

# **Testbank**

to accompany

## **Accounting: Business Reporting for Decision Making 4th Edition**

**Jacqueline Birt, Keryn Chalmers, Suzanna  
Byrne, Albie Brooks and Judy Oliver**

Prepared by  
Nila Latimer



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**Learning Objectives:**

1. Describe business sustainability and outline its key drivers and principles  
Q1, Q 31, Q 32
2. Appraise corporate social responsibility (CSR), shareholder value, stakeholder theory and stewardship theory  
Q2, Q3, Q4, Q33, Q34, Q35, Q36, Q37
3. Discuss the components of the GRI reporting framework  
Q5
4. Examine the three dimensions of the triple bottom line  
Q6, Q7, Q8, Q9, Q38
5. Explain the concept of corporate governance  
Q10, Q39, Q40
6. Outline corporate governance guidelines and practices  
Q11, Q12
7. Outline the role of ethics in business  
Q13, Q14
8. Compare ethical philosophies and approaches relevant to business decision making  
Q15, Q16, Q17, Q18, Q18, Q20, Q21, Q22, Q23, Q41
9. Explain the use of codes of ethical conduct and the fundamental principles of APES110  
Q24, Q25, Q26, Q27, Q28, Q42
10. Apply ethical decision-making methods to business situations  
Q29
11. Combine issues relevant to ethics, regulation, sustainability and politics  
Q30, Q43, Q44, Q45

## Chapter 2: Business Sustainability

### Multiple Choice Questions

1. Which of the following is a key driver of business sustainability?
- a. Economic Globalization
  - b. Competition for Resources
  - c. Climate Change
  - \*d. All the options are key drivers of business sustainability

*Correct answer: d*

*Learning Objective 2.1 ~ Describe business sustainability and outline its key drivers and principles*

2. Which of the following is **not** believed to be a motive for entities to act in a socially responsible manner?
- a. ultimately there will be some benefit realised in their profits
  - b. entities want to limit interference from government or other groups
  - \*c. they must do so in order to comply with the Corporations Act 2001
  - d. the desire of managers to do the right thing

*Correct answer: c*

*Learning Objective 2.2 ~ Appraise corporate social responsibility (CSR), shareholder value, stakeholder theory and stewardship theory*

3. The collective term for any individual or group with an interest in the success of an entity is:
- \*a. stakeholder.
  - b. shareholder.
  - c. creditor.
  - d. employee.

*Correct answer: a*

*Learning Objective 2.2 ~ Appraise corporate social responsibility (CSR), shareholder value, stakeholder theory and stewardship theory*

4. Ethically, stakeholders other than shareholders:
- a. are irrelevant, as shareholders own the business.
  - b. should be encouraged to become shareholders.
  - \*c. are important as they generally contribute value to an entity.
  - d. are more important as they may not be able to afford to buy shares, leaving them vulnerable.

*Correct answer: c*

*Learning Objective 2.2 ~ Appraise corporate social responsibility (CSR), shareholder value, stakeholder theory and stewardship theory*

5. There are three main components to the GRI reporting framework. Which of the following is **not** one of the components?
- \*a. financial reporting protocols
  - b. the technical protocol
  - c. sector supplements giving extra relevant information on various industries.
  - d. the sustainability reporting guidelines

*Correct answer: a*

*Learning Objective 2.3 ~ Discuss the components of the GRI reporting framework*

6. The underlying concept of triple bottom line reporting is in line with:
- a. agency theory
  - b. shareholder value
  - \*c. stakeholder theory
  - d. stewardship theory

*Correct answer: c*

*Learning Objective 2.4 ~ Examine the three dimensions of the triple bottom line*

7. Which of the following is **not** an element of triple bottom line reporting?
- a. economic performance
  - b. social performance
  - c. environmental performance
  - \*d. ethical performance

*Correct answer: d*

*Learning Objective 2.4 ~ Examine the three dimensions of the triple bottom line*

8. The concept of the triple bottom line states that an entity is responsible for the areas of:
- a. economic, social and ethical performance.
  - \*b. economic, social and environmental performance.
  - c. economic, environmental and ethical performance.
  - d. social, environmental and ethical performance.

*Correct answer: b*

*Learning Objective 2.4 ~ Examine the three dimensions of the triple bottom line*

9. It is **not** a legal requirement for entities to report on:
- a. financial performance
  - b. financial position
  - \*c. sustainability
  - d. cash flows for the period

*Correct answer: c*

*Learning Objective 2.4 ~ Examine the three dimensions of the triple bottom line*

10. Ultimate legal responsibility for the financial statements of a company rests with the:
- a. Accounting firm employed to produce the reports.
  - \*b. Board of directors.
  - c. CEO.
  - d. ASX.

*Correct answer: b*

*Learning Objective 2.5 ~ Explain the concept of corporate governance*

11. Which of the following is **not** a key factor in the effectiveness of a board of directors is:
- a. diversity.
  - b. independence.
  - c. competence.
  - \*d. subjectivity.

*Correct answer: d*

*Learning Objective 2.6 ~ Outline corporate governance guidelines and practices*

12. For a company, corporate governance responsibilities ultimately rest with:
- a. individual managers.
  - b. the Australian Securities and Exchange Commission.
  - \*c. the board of directors.
  - d. the shareholders.

*Correct answer: d*

*Learning Objective 2.6 ~ Outline corporate governance guidelines and practices*

13. Acting morally is generally, but not always prudent. Which of the following is an example of acting morally but not prudently?
- a. sacking staff during an economic downturn
  - \*b. hiring disabled staff despite the fact that productivity might be lower in some cases.
  - c. delaying the payment of accounts payable
  - d. withholding information

*Correct answer: d*

*Learning Objective 2.7 ~ Outline the role of ethics in business*

14. Acting morally is generally, but not always prudent. Which of the following is an example of acting prudently but not morally?
- a. keeping staff employed during the global financial crisis despite a downturn in turnover
  - b. hiring disabled staff despite the fact that productivity might be lower in some cases.
  - \*c. delaying the payment of accounts payable
  - d. disclosing information

*Correct answer: c*

*Learning Objective 2.7 ~ Outline the role of ethics in business*

15. Kantian philosophy is grounded in the notion:
- a. that people should be treated as a mean's to other people's ends.
  - \*b. of respect for the individual
  - c. the need for individuals to maximise their utility
  - d. of maximising the utility of society

*Correct answer: b*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

16. The thinking underlying the development of economics is based on John Stuart Mills' theory that:
- \*a. behaviour should be based on what provides the greatest good to the greatest number
  - b. behaviour should be based on what is best for the individual
  - c. behaviour should be based on taking advantage of people to achieve a certain end
  - d. behaviour should be based on treating loyal customers and suppliers favourably

*Correct answer: c*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

17. Which of these types of behaviour would be regarded as ethical?
- a. Blaming others for your mistakes
  - b. An employee using confidential information for personal gain
  - c. Deceptive advertising
  - \*d. Timely disclosure of unfavourable information as required by law

*Correct answer: b*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

18. The statement relating to ethics that is true is:
- \*a. Statements of best practice are a part of providing good corporate governance.
  - b. Resolving ethical issues outside an organisation is always the best solution to ethical dilemmas.
  - c. Insider trading is not illegal.
  - d. There is no distinction between the rules of morality and the rules of prudence.

*Correct answer: a*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

19. The statement relating to ethics that is **not** true is:
- a. A high standard of ethical behaviour is in the long-term interests of an organisation.
  - \*b. Ethical decisions are always easy to make.
  - c. Ethics is concerned with whether human actions are proper or improper.
  - d. Stakeholders deserve ethical behaviour from a firm's management.

*Correct answer: d*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

20. Which of these is **not** an ethical principle?
- a. The greatest good for the greatest number
  - b. The end does not justify the means
  - c. Do unto others as you would have them do unto you
  - \*d. The end justifies the means

*Correct answer: a*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

21. Theories concerned with the consequences of decisions are known as:
- a. relativism theories
  - b. normative theories
  - \*c. teleological theories
  - d. deontological theories

*Correct answer: b*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

22. The statement concerning utilitarianism that is **not** true is:
- a. It is a teleological theory
  - b. It is concerned with individuals maximising their utilities
  - \*c. It makes sure minority groups are looked after
  - d. Jeremy Bentham defined utility as happiness

*Correct answer: d*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*



23. Deontological theories are concerned with duty. Which of these would fall under the deontological grouping?
- a. Utilitarianism
  - b. Ethical egoism
  - \*c. Kantianism
  - d. Psychological egoism

*Correct answer: c*

*Learning Objective 2.8 ~ Compare ethical philosophies and approaches relevant to business decision making*

24. APES 110 Code of Ethics for Professional Accountants is issued by:
- a. CPA Australia
  - b. the Institute of Chartered Accountant in Australia
  - \*c. APESB the Accounting Professional & Ethical Standards Board
  - d. ACCC Australian Competition and Consumer Commission

*Correct answer: c*

*Learning Objective 2.9 ~ Explain the use of codes of ethical conduct and the fundamental principles of APES110*

25. The major criticism of personal financial planners in Australia is:
- a. they are paid too much
  - b. lack of qualifications
  - \*c. lack of independence
  - d. lack of confidentiality

*Correct answer: c*

*Learning Objective 2.9 ~ Explain the use of codes of ethical conduct and the fundamental principles of APES110*

26. A factor which has **not** been a major reason for heightened interest in business ethics is:
- \*a. the introduction of the GST
  - b. corporate collapses
  - c. the community becoming more educated and aware
  - d. globalisation

*Correct answer: c*

*Learning Objective 2.9 ~ Explain the use of codes of ethical conduct and the fundamental principles of APES110*

27. The overriding application of the joint code of ethics of CPA Australia and the Institute of Chartered Accountants in Australia is:
- a. Responsibility to act objectivity
  - \*b. Responsibility to act in the public interest
  - c. Responsibility to have competence
  - d. Responsibility to act with integrity

*Correct answer: c*

*Learning Objective 2.9 ~ Explain the use of codes of ethical conduct and the fundamental principles of APES110*

28. Which of these practices is regarded as being inherently unethical?
- a. Tipping
  - \*b. Bribery
  - c. All the practices are ethical
  - d. Prompt payment of account payable

*Correct answer: a*

*Learning Objective 2.9 ~ Explain the use of codes of ethical conduct and the fundamental principles of APES110*

29. When faced with a moral dilemma, making an ethical decision is:
- a. easy because it will always lead to the most profitable outcome.
  - b. easy as there is always one simple solution to the problem.
  - \*c. difficult, as the decision may be controversial.
  - c d. not necessary.

*Correct answer: b*

*Learning Objective 2.10 ~ Apply ethical decision-making methods to business situations*

30. According to Carroll discretionary responsibilities are carried out
- a. on a voluntary basis to meet society's expectations.
  - \*b. on a voluntary basis to keep ahead of society's expectations.
  - b c. because they always leads to higher profits.
  - d. because they are required by the accounting standards.

*Correct answer: b*

*Learning Objective 2.11 ~ Combine issues relevant to ethics, regulation, sustainability and politics*

**Fill in the Blanks**

31. Development that meets the needs of the present without compromising the ability of future generations to meet their own needs is known as \_\_\_\_\_ development.

a. sustainable

*Learning Objective 2.1 Business sustainability*

32. The key drivers of sustainability are competition for resources, climate change, \_\_\_\_\_ globalization and advances in digital communication.

a. economic

*Learning Objective 2.1 Business sustainability*

33. An entity's obligations to society in general and also the environment are known as \_\_\_\_\_.

a. corporate social responsibility

*Learning Objective 2.2 Theories of business sustainability*

34. Individuals or groups that have an interest in the affairs of an entity are known as \_\_\_\_\_.

a. stakeholders

*Learning Objective 2.2 Theories of business sustainability*

35. \_\_\_\_\_ theory describes the relationship between owners of (shareholders) and managers of an entity.

a. Agency

*Learning Objective 2.2 Theories of business sustainability*

36. \_\_\_\_\_ value is the view that the purpose of the corporation is to maximize shareholder wealth

a. Shareholder

*Learning Objective 2.2 Theories of business sustainability*

37. Behaviour conforming to acceptable moral standards is said to be \_\_\_\_\_ behaviour.

a. ethical

*Learning Objective 2.2 Theories of business sustainability*

38. \_\_\_\_\_ line reporting refers to reporting on the economic, social and environmental performance of an entity.

a. Triple bottom

*Learning Objective 2.4 Triple bottom line*

39. Responsibilities of the board of directors are set out in the \_\_\_\_\_ Act 2001

a. Corporations

*Learning Objective 2.5 Corporate governance*

40. Directors owe a legal duty to their company to act in \_\_\_\_\_ and in the best interests of the company.

a. good faith

*Learning Objective 2.5 Corporate governance*

41. The saying 'the \_\_\_\_\_ good for the greatest number' embodies an ethical principle.

a. greatest

*Learning Objective 2.8 Ethical philosophies*

42. Not disclosing information acquired in the course of your work, to third parties without specific authority is known as maintaining \_\_\_\_\_.

a. confidentiality

*Learning Objective 2.9 Ethical behaviour and professional codes of ethics*

43. According to Carroll (1979) the four key responsibilities of business are economic, legal, ethical and \_\_\_\_\_.

a. discretionary

*Learning Objective 2.11 Ethics, regulation, sustainability and politics*

44. An employee publicly exposing unethical practices in a company is known as a \_\_\_\_\_.

a. whistleblower

*Learning Objective 2.11 Ethics, regulation, sustainability and politics*

45. \_\_\_\_\_ trading is the trading of shares based on confidential information that is not known to the public at large.

a. Insider

*Learning Objective 2.11 Ethics, regulation, sustainability and politics*