

Chapter 2 – International Accounting Differences

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 | c. currency differences |
| b. accounting flexibility | 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 | c. Scotland |
| b. Wales | 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 | c. Pessimism versus Optimism |
| b. Rigidity versus Flexibility | 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