

Exam

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Which of these are the main sources of regulations governing financial reporting in Australia?

- A) Government legislation, stock exchange listing rules, accounting standards and pronouncement of FAASB
- B) Accounting standards, conceptual framework, stock exchange listing rules
- C) The Corporations Act, the AASB, CLERP
- D) AASB, FRC, government legislation

Answer: A

Diff: 1 Page Ref: 3

2) The Corporations Act 2001 requires that the financial reports must give:

- A) a true and fair view of the financial position and performance and of the accounting standards
- B) a true and fair view of the reporting position
- C) a true and fair view of the accounting standards
- D) a true and fair view of the financial position and performance

Answer: D

Diff: 2 Page Ref: 3

3) It is incorrect that under the Corporations Act 2001:

- A) the accounting standards are deemed to be part of the Corporations Act
- B) financial reports must comply with the accounting standards
- C) the accounting standards need not be complied with if, in the opinion of the board of directors, this would not result in a true and fair view
- D) if the financial statements and notes prepared in compliance with accounting standards would not give a true and fair view, then additional information necessary to give a true and fair view must be included in the notes to the statements

Answer: C

Diff: 3 Page Ref: 3

4) The ASX listing rules:

- A) apply to all companies and other entities reporting under the Corporations Act
- B) apply only to public sector entities
- C) are mandatory for public sector entities
- D) apply to publicly listed companies only

Answer: D

Diff: 1 Page Ref: 4

5) Compliance with accounting standards by reporting entities in the public sector is required by:

- A) ASIC
- B) specific acts applying to the public sector
- C) FRC
- D) the Corporations Act

Answer: B

Diff: 1 Page Ref: 4

6) The ASX listing rules include two mandatory requirements relating to their corporate governance guidelines. These include a requirement:

- A) that the top 500 companies have an audit committee
- B) that the top 300 companies have an audit committee
- C) that all listed companies have an audit committee
- D) that the top 500 companies have an independent audit committee

Answer: B

Diff: 2 Page Ref: 6

7) The body that oversees the operation of the Auditing and Assurance Standards Board is:

- A) The Financial Reporting Council (FRC)
- B) ASIC
- C) AASB
- D) ASX

Answer: A

Diff: 2 Page Ref: 7-8

8) The body that oversees the operation of the AASB is:

- A) ASIC
- B) The Financial Reporting Council
- C) The Joint Standing Committee
- D) The Foundation Board of Management

Answer: B

Diff: 1 Page Ref: 7

9) If there is a conflict between the provisions of the statements of accounting concepts and the requirements of the accounting standards:

- A) the accounting standards prevail
- B) the accounts must contain a note on the conflict
- C) the AASB must rule on the conflict
- D) the statements of accounting concepts prevail

Answer: A

Diff: 1 Page Ref: 24

10) It is not part of the role of the Financial Reporting Council:

- A) to approve and monitor the AASB's priorities
- B) to review the content of existing accounting standards
- C) to promote a greater role for international accounting standards in Australia
- D) to appoint members of the AASB

Answer: B

Diff: 2 Page Ref: 13

11) The AASB has responsibility for making accounting standards applicable to:

- A) entities coming under the Corporations Act, entities in the public sector and the remainder of the non-corporate sector entities
- B) entities coming under the Corporations Act
- C) entities coming under the Corporations Act and entities in the public sector
- D) none of the above

Answer: A

Diff: 2 Page Ref: 9

12) The most correct description of the stages in the development of AASB accounting standards is:

- A) invitation to comment, exposure draft, discussion paper, approval of final standard
- B) discussion paper, public comment, exposure draft, approval of final standard
- C) discussion paper, exposure draft, approval of final standard, review
- D) discussion paper, exposure draft, public comment, approval of final standard

Answer: D

Diff: 3 Page Ref: 12

13) Which statement concerning AASB Interpretations is not correct?

- A) In 2006 the AASB decided to take over the role of the Urgent Issues Group
- B) The AASB has set up an Interpretations Agenda Committee comprising the chairman and two other AASB members
- C) Interpretations of IASB standards made by the IFRIC are not relevant in Australia
- D) None of the above, i.e., all statements are correct

Answer: C

Diff: 2 Page Ref: 14

14) Which of the following is/are true concerning the issue of accounting standards in Australia after internationalisation?

- A) The AASB adds to proposed international standards material detailing their scope and applicability in Australia
- B) The AASB adds material to broaden the content of international standards to cover the not-for-profit sector
- C) After issuing an exposure draft for comment and considering the response, the AASB issues an Australian standard equivalent to the IASB standard
- D) All of the statements are true

Answer: D

Diff: 2 Page Ref: 14

15) Failure of directors, who are not members of CPA Australia and ICCA, to comply with the requirements of APS1 could result in:

- A) disciplinary action
- B) fines
- C) all of the above
- D) none of the above

Answer: D

Diff: 1 Page Ref: 14

16) To practice in Australia, an accountant:

- A) must be registered by the AASB
- B) must be registered by the government
- C) must be a member of CPA Australia or ICAA
- D) none of the above

Answer: D

Diff: 3 Page Ref: 14

17) The final approval of accounting standards to apply under the Corporations Act rests with:

- A) Parliament
- B) AASB

C) ASIC

D) The Joint Standing Committee of the Institute of Chartered Accountants in Australia and CPA Australia

Answer: A

Diff: 2 Page Ref: 7

18) The role of the Australian Securities and Investments Commission is to:

A) issue accounting standards

B) administer and ensure compliance with the Corporations Act

C) develop the conceptual framework

D) supervise the AASB

Answer: B

Diff: 1 Page Ref: 15

19) Additional disclosure requirements by the ASX for stock exchange listed companies are all of the following, except:

A) reporting of performance indicators such as return on shareholders' equity

B) a statement of ethical guidelines for employees and management

C) a requirement for the top 300 companies to have an audit committee

D) none of the above, i.e., all are additional requirements for ASX listed companies

Answer: B

Diff: 2 Page Ref: 4-5

20) Under the Corporations Act the financial report consists of:

A) comprehensive income statement, balance sheet, statement of cash flow, statement of changes in equity, director's declaration, notes to the financial statements

B) comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement

C) comprehensive income statement, balance sheet, statement of cash flow

D) comprehensive income statement, balance sheet, statement of changes in equity

Answer: A

Diff: 2 Page Ref: 3

21) Interpretation Advisory Panels make recommendations on particular issues to:

A) AASB

B) UIG

C) ASIC

D) ASX

Answer: A

Diff: 2 Page Ref: 13

22) Under section 296 of the Corporations Act 2001, directors of companies that fail to comply with AASB accounting standards may be prosecuted by:

A) ASIC

B) AASB

C) ASX

D) FRP

Answer: A

Diff: 2 Page Ref: 15

23) Penalties that can be imposed by the professional bodies on members who do not comply with accounting standards

can be:

- A) disciplinary proceedings
- B) fines
- C) expulsion from the professional body
- D) all of the above

Answer: D

Diff: 1 Page Ref: 14

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

24) Give an overview of the present institutional arrangements for standard setting in Australia.

Answer:

Diff: 3 Page Ref: 9-13

25) Explain how accounting standards are currently enforced in Australia.

Answer:

Diff: 2 Page Ref: 15-16

26) Explain and discuss the procedures currently operating in Australia for dealing with issues involving the development of AASB Interpretations.

Answer:

Diff: 2 Page Ref: 12-14

27) Discuss the role of the accounting bodies in the regulation of Australian accounting practice.

Answer:

Diff: 3 Page Ref: 14-16

- 1) A
- 2) D
- 3) C
- 4) D
- 5) B
- 6) B
- 7) A
- 8) B
- 9) A
- 10) B
- 11) A
- 12) D
- 13) C
- 14) D
- 15) D
- 16) D
- 17) A
- 18) B
- 19) B
- 20) A
- 21) A
- 22) A
- 23) D
- 24)
- 25)
- 26)
- 27)