

CPAAustralia.Financial-Accounting-and-Reporting.v2022-09-15.q34

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NEW QUESTION: 1

The International Federation of Accountants (IFAC) was established by

- A. the United Nations.
- B. the International Accounting Standards Board.
- C. various professional accounting bodies.
- D. the Organization for Economic Co-operation & Development.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 2

LMN Ltd recently changed the measurement base for their assets. They should I) treat this like a change in an estimate.

II) treat this like a change in the accounting policy.

III) disclose this in the notes to financial statements.

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 3

The accounting policies used by companies must result in financial reports that are

- A. signed by the CEO or equivalent.

- B. independently audited.
- C. easy to read.
- D. comparable with previous years' reports.

Answer: (SHOW ANSWER)

NEW QUESTION: 4

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. the true and fair view of the financial report.
- D. economic value.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 5

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 the conceptual framework's definitions and recognition criteria.
- B. using your professional judgment and referring to generally accepted accounting principles and practice.
- C. consulting with the International Accounting Standards Board.
- D. referring to the fundamental accounting assumptions and conventions.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 6

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

Answer: A (LEAVE A REPLY)

NEW QUESTION: 7

The International Accounting Standards Board's Conceptual Framework for Financial Reporting for the preparation and presentation of financial statements is concerned with the information needs of most users, but not for each possible user.

Which one of the following stakeholders would not be one of the users that the Conceptual Framework is concerned about?

- A. governments and regulatory bodies
- B. a company's executive management
- C. potential investors in the company
- D. members of the public who have small investment holdings in the company

Answer: B (LEAVE A REPLY)

NEW QUESTION: 8

Which one of the following reports sets out how directors have run a company and if they implemented proper procedures to deal with matters like accountability, audits, directors' roles and responsibilities, internal controls and relations with shareholders?

- A. corporate governance statement
- B. corporate social responsibility report
- C. director's report
- D. chairman's statement

Answer: A (LEAVE A REPLY)

NEW QUESTION: 9

According to the Australian Accounting Standards Board, which one of the following is a benefit of adopting International Financial Reporting Standards (IFRSs)?

- A. to increase foreign investors' understanding of local financial reports
- B. to enable the national government to control activities of foreign multinationals
- C. to become a resource for developing nations who can easily adopt IFRSs as a full set of standards
- D. to make it easier for tax authorities to calculate taxes on investors' overseas income

Answer: A (LEAVE A REPLY)

NEW QUESTION: 10

Historical cost accounting provides financial information that is

- A. relevant but may not be reliable for decision making.
- B. relevant for decision making.
- C. relevant and reliable for decision making.
- D. reliable but may not be relevant for decision making.

Answer: (SHOW ANSWER)

NEW QUESTION: 11

According to the IASB Conceptual Framework, income is an increase in economic benefits in the form of I)inflows.

II)decreases of liabilities.

III)enhancements of assets.

IV)contributions from equity holders.

- A. I, II and III only

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

Answer: A (LEAVE A REPLY)

NEW QUESTION: 12

An agent is answerable under the contract to the agent's principal and must account for the resources of the agent's principal and the money the agent has gained working on the principal's behalf. In the context of agency, this definition describes an agent's

- A. accountability.
- B. contract.
- C. fiduciary duty.
- D. relationship.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 13

Which one of the following is not a principal motivation for creative accounting?

- A. public good
- B. personal incentives
- C. benefits from shares and share options
- D. bonus-related pay

Answer: A (LEAVE A REPLY)

NEW QUESTION: 14

To be relevant, financial information has to

- I) be provided in a timely manner.
- II) comply with the going concern assumption.
- III) have predictive and/or confirmatory value.
- IV) exclude computations that are difficult to understand.

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

Answer: D (LEAVE A REPLY)

NEW QUESTION: 15

Financial markets have achieved operational efficiency when

- A. the cost of transactions is a reflection of the actual cost incurred.
- B. the costs of financial transactions are kept as low as possible.
- C. past records are used to predict the future prices of goods.
- D. the price of stocks and shares are available accurately and quickly.

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

NEW QUESTION: 16

Which one of the following examples would not represent an agency cost?

- A. the cost of engaging an external auditor
- B. the cost of employing an internal auditor
- C. the cost of preparing a cost-benefit report for a new project
- D. the cost of preparing a financial report for shareholders

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 17

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

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

NEW QUESTION: 18

Which one of these is a key principle of good corporate governance?

- A. effective management of the employees of the company
- B. restriction of shareholders' rights in decision-making
- C. non-disclosure of directors' agency relationship with the company
- D. effective communication with shareholders

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

NEW QUESTION: 19

A statement of generally accepted theoretical principles which form the frame of reference for financial reporting refers to the

- A. Conceptual Framework.
- B. International Financial Reporting Standards.
- C. Regulatory Framework.
- D. Generally Accepted Accounting Principles.

Answer: (SHOW ANSWER)

NEW QUESTION: 20

An example of voluntary reporting in Australia is a

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

Answer: (SHOW ANSWER)

NEW QUESTION: 21

Current cost accounting reflects an approach to capital maintenance based on maintaining which one of the following?

- A. financial capability of the business
- B. cost of assets in the business
- C. operating capability of the business
- D. profitability of the business

Answer: C (LEAVE A REPLY)

NEW QUESTION: 22

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

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

Answer: C (LEAVE A REPLY)

NEW QUESTION: 23

In the context of a regulatory framework, a principles-based system

- A. attempts to cover specific eventualities.
- B. removes any element of judgement by providing clear requirements.
- C. is a rule-driven approach.
- D. provides a theoretical basis with broad terms of reference.

Answer: (SHOW ANSWER)

NEW QUESTION: 24

Financial managers will benefit in a strongly efficient market by

- A. having their shareholders invest more money into expanding the company's operations.
- B. being able to decide what information needs to be made available to shareholders.
- C. having their shareholders be tolerant of low profits if higher profits are expected in the future.
- D. being able to take more risks without shareholders' consent.

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

NEW QUESTION: 25

Which one of the following is an objective of the International Federation of Accountants (IFAC)?

- A. to issue new international financial reporting standards (IFRS)
- B. to establish high quality professional standards in accountancy
- C. to provide direction to the Financial Accounting Standards Board (FASB)
- D. to provide advice on accounting standards to the OECD

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

NEW QUESTION: 26

The objective of the International Accounting Standards Board (IASB) is to

- A. enforce International Financial Reporting Standards.
- B. set International Financial Reporting Standards.
- C. oversee the standard setting process and International Financial Reporting Standards Advisory Council.
- D. provide strategic advice to the International Financial Reporting Standards Advisory Council.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 27

Which one of these concepts suggests that stock prices react to new information almost instantly?

- A. market power
- B. incentive substitution
- C. efficient market
- D. bargaining power

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 28

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 29

In an efficient market, normally if interest rates rise, share prices will

- A. fall since investors expect a higher return.
- B. rise since banks invest their increased profits.
- C. fall in anticipation of a reversal in the interest rate cycle.
- D. rise due to the overall positive sentiment.

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

NEW QUESTION: 30

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 31

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

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

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NEW QUESTION: 32

Which one of the following statements is correct about using judgement in the financial reporting process?

- A. Judgement can be allowed in the statement of comprehensive income but not in the statement of financial position.
- B. A true and fair view cannot be assured if individual judgement is allowed.
- C. Use of individual judgement is required to choose between alternative methods available within accounting standards.
- D. Accountants should not be allowed to use their own judgement.

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 33

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

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

NEW QUESTION: 34

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. I, II and III only

B. I, III and IV only

C. II, III and IV only

D. I, II and IV only

Answer: ([SHOW ANSWER](#))

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