHP 400,000, PHP 500,000, PHP 600,000 and PHP 700,000 in Years 1 to 4. What is the payback period?

A. 3.27 years
B. 3.00 years
C. 3.43 years
D. 4.00 years

78. An investment of PHP 1,000,000 yields net cash inflows of PHP 300,000 at the end of each year for 5 years. At a 10% required rate, what is the net present value (rounded to the nearest peso)?

A. PHP 500,000
B. PHP 1,137,236
C. PHP 137,236
D. Negative PHP 49,040

79. Equipment costing PHP 2,000,000 with a 5-year life and no salvage generates annual net cash inflows of PHP 600,000. Using straight-line depreciation, what is the accounting rate of return on initial investment?

A. 30%
B. 20%
C. 60%
D. 10%

80. A company has cash of PHP 300,000, receivables of PHP 600,000, inventory of PHP 800,000, prepaid expenses of PHP 100,000 and current liabilities of PHP 900,000. What is the quick (acid-test) ratio?

A. 1.00
B. 2.00
C. 1.89
D. 0.33

81. Cost of goods sold is PHP 3,600,000, beginning inventory is PHP 500,000 and ending inventory is PHP 700,000. Using a 360-day year and average inventory, what is the average days in inventory?

A. 70 days
B. 50 days
C. 60 days
D. 6 days

82. A company has a net profit margin of 8%, total asset turnover of 1.5 times and an equity multiplier of 2.0. What is its return on equity?

A. 12%
B. 24%
C. 16%
D. 11.5%

83. Within the relevant range, what happens to fixed cost per unit as production volume increases?

A. It increases
B. It stays constant
C. It becomes a variable cost
D. It decreases

Taxation

84. Which principle underlies the rule that, in general, no court may issue an injunction to restrain the collection of national internal revenue taxes?

A. Benefits-received theory
B. Principle of reciprocity
C. Doctrine of equitable recoupment
D. Lifeblood doctrine

85. Under the NIRC source rules, where is compensation for personal services considered earned?

A. Where the payor resides
B. Where the contract was signed
C. Where payment is received
D. Where the services are performed

86. Which statement correctly distinguishes tax avoidance from tax evasion?

A. Both are criminal offenses under the NIRC
B. Avoidance is illegal while evasion is legal
C. Avoidance uses legal means to reduce tax; evasion uses illegal means
D. Evasion applies only to corporations

87. Assume the graduated income tax table under TRAIN applicable from 2023. A resident citizen earning purely compensation income has annual taxable income of PHP 240,000. What is the income tax due?

A. PHP 48,000
B. PHP 19,200
C. PHP 0
D. PHP 36,000

88. Under TRAIN, 13th month pay and other benefits are exempt up to PHP 90,000. An employee received PHP 130,000 of such benefits during the year. How much is taxable?

A. PHP 130,000
B. PHP 48,000
C. PHP 0
D. PHP 40,000

89. Assume CREATE rates: 25% regular corporate income tax, or 20% for domestic corporations with net taxable income not over PHP 5,000,000 and total assets (excluding land) not over PHP 100,000,000. A domestic corporation has taxable income of PHP 8,000,000 and total assets of PHP 150,000,000. What is its regular income tax?

A. PHP 1,600,000
B. PHP 2,000,000
C. PHP 2,400,000
D. PHP 1,750,000

90. Assume 12% VAT. A VAT-registered seller has sales of PHP 1,500,000 (VAT-exclusive) and purchases from VAT-registered suppliers of PHP 784,000 (VAT-inclusive). What is the VAT payable?

A. PHP 180,000
B. PHP 85,920
C. PHP 84,000
D. PHP 96,000

91. Assume 12% VAT. A VAT-registered service provider collected gross receipts of PHP 560,000, inclusive of VAT. How much is the output VAT?

A. PHP 60,000
B. PHP 67,200
C. PHP 500,000
D. PHP 53,571

92. How are export sales of goods by a VAT-registered person generally treated for VAT purposes?

A. Zero-rated, with related input VAT creditable or refundable
B. VAT-exempt, with input VAT not creditable
C. Subject to 12% output VAT
D. Subject to percentage tax instead of VAT

93. Assume TRAIN estate tax rules: 6% rate, PHP 5,000,000 standard deduction and family home deduction up to PHP 10,000,000. A single resident citizen died leaving a gross estate of PHP 15,000,000, including a family home worth PHP 8,000,000, and claims against the estate of PHP 1,000,000. What is the estate tax?

A. PHP 540,000
B. PHP 60,000
C. PHP 360,000
D. PHP 120,000

94. Assume TRAIN donor's tax: 6% on total gifts in excess of PHP 250,000 per calendar year. A donor gives PHP 1,000,000 cash to a friend, with no other gifts that year. What is the donor's tax?

A. PHP 60,000
B. PHP 15,000
C. PHP 300,000
D. PHP 45,000

95. As a general rule under the NIRC, within what period must the BIR assess internal revenue taxes?

A. Five years from the end of the taxable year
B. Ten years from discovery in all cases
C. Three years from the last day prescribed for filing the return, or from actual filing if filed late
D. One year from the date of payment

96. Within what period must a taxpayer file an administrative protest after receiving a final assessment notice?

A. 15 days from receipt of the assessment
B. 60 days from receipt of the assessment
C. 180 days from receipt of the assessment
D. 30 days from receipt of the assessment

97. A protested assessment remains unacted upon by the Commissioner 180 days after submission of the supporting documents. What may the taxpayer do?

A. File a new protest with the regional office
B. Appeal to the Court of Tax Appeals within 30 days after the 180-day period lapses
C. Appeal directly to the Supreme Court
D. Pay the tax and consider the case closed automatically

98. Fringe benefits given to which employees are subject to the final fringe benefits tax?

A. Rank-and-file employees only
B. Minimum wage earners only
C. All employees regardless of rank
D. Managerial and supervisory employees

99. A domestic corporation has sales of PHP 12,000,000 and cost of sales of PHP 7,000,000. If it elects the optional standard deduction at 40% of gross income, how much is the deduction?

A. PHP 4,800,000
B. PHP 3,000,000
C. PHP 2,800,000
D. PHP 2,000,000

100. A resident citizen earns PHP 50,000 interest on a peso savings deposit with a Philippine bank. Assuming the 20% final tax applies, how is this income taxed?

A. Included in taxable income at graduated rates
B. Final tax of PHP 7,500 at 15%
C. Exempt from income tax
D. Final tax of PHP 10,000 withheld; not included in taxable income for regular tax

101. A purely self-employed resident citizen, not VAT-registered, has gross sales of PHP 1,500,000 and validly elects the 8% income tax on gross sales in excess of PHP 250,000. What is the income tax due?

A. PHP 120,000
B. PHP 100,000
C. PHP 80,000
D. PHP 0

Regulatory Framework for Business Transactions

102. Under Article 1157 of the Civil Code, which of the following is NOT a source of obligations?

A. Law
B. Quasi-contracts
C. Quasi-delicts
D. Religious or purely moral duties

103. D1, D2 and D3 bound themselves solidarily to pay creditor C PHP 300,000. C demands payment from D1 alone. How much may C collect from D1?

A. PHP 100,000
B. PHP 300,000
C. PHP 150,000
D. Nothing until D2 and D3 are first sued

104. A and B are jointly bound to pay X and Y the sum of PHP 240,000, with no stipulation on solidarity. How much may X collect from A?

A. PHP 60,000
B. PHP 240,000
C. PHP 120,000
D. PHP 30,000

105. A contract where one party's consent was obtained through fraud is classified as what?

A. Void
B. Unenforceable
C. Rescissible
D. Voidable

106. A person with no authority or legal representation enters into a contract in the name of another. The contract is classified as what?

A. Unenforceable
B. Void
C. Voidable
D. Rescissible

107. Which of the following is generally NOT an essential requisite of a contract?

A. Consent of the contracting parties
B. Object certain which is the subject matter
C. A particular form
D. Cause of the obligation

108. M owes N PHP 80,000 and N owes M PHP 50,000. Both debts are due, demandable, liquidated and in money. If legal compensation applies, what remains?

A. M owes N PHP 30,000
B. N owes M PHP 30,000
C. M owes N PHP 80,000
D. Both debts are fully extinguished

109. A new debtor takes the place of the old debtor at the initiative of the creditor and without the old debtor's knowledge. What type of novation is this?

A. Expromision
B. Delegacion
C. Subrogation
D. Confusion

110. Under the Civil Code, does a partnership have a juridical personality separate from its partners?

A. No, partners and the partnership are the same person
B. Only after it is registered with the SEC
C. Yes, even if it fails to register with the SEC
D. Only if it has more than five partners

111. A partnership whose capital is at least what amount must appear in a public instrument and be recorded with the SEC?

A. PHP 3,000
B. PHP 5,000
C. PHP 10,000
D. PHP 1,000

112. Absent a contrary stipulation, how does an industrial partner share in partnership losses, as among the partners?

A. Equally with the capitalist partners
B. In proportion to the value of services rendered
C. Only up to his share in profits
D. The industrial partner is exempt from losses

113. Under the Revised Corporation Code (RA 11232), how many incorporators may form a private corporation?

A. At least 5 but not more than 15
B. Not more than 15
C. At least 2 with no maximum
D. Exactly 5

114. Under the Revised Corporation Code, what is the corporate term of a corporation unless its articles provide otherwise?

A. 50 years, renewable
B. Perpetual existence
C. 25 years, renewable
D. Until the death of its majority stockholder

115. What minimum authorized capital stock does the Revised Corporation Code generally require?

A. None, unless required by special law
B. PHP 5,000
C. PHP 1,000,000
D. 25% of the authorized capital stock

116. Under the Revised Corporation Code, which of the following may NOT be incorporated as a One Person Corporation?

A. A trading business owned by a natural person
B. A consultancy owned by a trust
C. A bank
D. A small manufacturing business owned by an estate

117. Which provision makes an instrument non-negotiable under the Negotiable Instruments Law?

A. A statement of the transaction that gave rise to it
B. A promise to pay only out of a particular fund
C. A provision for payment of attorney's fees on default
D. Payment due on a fixed future date

118. Which of the following is a real defense that may be raised even against a holder in due course?

A. Fraud in the inducement
B. Absence or failure of consideration
C. Forgery of the maker's signature
D. Filling up a delivered blank instrument beyond the authority given

119. S sold a parcel of land to X, who took possession but did not register the sale. S later sold the same land to Y, who bought and registered it in good faith. Who has the better right?

A. Y, as the first to register in good faith
B. X, as the first buyer
C. X, as the first possessor
D. Neither; both sales are void

120. Under the FRIA (RA 10142), what remedy is available to an individual debtor who has sufficient property to cover all debts but foresees being unable to pay them when they fall due?

A. Petition for suspension of payments
B. Involuntary liquidation
C. Pre-negotiated rehabilitation
D. Out-of-court restructuring for corporations

Answer key

Accountancy

1. B. PHP 75,000

Equity equals assets minus liabilities, or PHP 75,000.

2. C. They stay the same

Equipment increases by the same amount that cash decreases. Both are assets.

3. A. Assets and equity

Cash increases, and the owner contribution increases equity without creating revenue.

4. B. Assets and liabilities both fall

Cash decreases by PHP 5,000 and the outstanding liability decreases by the same amount.

5. C. Liability

The unpaid obligation to the supplier is a liability.

6. D. Assets and equity

Cash is an asset and earned revenue increases equity through profit.

7. A. Assets and liabilities increase equally

Cash increases and the company recognizes an equal borrowing obligation.

8. B. PHP 100,000

Assets equal liabilities plus equity, so total assets are PHP 100,000.

9. C. Relevance and faithful representation

Relevance and faithful representation are fundamental; comparability, verifiability, timeliness and understandability are enhancing characteristics.

10. C. PHP 800,000

Cost = 720,000 net price + 40,000 + 15,000 + 25,000 = PHP 800,000; training costs are expensed.

11. A. PHP 168,750

(1,500,000 - 150,000) / 6 = 225,000 per year x 9/12 = PHP 168,750.

12. C. PHP 144,000

Rate = 40%. Year 1 = 240,000; Year 2 = (600,000 - 240,000) x 40% = PHP 144,000. Residual value is ignored until the floor is reached.

13. C. PHP 47,000

NRV = 56,000 - 4,000 - 5,000 = PHP 47,000, which is lower than cost of 50,000.

14. D. PHP 36,000

Ending 300 units come from the latest purchase: 300 x 120 = PHP 36,000.

15. C. PHP 66,000

Required allowance 96,000 - existing credit balance 30,000 = PHP 66,000.

16. C. PHP 50,000

Unadjusted allowance = 50,000 - 35,000 + 5,000 = 20,000; expense = 70,000 - 20,000 = PHP 50,000.

17. D. Determine the transaction price

The steps are: identify the contract, identify performance obligations, determine the transaction price, allocate it, then recognize revenue.

18. C. PHP 720,000

Allocate on relative standalone selling prices: 900,000 x 800/1,000 = PHP 720,000.

19. C. PHP 1,060,000

ROU asset = 1,000,000 + 50,000 + 30,000 - 20,000 = PHP 1,060,000.

20. D. PHP 1,660,000

Interest 160,000 is added, then the 500,000 payment deducted: 2,160,000 - 500,000 = PHP 1,660,000.

21. D. A management commentary or directors' report

Management commentary is presented outside the financial statements; the other items are required components.

22. B. Cash paid to acquire a delivery van

Acquisitions of long-term assets are investing cash flows; supplier and salary payments are operating, share issuance is financing.

23. A. PHP 660,000

Only petty cash, the checking account and the 60-day deposit qualify: 10,000 + 450,000 + 200,000 = PHP 660,000.

24. A. PHP 458,000

485,000 + 60,000 - 95,000 + 8,000 bank error = PHP 458,000.

25. C. Going concern

The Conceptual Framework names going concern as the underlying assumption.

26. C. PHP 600,000

Cost of sales = 2,000,000 x 70% = 1,400,000; ending inventory = 2,000,000 goods available - 1,400,000 = PHP 600,000.

27. B. PHP 130,000

Noncash contributions are recorded at fair value net of liabilities assumed: 180,000 - 50,000 = PHP 130,000.

28. D. PHP 211,000

Remainder = 360,000 - 100,000 - 50,000 = 210,000; A = 60,000 + 25,000 + 126,000 = PHP 211,000.

29. D. PHP 60,000

Total capital 800,000; C credited 200,000, so bonus to old partners is 100,000, of which A gets 60% = PHP 60,000.

30. A. PHP 18,000

Bonus to retiring partner = 30,000; A absorbs 60% = PHP 18,000.

31. D. Claims of outside creditors

Outside creditors rank ahead of partner loans, which in turn rank ahead of partners' capital interests.

32. B. PHP 800,000

Goodwill = 5,000,000 + 1,300,000 - 5,500,000 = PHP 800,000.

33. C. Expense them as incurred

Acquisition-related costs are expensed, except costs of issuing debt or equity securities.

34. C. As a gain in profit or loss on the acquisition date

PFRS 3 requires a bargain purchase gain to be recognized in profit or loss after reassessment.

35. B. PHP 40,000

Profit 100,000 x 40% unsold = PHP 40,000.

36. A. PHP 230,000

(1,000,000 - 80,000) x 25% = PHP 230,000.

37. C. Loss of PHP 20,000

The payable rises from 560,000 to 580,000 at year-end, a PHP 20,000 loss.

38. B. Trade payable to be settled in US dollars

Monetary items are rights or obligations to receive or pay a fixed or determinable number of currency units.

39. B. Other comprehensive income

Translation differences are recognized in OCI and accumulated in a separate component of equity.

40. D. PHP 4,000,000

Progress = 2.4M / 6.0M = 40%; revenue = 10,000,000 x 40% = PHP 4,000,000.

41. C. PHP 800,000

Progress = 5.1M / 6.8M = 75%; cumulative GP = 3,200,000 x 75% = 2,400,000 less 1,600,000 = PHP 800,000.

42. A. PHP 400,000

Total expected cost 5,400,000 exceeds price by 400,000; the entire expected loss on an onerous contract is recognized immediately.

43. D. PHP 30,000

Markup in ending inventory = 150,000 - 150,000/1.25 = PHP 30,000.

44. A. Home Office

Investment in Branch on the home office books reconciles with the Home Office equity-type account on the branch books.

45. A. PHP 75,000

Billed cost of goods sold 475,000; realized markup = 475,000 x 25/125 = 95,000; true income = -20,000 + 95,000 = PHP 75,000.

46. C. It decreases, so more persuasive substantive evidence is needed

Detection risk varies inversely with assessed risk of material misstatement to keep audit risk acceptably low.

47. D. Detection risk

Inherent and control risk exist independently of the audit; detection risk depends on the auditor's procedures.

48. D. PHP 315,000

Overall materiality = 420,000; performance materiality = 420,000 x 75% = PHP 315,000.

49. D. A bank confirmation sent and received directly by the auditor

Evidence obtained directly by the auditor from an independent external source is more reliable than client-generated or oral evidence.

50. D. Completeness

Tracing from source documents to the records tests whether all transactions that occurred were recorded.

51. D. Substantive analytical procedures

Substantive analytical procedures are audit procedures, not a component of the entity's internal control.

52. B. Receiving customer remittances and posting to customer accounts

Combining custody of cash with recording of receivables allows misappropriation to be concealed (lapping).

53. B. Adverse opinion

Material and pervasive misstatement calls for an adverse opinion under PSA 705.

54. A. Disclaimer of opinion

A pervasive inability to obtain evidence results in a disclaimer; a material but not pervasive limitation results in a qualified opinion.

55. B. Complete general purpose financial statements of listed entities

PSA 701 applies to listed entities and when the auditor is otherwise required or decides to communicate key audit matters.

56. B. It draws attention to a properly disclosed matter without modifying the opinion

An Emphasis of Matter paragraph highlights a matter fundamental to users' understanding; the opinion remains unmodified.

57. B. Unmodified opinion with a separate Material Uncertainty Related to Going Concern section

PSA 570 requires a separate section when the uncertainty is adequately disclosed; the opinion is not modified.

58. D. Advocacy

The five fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

59. B. Self-review threat

Evaluating one's own work creates a self-review threat.

60. C. Familiarity threat

Long association can make the auditor too sympathetic to the client's interests, a familiarity threat.

61. B. Sample size decreases

Tolerable misstatement and sample size move in opposite directions.

62. A. An adjustment to the allowance for receivables in the financial statements

The event gives evidence of conditions existing at the reporting date, so it is an adjusting event under PAS 10.

63. B. As near as practicable to, but not after, the date of the auditor's report

Written representations must cover all periods referred to and be dated close to, but not after, the report date.

64. B. Management acknowledges its responsibility for preparing the financial statements and for internal control

Preconditions include an acceptable financial reporting framework and management's agreement to its responsibilities.

65. C. PHP 180,000

Variable rate = 150,000 / 5,000 = 30 per hour; fixed = 540,000 - 360,000 = PHP 180,000.

66. A. 9,000 units

Contribution margin per unit = 100; 900,000 / 100 = 9,000 units.

67. B. PHP 5,000,000

(1,200,000 + 300,000) / 30% = PHP 5,000,000.

68. A. 5.0

Margin of safety ratio = 500,000 / 2,500,000 = 20%; DOL = 1 / 0.20 = 5.0.

69. A. Higher by PHP 60,000

Fixed overhead per unit = 30; 2,000 units in ending inventory defer 2,000 x 30 = PHP 60,000 under absorption costing.

70. C. PHP 512,000

30% x 600,000 + 60% x 500,000 + 8% x 400,000 = 180,000 + 300,000 + 32,000 = PHP 512,000.

71. A. 18,500 units

Production = 20,000 + 3,000 - 4,500 = 18,500 units.

72. B. PHP 10,400 favorable

Price variance = 5,200 x (48 - 50) = PHP 10,400 favorable; computed on actual quantity.

73. A. PHP 36,000 unfavorable

Efficiency variance = 120 x (3,300 - 3,000) = PHP 36,000 unfavorable, using the standard rate.

74. A. Make the part; it saves PHP 50,000

Relevant cost to make = 45 vs 50 to buy; making saves 5 x 10,000 = PHP 50,000.

75. A. Increase of PHP 39,000

Incremental margin = 80 - 65 - 2 = 13 x 3,000 = PHP 39,000; fixed costs are irrelevant.

76. B. The book value of the old machine

Book value is a sunk cost and does not differ between alternatives.

77. C. 3.43 years

After 3 years 1,500,000 is recovered; the remaining 300,000 / 700,000 = 0.43 year, so 3.43 years.

78. C. PHP 137,236

PV factor for a 5-year annuity at 10% is about 3.7908; 300,000 x 3.7908 = 1,137,236 less 1,000,000 = PHP 137,236.

79. D. 10%

Annual profit = 600,000 - 400,000 depreciation = 200,000; 200,000 / 2,000,000 = 10%.

80. A. 1.00

Quick assets = 300,000 + 600,000 = 900,000; 900,000 / 900,000 = 1.00.

81. C. 60 days

Turnover = 3,600,000 / 600,000 = 6 times; 360 / 6 = 60 days.

82. B. 24%

ROE = 8% x 1.5 x 2.0 = 24%.

83. D. It decreases

Total fixed cost is constant, so it is spread over more units as volume rises.

84. D. Lifeblood doctrine

Taxes are the lifeblood of the government, so their collection should not be unduly hampered.

85. D. Where the services are performed

Income from services is sourced in the place where the services are rendered.

86. C. Avoidance uses legal means to reduce tax; evasion uses illegal means

Tax avoidance is tax minimization within the law; evasion involves fraud or other illegal acts.

87. C. PHP 0

Taxable income not over PHP 250,000 is subject to 0% under the TRAIN table.

88. D. PHP 40,000

130,000 - 90,000 exempt ceiling = PHP 40,000 taxable.

89. B. PHP 2,000,000

It does not qualify for 20%, so 8,000,000 x 25% = PHP 2,000,000; the rate applies to the whole taxable income.

90. D. PHP 96,000

Output VAT 180,000 less input VAT (784,000 / 1.12 x 12% = 84,000) = PHP 96,000.

91. A. PHP 60,000

560,000 / 1.12 = 500,000 net; output VAT = 500,000 x 12% = PHP 60,000.

92. A. Zero-rated, with related input VAT creditable or refundable

Export sales are zero-rated; unlike exempt sales, the seller may claim input VAT.

93. B. PHP 60,000

Net estate = 15,000,000 - 5,000,000 - 1,000,000 - 8,000,000 = 1,000,000 x 6% = PHP 60,000.

94. D. PHP 45,000

(1,000,000 - 250,000) x 6% = PHP 45,000; the same rate applies to strangers and relatives.

95. C. Three years from the last day prescribed for filing the return, or from actual filing if filed late

The general assessment period is three years; ten years applies to false or fraudulent returns or failure to file.

96. D. 30 days from receipt of the assessment

Section 228 requires the protest within 30 days from receipt; supporting documents follow within 60 days from filing.

97. B. Appeal to the Court of Tax Appeals within 30 days after the 180-day period lapses

Inaction within 180 days may be appealed to the CTA within 30 days from the lapse of the period.

98. D. Managerial and supervisory employees

Fringe benefits of rank-and-file employees are treated as compensation income instead of being subject to FBT.

99. D. PHP 2,000,000

For corporations, OSD is 40% of gross income: (12,000,000 - 7,000,000) x 40% = PHP 2,000,000.

100. D. Final tax of PHP 10,000 withheld; not included in taxable income for regular tax

Bank deposit interest of individuals is subject to a 20% final tax: 50,000 x 20% = PHP 10,000.

101. B. PHP 100,000

(1,500,000 - 250,000) x 8% = PHP 100,000.

102. D. Religious or purely moral duties

The sources are law, contracts, quasi-contracts, acts or omissions punished by law, and quasi-delicts.

103. B. PHP 300,000

In a solidary obligation, the creditor may demand the entire obligation from any one solidary debtor.

104. A. PHP 60,000

Joint obligations are presumed and divided: 240,000 / (2 debtors x 2 creditors) = PHP 60,000.

105. D. Voidable

Vitiated consent through fraud, mistake, violence, intimidation or undue influence makes a contract voidable.

106. A. Unenforceable

Contracts entered into in the name of another without authority are unenforceable unless ratified.

107. C. A particular form

Contracts are generally obligatory in whatever form entered into, provided consent, object and cause are present.

108. A. M owes N PHP 30,000

Compensation extinguishes both debts to the concurrent amount of 50,000, leaving M owing PHP 30,000.

109. A. Expromision

Expromision is substitution of debtor without the old debtor's knowledge but with the creditor's consent.

110. C. Yes, even if it fails to register with the SEC

Article 1768 gives a partnership separate personality even if it fails to comply with registration requirements.

111. A. PHP 3,000

Article 1772 sets the threshold at PHP 3,000 or more, though non-compliance does not affect the partnership's liability to third persons.

112. D. The industrial partner is exempt from losses

Article 1797 provides that the purely industrial partner shall not be liable for losses.

113. B. Not more than 15

RA 11232 allows any person, partnership, association or corporation, singly or jointly with others but not more than 15, to incorporate.

114. B. Perpetual existence

RA 11232 grants perpetual existence unless the articles of incorporation state a specific term.

115. A. None, unless required by special law

RA 11232 removed the minimum capital stock requirement except where special laws provide otherwise.

116. C. A bank

Banks, quasi-banks, pre-need, trust and insurance companies, and public and publicly listed companies cannot be OPCs.

117. B. A promise to pay only out of a particular fund

Payment out of a particular fund makes the promise conditional; an indication of a fund for reimbursement does not.

118. C. Forgery of the maker's signature

Forgery is a real defense; the others are personal defenses that cannot be raised against a holder in due course.

119. A. Y, as the first to register in good faith

For immovables in a double sale, ownership belongs to the person who first registers in good faith (Art. 1544).

120. A. Petition for suspension of payments

An individual debtor with sufficient assets but facing illiquidity may petition for suspension of payments.

Topics to review

- Adjusting entries and financial reporting
- Management accounting and decision analysis
- Auditing and internal controls
- Philippine taxation and regulatory frameworks

Online question banks and study resources

CPA licensure - Pass Harbor (Question bank)

Principles of Financial Accounting - OpenStax (Open textbook)

Official PRC board information

Current PRC exam programs

Independent study material prepared by Board Exam Desk.