1

Student: ____

1. Which of the following would NOT be a reason to obtain a greater understanding of accounting practices in other nations?

A. Financial results are disclosed in different currencies.
B. One needs to be aware of differing disclosure requirements from nation to nation, as this impacts the preparation of financial statements.
C. Income-smoothing may have affected a foreign subsidiary's results; such smoothing practices are not permitted in North America.
D. Departures from the historical cost principle may be possible in other nations.

2. Which of the following is LEAST likely to influence a country's accounting standards?

A. Taxation Policies.
B. Different Legal Systems.
C. The currency used.
D. Ties between countries.

3. If a country's accounting income does not differ significantly from its taxable income, one would reasonably expect:

A. extreme conservatism on the part of accountants.
B. a significant amount of deferred taxes on the balance sheet.
C. that the use of LIFO would be more prevalent.
D. extreme conservatism on the part of accountants as well as increased use of LIFO.

4. Income-smoothing has been applied to a German subsidiary of Company Inc, as it had an abnormally high operating income last year. Which of the following would the accountants working for the subsidiary likely have done?

A. Debited an expense account and credited an equity account.
B. Credited an expense account and debited an equity account.
C. Credited an expense account and debited a provision account appearing under the liabilities section.
D. Debited an expense account and credited a provision account appearing under the liabilities section.

5. Which decision has Canada made with respect to financial reporting for small and medium sized enterprise?

A. To adopt the IFRS standards for small and medium sized enterprises.
B. To retain the current standards.
C. To look to US GAAP for standards.
D. To develop and maintain its own standards for private enterprises.

6. What monumental decision to change the requirements for foreign registrants and their reporting in the U.S. under certain circumstances did the SEC make in 2007?

A. Foreign registrants could use IFRSs in preparing their financial statements without providing a reconciliation to US GAAP.
B. Foreign registrants must report under U.S. GAAP.
C. Foreign registrants may report under IFRS as long as they provide a reconciliation to U.S. GAAP.
D. The SEC has no jurisdiction over foreign registrants.

7. In which of the following countries has income tax law had the greatest effect on its accounting policies?

A. Canada
B. The United Kingdom
C. Japan
D. The United States

8. IMVAR INC is a U.S.-based Company with subsidiaries in both the United States and in Canada. The Company's Consolidated Financial Statements show a significantly higher net income when prepared under Canadian GAAP than under U.S. GAAP. What is the likely reason for this difference?

A. Different corporate tax rates in each country.
B. Timing differences which will reverse out in the future.
C. Differing reporting requirements in each country.
D. Currency fluctuations.

9. Which of the following bodies is responsible for the harmonization of international accounting standards?

A. The European Union (EU).
B. The Federal Accounting Standards Board (FASB).
C. The International Accounting Standards Board (IASB).
D. The Canadian Institute of Chartered Accountants (CICA).

10. Which of the following would be most affected by financial Statements being prepared under different accounting principles?

A. Reduced comparability.
B. Reduced reliability.
C. Increased complexity.
D. Inaccurate asset valuations.

11. The degree of accounting disclosure required tends to be greater in countries with well-developed capital markets. Why is this?

A. Countries with well-developed capital markets also have well developed legal systems.
B. The disclosure requirements were designed to prevent fraud.
C. These markets tend to have more sophisticated investors who demand more information.
D. Companies in these countries are required to comply with GAAP.

12. Which of the following nations is NOT governed by code (statute) law?

A. Germany
B. Japan
C. France
D. Canada

13. Accounting policies created in countries governed by code law tend to

A. has greater disclosure requirements on Financial Statements.
B. offer more favourable tax incentives to foreign countries.
C. offer greater protection to creditors and suppliers.
D. favour illicit activity.

14. Countries are most likely to have similar accounting policies when:

A. they have greater political and economic ties.
B. they share a common language.
C. they are close to each other geographically.
D. their economies are of a similar size.

15. Starting in 2011, what is the definition of a private enterprise (PE) under Canadian GAAP?

A. A corporation that has no public shareholders.
B. A corporation that has less than 500 shareholders and is not listed on a stock exchange.
C. A corporation which is not profit oriented.
D. A profit oriented enterprise that has none of its issued and outstanding financial instruments traded in a public market and does not hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

16. Which of the following is true with respect to the implementation of IASB standards for the European Union?

A. These standards have been in place since 1985.
B. Beginning in 2005, all European companies whose shares trade on stock exchanges were required to prepare their consolidated financial statements in accordance with IFRSs.
C. All members of the European Union are required to comply with these standards with the exception of the United Kingdom.
D. Compliance with these standards by European public companies is strictly optional.

17. Which of the following is a factor that can influence a country's accounting standards?

A. The level of development of capital markets.
B. Political policy.
C. Market practice.
D. Educational standards set for professional accountants.

18. What agreement was signed between the IASB and FASB in September 2002?

A. An agreement to set educational standards for accounting professionals in the United States.
B. An agreement to review US accounting standards to determine their appropriateness.
C. An agreement to develop international accounting standards based on U.S. GAAP.
D. An agreement to acknowledge their commitment to the development of high quality, compatible accounting standards for use in domestic and cross-border financial reporting.

19. Which of the following statement is correct?

A. IFRS rules are broader based than U.S. or Canadian GAAP.
B. Canadian accounting rules will be closer to those of the FASB in the next few years than to IFRS.
C. FASB standards are clearly superior to IFRS.
D. IFRS expressly prohibits the use of fair values and optional accounting treatments.

20. Which of the following statements is correct with respect to FASB and IFRSs' standards of accounting disclosure?

A. In general, pronouncements of FASB are more detailed, while those in IFRSs tend to rely more on professional judgement.
B. In general, pronouncements of FASB are less detailed, while those in IFRSs tend to rely more on professional judgement.
C. In general, pronouncements of FASB are more detailed, while those in IFRSs tend to rely less on professional judgement.
D. In general, pronouncements of FASB are less detailed, while those in IFRSs tend to rely less on professional judgement.

21. What are Canadian companies whose shares trade on U.S. stock exchanges required to do?

A. Provide two sets of Financial Statements -- one under Canadian GAAP and one under U.S. GAAP.
B. Present reconciliations from Canadian GAAP to U.S. GAAP in the footnotes to their financial statements.
C. File reports using either IFRS or US GAAP.
D. Revalue their assets using the lower-of -cost-and-market principle.

22. The European Union has attempted to harmonize accounting principles amongst its member nations by issuing:

A. statutes.
B. standards.
C. bylaws.
D. directives.

23. The predecessor to the International Accounting Standards Board (IASB) was:

A. the Federal Accounting Standards Board (FASB).
B. the Canadian Institute of Chartered Accountants (CICA).
C. the European Economic Community (EEC).
D. the International Accounting Standards Committee (IASC).

24. Which of the following is a major restructuring objective of the IASB?

A. To ensure compliance to a single set of accounting standards.
B. To progressively phase out divergent accounting practices.
C. To promote a greater understanding of the accounting practices of different nations.
D. To cooperate with various national accounting standard-setters in order to achieve convergence in accounting standards around the world.

25. Canada and the U.S. both experimented with price level accounting in the 1970s. This practice was quickly abandoned largely because

A. inflation rates declined after the 1970s.
B. the cost of providing this information was quite high.
C. it was a clear violation of the Historical Cost Principle.
D. it provided disclosure figure which were not verifiable.

26. Which of the following accounting standards have been revised by the FASB to be fully consistent with IFRS?

A. Liabilities and equity.
B. Leases.
C. Research and development costs.
D. Consolidations.

27. Which enterprises must report under IFRSs in Canada?

A. All corporations, government agencies and private companies.
B. Public companies and private companies whose shareholders' equity is in excess of $500,000,000 at any particular year end.
C. Public companies, private companies and not-for-profit organizations.
D. Publicly accountable enterprises.

28. What approach did Canada first decide to take with respect to convergence with IFRSs?

A. Harmonization of Canadian GAAP with IFRS.
B. Substituting IFRS's for Canadian GAAP when approved by the IASB.
C. Adopting some but not necessarily all IFRSs by reviewing them on a case by case basis.
D. Reviewing them with all publically accountable entities to see which ones would be acceptable.

29. Asset revaluations, unlike in Canada, have been acceptable in many countries for accounting purposes. Which of the following adjustments have been allowed?

A. Price level adjusted historical costs.
B. Periodic adjustment of asset valuations to current replacement cost.
C. Immediate write off of purchased goodwill to equity.
D. All of the above.

30. Prior to adoption of IFRS in 2011, Canada's accounting policies most resembled those of which nation?

A. The United Kingdom.
B. The United States.
C. The European Union (EU)
D. Australia

31. The *CICA Handbook -- Accounting* is the handbook of Canadian accounting standards. Why do companies in Canada ensure that their financial reporting is consistent with Canadian GAAP?

A. Their bank requires them to do so.
B. Their auditors require them to do so.
C. Reporting under the *CICA Handbook -- Accounting* is required by public companies' boards of directors.
D. Compliance with the *CICA Handbook -- Accounting* pronouncements is usually required by incorporation statutes and stock exchanges.

32. What choice(s) do private enterprises have in their financial reporting in Canada?

A. They have no choice at all; they will need to report under IFRS.
B. They may elect to continue with differential reporting.
C. They may adopt accounting principles that are appropriate to the circumstances.
D. They may elect to report under either IFRS or ASPE.

33. Which of the following is NOT a reason why a Canadian private company would elect to report under IFRS?

A. The company is planning to go public in the near future.
B. The company seeks comparability with public companies of a similar size.
C. It is likely to be less expensive than reporting under ASPE.
D. The company is a subsidiary of a Canadian public company.

34. For which of the following types of organizations does the *CICA Handbook - Accounting* not provide specific accounting standards?

A. Publicly accountable enterprises.
B. Private enterprises.
C. Not-for-profit organizations.
D. Proprietorships.

35. Briefly list the two types of legal systems in existence today and discuss how they would affect the accounting standards of a nation.

36. One of the underlying assumptions of the Historical Cost Principle is that a stable unit of measure (currency) should be used for Financial Reporting. Is this always the case? How have some countries attempted to adjust for any limitations associated with the Historical Cost Principle?

37. Many large corporations have operation in numerous countries around the world. As a result, they need to raise debt and equity in order to finance their operations in many different countries. Has the movement towards converging global reporting standards made it easier for corporations to raise capital in many different capital markets around the world?

38. X Inc. and Y Inc. are virtually identical companies with identical cost structures and very similar business practices operating in the same lines of business. X Inc. is based in Canada while Y Inc. is based in Japan. The following were the condensed Income Statements for both companies for the year last year before both adopted IFRS. For the sake of simplicity, Y Inc.'s results have been translated into Canadian Dollars.

	X Inc.	**Y Inc.**
Sales	$1,000,000	$2,000,000
Less:		
Cost of Goods Sold:	$500,000	$1,600,000
Gross Margin:	$500,000	$400,000
Administrative Expenses	$200,000	$300,000
Net Income:	$300,000	$100,000

Required:

Given the information provided, what are some possible causes for the differing results of these companies?

39. Briefly discuss the anticipated changes to accounting standards in Canada over the next few years.

40. List 5 factors that can influence a country's accounting standards.

41. What disclosure requirements must be met when a Canadian company adopts IFRS for the first time?

1 KEY

1. *(p. 1-2)* Which of the following would NOT be a reason to obtain a greater understanding of accounting practices in other nations?

A. Financial results are disclosed in different currencies.
B. One needs to be aware of differing disclosure requirements from nation to nation, as this impacts the preparation of financial statements.
C. Income-smoothing may have affected a foreign subsidiary's results; such smoothing practices are not permitted in North America.
D. Departures from the historical cost principle may be possible in other nations.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #1
Learning Objective: 01-01 Describe the conceptual framework for financial reporting.

2. *(p. 8-9)* Which of the following is LEAST likely to influence a country's accounting standards?

A. Taxation Policies.
B. Different Legal Systems.
C. The currency used.
D. Ties between countries.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #2
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

3. *(p. 8)* If a country's accounting income does not differ significantly from its taxable income, one would reasonably expect:

A. extreme conservatism on the part of accountants.
B. a significant amount of deferred taxes on the balance sheet.
C. that the use of LIFO would be more prevalent.
D. extreme conservatism on the part of accountants as well as increased use of LIFO.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #3
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

4. *(p. 5)* Income-smoothing has been applied to a German subsidiary of Company Inc, as it had an abnormally high operating income last year. Which of the following would the accountants working for the subsidiary likely have done?

A. Debited an expense account and credited an equity account.
B. Credited an expense account and debited an equity account.
C. Credited an expense account and debited a provision account appearing under the liabilities section.
D. Debited an expense account and credited a provision account appearing under the liabilities section.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #4
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

5. *(p. 24)* Which decision has Canada made with respect to financial reporting for small and medium sized enterprise?

A. To adopt the IFRS standards for small and medium sized enterprises.
B. To retain the current standards.
C. To look to US GAAP for standards.
D. To develop and maintain its own standards for private enterprises.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #5
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

6. *(p. 14)* What monumental decision to change the requirements for foreign registrants and their reporting in the U.S. under certain circumstances did the SEC make in 2007?

A. Foreign registrants could use IFRSs in preparing their financial statements without providing a reconciliation to US GAAP.
B. Foreign registrants must report under U.S. GAAP.
C. Foreign registrants may report under IFRS as long as they provide a reconciliation to U.S. GAAP.
D. The SEC has no jurisdiction over foreign registrants.

Blooms Level: Remember
Difficulty: Moderate
Hilton - Chapter 01 #6
Learning Objective: 01-04 Identify the direction that the FASB intends to follow for public companies.

7. *(p. 8)* In which of the following countries has income tax law had the greatest effect on its accounting policies?

A. Canada
B. The United Kingdom
C. Japan
D. The United States

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #7
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

8. *(p. 8)* IMVAR INC is a U.S.-based Company with subsidiaries in both the United States and in Canada. The Company's Consolidated Financial Statements show a significantly higher net income when prepared under Canadian GAAP than under U.S. GAAP. What is the likely reason for this difference?

A. Different corporate tax rates in each country.
B. Timing differences which will reverse out in the future.
C. Differing reporting requirements in each country.
D. Currency fluctuations.

Blooms Level: Remember
Difficulty: Moderate
Hilton - Chapter 01 #8
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

9. *(p. 10)* Which of the following bodies is responsible for the harmonization of international accounting standards?

A. The European Union (EU).
B. The Federal Accounting Standards Board (FASB).
C. The International Accounting Standards Board (IASB).
D. The Canadian Institute of Chartered Accountants (CICA).

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #9
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

10. *(p. 2)* Which of the following would be most affected by financial Statements being prepared under different accounting principles?

A. Reduced comparability.
B. Reduced reliability.
C. Increased complexity.
D. Inaccurate asset valuations.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #10
Learning Objective: 01-01 Describe the conceptual framework for financial reporting.

11. *(p. 8)* The degree of accounting disclosure required tends to be greater in countries with well-developed capital markets. Why is this?

A. Countries with well-developed capital markets also have well developed legal systems.
B. The disclosure requirements were designed to prevent fraud.
C. These markets tend to have more sophisticated investors who demand more information.
D. Companies in these countries are required to comply with GAAP.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #11
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

12. *(p. 9)* Which of the following nations is NOT governed by code (statute) law?

A. Germany
B. Japan
C. France
D. Canada

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #12
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

13. *(p. 9)* Accounting policies created in countries governed by code law tend to

A. has greater disclosure requirements on Financial Statements.
B. offer more favourable tax incentives to foreign countries.
C. offer greater protection to creditors and suppliers.
D. favour illicit activity.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #13
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

14. *(p. 9)* Countries are most likely to have similar accounting policies when:

A. they have greater political and economic ties.
B. they share a common language.
C. they are close to each other geographically.
D. their economies are of a similar size.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #14
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

15. *(p. 24)* Starting in 2011, what is the definition of a private enterprise (PE) under Canadian GAAP?

A. A corporation that has no public shareholders.
B. A corporation that has less than 500 shareholders and is not listed on a stock exchange.
C. A corporation which is not profit oriented.
D. A profit oriented enterprise that has none of its issued and outstanding financial instruments traded in a public market and does not hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #15
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

16. *(p. 12)* Which of the following is true with respect to the implementation of IASB standards for the European Union?

A. These standards have been in place since 1985.
B. Beginning in 2005, all European companies whose shares trade on stock exchanges were required to prepare their consolidated financial statements in accordance with IFRSs.
C. All members of the European Union are required to comply with these standards with the exception of the United Kingdom.
D. Compliance with these standards by European public companies is strictly optional.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #16
Learning Objective: 01-03 Identify the role that the IASB intends to play in the establishment of uniform worldwide accounting standards.

17. *(p. 8)* Which of the following is a factor that can influence a country's accounting standards?

A. The level of development of capital markets.
B. Political policy.
C. Market practice.
D. Educational standards set for professional accountants.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #17
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

18. *(p. 13)* What agreement was signed between the IASB and FASB in September 2002?

A. An agreement to set educational standards for accounting professionals in the United States.
B. An agreement to review US accounting standards to determine their appropriateness.
C. An agreement to develop international accounting standards based on U.S. GAAP.
D. An agreement to acknowledge their commitment to the development of high quality, compatible accounting standards for use in domestic and cross-border financial reporting.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #18
Learning Objective: 01-04 Identify the direction that the FASB intends to follow for public companies.

19. *(p. 13)* Which of the following statement is correct?

A. IFRS rules are broader based than U.S. or Canadian GAAP.
B. Canadian accounting rules will be closer to those of the FASB in the next few years than to IFRS.
C. FASB standards are clearly superior to IFRS.
D. IFRS expressly prohibits the use of fair values and optional accounting treatments.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #19
Learning Objective: 01-04 Identify the direction that the FASB intends to follow for public companies.

20. *(p. 13)* Which of the following statements is correct with respect to FASB and IFRSs' standards of accounting disclosure?

A. In general, pronouncements of FASB are more detailed, while those in IFRSs tend to rely more on professional judgement.
B. In general, pronouncements of FASB are less detailed, while those in IFRSs tend to rely more on professional judgement.
C. In general, pronouncements of FASB are more detailed, while those in IFRSs tend to rely less on professional judgement.
D. In general, pronouncements of FASB are less detailed, while those in IFRSs tend to rely less on professional judgement.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #20
Learning Objective: 01-04 Identify the direction that the FASB intends to follow for public companies.

21. *(p. 14)* What are Canadian companies whose shares trade on U.S. stock exchanges required to do?

A. Provide two sets of Financial Statements -- one under Canadian GAAP and one under U.S. GAAP.
B. Present reconciliations from Canadian GAAP to U.S. GAAP in the footnotes to their financial statements.
C. File reports using either IFRS or US GAAP.
D. Revalue their assets using the lower-of -cost-and-market principle.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #21
Learning Objective: 01-04 Identify the direction that the FASB intends to follow for public companies.
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

22. *(p. 10)* The European Union has attempted to harmonize accounting principles amongst its member nations by issuing:

A. statutes.
B. standards.
C. bylaws.
D. directives.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #22
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

23. *(p. 10)* The predecessor to the International Accounting Standards Board (IASB) was:

A. the Federal Accounting Standards Board (FASB).
B. the Canadian Institute of Chartered Accountants (CICA).
C. the European Economic Community (EEC).
D. the International Accounting Standards Committee (IASC).

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #23
Learning Objective: 01-03 Identify the role that the IASB intends to play in the establishment of uniform worldwide accounting standards.

24. *(p. 11)* Which of the following is a major restructuring objective of the IASB?

A. To ensure compliance to a single set of accounting standards.
B. To progressively phase out divergent accounting practices.
C. To promote a greater understanding of the accounting practices of different nations.
D. To cooperate with various national accounting standard-setters in order to achieve convergence in accounting standards around the world.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #24
Learning Objective: 01-03 Identify the role that the IASB intends to play in the establishment of uniform worldwide accounting standards.

25. *(p. 9)* Canada and the U.S. both experimented with price level accounting in the 1970s. This practice was quickly abandoned largely because

A. inflation rates declined after the 1970s.
B. the cost of providing this information was quite high.
C. it was a clear violation of the Historical Cost Principle.
D. it provided disclosure figure which were not verifiable.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #25
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

26. *(p. 16)* Which of the following accounting standards have been revised by the FASB to be fully consistent with IFRS?

A. Liabilities and equity.
B. Leases.
C. Research and development costs.
D. Consolidations.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #26
Learning Objective: 01-04 Identify the direction that the FASB intends to follow for public companies.

27. *(p. 20)* Which enterprises must report under IFRSs in Canada?

A. All corporations, government agencies and private companies.
B. Public companies and private companies whose shareholders' equity is in excess of $500,000,000 at any particular year end.
C. Public companies, private companies and not-for-profit organizations.
D. Publicly accountable enterprises.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #27
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

28. *(p. 20)* What approach did Canada first decide to take with respect to convergence with IFRSs?

A. Harmonization of Canadian GAAP with IFRS.
B. Substituting IFRS's for Canadian GAAP when approved by the IASB.
C. Adopting some but not necessarily all IFRSs by reviewing them on a case by case basis.
D. Reviewing them with all publically accountable entities to see which ones would be acceptable.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #28
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

29. *(p. 5-6)* Asset revaluations, unlike in Canada, have been acceptable in many countries for accounting purposes. Which of the following adjustments have been allowed?

A. Price level adjusted historical costs.
B. Periodic adjustment of asset valuations to current replacement cost.
C. Immediate write off of purchased goodwill to equity.
D. All of the above.

Blooms Level: Remember
Blooms Level: Understand
Difficulty: Easy
Hilton - Chapter 01 #29
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

30. *(p. 9)* Prior to adoption of IFRS in 2011, Canada's accounting policies most resembled those of which nation?

A. The United Kingdom.
B. The United States.
C. The European Union (EU)
D. Australia

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #30
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

31. *(p. 3)* The *CICA Handbook -- Accounting* is the handbook of Canadian accounting standards. Why do companies in Canada ensure that their financial reporting is consistent with Canadian GAAP?

A. Their bank requires them to do so.
B. Their auditors require them to do so.
C. Reporting under the *CICA Handbook -- Accounting* is required by public companies' boards of directors.
D. Compliance with the *CICA Handbook -- Accounting* pronouncements is usually required by incorporation statutes and stock exchanges.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #31
Learning Objective: 01-01 Describe the conceptual framework for financial reporting.

32. *(p. 25)* What choice(s) do private enterprises have in their financial reporting in Canada?

A. They have no choice at all; they will need to report under IFRS.
B. They may elect to continue with differential reporting.
C. They may adopt accounting principles that are appropriate to the circumstances.
D. They may elect to report under either IFRS or ASPE.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #32
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

33. *(p. 25)* Which of the following is NOT a reason why a Canadian private company would elect to report under IFRS?

A. The company is planning to go public in the near future.
B. The company seeks comparability with public companies of a similar size.
C. It is likely to be less expensive than reporting under ASPE.
D. The company is a subsidiary of a Canadian public company.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #33
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

34. *(p. 19)* For which of the following types of organizations does the *CICA Handbook - Accounting* not provide specific accounting standards?

A. Publicly accountable enterprises.
B. Private enterprises.
C. Not-for-profit organizations.
D. Proprietorships.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #34
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

35. *(p. 8)* Briefly list the two types of legal systems in existence today and discuss how they would affect the accounting standards of a nation.

The two types of legal systems are Code Law systems and Common Law systems.
Code law systems, which originated during the Roman Empire, contain very detailed statutes that govern a wide range of Human activities. Code Law specifies what individuals and corporations *can* do. Common Law systems have less detailed statutes and rely on the court system to interpret laws. They tend to specify what individuals and corporations *cannot* do. Governments in common-law countries tend to be less involved in the creation of accounting standards. On the other hand, the accounting standards in Code-Law countries such as Japan are largely dictated by the law. This provides extra protection for creditors and suppliers. Tax law exerts a heavy influence on accounting standards in these countries.

Blooms Level: Remember
Blooms Level: Understand
Difficulty: Easy
Hilton - Chapter 01 #35
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

36. *(p. 9)* One of the underlying assumptions of the Historical Cost Principle is that a stable unit of measure (currency) should be used for Financial Reporting. Is this always the case? How have some countries attempted to adjust for any limitations associated with the Historical Cost Principle?

The Historical Cost Principle is not very useful when inflation rates are high. As a result of the eroding purchase power associated with periods of high inflation, many countries have had to experiment with price-level adjustments. These adjustments often include asset revaluations to reflect their current values. South American countries such as Mexico and Brazil have experimented with price-level adjustments, due to their high inflation rates. Canada, the U.S. and the United Kingdom also experimented with price-level accounting in the 1970s when inflation rates in these countries were high.

Blooms Level: Remember
Blooms Level: Understand
Difficulty: Easy
Hilton - Chapter 01 #36
Learning Objective: 01-01 Describe the conceptual framework for financial reporting.
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

37. *(p. 9)* Many large corporations have operation in numerous countries around the world. As a result, they need to raise debt and equity in order to finance their operations in many different countries. Has the movement towards converging global reporting standards made it easier for corporations to raise capital in many different capital markets around the world?

Prior to the wide-spread international adoption of IFRS, investors had to deal with a wide range of diverse accounting standards and principles in countries around the world. As a result, many investors were previously reluctant to invest in companies whose accounting principles and standards they did not understand. Alternatively, investors would incur great expense through the devotion of considerable time and financial resources to develop an understanding of local accounting principles and standards. With the convergence of accounting standards and principles under IFRS, investors around the world are in a better position to evaluate those companies that they wish to invest in. The harmonization of accounting principles and standards is paving the way for the integration of capital markets around the globe.
Note: The above analysis is not necessarily exhaustive. Students may be able to identify other valid differences.

Blooms Level: Remember
Blooms Level: Understand
Difficulty: Easy
Hilton - Chapter 01 #37
Learning Objective: 01-03 Identify the role that the IASB intends to play in the establishment of uniform worldwide accounting standards.

38. *(p. 8)* X Inc. and Y Inc. are virtually identical companies with identical cost structures and very similar business practices operating in the same lines of business. X Inc. is based in Canada while Y Inc. is based in Japan. The following were the condensed Income Statements for both companies for the year last year before both adopted IFRS. For the sake of simplicity, Y Inc.'s results have been translated into Canadian Dollars.

	X Inc.	**Y Inc.**
Sales	$1,000,000	$2,000,000
Less:		
Cost of Goods Sold:	$500,000	$1,600,000
Gross Margin:	$500,000	$400,000
Administrative Expenses	$200,000	$300,000
Net Income:	$300,000	$100,000

Required:

Given the information provided, what are some possible causes for the differing results of these companies?

There could be many possible explanations for these differing results. Y Inc.'s net income is $100,000, compared to X Inc.'s $300,000. Conversely, Y Inc.'s sales are twice those of X Inc. What is particularly noteworthy is Y Inc.'s 20% Gross Margin compared to X Inc.'s 50% Gross Margin. This could be due to the accelerated amortization on Y Inc.'s Plant and Equipment or provisions made for future maintenance costs.
Smoothing practices may have been applied to reduce Y Inc.'s income, and of course, its tax liability. Y Inc.'s income may have been further reduced by higher estimates (for example: bad debt expense, warranty costs and so forth) which are not necessarily be indicative of economic conditions.

Note: Once again, the above analysis is not necessarily exhaustive. Students may be able to identify other valid differences.

Blooms Level: Remember
Blooms Level: Understand
Difficulty: Moderate
Hilton - Chapter 01 #38
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

39. *(p. 29)* Briefly discuss the anticipated changes to accounting standards in Canada over the next few years.

1. The format and structure of financial statements may change to present a cohesive relationship between the various statements;
2. The Conceptual Framework will be revised to create a sound foundation for future accounting standards that are principles based, internally consistent, and internationally converged. Relevance and faithful representation will be the fundamental qualitative characteristics of financial information. The definitions of assets and liabilities may change to focus more on rights and obligations to eliminate the reference to past events. When and how to use various measurement bases may be clarified.

Blooms Level: Remember
Blooms Level: Understand
Difficulty: Easy
Hilton - Chapter 01 #39
Learning Objective: 01-03 Identify the role that the IASB intends to play in the establishment of uniform worldwide accounting standards.
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

40. *(p. 8)* List 5 factors that can influence a country's accounting standards.

1. The role of taxation.
2. The level of development of capital markets.
3. Differing legal systems.
4. Ties between countries.
5. Inflation levels.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #40
Learning Objective: 01-02 Identify factors that can influence a countrys accounting standards.

41. *(p. 21)* What disclosure requirements must be met when a Canadian company adopts IFRS for the first time?

1. The company must reconcile its equity reported under the previous GAAP to its equity in accordance with IFRS for both the date of transition to IFRS and the end of the latest period reported under the previous GAAP.
2. The company must reconcile its total comprehensive income in accordance with IFRS to that reported in the latest statements prepared under the previous GAAP.
3. The company must provide sufficient detail to enable users to understand the material adjustments to the statement of financial position, the statement of comprehensive income and the statement of cash flows.

Blooms Level: Remember
Difficulty: Easy
Hilton - Chapter 01 #41
Learning Objective: 01-05 Describe how accounting standards in Canada are tailored to different types of organizations.

1 Summary

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