

TRUE/FALSE

1. A decrease in information asymmetry between shareholders and companies increases the cost of capital.

ANS: F PTS: 1 TOP: Introduction

2. The difference in providers of finance is one of the key causes of international differences in financial reporting.

ANS: T PTS: 1 TOP: Origins of national differences

3. In countries that are classified as Code Law countries the degree of enforcement of investor protection is much stricter.

ANS: T PTS: 1 TOP: Origins of national differences

4. In most countries with an active equity market the legal system is the common law system.

ANS: T PTS: 1 TOP: Origins of national differences

5. In countries classified as Code Law countries 'the substance' dominates 'the legal form'.

ANS: F PTS: 1 TOP: Differences in accounting systems

MULTIPLE CHOICE

1. The use of another company as a performance yardstick is jeopardized by;
- a. language differences
 - b. accounting flexibility
 - c. currency differences
 - d. different accounting periods

ANS: B PTS: 1 TOP: Introduction

2. Which of the following is **NOT** classified as a Common Law country?
- a. England
 - b. Wales
 - c. Scotland
 - d. Ireland

ANS: C PTS: 1 TOP: Origins of national differences

3. Hofstede's concept of collectivism implies that;
- a. People are loyal to their relatives and social group
 - b. Worker cooperatives are common
 - c. Family is more important than society
 - d. People like to acquire (collect) material wealth

ANS: A PTS: 1 TOP: Origins of national differences

4. Which of the following is an 'accounting value' as defined by Gray (1988)
- a. Professionalism versus Adhocracy
 - b. Rigidity versus Flexibility
 - c. Pessimism versus Optimism
 - d. Secrecy versus Transparency

ANS: D

PTS: 1

TOP: Origins of national differences

5. The recording of deferred tax on the balance sheet is well established in which one of the following countries?
- a. Denmark
 - b. Sweden
 - c. Norway
 - d. Germany

ANS: A

PTS: 1

TOP: Characteristics & differences in National GAAP