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**Exam** : **Financial-Accounting-and-Reporting**

**Title** : CPA Financial Accounting and Reporting Exam

**Vendor** : CPA Australia

**Version** : DEMO

**NO.1** Which one of the following is not an advantage of accounting regulation?

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

**Answer:** D

**NO.2** Which accounting theory is best described by the statement 'An approach to accounting is one where a theory is thought of as a body of knowledge that explains and attempts to predict actual accounting practice'?

- A. positive accounting theory
- B. historical cost accounting theory
- C. general accounting theory
- D. normative accounting theory

**Answer:** A

**NO.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 of any dividends paid or proposed.
- B. Details regarding accounting policies pursued by Daylight in preparation of its financial statements.
- C. Details regarding any significant changes to Daylight's state of affairs for the year that just ended.
- D. Review of operations of Daylight during the year just ended and any likely developments in the future that may impact Daylight.

**Answer:** B

**NO.4** 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. members of the public who have small investment holdings in the company
- C. a company's executive management
- D. potential investors in the company

**Answer:** C

**NO.5** Which one of the following bodies makes accounting standards in Australia?

- A. AASB
- B. FRC
- C. IASB
- D. ASIC

**Answer:** A

**NO.6** Which one of the following practices is not considered creative accounting?

- A. trading in derivatives
- B. profit smoothing
- C. aggressive earnings management
- D. window dressing

**Answer:** A

**NO.7** Which one of these is a key principle of good corporate governance?

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

**Answer:** D

**NO.8** 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. Risk of error is greater and the quality of outputs is inferior.
- C. It is easy to make corrections.
- D. They are bulky to store compared to computer systems.

**Answer:** C

**NO.9** The use of the principle of substance over form is found in which one of the following accounting treatments?

- A. accounting for property, plant and equipment
- B. accounting for non-current assets
- C. accounting for inventories
- D. accounting for finance leases

**Answer:** D

**NO.10** Which one of the following is the correct treatment of sales?

- A. Cash and credit sales are recorded in the receivables ledger prior to posting to the general ledger.
- B. Credit sales are recorded in the receivables ledger prior to posting to the general ledger.
- C. Cash sales are recorded in the receivables ledger prior to posting to the general ledger.
- D. Credit sales are not recorded in the receivables ledger prior to posting to the general ledger.

**Answer:** B