Contemporary Issues in Accounting 2nd edition Rankin Test Bank

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Testbank

to accompany

Contemporary issues in accounting

2nd edition

by
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Chapter 2: The *Conceptual Framework for Financial Reporting*

Multiple choice questions

1. The accounting conceptual framework is what kind of theory?

    a. Positive.
    b. Abstract.
    *c. Normative.
    d. Emergent.

Correct answer: c
Learning objective 2.1

2. How does the *Conceptual Framework* differ from an accounting standard?

    a. The principles in the *Conceptual Framework* are designed to provide guidance and apply to a limited range of decisions relating to the preparation of financial reports while accounting standards apply to a wider range of decisions relating to the preparation of financial reports.
    b. The principles in the *Conceptual Framework* are specific in nature while accounting standards provide more general requirements for financial reporting.
    *c. The principles in the *Conceptual Framework* are general concepts while accounting standards provide specific requirements for a particular area of financial reporting.
    d. The principles in the *Conceptual Framework* provide specific requirements for a particular area of financial reporting while accounting standards are designed to provide general guidance.

Correct answer: c
Learning objective 2.1

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3. In regards to *The Conceptual Framework for Financial Reporting*, which of the following is incorrect:

   *a. limited sections of this were not revised under a joint project by the IASB and the FASB and issued in 2010.
   b. it was issued by the IASB.
   c. it derives from conceptual frameworks developed in several countries over the past 30 years.
   d. the project was re-commenced by the IASB and a Proposed Framework is expected to be enacted in 2017.

Correct answer: a
Learning objective 2.2

4. The *Conceptual Framework*:

   *a. Was a joint project between the IASB and FASB.
   b. Is based on the one Pacioli included in *Particularis de Computis et Scripturis*.
   c. Is used by every country that has adopted the International Accounting Standards.
   d. Has remained unchanged for over 20 years.

Correct answer: a
Learning objective 2.2

5. Which of the following statements is correct in relation to the assumptions to be made when preparing financial reports?

   *a. There is one underlying assumption which is that financial reports are prepared on a going concern basis.
   b. The *Conceptual Framework* requires that several assumptions be made when preparing financial reports.
   c. There are no assumptions to be made when preparing financial reports.
   d. There is an assumption that more information is better than less.

Correct answer: a
Learning objective 2.3

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6. Which of the following questions does the *Conceptual Framework* NOT answer?

a. What type of information should be included in financial reports?
b. Who are financial reports for?
c. What is the purpose of the financial reports?
*d. What exact measurement basis should be used in financial reports?

Correct answer: d
Learning objective 2.3

7. The IASB distinguishes between two types of prudence:

I. Cautious prudence
II. Non-cautious prudence
III. Symmetric prudence
IV. Asymmetric prudence

a. I and III.
b. II and IV.
c. II and III.
*d. I and IV.

Correct answer: d
Learning objective: 2.4

8. Prudence is defined in the Proposed Framework as:

a. making good judgements under conditions of certainty.
*b. the exercise of caution when making judgements under conditions of uncertainty.
c. the lack of caution when making judgements under conditions of uncertainty.
d. making poor judgements under conditions of certainty.

Correct answer: b
Learning objective: 2.4

9. Accounting standards are seen to be political because:

a. They can influence perceptions about organisations.
b. They can create wealth transfers between different groups in society.
c. They can affect the competitiveness of organisations.
*d. All of the above.

Correct answer: d
Learning objective 2.5

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10. A key political benefit that may arise from a conceptual framework in accounting is:

    *a. Prevention of political interference in setting accounting standards.
    b. Individuals and groups are able to influence the standard setters.
    c. Protection of the professional status of accountants and accounting.
    d. All of the above.

Correct answer: a
Learning objective 2.5

11. It is argued that the *Conceptual Framework* is descriptive, not prescriptive, because:

    *a. It simply describes accounting principles as currently practiced and applied.
    b. Its purpose is to try to improve practice rather than simply reflecting and giving approval to existing accounting principles and practice.
    c. It describes what should happen in practice.
    d. None of the above**.**

Correct answer: a
Learning objective 2.6

12. Faithful representation has been criticised because:

    a. It does not capture the true value of accounting transactions.
    *b. It does not reflect the inherent uncertainty in accounting.
    c. It is not an important issue for accountants.
    d. It leads to a single measurement model dominating accounting.

Correct answer: b
Learning objective 2.6

13. Which of these is <u>not</u> a criticism of *Conceptual Framework* and *Proposed Framework* projects?

    a. It is too descriptive.
    *b. The measurement of the elements of financial reporting is too highly specified.
    c. It is ambiguous and open to interpretation.
    d. Faithful representation and relevance conflict with each other.

Correct answer: b
Learning objective 2.6

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14. The effective application of the concepts in the *Conceptual Framework* requires a:

    *a. systematic approach.
    b. semantic approach.
    c. practical approach.
    d. technical approach.

Correct answer: a
Learning objective 2.7

15. Which of the below responses is incorrect.

    An understanding of the application of the concepts in the *Conceptual Framework* is required to:
    a. understand accounting requirements.
    b. account for transactions and events where no there is no specific accounting standard.
    c. exercise professional judgement.
    *d. select an exact basis of measurement.

Correct answer: d
Learning objective 2.7

16. The IPSASB has issued a conceptual framework applicable for:

    a. both non-profit and for-profit entities.
    b. non-profit entities.
    c. for-profit entities.
    *d. public sector entities.

Correct answer: d
Learning objective 2.8

17. Conceptual frameworks issued by the IASB apply only to:

    a. both non-profit and for-profit entities.
    b. non-profit entities.
    *c. for-profit entities.
    d. public sector entities.

Correct answer: c
Learning objective 2.8

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