

Test Bank for International Accounting 5th Doupnik

International Accounting, 5e (Doupnik)
Chapter 2 Worldwide Accounting Diversity

1) What is the equivalent of the common stock account on a U.S. balance sheet on the balance sheet of a British company?

- A) Capital redemption reserve
- B) Share premium account
- C) Own shares held
- D) Called-up share capital

Answer: D

Difficulty: 1 Easy

Topic: Evidence of Accounting Diversity

Learning Objective: 02-01 Provide evidence of the diversity that exists in accounting internationally.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

2) It is generally believed that the 1997 financial crisis in East Asia was partly due to accounting factors in that part of the world. Which of the following accounting values was lacking in that part of the world and thereby contributed to the crisis?

- A) Professionalism
- B) Statutory control
- C) Uniformity
- D) Transparency

Answer: D

Difficulty: 1 Easy

Topic: Lack of High-Quality Accounting Information

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

3) Which of the following is NOT a problem caused by accounting diversity?

- A) Lack of qualified international auditors
- B) Preparation of consolidated financial statements
- C) Access to foreign capital markets
- D) Comparability of financial statements

Answer: A

Difficulty: 2 Medium

Topic: Problems Caused by Accounting Diversity

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

4) Differences in legal systems used in various countries have been cited as one reason for diversity in accounting practices. What are the major types of legal systems?

- A) Commercial law and accounting law
- B) Rules and regulations
- C) Written law and unwritten law
- D) Common law and code law

Answer: D

Difficulty: 1 Easy

Topic: Legal System

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

5) The accounting standards in code law countries tend to be:

- A) very detailed.
- B) formulated by organizations such as the FASB.
- C) stated generally without much guidance on accounting procedures.
- D) very conservative.

Answer: C

Difficulty: 2 Medium

Topic: Legal System

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

6) What is likely to be the source of accounting standards in common law countries?

- A) Tax law
- B) Non-government entities such as the FASB
- C) Federal and local legislatures
- D) The International Accounting Standards Board

Answer: B

Difficulty: 1 Easy

Topic: Legal System

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

7) What is the likely result when accounting rules are left up to professional associations rather than being legislated by governmental bodies?

- A) Very general accounting rules are created, as in code law countries.
- B) Very detailed rules for practice are created, as in common law countries.
- C) Very general accounting rules are created, as in common law countries.
- D) Very detailed rules for practice are created, as in code law countries.

Answer: B

Difficulty: 3 Hard

Topic: Legal System

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

8) Relative to accounting standards in countries such as Germany, whose accounting laws are only 47 pages long, accounting practice in the U.S. is often described as being subject to:

- A) standards overload.
- B) standards minimization.
- C) the optimal amount of accounting regulation.
- D) ideal accounting standards.

Answer: A

Difficulty: 2 Medium

Topic: Legal System

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

9) In code law countries such as Germany, France, and Japan, tax law and accounting standards tend to be:

- A) unrelated.
- B) very different.
- C) general.
- D) detail oriented.

Answer: C

Difficulty: 1 Easy

Topic: Legal System

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

10) If most of a country's business financing comes from families, banks, and the government, what should we expect in terms of information disclosure to the public?

- A) Relatively little disclosure because the public isn't a major factor
- B) A great deal of disclosure because it will be the only way for interested parties to learn about the company
- C) Complete openness of accounting records
- D) No disclosure at all

Answer: A

Difficulty: 2 Medium

Topic: Providers of Financing

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

11) In countries such as the U.S., there is great demand for public disclosure of accounting information. What is the reason for this?

- A) Corporate management isn't trustworthy.
- B) Businesses rely heavily on financing through issuance of stock to the public.
- C) The American populace is better able to read financial statements than people in other countries.
- D) U.S. government officials are generally members of corporate boards of directors and can get all the information they require.

Answer: B

Difficulty: 2 Medium

Topic: Providers of Financing

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

12) Historical cost is the primary basis for asset valuation under U.S. GAAP. Why is historical cost NOT as important in the accounting systems of Latin America as in the U.S.?

- A) Historical costs are too difficult to calculate in the currencies used in Central and South America.
- B) The countries of Latin America have experienced very high rates of inflation, which would make historical costs meaningless to readers of financial statements.
- C) There is very little foreign direct investment in the countries of Latin America, so few assets need to be accounted for.
- D) In Latin America, asset prices are very stable, making historical costs equal to replacement costs, so it doesn't matter which valuation basis is used.

Answer: B

Difficulty: 1 Easy

Topic: Inflation

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Analyze

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

13) In the United States, conformity between presentation of the financial statements and the tax statements is required only for:

- A) goodwill.
- B) depreciation.
- C) gains or losses on securities.
- D) the use of the LIFO inventory cost flow assumption.

Answer: D

Difficulty: 3 Hard

Topic: Taxation

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

14) In some countries, financial accounting and tax accounting are so closely related that there is very little need to account for deferred income taxes. Which of the following countries has a financial accounting system that is most different from its tax laws?

- A) United States of America
- B) Japan
- C) Germany
- D) France

Answer: A

Difficulty: 2 Medium

Topic: Taxation

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Analyze

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

15) In the Nobes classification of accounting systems, micro-based accounting systems are oriented toward:

- A) government economics.
- B) business practices.
- C) tax laws.
- D) code law.

Answer: B

Difficulty: 1 Easy

Topic: Classification of Accounting Systems

Learning Objective: 02-04 Describe attempts to classify countries by financial reporting system.

Bloom's: Evaluate

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

16) According to the research of Christopher Nobes, the most relevant factor in determining the purpose of financial reporting is:

- A) the financing system of the country.
- B) religious differences across countries.
- C) the population of the country.
- D) the strength of the country's accounting profession.

Answer: A

Difficulty: 2 Medium

Topic: Classification of Accounting Systems

Learning Objective: 02-04 Describe attempts to classify countries by financial reporting system.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

17) According to the research of Christopher Nobes, what is the primary determinant of the accounting systems in developing countries?

- A) The nature of their financing system
- B) The accounting system of countries that dominate their culture
- C) The size of their capital market
- D) The strength of their tax code

Answer: B

Difficulty: 2 Medium

Topic: Classification of Accounting Systems

Learning Objective: 02-04 Describe attempts to classify countries by financial reporting system.

Bloom's: Analyze

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

18) The "Fair Presentation/Full Disclosure Model" is a classification scheme used by:

- A) Germany.
- B) Japan.
- C) the United States and the United Kingdom.
- D) Brazil.

Answer: C

Difficulty: 2 Medium

Topic: Classification of Accounting Systems

Learning Objective: 02-04 Describe attempts to classify countries by financial reporting system.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

19) The extent to which hierarchy and unequal authority distribution in institutions and organizations are accepted within a culture is referred to as:

- A) uncertainty avoidance.
- B) masculinity.
- C) individualism.
- D) power distance.

Answer: D

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

20) A cultural preference for a loosely knit social fabric rather than a tightly knit social fabric is referred to as:

- A) uncertainty avoidance.
- B) masculinity.
- C) individualism.
- D) power distance.

Answer: C

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

21) A cultural emphasis on values of performance and achievement rather than values of relationships, caring, and nurturing is referred to as:

- A) uncertainty avoidance.
- B) masculinity.
- C) individualism.
- D) power distance.

Answer: B

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

22) What term is used to refer to a cultural aversion to ambiguous situations?

- A) Uncertainty avoidance
- B) Masculinity
- C) Power distance
- D) Individualism

Answer: A

Difficulty: 2 Medium

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

23) A cultural preference for accounting systems that rely on compliance with legal requirements is called:

- A) professionalism.
- B) uniformity.
- C) statutory control.
- D) optimism.

Answer: C

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

24) Countries such as the U.S. tend to value self-regulation of accounting. What term is used to define this subculture?

- A) Uniformity
- B) Flexibility
- C) Conservatism
- D) Professionalism

Answer: D

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

25) What does "transparency" mean in accounting?

- A) An emphasis on confidentiality
- B) Restricted disclosure of accounting information
- C) Flexibility in the application of accounting standards
- D) Openness of accounting information

Answer: D

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

26) What term is used to describe accounting standards that encourage risk-taking in financial reporting?

- A) Optimism
- B) Conservatism
- C) Professionalism
- D) Transparency

Answer: A

Difficulty: 2 Medium

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

27) In Gray's framework for accounting system development, which of the following countries tends to have a relatively high degree of transparency in their companies' financial statements?

- A) Germany
- B) Switzerland
- C) United Kingdom
- D) Saudi Arabia

Answer: C

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

28) In Gray's framework for accounting system development, which of the following countries tends to show a relatively high preference for conservative accounting standards?

- A) Norway
- B) United Kingdom
- C) United States of America
- D) Japan

Answer: D

Difficulty: 3 Hard

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

29) In Gray's framework for accounting system development, optimism is a value of accounting standards that would most likely be found in _____.

- A) Japan
- B) Australia
- C) Mexico
- D) Brazil

Answer: B

Difficulty: 3 Hard

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

30) In Gray's framework for accounting system development, the cultural dimensions of individualism, power distance, uncertainty avoidance, and masculinity directly affect:

- A) accounting systems.
- B) accounting values.
- C) external influences.
- D) ecological influences.

Answer: B

Difficulty: 2 Medium

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

31) Individualism, power distance, uncertainty avoidance, and masculinity are examples of:

- A) accounting values.
- B) ecological factors.
- C) cultural dimensions.
- D) external forces.

Answer: C

Difficulty: 2 Medium

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

32) The concepts of professionalism, uniformity, conservatism, and secrecy are classified in Gray's framework for accounting system development as:

- A) accounting values.
- B) accounting systems.
- C) institutional consequences.
- D) cultural dimensions.

Answer: A

Difficulty: 2 Medium

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Analyze

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

33) According to Gray's framework for accounting system development, which of the following is directly affected by ecological influences, such as geography, demography, and technology?

- A) Accounting values
- B) Accounting systems
- C) Institutional consequences
- D) Cultural dimensions

Answer: D

Difficulty: 3 Hard

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

34) According to Gray's framework for accounting system development, the counterpart to the accounting value of "secrecy" is:

- A) professionalism.
- B) transparency.
- C) optimism.
- D) flexibility.

Answer: B

Difficulty: 1 Easy

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

35) In their 1993 paper, Doupnik and Salter found that countries tended to cluster in terms of the similarities or differences of their accounting systems. These researchers attribute the large cluster around the United Kingdom to:

- A) the superiority of the Anglo accounting model.
- B) the predominant influence of Great Britain in the world economy.
- C) the colonial influence of Great Britain on accounting development.
- D) the fact that more of the world's people speak English than any other language.

Answer: C

Difficulty: 3 Hard

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Analyze

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

36) A cluster of Latin American countries indicated that the similarity of their accounting systems was related to:

- A) a common currency.
- B) the importance of inflation.
- C) the colonial influence of Spain.
- D) the colonial influence of the United States of America.

Answer: B

Difficulty: 2 Medium

Topic: National Culture

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 37) The term "Class A Accounting" as it is used by the researcher Christopher Nobes refers to:
- A) conservative accounting systems.
 - B) the most efficient accounting systems.
 - C) accounting systems that primarily serve external shareholders.
 - D) accounting systems developed primarily for creditors and taxing authorities.

Answer: C

Difficulty: 1 Easy

Topic: A simplified model of the reasons for international differences in financial reporting

Learning Objective: 02-05 Describe a simplified model of the reasons for international differences in financial reporting.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

- 38) The term "Class B Accounting" as it is used by the researcher Christopher Nobes refers to:
- A) less preferred accounting systems.
 - B) less efficient accounting systems.
 - C) accounting systems that primarily serve external shareholders.
 - D) accounting systems that were developed primarily for creditors and taxing authorities.

Answer: D

Difficulty: 1 Easy

Topic: A simplified model of the reasons for international differences in financial reporting

Learning Objective: 02-05 Describe a simplified model of the reasons for international differences in financial reporting.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

- 39) Which financial statement is provided by virtually all corporations worldwide?
- A) Statement of Cash Flows
 - B) Statement of Changes in Financial Position
 - C) Balance Sheet
 - D) Statement of Changes in Non-current Assets

Answer: C

Difficulty: 2 Medium

Topic: Financial Statements

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

40) Which of the following financial statements is NOT universally included in annual reports?

- A) Balance sheet
- B) Statement of cash flows
- C) Income statement
- D) All of the above statements are included in annual reports worldwide.

Answer: B

Difficulty: 2 Medium

Topic: Financial Statements

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

41) International accounting diversity can be found in terms of:

- A) the terminology used in the financial statements.
- B) the amount of information disclosed in the financial statements.
- C) the order of items in the financial statements.
- D) All of the above evidence of accounting diversity.

Answer: D

Difficulty: 1 Easy

Topic: Financial Statements

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

42) What term is used to refer to the decision about whether to report an item in the financial statements?

- A) Capitalization
- B) Recognition
- C) Realization
- D) Conservatism

Answer: B

Difficulty: 1 Easy

Topic: Terminology

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

43) What method of fixed asset valuation would most likely be used in countries that regularly experience high rates of inflation?

- A) Historical cost at subsequent balance sheet dates
- B) Historical cost adjusted for changes in general purchasing power (GPP)
- C) Fair value
- D) Net present value at subsequent balance sheet dates

Answer: B

Difficulty: 1 Easy

Topic: Recognition and Measurement

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

44) Under U.S. GAAP, fixed assets are generally reported on the balance sheet at their:

- A) historical cost.
- B) net realizable value.
- C) fair value.
- D) market value.

Answer: A

Difficulty: 1 Easy

Topic: Recognition and Measurement

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

45) Which of the following bases for fixed asset valuation was being used by Mexico until 2008?

- A) Historical cost
- B) Historical cost later restated in terms of GPP
- C) Historical replacement cost
- D) Net realizable value

Answer: B

Difficulty: 1 Easy

Topic: Recognition and Measurement

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Evaluate

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

46) The methods allowed by the IFRS for valuing property, plant, and equipment are:

- A) historic cost and general purchasing power.
- B) historic cost and fair value.
- C) fair value and general purchasing power.
- D) fair value and inflation-adjustment.

Answer: B

Difficulty: 1 Easy

Topic: Recognition and Measurement

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

47) In terms of level of detail provided in the individual financial statements, the U.S. tends to:

- A) emphasize more line items on the face of the financial statements.
- B) rely less on footnote disclosure.
- C) condense the amount of line items and supplement with more footnote detail.
- D) use footnotes only when absolutely required by GAAP.

Answer: C

Difficulty: 2 Medium

Topic: Recognition and Measurement

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

48) Which of the following is found in a Mexican income statement in the "Comprehensive Financing Result" section?

- A) Non-controlling interest net income
- B) Purchasing power gain or loss during inflationary periods
- C) Income taxes
- D) Equity in income of associates

Answer: B

Difficulty: 3 Hard

Topic: Recognition and Measurement

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Evaluate

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

49) Assets are commonly shown in order of their liquidity, or in reverse order of their liquidity. What is liquidity?

- A) Liquidity refers to how easily the assets are converted to cash.
- B) Liquidity means that assets are inflation-adjusted.
- C) Liquidity refers to whether the asset is depreciable or not.
- D) Liquidity means that the assets are closely matched to specific liabilities.

Answer: A

Difficulty: 1 Easy

Topic: Recognition and Measurement

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

50) Which of the following statements is true about the comparability of financial statement of the United States and the United Kingdom?

- A) The result of Latin American colonialism is the large number of countries with the United Kingdom's influence on their accounting practices.
- B) The financial statements of companies in the United States and the United Kingdom are comparable as they are prepared after adjusting inflation, which is a critical factor affecting accounting practice.
- C) The basic principle followed by both countries in preparing financial statements is government economics and government tax and legal framework.
- D) The accounting practices of both the countries are oriented toward the decision needs of a large number of investors and creditors.

Answer: D

Difficulty: 1 Easy

Topic: Comparability of Financial Statements

Learning Objective: 02-03 Explain the problems caused by accounting diversity.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 51) According to Gray's framework (which is an extension of Hofstede's model of cultural pattern), which of the following is true about accounting system development?
- A) Accounting system development is mainly influenced by a country's constitutional framework.
 - B) Countries following limited disclosures adhere less strictly to the notion of conservatism in the measurement of assets and liabilities.
 - C) Accounting system development is influenced by a less conservative approach resulting in the development of short-term oriented accounting practices.
 - D) The external factors have a direct influence on the development of institutional framework leading to the development of accounting systems.

Answer: C

Difficulty: 3 Hard

Topic: Classification of Accounting Systems

Learning Objective: 02-02 Describe the major factors that influence the development of national accounting systems and lead to cross-national accounting diversity.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 52) Which of the following is the primary purpose of preparing a statement of added value?
- A) To show the value added to products while at production
 - B) To show the distribution of added value by the company among shareholders
 - C) To calculate the net taxable income of the company
 - D) To show the costs in addition to gross payroll that the company incurs related to its labor force

Answer: B

Difficulty: 2 Medium

Topic: Financial Statements

Learning Objective: 02-06 Categorize accounting differences that exist internationally and provide examples of each type of difference.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

53) Gray argues that national cultural values affect accounting values. If Country X ranks low on uncertainty avoidance, which of the following statements would be true?

- A) The country would rank high on the accounting values of uniformity.
- B) The country would rank high on the accounting values of secrecy.
- C) The country would rank low on the accounting values of professionalism.
- D) The country would rank low on the accounting values of conservatism.

Answer: D

Difficulty: 3 Hard

Topic: National Culture

Learning Objective: 02-04 Describe attempts to classify countries by financial reporting system.

Bloom's: Evaluate

AACSB: Knowledge Application

Accessibility: Keyboard Navigation