**Testbank**

to accompany

**Contemporary issues in accounting**

**2nd edition**

by

Rankin et al.



© John Wiley & Sons Australia, Ltd 2018

**Chapter 1: Contemporary issues in accounting**

**Multiple choice questions**

1. Which of the following statements are true?

a. The role of the accountants is changing, due to changes in economic activities, societal expectations and developments in technology.

b. Accounting is not a precise uncontested technical exercise.

c. Financial accounting is principles based and the application of appropriate accounting and reporting requires professional judgement.

\*d. All of the above.

*Correct answer: d*

*Learning objective 1.1*

2. Accounting theory can be described as:

a. being based only on observations.

\*b. description, explanation or prediction of accounting practice based on observations and/or logical reasoning.

c. a set of facts, specific in nature, against which accounting practice can be evaluated.

d. being irrelevant to the development of new practice and procedures.

*Correct answer: b*

*Learning objective 1.2*

3. Which of the following statements is correct in relation to the purpose of theory?

\*a. some theories explain, while others describe what is happening.

b. all theories do the same thing.

c. they make suggestions and dictate what action must be taken.

d. theories only make predictions about what will happen in the future.

*Correct answer: a*

*Learning objective 1.2*

4. An example of how theory can predict accounting practice is:

\*a. agency theory.

b. capital market theory.

c. asset recognition theory.

d. corporate social responsibility theory.

*Correct answer: a*

*Learning objective 1.3*

5. Is it possible to have different theories on the same topic?

a. yes, but there is usually only one explanation and/or solution.

b. no, it is impossible to have alternative theories on a topic.

\*c. yes, there are often many alternative theories on a topic because there are usually many possible explanations and/or solutions.

d. no, there can only ever be one explanation or solution.

*Correct answer: c*

*Learning objective 1.3*

6. How can theories be of benefit in accounting?

a. they assist us in describing and explaining current accounting practice only.

\*b. they assist us to improve accounting practice and they provide principles to take into account when taking action or making decisions.

c. they help to identify problems and deficiencies with current accounting practice but do not assist us in improving accounting practice.

d. they assist us to predict and improve accounting practice only.

*Correct answer: b*

*Learning objective 1.3*

7. An example of how theory can help to identify problems and deficiencies with current accounting practice and improve accounting practice is:

a. corporate social responsibility theory.

b. the conceptual framework for accounting.

c. agency theory and the conceptual framework for accounting.

\*d. corporate social responsibility theory and the conceptual framework for accounting.

*Correct answer: d*

*Learning objective 1.3*

8. Which of the following statements is correct?

\*a. a theory does not have to be correct to be useful.

b. if there is a theory about something, it must be correct.

c. it is impossible to assess the appropriateness of a particular theory.

d. a theory can only be useful if it is correct.

*Correct answer: a*

*Learning objective 1.3*

9. A reason why someone may accept a theory without having ‘first hand’ or direct knowledge of the topic are:

a. Other people choose not to accept the theory.

b. Lack of knowledge regarding the authority of the source of the theory.

\*c. The theory makes sense and fits with personal experiences and beliefs.

d. Evidence exists that refutes the theory.

*Correct answer: c*

*Learning objective 1.3*

10. Which of the following statements is incorrect, in relation to the scientific method?

a. It involves analysing observations to derive a theory.

b. It involves starting with a limited number of observations.

\*c. It involves starting with a large number of observations from which a reliable conclusion can be drawn.

d. It involves making predictions that are tested by further observations.

*Correct answer: c*

*Learning objective 1.3*

11. Deduction can best be described as:

\*a. The process of developing specific predictions from theories.

b. The process of moving from particular instances of something to a general conclusion.

c. Coming to a conclusion through a process of elimination.

d. The process of developing numerous conclusions or theories.

*Correct answer: a*

*Learning objective 1.3*

12. Research of or about accounting would not consider the following question:

a. What role has accounting played in environmental degradation.

b. Should accountability or decision usefulness be the key goal of accounting.

c. What impact does culture have on accounting.

\*d. What impact do changes in specific accounting policies have on share prices.

*Correct answer: d*

*Learning objective 1.4*

13. Which of the following statements is true in relation to research?

a. Often, searching or investigating a topic more than once, may detract from our understanding of the issue.

\*b. By searching over and over again, each study should contribute to our understanding of the issue.

c. Most research studies will provide definitive answers to the problem examined.

d. Some research studies will not provide definitive answers to the problem, in which case further investigation should be postponed.

*Correct answer: b*

*Learning objective 1.4*

14. Research in accounting would not consider the following question:

a. What measures should be used.

b. What measurements are being used.

c. What impact do changes in specific accounting policies have on share prices.

\*d. Should accountability or decision usefulness be the key goal of accounting.

*Correct answer: d*

*Learning objective 1.4*

15. Research in accounting focuses on:

\*a. Issues within accounting at the more micro level.

b. Issues related to accounting at a macro level.

c. Questions such as, what role has accounting played in the rise of capitalism.

d. The bigger picture.

*Correct answer: a*

*Learning objective 1.4*

16. Which of the following statements is incorrect in relation to critical accounting?

\*a. It aims to critically analyse inefficient accounting practices.

b. It aims to develop a critical understanding of the role of accounting processes and practices in the functioning of society and organisations.

c. A critical understanding of the role that accounting plays can be used to engage in change.

d. It aims to develop a critical understanding of the role of the accounting profession in the functioning of society and organisations.

*Correct answer: a*

*Learning objective 1.5*

17. Which of the following statements is correct in relation to International accounting research?

a. It often adopts a social welfare perspective.

b. This research area declined in the second half of the twentieth century due to harmonisation.

c. Agency or contracting theory underlies much of this research.

\*d. It includes research into differences in accounting practices and also considers contextual and cultural influences on financial accounting.

*Correct answer: d*

*Learning objective 1.5*

18. Research that attempts to explain the motivations behind the accounting choices made by managers is:

\*a. Accounting policy choice research.

b. Capital market research.

c. Critical accounting research.

d. International accounting research.

*Correct answer: a*

*Learning objective 1.5*