

# CPAAustralia.Financial-Accounting-and-Reporting.v2024-07-26.q36

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## NEW QUESTION: 1

A company's financial report is compliant with International Financial Reporting Standards. Where in the report would an investor find the amount of money received by the company for investment activities?

- A. statement of comprehensive income
- B. statement of financial position
- C. statement of changes in equity
- D. statement of cash flows

**Answer: D (LEAVE A REPLY)**

## NEW QUESTION: 2

XYZ Ltd is listed on the Australian Securities Exchange (ASX). Which one of the following reports is the company required to prepare as a part of its annual financial report?

- A. sustainability report
- B. chairman's statement
- C. corporate governance statement
- D. management commentary

**Answer: C (LEAVE A REPLY)**

## NEW QUESTION: 3

You assumed the role as the Chairperson of the Board of Directors of Daylight Ltd. As you start to write your first directors' report, which one of the following areas are you not required to include in your report?

- A. Details regarding any significant changes to Daylight's state of affairs for the year that just ended.

- B.** Review of operations of Daylight during the year just ended and any likely developments in the future that may impact Daylight.
- C.** Details of any dividends paid or proposed.
- D.** Details regarding accounting policies pursued by Daylight in preparation of its financial statements.

**Answer: D ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 4**

A multinational company is converting the methodology of reporting by its subsidiaries in various countries to make it uniform with the requirements of the International Financial Reporting Standards (IFRS). While changing the reporting methodologies, accountants have to apply certain judgments.

Which one of the following is not a valid motivation for decision making on reporting methodologies?

- A.** to comply with the information demands of government bodies in home country
- B.** to present the company's financial performance in the most favourable way
- C.** to present the financial statements in a manner that is understood by most users
- D.** to be consistent with the methodologies followed in the home country of the company

**Answer: B ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 5**

PLO Advertising Ltd (PLO) buys a new stretch limousine for \$40 000. A number of individuals have expressed an interest in buying the limousine from PLO for \$60 000. The board members decide that the limousine is worth between \$65 000 and \$70 000. What is the fair value of the limousine?

- A.** \$60 000
- B.** \$40 000
- C.** \$70 000
- D.** \$65 000

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 6**

Which one of the following is not a function of the trustees of the International Financial Reporting Standards Foundation (IFRS Foundation)?

- A.** appointing the members of the International Accounting Standards Board (IASB)
- B.** promoting the application of International Financial Reporting Standards (IFRSs)
- C.** providing suggestions on technical matters relating to accounting standards
- D.** ensuring the financing of the International Accounting Standards Board (IASB)

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 7**

Which one of the following describes the key advantage of the manual system of accounting?

- A. Processing is maintained at a reasonable speed even while dealing with large volumes of data.
- B. The quality of output is not necessarily an issue.
- C. A thorough understanding of the business can be gained through it.
- D. Corrections are easily managed as updating or recreating the whole document is not difficult.

**Answer: C (LEAVE A REPLY)**

#### **NEW QUESTION: 8**

The concept of transparency in corporate governance means that listed companies should disclose

- A. material information that affects decisions.
- B. confidential issues relating to competitors.
- C. their future strategy.
- D. only mandatory information by management.

**Answer: A (LEAVE A REPLY)**

#### **NEW QUESTION: 9**

A statement of comprehensive income reports on

- A. changes in financial position.
- B. financial performance.
- C. financial position.
- D. solvency.

**Answer: B (LEAVE A REPLY)**

#### **NEW QUESTION: 10**

Investors use the audited financial statements of a company to

- I) evaluate the company's current return on assets
- II) predict the company's market conditions for future years.
- III) predict the company's market conditions for future years.
- IV) make a judgement on the liquidity and solvency of the company.

- A. II and III only
- B. III and IV only
- C. I and IV only
- D. I and III only

**Answer: C (LEAVE A REPLY)**

#### **NEW QUESTION: 11**

Which one of the following is a benefit of developing financial reporting standards using a conceptual framework?

- A. A financial reporting environment based on standardised principles would be created.
- B. The financial statements based on these standards would be error-free.
- C. The interpretation of non-financial information is made easier.
- D. The interpretation of financial reporting standards by anybody would be easy.

**Answer: (SHOW ANSWER)**

#### **NEW QUESTION: 12**

Which one of the following statements is not correct in respect of manual accounting systems?

- A. Productivity in manual systems is lower than computer systems.
- B. It is easy to make corrections.
- C. Risk of error is greater and the quality of outputs is inferior.
- D. They are bulky to store compared to computer systems.

**Answer: B (LEAVE A REPLY)**

#### **NEW QUESTION: 13**

As per the International Accounting Standards Board conceptual framework, which of the following holds the primary responsibility for preparing and presenting financial statements?

I)owners

II)auditors

III)directors

- A. II and III only
- B. III only
- C. I and II only
- D. I only

**Answer: B (LEAVE A REPLY)**

#### **NEW QUESTION: 14**

In a stock market that displays strong efficiency, share prices reflect all available

- A. information about past changes in share prices.
- B. public and inside information.
- C. information about future expansion plans.
- D. public information.

**Answer: B (LEAVE A REPLY)**

#### **NEW QUESTION: 15**

Which one of the following shows whether the financial statements of a company show a true and fair presentation of the financial performance of the company?

- A. Auditor's Report
- B. Director's Report
- C. Corporate Governance Statement
- D. Statement of cash flows

**Answer: A ([LEAVE A REPLY](#))**

### **NEW QUESTION: 16**

Which of the following statements are correct in the context of accounting concepts and principles?

- I)The going concern assumption requires that assets be carried at their cost values.
- II)Prudence allows the creation of contingency reserves and more generous provisions.
- III)Financial information is considered complete even if it excludes non-material information.
- IV)Understandability does not require complex information to be excluded from financial reports.

- A. II and III only
- B. II and IV only
- C. I and III only
- D. III and IV only

**Answer: ([SHOW ANSWER](#))**

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### **NEW QUESTION: 17**

Which one of the following is not an advantage of accounting regulation?

- A. It provides the required accounting information to all necessary shareholders.
- B. It instils public confidence in the accounting system employed in commerce and industry.
- C. It provides quality of information in and across financial statements.
- D. It provides flexibility in the way accounting information is presented to users.

**Answer: ([SHOW ANSWER](#))**

### NEW QUESTION: 18

JK Ltd intentionally over-valued its closing inventories to increase profitability for the year 20X8. This would help them to better price a planned share issue in 20X9. By doing this they have breached the concept of

- A. understandability.
- B. completeness.
- C. substance over form.
- D. neutrality.

**Answer: (SHOW ANSWER)**

### NEW QUESTION: 19

Published financial statements are regulated by

- A. International Financial Reporting Standards to ensure the provision of useful financial information to shareholders.
- B. accounting and legal rules to ensure the provision of relevant and reliable financial information to shareholders.
- C. rules to ensure the provision of consistent financial information to investors.
- D. shareholders who specify the framework for the provision of consistent and comparable financial information for decision-making.

**Answer: B (LEAVE A REPLY)**

### NEW QUESTION: 20

Which one of the following best describes the objective of the International Financial Reporting Standards (IFRS) Foundation?

- A. to develop an International regulatory framework in the national jurisdictions of countries that produce accountants
- B. to promote the application, convergence and use of International Financial Reporting Standards (IFRS) as a high quality reporting solution
- C. to co-ordinate the accounting profession on a global scale by issuing and establishing international standards
- D. to guide investors who compare the financial statements of one entity in one country with those of another entity located elsewhere

**Answer: B (LEAVE A REPLY)**

### NEW QUESTION: 21

Which one of the following statements differentiates semi-strong form efficiency from strong form efficiency in the context of the efficient market hypothesis?

- A. Semi-strong form efficiency does not reflect knowledge whereas strong form efficiency considers knowledge in addition to publicly available information and past price movements.

- B.** Semi-strong form efficiency reflects all past price movements whereas strong form efficiency reflects future share price movements.
- C.** Semi-strong form efficiency does not reflect all publicly available information whereas strong form efficiency does incorporate all publicly available information.
- D.** Semi-strong form efficiency addresses operational efficiency whereas strong form efficiency aims to address allocative efficiency.

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 22**

The Framework for the Preparation and Presentation of Financial Statements which assists the development of the International Financial Reporting Standards (IFRS) was originally approved by the

- A.** International Federation of Accountants (IFAC).
- B.** International Accounting Standards Committee (IASC).
- C.** IFRS Interpretations Committee (IFRIC).
- D.** International Accounting Standards Board (IASB).

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 23**

An example of voluntary reporting in Australia is a

- A.** statement of cash flows.
- B.** statement of financial position.
- C.** statement of comprehensive income.
- D.** sustainability report.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 24**

Which of the following represents a principal-agent relationship?

- I.  
shareholders-auditors
- II.  
shareholders-management
- III.  
security exchange-company
- IV.  
board of directors-employees

- A.** II, III and IV only
- B.** I, II, III and IV
- C.** I, II and III only
- D.** I, II and IV only

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 25**

In a strong efficient market, the finance manager will

- A. maximise the net present value of the firm's investments.
- B. employ analysts to determine the best time to issue shares.
- C. develop strategies to disclose the company's profit or loss.
- D. analyse historical data on takeover targets.

**Answer: A ([LEAVE A REPLY](#))**

**NEW QUESTION: 26**

In applying accounting standards, an entity develops accounting policies that ensure that the financial statements present

- A. relevant and reliable financial information.
- B. relevant and correct financial information to all interested shareholders.
- C. comparable and accurate financial information to all shareholders.
- D. understandable and clear financial information to all interested shareholders.

**Answer: A ([LEAVE A REPLY](#))**

**NEW QUESTION: 27**

Which one of the following would be included in the statement of financial position?

- A. gains on property valuations
- B. distribution costs
- C. deferred tax
- D. depreciation

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 28**

X was influenced by G Co's audit report and dividend declaration, and decided to invest in the securities of the company. What should X be cautious about before investing in the shares of the company?

X should be aware that

- A. the auditor's report refers to the company's prior year financials.
- B. the declaration of dividends assures high earnings per share.
- C. a declaration of dividend is the ultimate measure of a company's profitability.
- D. the auditor's report is influenced by the directors.

**Answer: A ([LEAVE A REPLY](#))**

**NEW QUESTION: 29**

According to IASB's Conceptual Framework, an expense is a decrease in economic benefits in the form of

I.

outflows.

II.

decreases of assets.

III.

incurrences of liabilities.

IV.

contributions to equity holders.

**A.** II, III and IV only

**B.** I, III and IV only

**C.** I, II and IV only

**D.** I, II and III only

**Answer: D (LEAVE A REPLY)**

### **NEW QUESTION: 30**

Which one of the following would be recognised in the statement of profit or loss and other comprehensive income?

**A.** retained earnings

**B.** prepayment of expenses

**C.** inventory

**D.** employee wages

**Answer: D (LEAVE A REPLY)**

### **NEW QUESTION: 31**

Venturer Ltd has received fees from venture capital activities and has engaged you as the accountant to prepare the financial report for 31 December 20X0. Unable to find a specific reference to venture capital fees in either the conceptual framework or the accounting standards, you establish the appropriate accounting treatment by

**A.** using your professional judgment and referring to generally accepted accounting principles and practice.

**B.** referring to the fundamental accounting assumptions and conventions.

**C.** using your professional judgment and referring to the conceptual framework's definitions and recognition criteria.

**D.** consulting with the International Accounting Standards Board.

**Answer: C (LEAVE A REPLY)**

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**NEW QUESTION: 32**

A company sold some old operating equipment from its factory. After depreciation was accounted for, a small gain on sale was recorded. According to the revised IAS 1 Presentation of Financial Statements, this transaction will be shown as a separate item 'gain on sale of equipment'. This item will be shown in the statement of

- A. cash flow.
- B. financial position.
- C. changes in equity.
- D. comprehensive income.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 33**

Which one of the following countries has the view that Generally Accepted Accounting Principles (GAAP) refers to accounting practices which are regarded as permissible by the accounting profession?

- A. United States of America
- B. Australia
- C. United Kingdom
- D. Canada

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 34**

Which one of the following is not an Australian Securities Exchange (ASX) principle of good corporate governance?

- A. Safeguard the environment.
- B. Respect the rights of shareholders.
- C. Remunerate fairly and responsibly.
- D. Promote ethical and responsible decision-making.

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 35**

Which one of the following statements is correct?

- A. Accounting standards are developed and maintained using a consultative process with the OECD.
- B. Australian accounting standards are based on the US GAAP.

C. Accounting standards provide the basic knowledge upon which the conceptual framework is developed.

D. Accounting standards prescribe the possible accounting treatments.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 36**

The ability of a company to pay its bills when and as they fall due is a measure of

A. compliance with the conceptual framework.

B. solvency.

C. economic value.

D. the true and fair view of the financial report.

**Answer: (SHOW ANSWER)**

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