Testbank

to accompany

Company accounting

12th edition

by

Leo et al.

Prepared by

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**Chapter 1: Nature and regulation of companies**

**Multiple-choice questions**

1. A company has the legal capacity and powers of an individual including:

a. the right own property and sell property.

b. the right to enter contracts and undertake legal obligations

c. the right to sue other parties and be sued by other parties

\*d. all of the above.

General Feedback:

Correct answer: d
Learning objective 1.1

2. The advantages of a company over a partnership and sole trader include the following?

|  |  |
| --- | --- |
| I.  | A company has a legal existence distinct from its owners.  |
| II.  | A company has more freedom to ignore the law because of self-regulation.  |
| III.  | The liability of members for company debts is limited to any unpaid amounts on their shares.  |
| IV.  | Members are able to sell their shares at any time to another person without having to obtain permission from the other members.  |

a. I. and II. only.

b. I., II. and III. only

\*c. I., III. and IV. only

d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.1

3. In Australia, the registration of companies under the Corporations Act 2001 is administered by the

\*a. Australian Securities and Investments Commission (ASIC).

b. Australian Institute of Company Directors (AICD)

c. Securities and Exchange Commission (SEC).

d. Australian Securities Exchange (ASX).

General Feedback:

Correct answer: a
Learning objective 1.1

4. A company limited by shares has the following rights.

a. the right to issue redeemable debentures.

b. the right to issue and cancel shares in the company.

c. the right to grant a fixed charge to creditors over the company’s property.

\*d. all of the above.

General Feedback:

Correct answer: d
Learning objective 1.1

5. The two main types of companies permitted to be registered under the Corporations Act 2001 are as follows.

a. private company and public company.

\*b. proprietary company and public company.

c. public company and global interest company.

d. for-profit company and not-for-profit company.

General Feedback:

Correct answer: b
Learning objective 1.2

6. Which of the following are differences between public company and proprietary company.

|  |  |
| --- | --- |
| I.  | a public company is required to have at least three directors whereas a proprietary company can have only one.  |
| II.  | A public company may be limited by shares or by guarantee whereas a proprietary company must be limited by shares.  |
| III.  | A public company can issue a disclosure document to offer shares or debentures to new investors or members of the public.  |
| IV.  | A public company must have more than one member whereas a proprietary company can have only one.  |

a. I. only.

b. I. and II. only

\*c. I., II. and III. only

d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.2

7. A proprietary company must have at least one shareholder and cannot have more than:

a. 20 non-employee shareholders.

\*b. 50 non-employee shareholders.

c. 100 non-employee shareholders.

d. 500 non-employee shareholders.

General Feedback:

Correct answer: b
Learning objective 1.2

8. According to the Corporations Act 2001, a large proprietary company is one which satisfies at least two of the following tests:

\*a. Consolidate Revenue: $50m or more; Consolidated Gross Assets: $25m or more; Employees in the Group: 100 or more

b. Consolidate Revenue: $25m or more; Consolidated Gross Assets: $12.5m or more; Employees in the Group: 50 or more

c. Consolidate Revenue: $10m or more; Consolidated Gross Assets: $5m or more; Employees in the Group: 50 or more

d. Consolidate Revenue: $5m or more; Consolidated Gross Assets: $2.5m or more; Employees in the Group: 25 or more

General Feedback:

Correct answer: a
Learning objective 1.2

9. Refer to the diagram below. Based on the information provided, is there a large proprietary company?
 

a. A Pty Ltd is large B Pty Ltd is large.

\*b. A Pty Ltd is large B Pty Ltd is small.

c. A Pty Ltd is small B Pty Ltd is large.

d. A Pty Ltd is small B Pty Ltd is small.

General Feedback:

Correct answer: b
Learning objective 1.2

10. Refer to the diagram below. Based on the information provided, is there a large proprietary company?
 

\*a. A Pty Ltd is large B Pty Ltd is large.

b. A Pty Ltd is large B Pty Ltd is small.

c. A Pty Ltd is small B Pty Ltd is large.

d. A Pty Ltd is small B Pty Ltd is small

General Feedback:

Correct answer: a
Learning objective 1.2

11. Under the Corporations Act 2001, the significance of being a large proprietary company instead of a small proprietary company is:

a. a large proprietary company must keep accounting records.

b. a large proprietary company has more shareholders and directors than a small proprietary company.

c. a large proprietary company must prepare financial statements for each half year in addition to each financial year.

\*d. a large proprietary company must prepare audited financial statements each financial year and place them on the public record with ASIC.

General Feedback:

Correct answer: d
Learning objective 1.2

12. In accordance with the Corporations Act 2001, a disclosing entity is an entity that has enhanced disclosure (ED) securities on issue. Which of the following is a disclosing entity?

a. company that is required to appoint an auditor.

b. company on the official list of the Australian Securities Exchange (ASX).

c. company that has issued debentures as a borrower and appointed a trustee for the debenture holders.

\*d. both b. and c. are correct.

General Feedback:

Correct answer: d
Learning objective 1.2

13. Under the Corporations Act 2001, the significance of being a disclosing entity is:

a. a disclosing entity must make quarterly earnings announcements.

b. a disclosing entity has an obligation for continuous disclosure of price/value sensitive information.

c. a disclosing entity must prepare half yearly financial statements that are audited or reviewed and lodged with ASIC.

\*d. both b. and c. are correct.

General Feedback:

Correct answer: d
Learning objective 1.2

14. The certificate of registration issued by the Australian Securities and Investments Commission to a company is valid:

\*a. until the company is deregistered.

b. until the earlier of 15 years or deregistration

c. for 12 months and it must be renewed annually.

d. for a maximum period of 5 years for a public company and 10 years for a proprietary company.

General Feedback:

Correct answer: a
Learning objective 1.3

15. The replaceable rules at section 141 of the Corporations Act 2001 deal with the following?

|  |  |
| --- | --- |
| I. | Members’ meetings. |
| II. | Shares and share transfers. |
| III. | Inspection of company records. |
| IV. | Appointment, powers and remuneration of directors and directors’ meetings. |

a. I only.

b. I. and II. only

c. I., II. and III. only

\*d. I., II., III. and IV.

General Feedback:

@ Correct answer: d
Learning objective 1.3

16. The constitution of a company has the effect as a contract between:

a. the company and each member.

b. the company and each director and company secretary.

c. a member and each other member.

\*d. all of the above.

General Feedback:

Correct answer: d
Learning objective 1.3

17. Which of the following records is required to be kept by a company?

|  |  |
| --- | --- |
| I. | Minute books of the proceedings and decisions made at meetings of directors and members. |
| II. | Financial records that would enable financial statements to be prepared and audited. |
| III. | Registers showing the details of members, debenture holders and option holders. |
| IV. | Written transcripts of all telephone conversations between directors. |

a. I. only.

b. I. and II. only.

\*c. I., II. and III. only.

d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.4

18. ASIC must be notified of any changes to the following particulars of a proprietary company.

|  |  |
| --- | --- |
| I. | Change to the company’s principal place of business or registered office. |
| II. | Change in director/officeholder or change in their address. |
| III. | Change in members or change in their address. |
| IV. | Change in Australian Company Number. |

a. I. only.

b. I. and II. only.

\*c. I., II. and III. only.

d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.4

19. Which of the following statements is correct regarding shares issued by a company to raise funds?

|  |  |
| --- | --- |
| I.  | Shares may be issued as fully paid or partly paid  |
| II.  | Preference shares rank before ordinary shares to company distributions including dividends.  |
| III.  | Except in the case of no liability companies, the liability of shareholders is limited to any amount unpaid on partly paid shares  |
| IV.  | Preference shares must be convertible into ordinary shares or redeemable on set dates or under specific conditions.  |

a. I. and IV. only.

b. I., II. and IV. only.

c. I., III. and IV. only.

\*d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.5

20. Which of the following statements is correct regarding debentures issued by a company?

|  |  |
| --- | --- |
| I.  | money borrowed from a related corporate body is excluded from the definition of debentures.  |
| II.  | debentures are a chose in action that includes an undertaking by a company to repay as a debt the money that is deposited or lent to it.  |
| III.  | debenture holders may have fixed charge over specific property of the company or a floating charge over company assets.  |
| IV.  | issuing debentures under Ch. 2L of the Corporations Act requires a debenture trust deed and appointment of a trustee for debenture holders.  |

a. I. and IV. only.

b. I., II. and IV. only.

c. I., III. and IV. only.

\*d. I., II., III. and IV.

General Feedback:

Correct answer: d
Learning objective 1.5

21. The most common type of disclosure document and the one with the broadest information requirements is:

\*a. a prospectus.

b. a profile statement.

c. a short-form prospectus.

d. an offer information statement

General Feedback:

Correct answer: a
Learning objective 1.5

22. Which of the following statements is correct in relation to disclosure documents?

a. A public company can offer securities to potential investors before it has lodged a prospectus with ASIC

b. Prospective investors are not entitled to receive a copy of the prospectus lodged with the ASIC.

\*c. Information in a disclosure document must be worded and presented in a clear, concise and effective manner.

d. Where a company offers to issue securities which will raise $10 million or less, an offer information statement cannot be issued in place of a prospectus.

General Feedback:

Correct answer: c
Learning objective 1.5

23. Which of the following was not one of the objectives of the Corporate Law Economic Reform Program (CLERP) that lead to the Corporations Act 2001?

a. To improve takeover legislation.

b. To make access to capital easier for small business.

\*c. To reduce public accountability for multinational companies.

d. To facilitate the more widespread use of electronic commerce.

General Feedback:

Correct answer: c
Learning objective 1.6

24. Which of the following is correct regarding the Corporations Act 2001?

a. the Corporations Act is administered by the Australian Securities Exchange.

b. the Corporations Act can only be changed by agreement between the States of Australia.

c. the Corporations Act sets out detailed accounting requirements for company financial statements lodged with ASIC.

\*d. the Corporations Act does not include detailed accounting requirements for company financial statements but gives accounting standards the force of law.

General Feedback:

Correct answer: d
Learning objective 1.6

25. The financial reporting of companies has been subject to increasing regulation because of:

a. high profile company failures.

b. the separation between the ownership and management of companies.

c. globalisation of business and the need for integrity in capital markets.

\*d. all of the above.

General Feedback:

Correct answer: d
Learning objective 1.7

26. Which of the following is a purpose of the conceptual framework in Australian financial reporting?

|  |  |
| --- | --- |
| I.  | to ensure all Australian Accounting Standards are consistent with each other.  |
| II.  | to ensure Australian Accounting Standards are consistent with those in the United States.  |
| III.  | to have an underlying theoretical base from which to logically make the accounting standards  |
| IV.  | to set down concepts that can be used to determine accounting policies for matters not specifically dealt with in the accounting standards  |

\*a. I. and II. only.
\*b. III. and IV. only.
c. I., III. and IV. only.
d. I., II., III. and IV.

General Feedback:

Correct answer: b
Learning objective 1.7

27. The main functions of the Financial Reporting Council include:

|  |  |
| --- | --- |
| I.  | Determine the broad strategic direction of the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB).  |
| II.  | Approve and monitor the priorities, business plans, budgets procedures and staffing arrangements of the AASB and AUASB.  |
| III.  | Provide final approval for each new accounting standard or auditing standard.  |
| IV.  | Appoint members of to the AASB and the AUASB.  |

a. I. and II. only

b. I., II. and III only.

\*c. I., II. and IV. only

d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.7

28. In July 2002, what fundamental change in the strategic direction of the Australian Accounting Standards Board (AASB) was announced by the Financial Reporting Council (FRC)?

a. adoption of New Zealand accounting standards from 1 January 2005.

\*b. adoption of international accounting standards from 1 January 2005.

c. harmonisation with international accounting standards from 1 January 2005.

d. convergence with United States’ accounting standards from 1 January 2005.

General Feedback:

Correct answer: b
Learning objective 1.7

29. The main functions of the Australian Accounting Standards Board include:

|  |  |
| --- | --- |
| I.  | issuing standards specifically directed to the Australian not-for-profit sector.  |
| II.  | adopting standards issued by the International Accounting Standards Board (IASB).  |
| III.  | providing technical advice and expertise to the IASB as a member of the Accounting Standards Advisory Forum (ASAF).  |
| IV.  | developing specific accounting standards applicable to the for-profit sector independently of the IASB if that is of benefit to the Australian economy  |

a. I. only.

b. I. and II. only.

\*c. I., II. and III only.

d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.7

30. In terms of the numbering of AASB accounting standards:

\*a. AASB 1–99 are the AASB equivalents of the IFRSs issued by the IASB.

b. AASB 101–199 are the AASB equivalents of the IFRSs issued by the IASB.

c. AASB 1–99 address domestic issues such as director and executive disclosures and concise financial reports.

d. AASB 101–199 address domestic issues such as director and executive disclosures and concise financial reports.

General Feedback:

Correct answer: a
Learning objective 1.7

31. Which of the following does not follow the numbering sequence for Australian equivalents to accounting standards issued by the International Accounting Standards Board?

a. AASB 10 is equivalent to IFRS 10

b. AASB 101 is equivalent to IAS 1

\*c. AASB 128 is equivalent to IAS 128

d. AASB 1057 has no in international equivalent

General Feedback:

Correct answer: c
Learning objective 1.7

32. In 2001, the International Accounting Standards Board replaced the:

a. Urgent Issues Group.

b. Financial Reporting Council.

c. Australian Accounting Research Foundation.

\*d. International Accounting Standards Committee.

General Feedback:

Correct answer: d
Learning objective 1.7

33. The due process of the International Accounting Standards Board in relation to a new or revised international financial reporting standard involves the following:

|  |  |
| --- | --- |
| I.  | Identify a technical issue  |
| II.  | Request for input  |
| III.  | Research and consider issue  |
| IV.  | Issue exposure draft  |
| V  | Consider submissions  |
| VI  | Issue final Standard  |
| VII.  | Post-implementation review  |

a. I. and VI.. in that order.

b. IV., V. and VI. in that order.

c. I. through to VI. in that order.

\*d. I. through to VII. in that order.

General Feedback:

Correct answer: d
Learning objective 1.7

34. Historically, the most active and well-known accounting standard setting body in the world is:

\*a. the Financial Accounting Standards Board (FASB)

b. the International Accounting Standards Board (IASB)

c. the Asian-Oceanian Standard Setters Group (AOSSG)

d. the European Financial Reporting Advisory Group (EFRAG)

General Feedback:

Correct answer: a
Learning objective 1.7

35. The IFRS Interpretations Committee is a sub-committee of the International Accounting Standards Board and it issues interpretations that:

a. take prominence over the requirements in international accounting standards.

b. obviate the need to revise international accounting standards or issue new accounting international standards.

\*c. cover financial reporting issues not dealt with in international accounting standards where unsatisfactory or conflicting approaches have arisen.

d. allow for as many optional accounting treatments as possible to satisfy the various countries that use international standards.

General Feedback:

Correct answer: c
Learning objective 1.7

36. A person cannot be appointed as a member of the Australian Accounting Standards Board unless:

a. they are a member of one of the accounting professional bodies.

b. they are a registered company auditor.

\*c. their knowledge and experience in business, accounting, law or government qualifies them for appointment.

d. they have experience as a company director.

General Feedback:

Correct answer: c
Learning objective 1.7

37. Which of the following statements about the Australian Accounting Standards Board (AASB) is correct?

\*a. the AASB effectively makes accounting standards for Australian companies by ‘rubber stamping’ the accounting standards made by the International Accounting Standards Board.

b. the AASB makes accounting standards for Australian companies independently of the International Accounting Standards Board.

c. the AASB adopts accounting standards made by the International Accounting Standards Board by omitting any paragraphs that the Australian Institute of Company Directors have objected to.

d. both b. and c. are correct

General Feedback:

Correct answer: a
Learning objective 1.7

38. According to section 224 of the Australian Securities and Investments Act 2001, accounting standards require the provision of financial information that:

|  |  |
| --- | --- |
| I.  | Allows users to make and evaluate decisions about allocating scarce resources.  |
| II.  | Assists directors in discharging their obligations in relation to financial reporting.  |
| III.  | Is relevant to assessing performance, financial position, financing and investment.  |
| IV.  | Is relevant and reliable.  |
| V  | Facilitates comparability.  |
| VI.  | Is readily understandable.  |

a. I. and II. only.

b. I., II. and III. only.

c. I., II., III. and IV only.

\*d. I., II., III., IV., V. and VI.

General Feedback:

Correct answer: d
Learning objective 1.7

39. AASB 1048 Interpretation and Application of Standards contains the:

a. Australian Interpretations corresponding to FASB interpretations that have been approved by the AASB.

b. Australian Interpretations corresponding to IASB interpretations that have been approved by the AASB.

c. Other Australian Interpretations issued by the (now defunct) Urgent Issues Group that have been approved by the AASB.

\*d. both b. and c. are correct.

General Feedback:

Correct answer: d
Learning objective 1.7

40. The role of the Australian Securities and Investments Commission is to:

|  |  |
| --- | --- |
| I.  | Promote confident and informed participation by investors and consumers in the financial system.  |
| II.  | Maintain the public register of information about companies and other bodies.  |
| III.  | Protect markets and consumers from manipulation and unfair practices.  |
| IV.  | Enforce compliance with accounting standards.  |

a. I. only.

b. I. and II. only.

c. I., II. and III. only.

\*d. I., II., III. and IV.

General Feedback:

Correct answer: d
Learning objective 1.8

41. A company whose shares trade on the Australian Securities Exchange (ASX) must also comply with:

\*a. ASX Listing Rules

b. ASX Guidelines for Directors

c. ASX Corporate Governance Rules

d. all of the above.

General Feedback:

Correct answer: a
Learning objective 1.8

42. General purpose financial statements are:

a. financial statements that are prepared by management for the shareholders of a company.

b. financial statements that are prepared by management for all the stakeholders of company including employees and creditors and customers.

c. financial statements intended to meet the needs of users who are in a position to command reports from an entity that meet their particular information needs.

\*d. financial statements intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

General Feedback:

Correct answer: d
Learning objective 1.9

43. In Australia, general purpose financial statements must comply with:

a. the recognition and measurement requirements in the accounting standards that are chosen by an entity.

b. all recognition and measurement requirements in the Conceptual Framework.

\*c. all recognition and measurement requirements in the accounting standards.

d. all disclosure requirements in the accounting standards.

General Feedback:

Correct answer: c
Learning objective 1.9

44. According to the Conceptual Framework, the primary users of general purpose financial statements are:

|  |  |
| --- | --- |
| I.  | existing and potential investors.  |
| II.  | lenders and other creditors.  |
| III.  | employees and trade unions.  |
| IV.  | customers, regulators and the general public.  |

a. I. only.

\*b. I. and II. only.

c. I., II. and III. only.

d. I., II., III. and IV.

General Feedback:

Correct answer: b
Learning objective 1.9

45. In Australia, a company has public accountability when:

|  |  |
| --- | --- |
| I.  | its debt or equity instruments are traded in a public market.  |
| II.  | it is in the process of issuing debt or equity instruments for trading in a public market.  |
| III.  | it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.  |
| IV.  | it is a multinational company that has consolidated gross revenues of $1 billion or more.  |

a. I. only.

b. I. and II. only.

\*c. I., II. and III. only.

d. I., II., III. and IV.

General Feedback:

Correct answer: c
Learning objective 1.10

46. In accordance with AASB 1053 Application of Tiers of Australian Accounting Standards, the significance of being an entity that has public accountability is the requirement that the entity must prepare:

a. special purpose financial statements that comply with Tier 1 reporting requirements.

\*b. general purpose financial statements that comply with Tier 1 reporting requirements.

c. special purpose financial statements that comply with Tier 2 reporting requirements.

d. general purpose financial statements of the entity must comply with Tier 2 reporting requirements.

General Feedback:

Correct answer: b
Learning objective 1.10

47. What is the difference between Tier 1 and Tier 2 reporting requirements?

\*a. Tier 1 incorporates all the requirements in Australian Accounting Standards whereas Tier 2 has reduced disclosure requirements.

b. Tier 1 is the original set of reporting requirements in Australian Accounting Standards whereas Tier 2 is the latest version.

c. Tier 1 is based on the cost model of financial reporting whereas Tier 2 is a hybrid of the cost model and the fair value model..

d. Tier 1 includes all the financial statements whereas Tier 2 excludes the statement of cash flows.

General Feedback:

Correct answer: a
Learning objective 1.10

48. On 18 March 2020, the Australian Accounting Standards Board announced the removal of special purpose financial statements for certain types of for-profit private sector entities. How does this announcement affect large proprietary companies that prepare annual financial reports under the Corporations Act 2001?

\*a. Large proprietary companies are required to prepare general purpose financial statements using Tier 1 or Tier 2 reporting requirements for annual periods beginning on or after 1 July 2021.

b. Large proprietary companies can choose between special purpose financial statements or general purpose financial statements depending on the information needs of their shareholders.

c. Large proprietary companies can opt out of preparing financial statements under the Corporations Act 2001.

d. Large proprietary companies that wish to continue preparing special purpose financial statements will have to change their status to public companies.

General Feedback:

Correct answer: a
Learning objective 1.10

**True/False questions**

49. Members of a company are allowed to sell their shares at any time, after they obtain permission from the other members.

a. True

\*b. False

General Feedback:

The statement is false. Provided a proper instrument of transfer has been delivered to the company, members do not have to obtain permission from the other members (s. 1071B of the Corporations Act).
Learning objective 1.1

50. Small proprietary companies must prepare audited accounts if requested by ASIC.

\*a. True

b. False

General Feedback:

The statement is true. ASIC can require small proprietary companies to prepare audited financial statements under s. 294 of the Corporations Act.
Learning objective 1.2

51. When determining whether a proprietary company is classified as small or large, the consolidated gross assets test is determined based on the average of the opening and closing gross assets.

a. True

\*b. False

General Feedback:

The statement is false. The assets test is based on consolidated gross assets at the end of the financial year.
Learning objective 1.2

52. Disclosing entities must prepare half-yearly financial reports, have them audited (or reviewed) and lodge them with ASIC.

\*a. True

b. False

General Feedback:

The statement is true. This is required under s. 302 of the Corporations Act.
Learning objective 1.2

53. Costs incurred in promoting and setting up a company are considered to be capital in nature and cannot be paid from the company’s assets.

a. True

\*b. False

General Feedback:

The statement is false. Section 122 of the Corporations Act allows such costs to be paid from the company’s assets.
Learning objective 1.3

54. All company registers must always be kept at the registered office of the company.

a. True

\*b. False

General Feedback:

The statement is false. The Corporations Act (s. 172) allows company registers to be kept at the registered office, the principal place of business or at another location approved by the ASIC.
Learning Objective 1.4 ~ describe the types of records needed to manage a company

55. Shares and debentures are the most common types of securities issued by companies when raising funds.

\*a. True

b. False

General Feedback:

The statement is true. Companies can also issue options, but these are not as common.
Learning objective 1.5

56. All offers by a company to issue shares or debentures must be accompanied by a disclosure document.

a. True

\*b. False

General Feedback:

The statement is false. Section 708 of the Corporations Act provides a number of specific exclusions where a disclosure document is not required. Examples include the offer of shares to ‘professional’ investors and offers of securities as part of a takeover bid.
Learning objective 1.5

57. The aim of the proposals in the Corporate Law Economic Reform Program (CLERP) first discussion paper was to provide a standard-setting process which would be beneficial for Australian business operating in a global environment and which would be economically efficient.

\*a. True

b. False

General Feedback:

The statement is true. The government was concerned that the existing accounting standard-setting arrangements were imposing excessive costs on business.
Learning objective 1.7

58. Prior to 1988 the role of the Accounting Standards Review Board (ASRB) was to formulate and issue accounting standards.

a. True

\*b. False

General Feedback:

The statement is false. The role of the ASRB prior to 1988 was to review and approve accounting standards that had been prepared by the professional accounting bodies, via the Australian Accounting Research Foundation (AARF). The role of the ASRB expanded in 1988 to include developing accounting standards. In 1991, the ASRB was replaced by the Australian Accounting Standards Board (AASB).
Learning objective 1.7

59. In announcing that the AASB would adopt IASB accounting standards by 1 January 2005, the Financial Reporting Council (FRC) argued that a single set of high-quality accounting standards that are accepted in international capital markets would greatly help cross-border comparisons by investors.

\*a. True

b. False

General Feedback:

The statement is true. The FRC also argued that a single set of accounting standards would reduce the cost of capital and help Australian companies wishing to raise capital or list their shares on overseas stock markets.
Learning objective 1.7

60. Under the ASIC Act 2001 one of the key functions of the Australian Accounting Standards Board (AASB) is to participate in the development of a single set of accounting standards for worldwide use.

\*a. True

b. False

General Feedback:

The statement is true. This is stipulated in s. 227(1) of the ASIC Act 2001.
Learning objective 1.7

61. Australian accounting standards are now identical to their equivalent International Financial Reporting Standards (IFRSs).

a. True

\*b. False

General Feedback:

The statement is false. Australian accounting standards are substantially the same as the equivalent IFRSs, with two important exceptions: some Australian standards have increased disclosure requirements and Australian standards contain additional guidance relating to the public and not-for-profit sectors.
Learning objective 1.7

62. As the Urgent Issues Group (UIG) is now defunct, the interpretations issued by it are no longer enforceable.

a. True

\*b. False

General Feedback:

The statement is false. The interpretations issued by the UIG are listed in AASB 1048 Interpretation and Application of Standards. As they form part of an accounting standard, they are enforceable under the Corporations Act.
Learning objective 1.7

63. From March 2010, the principal objectives of the International Accounting Standards Board (IASB) include promoting the use and rigorous application of IFRSs and to bring about convergence of national accounting standards and IFRSs.

\*a. True

b. False

General Feedback:

The statement is true. These objectives are set out in the constitution of the IFRS Foundation and the IASB.
Learning objective 1.7

64. The Australian Securities and Investments Commission (ASIC) is responsible for monitoring and promoting market integrity and consumer protection in relation to the Australian financial system.

\*a. True

b. False

General Feedback:

The statement is true. This responsibility is set out in s. 12A(2) of the ASIC Act.
Learning objective 1.8

65. The Australian Securities and Investments Commission (ASIC) does not determine accounting standards, but has the right to lobby for or against accounting standards as it sees fit.

\*a. True

b. False

General Feedback:

The statement is true. ASIC is one of many organisations that lobby for and against accounting standards.
Learning objective 1.8

66. The Australian Securities Exchange (ASX) played a major role in influencing the Australian Government to push the AASB towards the adoption of IASB standards.

\*a. True

b. False

General Feedback:

The statement is true.
Learning objective 1.8

67. The content and format of general purpose financial reports are determined by the company’s management and the main users of the financial report.

a. True

\*b. False

General Feedback:

The statement is false. Management and specific user groups determine the content and format of special purpose financial reports.
Learning objective 1.9

68. The three main user groups of general purpose financial reports (GPFRs) contained in the Framework for the Preparation and Presentation of Financial Statements (the Framework) include the management of the reporting entity.

a. True

\*b. False

General Feedback:

The statement is false. The three main user groups are existing and potential investors, lenders, and other creditors.
Learning objective 1.9