

# T7<sup>Q&As</sup>

International Financial Reporting Standards for Compensation  
Professionals Exam

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**QUESTION 1**

A statement of cash flows provides information on which of the following primary business activities of a company?

- A. Cash inflows, cash outflows, payment of dividends
- B. Operating activities, cash inflows, cash outflows
- C. Cash sales, investing activities, payment of dividends
- D. Operating, investing, and financing activities

Correct Answer: D

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**QUESTION 2**

In defined contribution plans when the contributions are not expected to be settled wholly before twelve months after the end of the reporting period, what must occur?

- A. The employer must assume risk for the plan
- B. Contributions must be discounted
- C. Contributions must not be discounted
- D. The employer must pay a specified amount to the employee

Correct Answer: B

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**QUESTION 3**

Which characteristic requires a high degree of consensus among individuals on a given measurement?

- A. Faithful representation
- B. Verifiability
- C. Comparability
- D. Neutral

Correct Answer: B

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**QUESTION 4**

Which of the following is true of accrual accounting?

- A. Neither the recognition of revenue nor the recording of expense necessarily involves the receipt or payment of cash

- B. It rests on a primary guiding principle, which is recognition
- C. The recognition of revenue involves the receipt or payment of cash, while the recording of expense does not
- D. It entails recording income or expenditure only when money comes into or leaves the company

Correct Answer: A

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#### **QUESTION 5**

The IAS 19 standard applies to which of the following groups of employees?

- A. Directors and management personnel
- B. All employees except casual employees
- C. All employees
- D. All full-time employees

Correct Answer: C

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#### **QUESTION 6**

What is the main objective of IAS 19?

- A. To prescribe the accounting and disclosure for employee benefits
- B. To prescribe the timing of payments
- C. To draw a distinction between long and short term benefits
- D. To draw a distinction between a defined contribution and defined benefit plan

Correct Answer: A

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#### **QUESTION 7**

The economic activities of US-based Company XYZ is divided into 12-month periods for the purpose of issuing annual reports. Which basic assumption of accounting does this practice represent?

- A. Going concern
- B. Monetary unit
- C. Periodicity
- D. Economic entity

Correct Answer: C

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**QUESTION 8**

Defined contribution plans are an example of which kind of employee benefits?

- A. Short-term benefits
- B. Post-employment benefits
- C. Termination benefits
- D. Long-term benefits

Correct Answer: B

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**QUESTION 9**

Predictive value is an ingredient of which of the following fundamental characteristics of information?

- A. Complete
- B. Comparability
- C. Relevance
- D. Neutral

Correct Answer: C

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**QUESTION 10**

A US-based company reports information about pending lawsuits in the notes to its financial statements. This is an example of which basic principle of accounting?

- A. Full disclosure
- B. Expense recognition
- C. Going concern
- D. Constraints

Correct Answer: A

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**QUESTION 11**

The following requirements are characteristic of which term below? Must be reported on the balance sheet; must be owned or controlled by the company; and must possess expected future benefits.

- A. Assets

- B. Owners' equity
- C. Contributed capital
- D. Liabilities

Correct Answer: A

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**QUESTION 12**

The profit-sharing plan of Company ABC requires the company pay a specified proportion of its profit for the year to employees who serve throughout the year. If no employees leave during the year, the total profit-sharing payments for the year will be 3% of profit. The company estimates that staff turnover will reduce the payments to 2.5% of profit. What does Company ABC recognize as a liability and an expense?

- A. 0.5% of profit
- B. 2.5% of profit
- C. 3% of profit
- D. 5.5% of profit

Correct Answer: B

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**QUESTION 13**

When the economic consequences of a standard or rule is ignored, which characteristic is being represented?

- A. Neutral
- B. Verifiability
- C. Complete
- D. Relevance

Correct Answer: A

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**QUESTION 14**

Employee benefits that are payable after the completion of employment are considered what kind of benefits?

- A. Short-term benefits
- B. Post-employment benefits
- C. Termination benefits
- D. Long-term benefits

Correct Answer: B

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**QUESTION 15**

Level 3 of the conceptual framework for financial reporting includes five basic assumptions. Which of the following describes the basic assumption of economic entity?

- A. The company lasts long enough to fulfill objectives and commitments
- B. The company keeps its activity separate from its owners and other business units
- C. The company can divide its economic activities into time periods
- D. Transactions are recorded in the periods in which the events occur

Correct Answer: B

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