

Chapter 01: A Brief Introduction to International Financial Reporting

1. Equity investors need financial reporting information because:

- a. they want to know if the company pays decent wages to the employees.
- b. they want to know if the company pays attention to diversity policies.
- c. they want to make the decision to hold, buy or sell their shares in the company.
- d. they want to know if the management can be trusted.

ANSWER:

c

2. The decision-usefulness objective of general purpose financial reporting is primarily aimed at:

- a. helping investors make investment decisions.
- b. helping unions to negotiate over wages.
- c. helping governments determine corporate income taxes.
- d. helping the general public understand the company's impact on the community.

ANSWER:

a

3. The objective of financial reporting is only concerned with providing information for:

- a. internal stakeholders.
- b. external stakeholders.
- c. managers.
- d. employees.

ANSWER:

b

4. Before IFRS Standards, if multinational corporations were listed at stock exchanges in five different countries, they had to prepare how many financial statements?

- a. One.
- b. Two.
- c. Three.
- d. Five.

ANSWER:

d

5. The acronym IASB stands for:

- a. Internal Accounting Standards Bureau.
- b. International Accounting Settlements Board.
- c. International Accounting Standards Bureau.
- d. International Accounting Standards Board.

ANSWER:

d

6. Financial reporting is the periodic reporting of an entity's financial performance, financial position and other financial information. For sole traders and basic partnerships, which of the following is not the reason for them to produce periodic financial statements?

- a. File their tax returns.
- b. Apply for loans.
- c. Take out periodic profit.
- d. Legal requirement.

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ANSWER:

d

7. IFRS Standards are not necessarily consistently applied and enforced across countries because:

- a. IFRS Standards have been written in the English language and with a different kind of institutional environment in mind.
- b. IFRS Standards are only available in English.
- c. IFRS Standards are adopted voluntarily by companies.
- d. IFRS Standards are difficult to interpret by preparers.

ANSWER:

a

8. Limited liability means:

- a. the business entity's liabilities is limited to the amount that shareholders have invested.
- b. the business can issue their shares publicly.
- c. the limited company's creditors have a claim on the wealth of the company's shareholders.
- d. the business cannot have the suffix 'Ltd'.

ANSWER:

a

9. In a number of countries (such as the US), the objective of financial reporting is primarily to:

- a. help accomplish macroeconomic policies.
- b. ensure that the proper amount of income tax is collected by the national government.
- c. achieve a predetermined rate of growth in the nation's economy.
- d. establish a minimum standard for the quality of information between managers and investors.

ANSWER:

d

10. Which of the following is **NOT** an objective of financial reporting under IFRS Standards?

- a. To provide information to shareholders.
- b. To provide information to managers.
- c. To provide information to creditors.
- d. To provide information to investors.

ANSWER:

b