Reading 23: Financial Reporting Standards

Question #1 of 30

Question ID: 414048

Required financial statements, according to International Accounting Standard (IAS) No. 1, include a(n):

A) income statement and working capital summary.

B) cash flow statement and auditor's report.

C) balance sheet and explanatory notes.

Question #2 of 30

Question ID: 498753

Significant accounting choices are most likely to be disclosed in the management commentary under:

A) U.S. GAAP only.

B) both U.S. GAAP and IFRS.

C) IFRS only.

Question #3 of 30

Question ID: 414036

Which of the following statements about financial statements and reporting standards is *least* accurate?

A) Reporting standards focus mostly on format and presentation and allow management wide latitude in assumptions.

B) The objective of financial statements is to provide economic decision makers with useful information.

C) Financial statements could potentially take any form if reporting standards didn't exist.

Question #4 of 30

Question ID: 414056

A firm engages in a new type of financial transaction that has a material effect on its earnings. An analyst should *most likely* be suspicious of the new transaction if:

A) management has not explained its business purpose.

B) the transaction is not governed by existing regulations.

C) no accounting standard exists that applies to the transaction.

Question #5 of 30

Question ID: 414041

The term "convergence" is *most* accurately used to describe:

A) the reduction of the premium on a bond as it nears maturity.

B) the process of developing one universally accepted set of accounting standards.

C) when expected return and required return are equal.

Question #6 of 30

Question ID: 414047

Which of the following is *least likely* a qualitative characteristic accounting information must possess in order to provide useful information to an analyst, according to the IASB Conceptual Framework?

A) Faithful representation.

B) Conservatism.

C) Relevance.

Question #7 of 30

Question ID: 434268

An analyst can find a company's accounting policies that require significant judgement or estimates in:

A) both the footnotes and in the auditor's opinion.

B) both the footnotes to the financial statements and Management's Discussion and Analysis.

C) only the footnotes.

Question #8 of 30

Question ID: 414052

Which of the following statements about the elements of financial statements under the FASB and IASB frameworks is *least* accurate?

A) The IASB framework does not allow the values of assets to be adjusted upward.

B) The IASB framework lists income and expenses as the elements related to performance.

C) The word "probable" is used by the FASB to define assets and liabilities.

Question #9 of 30

Question ID: 414038

Professional organizations of accountants and auditors that establish financial reporting standards are called:

A) Standard setting bodies.

B) International organizations of securities commissions.

C) Regulatory authorities.

Question #10 of 30

Question ID: 498752

Which of the following is *least likely* one of the general requirements for financial statements under IFRS?

A) No offsetting of income against expenses unless a standard permits or requires it.

B) Statements should be prepared under a going concern assumption.

C) Statements should be prepared at least quarterly.

Question #11 of 30

Question ID: 414045

According to the IASB conceptual framework, characteristics that enhance relevance and faithful representation include:

A) timeliness and verifiability.

B) comparability and thoroughness.

C) assurance and understandability.

Question #12 of 30

Question ID: 414035

Which description of the objective of financial statements is *most* accurate? The objective of financial statements is:

A) to provide securities analysts with objective data about a firm's financial prospects.

B) to provide a wide range of users with information about a firm's financial prospects.

C) to provide economic decision makers with useful information about a firm's financial performance and changes in financial position.

Question #13 of 30

Question ID: 414053

Characteristics of a coherent financial reporting framework are *best* described as:

A) materiality, comprehensiveness, and aggregation.

B) consistency, materiality, and transparency.

C) transparency, consistency, and comprehensiveness.

Question #14 of 30

Question ID: 414051

Under which framework for financial reporting systems are the financial statement elements related to performance defined as revenues, expenses, gains, losses, and comprehensive income?

A) IASB framework.

B) Both IASB and FASB frameworks.

C) FASB framework.

Question #15 of 30

Question ID: 414037

Desirable attributes of accounting standard-setting bodies *least likely* include:

A) having clear and consistent standard-setting processes.

B) operating independently of interested stakeholders.

C) making decisions that are in the public interest.

Question #16 of 30

Question ID: 414046

According to the IFRS framework, timeliness is a characteristic that enhances:

A) both relevance and faithful representation.

B) relevance.

C) faithful representation.

Question #17 of 30

Question ID: 414055

Disagreements that inhibit development of a coherent financial reporting framework are *least* likely to involve which of the following?

A) Valuation.

B) Standard setting.

C) Transparency.

Question #18 of 30

Question ID: 414057

Management disclosure of the likely impact of implementing recently issued accounting standards is *least* likely to:

A) state that the impact of the standard is impossible to determine.

B) conclude that the standard will not affect the financial statements materially.

C) conclude that the standard does not apply.

Question #19 of 30

Question ID: 414042

Which of the following is *most* likely to be considered a barrier to developing one universally recognized set of reporting standards?

A) Different standard-setting bodies of different countries disagree on the best treatment of a particular issue.

B) Reluctance of firms to adhere to a single set of reporting standards.

C) GATT already requires sufficient agreement.

Question #20 of 30

Question ID: 414043

The process of developing one universally accepted set of accounting standards is *best* described as:

A) unification.

B) IASB.

C) convergence.

Question #21 of 30

Question ID: 414044

Two underlying assumptions of financial statements, according to the IASB conceptual framework, are:

A) going concern and accrual accounting.

B) accrual accounting and historical cost.

C) historical cost and going concern.

Question #22 of 30

Question ID: 414050

Which of the following financial reporting choices is permitted under IFRS but not under U.S. GAAP?

A) Excluding actuarial gains and losses from balance sheet pension items.

B) Revaluing plant and equipment upward.

C) Netting deferred tax assets with deferred tax liabilities.

Question #23 of 30

Question ID: 414040

Which of the following is *least* likely to be considered a stated goal of the International Accounting Standards Board (IASB)?

A) Develop global accounting standards requiring transparency, comparability, and high quality in financial statements.

B) Account for the needs of emerging markets and small firms when implementing global accounting standards.

C) Remain neutral in the debate on the use of global accounting standards to avoid appearance of a conflict of interest.

Question #24 of 30

Question ID: 414049

Which of the following is a company *least* likely required to present according to International Accounting Standard (IAS) No. 1?

A) Statement of changes in owners' equity.

B) A summary of accounting policies.

C) Disclosures of material events.

Question #25 of 30

Question ID: 485773

Which of the following financial reporting choices is permitted under IFRS but not under U.S. GAAP?

A) Revaluing plant and equipment upward.

B) Netting deferred tax assets with deferred tax liabilities.

C) Excluding actuarial gains and losses from balance sheet pension items.

Question #26 of 30

Question ID: 414058

An analyst is *least* likely to use disclosures of accounting policies and estimates to evaluate:

A) whether the disclosures have changed since the prior period.

B) what policies are discussed.

C) what policies are likely to be modified in future periods.

Question #27 of 30

Question ID: 414034

Which of the following statements about financial reporting standards is *least* accurate? Reporting standards:

A) narrow the range within which management estimates can be seen as reasonable.

B) ensure that the information is "useful to a wide range of users."

C) are disclosed on Form 8K by publicly traded firms in the United States.

Question #28 of 30

Question ID: 414039

When a publicly traded U.S. company prepares a proxy statement for its shareholders prior to the annual meeting or other shareholder vote, it also files the statement with the SEC as Form:

A) DEF-14A.

B) 144.

C) 8-K.

Question #29 of 30

Question ID: 485772

According to the IASB Conceptual Framework for Financial Reporting, one of the qualitative characteristics of financial statements is:

A) faithful representation.

B) going concern.

C) timeliness.

Question #30 of 30

Question ID: 414054

Which of the following is *least* likely to be considered a characteristic of a coherent financial reporting framework?

A) Transparency.

B) Stability.

C) Comprehensiveness.