

Test Bank for Contemporary Issues in Accounting 2nd Rankin

Testbank

to accompany

Contemporary issues in accounting

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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

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

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

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 not 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

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