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Exam : **087CUS**

Title : Accounting Concepts and Principles

Version : DEMO

1.The management of RTS Ltd invested in a food-processing unit. After acquisition, the discounted present value of its inflows and outflows is expected to be $16 000 000 and $18 000?000, respectively. RTS Ltd will need to borrow additional funds required for this project.

Which one of the following best explains the possible impact on its share price due to this investment?

A. It could increase if the undiscounted net inflow from the project is positive.

B. It will decline as the project will cause a net decline of economic resources from the entity.

C. It will not have any impact if there are other projects with a positive net present value (NPV).

D. It will not have any impact on its share price due to the offsetting impact of increased interest costs.

Answer: A B

2.In which one of the following do directors provide information to shareholders regarding their roles and responsibilities; their relationship with external auditors, investors and key shareholders; and their risk management and internal controls?

A. auditors' report

B. directors' report

C. chairperson's statement

D. corporate governance statement

Answer: A B C D

3.Stewardship refers to the accountability relationship

A. specifically in partnerships.

B. specifically in private companies.

C. between managers and directors.

D. between managers and shareholders.

Answer: A B C D

4.Unlike management accounting, financial accounting is mainly used to produce

A. information for controlling business forecasts.

B. financial reports for presentation to shareholders.

C. budgets for predicting future revenues and expenditures.

D. detailed information for planning and controlling business operations.

Answer: A B

5.Which one of the following is the correct treatment of sales?

A. Cash sales are recorded in the receivables ledger prior to posting to the general ledger.

B. Credit sales are recorded in the receivables ledger prior to posting to the general ledger.

C. Cash and credit sales are recorded in the receivables ledger prior to posting to the general ledger.

D. Credit sales are not recorded in the receivables ledger prior to posting to the general ledger.

Answer: A B

6.Which one of the following reports would a management accountant prepare?

A. auditor's report

B. environmental report

C. cost of production report

D. annual financial statement

Answer: A B C

7.The objective of the International Accounting Standards Board (IASB) is to

A. set International Financial Reporting Standards.

B. enforce International Financial Reporting Standards.

C. provide strategic advice to the International Financial Reporting Standards Advisory Council.

D. oversee the standard setting process and International Financial Reporting Standards Advisory Council.

Answer: A

8.Which one of the following statements is correct with reference to generally accepted accounting principles (GAAP)?

A. GAAP is based on legislation and accounting standards that are prescriptive/rules-based.

B. GAAP includes national legislation, national accounting standards, and local stock exchange requirements.

C. GAAP is consistent across different countries, enabling comparisons of financial statements for multinational companies.

D. GAAP may include national legislation, national accounting standards, local stock exchange requirements, international accounting standards, and statutory requirements.

Answer: A B C D

9.Variations in the regulatory regime over financial reporting in different countries is attributable to a range of differences including

A. company structures, ownership, local culture and the level of development of the country.

B. the needs of investors, creditors, employees, lending institutions and taxation authorities.

C. consumer laws, taxation requirements and the extent to which the country has adopted international financial reporting standards.

D. the extent to which the country has adopted international financial reporting standards and the requirements of local securities exchange.

Answer: A

10.The International Financial Reporting Standards Foundation is

A. a public sector body.

B. a not-for-profit private sector organisation.

C. based in the US and accountable to the International Accounting Standards Board.

D. based in London and accountable to the International Accounting Standards Board.

Answer: A B

11.According to the Australian Accounting Standards Board, which one of the following is a benefit of adopting International Financial Reporting Standards (IFRS)?

A. to increase foreign investors' understanding of local financial reports

B. to enable the national government to control activities of foreign multinationals

C. to make it easier for tax authorities to calculate taxes on investors' overseas income

D. to become a resource for developing nations who can easily adopt IFRS as a full set of standards

Answer: A

12.Which one of the following is not an advantage of accounting regulation?

A. It provides quality of information in and across financial statements.

B. It provides flexibility in the way accounting information is presented to users.

C. It provides the required accounting information to all necessary shareholders.

D. It instils public confidence in the accounting system employed in commerce and industry.

Answer: A B

13.Generally accepted accounting principles are derived from, and included in, various sources. Which one of the following is not a source?

A. common law

B. government legislation

C. rules-based accounting standards

D. principles-based accounting standards

Answer: A

14.The International Federation of Accountants (IFAC) was established by

A. the United Nations.

B. various professional accounting bodies.

C. the International Accounting Standards Board.

D. the Organization for Economic Co-operation & Development.

Answer: A B

15.Which one of the following is not a function of the trustees of the IFRS Foundation?

A. ensuring the financing of the IASB

B. appointing the members of the IASB

C. promoting the application of International Financial Reporting Standards

D. providing suggestions on technical matters relating to accounting standards

Answer: A B C D

16.Which one of the following functions is the IFRS Advisory Council responsible for?

A. providing?strategic advice on proposed standards

B. appointing members to the IASB and approving related budgets

C. drafting initial text for proposed International Financial Reporting Standards (IFRSs)

D. dealing with newly identified issues not addressed in International Financial Reporting Standards (IFRSs)

Answer: A

17.Published financial statements are regulated by

A. rules to ensure the provision of consistent financial information to investors.

B. International Financial Reporting Standards to ensure the provision of useful financial information to shareholders.

C. accounting and legal rules to ensure the provision of relevant and reliable financial information to shareholders.

D. shareholders who specify the framework for the provision of consistent and comparable financial information for decision-making.

Answer: A B C

18.Which one of the following best describes the objective of the International Financial Reporting Standards (IFRS) Foundation?

A. to co-ordinate the accounting profession on a global scale by issuing and establishing international standards

B. to develop an International regulatory framework in the national jurisdictions of countries that produce accountants

C. to guide investors who compare the financial statements of one entity in one country with those of another entity located elsewhere

D. to promote the application, convergence and use of International Financial Reporting Standards (IFRS) as a high quality reporting solution

Answer: A B C D

19.Profit smoothing assists a manager by

A. reducing the company's liability.

B. increasing company tax payments.

C. decreasing company tax payments.

D. meeting bonus targets over a number of years.

Answer: A B C D

20.Under the IASB's Conceptual Framework, the elements directly related to the measurement of financial position are

A. assets and liabilities.

B. income and expenses.

C. income, assets, and liabilities.

D. expenses, liabilities, and equity.

Answer: A