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Testbank

to accompany

Contemporary issues in accounting

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by
Rankin et al.

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Chapter 1: Contemporary issues in accounting

Multiple choice questions

1. Which of the following statements are true?
- a. The role of the accountants is changing, due to changes in economic activities, societal expectations and developments in technology.
 - b. Accounting is not a precise uncontested technical exercise.
 - c. Financial accounting is principles based and the application of appropriate accounting and reporting requires professional judgement.
 - *d. All of the above.

Correct answer: d

Learning objective 1.1

2. Accounting theory can be described as:
- a. being based only on observations.
 - *b. description, explanation or prediction of accounting practice based on observations and/or logical reasoning.
 - c. a set of facts, specific in nature, against which accounting practice can be evaluated.
 - d. being irrelevant to the development of new practice and procedures.

Correct answer: b

Learning objective 1.2

3. Which of the following statements is correct in relation to the purpose of theory?
- *a. some theories explain, while others describe what is happening.
 - b. all theories do the same thing.
 - c. they make suggestions and dictate what action must be taken.
 - d. theories only make predictions about what will happen in the future.

Correct answer: a

Learning objective 1.2

4. An example of how theory can predict accounting practice is:
- *a. agency theory.
 - b. capital market theory.
 - c. asset recognition theory.
 - d. corporate social responsibility theory.

Correct answer: a

Learning objective 1.3

5. Is it possible to have different theories on the same topic?
- a. yes, but there is usually only one explanation and/or solution.
 - b. no, it is impossible to have alternative theories on a topic.
 - *c. yes, there are often many alternative theories on a topic because there are usually many possible explanations and/or solutions.
 - d. no, there can only ever be one explanation or solution.

Correct answer: c

Learning objective 1.3

6. How can theories be of benefit in accounting?
- a. they assist us in describing and explaining current accounting practice only.
 - *b. they assist us to improve accounting practice and they provide principles to take into account when taking action or making decisions.
 - c. they help to identify problems and deficiencies with current accounting practice but do not assist us in improving accounting practice.
 - d. they assist us to predict and improve accounting practice only.

Correct answer: b

Learning objective 1.3

7. An example of how theory can help to identify problems and deficiencies with current accounting practice and improve accounting practice is:
- a. corporate social responsibility theory.
 - b. the conceptual framework for accounting.
 - c. agency theory and the conceptual framework for accounting.
 - *d. corporate social responsibility theory and the conceptual framework for accounting.

Correct answer: d

Learning objective 1.3

8. Which of the following statements is correct?
- *a. a theory does not have to be correct to be useful.
 - b. if there is a theory about something, it must be correct.
 - c. it is impossible to assess the appropriateness of a particular theory.
 - d. a theory can only be useful if it is correct.

Correct answer: a

Learning objective 1.3

9. A reason why someone may accept a theory without having 'first hand' or direct knowledge of the topic are:
- a. Other people choose not to accept the theory.
 - b. Lack of knowledge regarding the authority of the source of the theory.
 - *c. The theory makes sense and fits with personal experiences and beliefs.
 - d. Evidence exists that refutes the theory.

Correct answer: c

Learning objective 1.3

10. Which of the following statements is incorrect, in relation to the scientific method?
- a. It involves analysing observations to derive a theory.
 - b. It involves starting with a limited number of observations.
 - *c. It involves starting with a large number of observations from which a reliable conclusion can be drawn.
 - d. It involves making predictions that are tested by further observations.

Correct answer: c

Learning objective 1.3

11. Deduction can best be described as:
- *a. The process of developing specific predictions from theories.
 - b. The process of moving from particular instances of something to a general conclusion.
 - c. Coming to a conclusion through a process of elimination.
 - d. The process of developing numerous conclusions or theories.

Correct answer: a

Learning objective 1.3

12. Research of or about accounting would not consider the following question:
- a. What role has accounting played in environmental degradation.
 - b. Should accountability or decision usefulness be the key goal of accounting.
 - c. What impact does culture have on accounting.
 - *d. What impact do changes in specific accounting policies have on share prices.

Correct answer: d

Learning objective 1.4

13. Which of the following statements is true in relation to research?
- a. Often, searching or investigating a topic more than once, may detract from our understanding of the issue.
 - *b. By searching over and over again, each study should contribute to our understanding of the issue.
 - c. Most research studies will provide definitive answers to the problem examined.
 - d. Some research studies will not provide definitive answers to the problem, in which case further investigation should be postponed.

Correct answer: b

Learning objective 1.4

14. Research in accounting would not consider the following question:
- a. What measures should be used.
 - b. What measurements are being used.
 - c. What impact do changes in specific accounting policies have on share prices.
 - *d. Should accountability or decision usefulness be the key goal of accounting.

Correct answer: d

Learning objective 1.4

15. Research in accounting focuses on:
- *a. Issues within accounting at the more micro level.
 - b. Issues related to accounting at a macro level.
 - c. Questions such as, what role has accounting played in the rise of capitalism.
 - d. The bigger picture.

Correct answer: a

Learning objective 1.4

16. Which of the following statements is incorrect in relation to critical accounting?
- *a. It aims to critically analyse inefficient accounting practices.
 - b. It aims to develop a critical understanding of the role of accounting processes and practices in the functioning of society and organisations.
 - c. A critical understanding of the role that accounting plays can be used to engage in change.
 - d. It aims to develop a critical understanding of the role of the accounting profession in the functioning of society and organisations.

Correct answer: a

Learning objective 1.5

17. Which of the following statements is correct in relation to International accounting research?
- a. It often adopts a social welfare perspective.
 - b. This research area declined in the second half of the twentieth century due to harmonisation.
 - c. Agency or contracting theory underlies much of this research.
 - *d. It includes research into differences in accounting practices and also considers contextual and cultural influences on financial accounting.

Correct answer: d

Learning objective 1.5

18. Research that attempts to explain the motivations behind the accounting choices made by managers is:
- *a. Accounting policy choice research.
 - b. Capital market research.
 - c. Critical accounting research.
 - d. International accounting research.

Correct answer: a

Learning objective 1.5