TT TEXTBOOK TESTBANKS

Test Bank for Contemporary Issues in Accounting 3rd Rankin

TEST BANK SAMPLE PREVIEW

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to accompany

Contemporary issues in accounting

3rd edition

by
Rankin et al.

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Chapter 1: Contemporary issues in accounting

Multiple choice questions

1. Which of the following statements is true?

a. Accounting is a precise uncontested technical exercise like other 'hard' sciences.
*b. Financial accounting is principles based and the application of appropriate accounting and reporting requires professional judgement.
c. Globalisation of business and recent corporate failures have motivated the move away from international accounting standards.
d. The nature of accounting has changed, and technology has made the traditional debit and credit rules obsolete.

General Feedback:
Learning objective 1.1 Evaluate the nature of accounting and the changing role of accountants.

2. Which of the following statements best describes the changing role of the accountant?

a. Increased regulation means accountants' tasks are becoming more technical and procedural.
b. Recent accounting failures and the recent global financial crisis has led to a narrowing of the role of accountants.
*c. Several external factors including rapid changes in economic activities, societal expectations and developments in technology, are driving the change.
d. The digitisation and move towards non-traditional transactions like carbon pricing and digital currencies, means there are fewer tasks for accountants.

General Feedback:
Learning objective 1.1 Evaluate the nature of accounting and the changing role of accountants.

3. 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.

General Feedback:
objective 1.2 *Define 'theory'.*

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

*a. Some theories explain, some describe what is happening, while others predict or make suggestions.
b. All theories do the same thing.
c. Theories dictate what action must be taken.
d. Theories only make predictions about what might happen in the future.

General Feedback:
objective 1.2 *Define 'theory'.*

5. 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.

General Feedback:
Learning objective 1.3 Evaluate why theory is needed to understand accounting practice

6. 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 recommendations.
d. No, there can only ever be one explanation or solution.

General Feedback:
objective 1.3 *Evaluate why theory is needed to understand accounting practice*

7. A theory about the causes of financial reporting failures, like Enron, is best described as a theory that:

*a. describes and explains current accounting practice
b. makes suggestions of ways to improve accounting practice
b. predicts accounting practice and choices that will be made
c. prescribes or provides principles that should be followed

General Feedback:
Learning objective 1.3 Evaluate why theory is needed to understand accounting practice

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

a. capital market theory.
*b. the *Conceptual Framework* for accounting.
c. agency or contracting theory.
d. theories of capital budgeting

General Feedback:
Learning objective 1.3 Evaluate why theory is needed to understand accounting practice

9. 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 true.
c. For a theory to affect a decision we make, it must be fully understood. It is impossible to assess the appropriateness of a particular theory.
d. As we understand more about the world, theory will become less useful and relevant.

General Feedback:
Learning objective 1.3 Evaluate why theory is needed to understand accounting practice

10. 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?

General Feedback:
Learning objective 1.4 Understand the nature of research and evaluate its relationship to theory

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

a. The main purpose of research is to develop new theories.
*b. Research is often repeated, each study building on the one before.
c. Most research studies will provide definitive answers to the problem examined.
d. Where a research study does not provide definitive answers to the problem, the theory is likely to be incorrect.

General Feedback:
Learning objective 1.4 Understand the nature of research and evaluate its relationship to theory

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

a. What accounting measures should be used?
b. What accounting measurements are being used?
c. What impact do changes in specific accounting policies have on share prices?
*d. Is accounting information useful in investment decisions?

General Feedback:
Learning objective 1.4 Understand the nature of research and evaluate its relationship to theory

13. 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.

General Feedback:
Learning objective 1.4 Understand the nature of research and evaluate its relationship to theory

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

*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.

General Feedback:
Learning objective 1.5 Identify some of the research areas in accounting

15. 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.

General Feedback:
Learning objective 1.5 Identify some of the research areas in accounting

16. 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.

General Feedback:
Learning objective 1.5 Identify some of the research areas in accounting

17. Which of the following best describes the value of case studies to accounting students?

a. Case studies allow students to demonstrate their ability to come up with the correct answer in real-life scenarios.
*b. Case studies contribute to the development of critical thinking skills that accountants use in practice.
c. Case studies demonstrate to employers your ability to identify and finely focus on specific facts.
d. Case studies provide an opportunity to become an expert in a particular case.

General Feedback:
Learning objective 1.6 Understand the case study approach and the steps to take in answering case study questions

18. When approaching a case study question, how many times should you read through the case study?

a. once
*b. twice
c. three times
d. as many times you need to fully understand it

General Feedback:

Learning objective 1.6 Understand the case study approach and the steps to take in answering case study questions