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**Accounting: business reporting for decision making**

**7th edition**

by

Birt et al.



**Chapter 1: Introduction to accounting and business decision making**

**Learning objectives**

1. Explain the process of accounting

 Q1, Q2, Q3, Q4, Q5, Q51, Q52

2. Outline the importance of accounting and its role in decision making by various users

 Q6, Q7, Q8, Q9, Q10, Q11, Q12, Q13, Q53, Q54

3. Explain the differences between financial accounting and management accounting

 Q14, Q15, Q16, Q17, Q18, Q19, Q55, Q56

4. Explain the role of accounting information in the business planning process.

 Q20, Q21, Q22, Q23, Q24, Q57, Q58

5. Discuss the globalisation of financial reporting

 Q25, Q26, Q59

6. Explain what is meant by digital disruption and how new technology is influencing the profession

 Q27, Q60, Q61

7. Describe business sustainability, outline its key drivers and principles and compare key theories in thearea

 Q28, Q29, Q30, Q31, Q32, Q33, Q34, Q62

8. Describe sustainability reporting and disclosure (including integrated reporting)

Q35, Q36, Q37, Q38, Q39, Q40, Q41, Q42, Q43, Q44, Q45, Q63

9. Provide examples of exciting opportunities for careers in accounting

 Q46, Q47 Q48, Q49, Q50, Q64, Q65

**Multiple-choice questions**

1. Which of the following is *not* a business transaction?

a. Purchasing inventory

b. Incurring interest on a business loan

\*c. A business owner purchasing a new home

d. Receiving cash payment for services provided

*Correct answer: c*

*Learning objective 1.1 ~ Explain the process of accounting*

1. Which of the following is *not* an accounting report?

\*a. Statement of employee job satisfaction

b. Statement of financial position

c. Statement of profit or loss

d. Statement of cash flows

*Correct answer: a*

*Learning objective 1.1 ~ Explain the process of accounting*

1. The steps in the process of accounting take place in the following order:

a. measuring, identifying, decision making, communicating.

\*b. identifying, measuring, communicating, decision making.

c. identifying, communicating, measuring, decision making.

d. identifying, decision making, measuring, communicating.

*Correct answer: b*

*Learning objective 1.1 ~ Explain the process of accounting*

1. Which one of the following is *not* grouped together under property, plant and equipment?

a. Land

b. Vehicles

\*c. Inventory

d. Machinery

*Correct answer: c*

*Learning objective 1.1 ~ Explain the process of accounting*

1. At what stage of the accounting process are business transactions analysed, recorded and classified?

\*a. Measuring

b. Communicating

c. Decision making

d. Identifying

*Correct answer: a*

*Learning objective 1.1 ~ Explain the process of accounting*

1. A supplier, when considering offering credit to a new customer, is most interested in the customer’s:

\*a. ability to pay off debts as they fall due.

b. annual dividends.

c. taxable income.

d. compliance with accounting standards.

*Correct answer: a*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. The internal user of accounting information is the:

a. customer.

b. local council.

c. auditor from the Australian Tax Office.

\*d. office manager.

*Correct answer: d*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. The information that would be of most interest to an organisation’s production manager is:

a. the ability to pay off debts as they fall due.

b. annual dividends.

\*c. continuity of orders for the factory.

d. the company tax rate.

*Correct answer: c*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. An external user of accounting information is the:

a. payroll officer.

\*b. supplier.

c. production manager.

d. inventory clerk.

*Correct answer: b*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. A bank requesting accounting information is looking for:

a. the amount of tax that should be paid.

b. cash flows from dividends paid.

\*c. the ability of the entity to repay a loan.

d. environmental aspects of the business.

*Correct answer: c*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. Which of these would *not* be considered an internal user of accounting information?

a. The human resources manager

\*b. The chairman of CPA Australia

c. The chief financial officer

d. The purchasing officer

*Correct answer: b*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. The *Corporations Act 2001* is primarily enforced by the:

a. Financial Reporting Council.

b. Australian Securities Exchange.

c. Australian Accounting Standards Board.

\*d. Australian Securities and Investments Commission.

*Correct answer: d*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. A disclosing entity is an entity that:

a. discloses the basis on which their financial reports are prepared.

b. is exempt under the *Corporations Act 2001* from applying the AASB accounting standards.

c. is involved in the accounting standard-setting process.

\*d. issues securities that are quoted on a stock market or made available to the public via a prospectus.

*Correct answer: d*

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. Which of the following are differences between management and financial accounting?
2. Types of reports produced.
3. The users of reports.
4. The format of reports.
5. Frequency of reports.

a. I and III only

b. II, III and IV only

c. I and II only

\*d. All of the above

*Correct answer: d*

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. Management accounting reports are prepared:

\*a. to provide up-to-date information to managers for decision making.

b. to provide information for the shareholders of the business entity.

c. based only on historical figures.

d. based on GAAP and IASB accounting standards.

*Correct answer: a*

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. The content of management accounting reports is governed by:

a. the Australian Securities and Investment Commission.

b. the *Corporations Act 2001*.

c. CPA Australia and Chartered Accountants Australia and New Zealand.

\*d. there are no specific rules governing the content of management accounting reports.

*Correct answer: d*

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. Which of the following reports would *not* be prepared for financial accounting purposes?

a. Statement of financial position

b. Statement of cash flows

\*c. Statement of management performance

d. Statement of profit or loss

*Correct answer: c*

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. Which of these entities is *least* likely to have users dependent on general purpose financial statements?

a. An international company operating in the Asia–Pacific region

b. A company with a large number of shareholders

c. A company listed on the stock exchange

\*d. A small company whose shareholders also run the business

*Correct answer: d*

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. The term ‘general purpose financial statements’ refers to the fact that the information conveyed is:

a. generally reliable.

b. useful for general purposes but not for making specific decisions.

\*c. potentially valuable for a number of users.

d. comparable over several accounting periods.

*Correct answer: c*

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. Most businesses are classified as SMEs (small to medium sized enterprises). A small business is a business entity with:

\*a. annual revenue between $2 million and $10 million.

b. annual revenue less than $2 million.

c. annual revenue between $2 million and $250 million.

d. annual revenue greater than $250 million.

*Correct answer: a*

*Learning objective 1.4 ~ Explain the role of accounting information in the business planning process*

1. Which of the following is *not* a benefit of a business plan?

a. Provides a formal statement of direction and purpose for the business entity.

b. Provides management and employees with a set of clearly defined goals.

\*c. Allows management to set their own goals.

d. Assists in the evaluation process of the business entity.

*Correct answer: c*

*Learning objective 1.4 ~ Explain the role of accounting information in the business planning process*

1. What type of information plays a major role in business planning and in evaluating the business planning process?

a. Economic

b. Competitor

c. Financial

\*d. Accounting

*Correct answer: d*

*Learning objective 1.4 ~ Explain the role of accounting information in the business planning process*

1. A business plan explains:

a. the goals of the firm.

b. how it will operate the business.

c. the likely outcomes of the planned business.

\*d. all of the above.

*Correct answer: d*

*Learning objective 1.4 ~ Explain the role of accounting information in the business planning process*

1. The evaluation process of a business plan allows:

a. more effective use of scarce resources.

b. improvement in internal communications.

c. detection of variances between actual and budgeted results.

\*d. all of the above.

*Correct answer: d*

*Learning objective 1.4 ~ Explain the role of accounting information in the business planning process*

1. The number of countries preparing financial reports using global accounting standards is:

a. less than 50.

b. between 50 and 100.

c. between 100 and 150.

\*d. more than 150.

*Correct answer: d*

*Learning objective 1.5 ~ Discuss the globalisation of financial reporting*

1. Companies operating in Australia and overseas must follow which accounting standards?

\*a. Both IFRS and local GAAP

b. Local generally accepted accounting principles only

c. IFRS only

d. FASB

*Correct answer: a*

*Learning objective 1.5 ~ Discuss the globalisation of financial reporting*

1. Which of the following includes the use of analytical tools to draw insights into the data, make decisions based on the data and communicate their findings to other parties such as management?

a. Big data

\*b Data analytics

c. Cloud computing

d. Artificial intelligence

*Correct answer: b*

*Learning objective 1.6 ~ Explain what is meant by digital disruption and how new technology is influencing the profession*

1. Which of the following is *not* a key sustainability driver suggested by Ceres (2010)?

\*a. Transparency

b. Competition for resources

c. Connectivity and communication

d. Climate change

*Correct answer: a*

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Which principle of business sustainability performance is indicated when the company engages in fair trading practices with suppliers, distributors and partners?

a. Ethics

b. Governance

c. Community involvement

\*d. Business relationships

*Correct answer: d*

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Which theory holds that the purpose of the entity is to work for the good of all stakeholder groups, not just to maximise shareholder wealth?

a. Agency theory

b. Legitimacy theory

\*c. Stakeholder theory

d. Stewardship theory

*Correct answer: c*

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Which theory suggests that the motive for serving on a board goes beyond a perspective of pure self-interest?

a. Stakeholder theory

b. Agency theory

c. Legitimacy theory

\*d. Stewardship theory

*Correct answer: d*

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Which theory describes the relationship between the shareholders and managers of an entity?

a. Stakeholder theory

\*b. Agency theory

c. Legitimacy theory

d. Stewardship theory

*Correct answer: b*

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Which theory posits there are consequences for breaking the social contract?

\*a. Legitimacy theory

b. Stewardship theory

c. Agency theory

d. Stakeholder theory

*Correct answer: a*

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Corporate social responsibility refers to:

a. the integration of social, environmental, financial and governance information.

b. the use of the world’s resources in a way that does not compromise the ability of future generations to meet their needs.

c. a focus on the economic, social and environmental performance of an entity.

\*d. the responsibility an entity has to all stakeholders, including society in general and the physical environment in which it operates.

*Correct answer: d*

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Which one of the following is *not* the focus when preparing a sustainability report in accordance with the GRI reporting guidelines?

a. Social aspects

\*b. Abundance

c. Environmental aspects

d. Economic aspects

*Correct answer: b*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. Which of the following is *not* an organisational benefit of sustainability reporting cited by the top senior finance professionals, known as the Group of 100?

\*a. Increasing risk profile

b. Establishing position as a preferred supplier

c. Reputation and brand benefits

d. Attraction and retention of high calibre employees

*Correct answer: a*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. Which of the following is cited by the Group of 100 finance professionals as an organisational benefit of sustainability reporting?

a. Limited access to the investor market

b. Improved access to the labour market

\*c. Securing a ‘social licence to operate’

d. Innovation aligning management needs with stakeholder focus

*Correct answer: c*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. Which one of the following is *not* a characteristic of ‘quality’ related to GRI’s Reporting Principles?

a. Accuracy

b. Comparability

\*c. Materiality

d. Reliability

*Correct answer: c*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. Which one of the following is *not* a characteristic of ‘content’ related to GRI’s Reporting Principles?

a. Completeness

b. Sustainability context

\*c. Clarity

d. Stakeholder inclusiveness

*Correct answer: c*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. GRI’s Specific Standard Disclosures include all the following *except*:

a. management approach.

b. environmental indicators.

\*c. stakeholder engagement.

d. social indicators.

*Correct answer: c*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. GRI’s General Standard Disclosures include all the following except:

a. ethics and integrity.

\*b. management approach.

c. strategy and analysis.

d. stakeholder engagement.

*Correct answer: b*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. Which of the following indicators is not included in GRI’s Specific Standard Disclosures?

a. Labour practices

\*b. Governance

c. Human rights

d. Product responsibility

*Correct answer: b*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. Which of the following is *not* an example of social capital?

\*a. Paying above-average salaries to workers

b. Not exploiting supplier relationships

c. Ensuring the product is safe for the consumer

d. Providing safe working conditions

*Correct answer: a*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. The triple bottom line approach encourages a focus on which performance areas?

a. Social, environmental and sustainability

\*b. Economic, social and environmental

c. Economic, environmental and sustainability

d. Economic, social and sustainability

*Correct answer: b*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. Integrated reporting (IR) refers to the integration of:

a. sustainability, economic, environmental and social information.

b. environmental, financial and sustainability and social information.

\*c. social, environmental, financial and governance information.

d. social, sustainability, economic and governance information.

*Correct answer: c*

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. What type of accountant provides advice on audit and tax issues?

a. Financial accountant

b. Private accountant

c. Company accountant

\*d. Public accountant

*Correct answer: d*

*Learning objective 1.9 ~ Provide examples of exciting opportunities for careers in accounting*

1. Which of the following has *not* been a traditional area of employment for accountants?

\*a. Forensic accounting

b. Audit and assurance

c. Financial accounting

d. Tax accounting

*Correct answer: a*

*Learning objective 1.9 ~ Provide examples of exciting opportunities for careers in accounting*

1. Which of the following is *not* likely to be a growth area for the accountants of the future?

a. Sustainability accounting

b. Forensic accounting

\*c. Transaction processing

d. E-Commerce

*Correct answer: c*

*Learning objective 1.9 ~ Provide examples of exciting opportunities for careers in accounting*

1. A public sector accountant may work in a number of positions such as:

\*a. forensic accounting.

b. management accounting.

c. e-commerce.

d. CFO in a large private company.

*Correct answer: a*

*Learning objective 1.9 ~* *Provide examples of exciting opportunities for careers in accounting*

1. An accountant employed at a public hospital to set up the hospital accounting system works in the:

a. public sector.

b. private sector.

c. government sector.

\*d. not-for-profit sector.

*Correct answer: d*

*Learning objective 1.9 ~ Provide examples of exciting opportunities for careers in accounting*

**Fill the blanks**

1. Accounting provides users with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ information to guide them in making decisions such as planning a business.

a. financial

*Learning objective 1.1 ~ Explain the process of accounting*

1. Accounting is the process of identifying, communicating and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ economic information for the purposes of decision making.

a. measuring

*Learning objective 1.1 ~ Explain the process of accounting*

1. Entities that issue securities that are quoted on a stock market or made available to the public via a prospectus are known as \_\_\_\_\_\_\_\_\_\_\_\_\_ entities.

a. disclosing

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. A company’s financial statements include the statement of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ income, the statement of financial position and the statement of cash flows.

a. comprehensive

*Learning objective 1.2 ~ Outline the importance of accounting and its role in decision making by various users*

1. The financial reports that meet the information needs of a range of users unable to demand accounting information are called \_\_\_\_\_\_\_\_\_\_\_\_ purpose financial statements.

a. general

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. Accounting reports that do not cater to the general needs common to most users are known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ purpose financial reports.

a. special

*Learning objective 1.3 ~ Explain the differences between financial accounting and management accounting*

1. A business plan can also be referred to as a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ .

a. blueprint

*Learning objective 1.4 ~ Explain the role of accounting information in the business planning process*

1. Accounting information provides \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ with the tools necessary to evaluate the business plan.

a. management

*Learning objective 1.4 ~ Explain the role of accounting information in the business planning process*

1. The global accounting standards that are being followed by more than 160 countries worldwide to prepare their financial statements are known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. International Financial Reporting Standards

*Learning objective 1.5 ~ Discuss the globalisation of financial reporting*

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ technology supports cryptocurrencies such as Bitcoin.

a. Blockchain

*Learning objective 1.6 ~ Explain what is meant by digital disruption and how new technology is influencing the profession*

1. Fintech companies include many aspects of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (e.g. borrowing money, foreign currency, e-commerce, government payments) and the growth of this sector is impacting on accounting systems and processes.

a. finance

*Learning objective 1.6 ~ Explain what is meant by digital disruption and how new technology is influencing the profession*

1. Sustainable development is development that meets the needs of the present without compromising the ability of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ generations to meet their own needs.

a. future

*Learning objective 1.7 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

1. Integrated reporting (IR) refers to the integration of social, environmental, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and governance information.

a. financial

*Learning objective 1.8 ~ Describe sustainability reporting and disclosure (including integrated reporting)*

1. The area of accounting that helps to solve crimes such as computer hacking and the theft of large amounts of money through hoax schemes on the internet is referred to as \_\_\_\_\_\_\_\_\_\_\_\_\_\_ accounting.

a. forensic

*Learning objective 1.9 ~ Provide examples of exciting opportunities for careers in accounting*

1. A job as a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_ accountant could involve categorising and calculating greenhouse gas emissions, reviewing carbon reporting procedures, and evaluating the business risks and opportunities for reducing an entity’s carbon footprint.

a. carbon

*Learning objective 1.9 ~ Provide examples of exciting opportunities for careers in accounting*