**Multiple Choice Questions for Chapter 1**

1 Accounting can best be defined as the:

1. Financial representation of business activity
2. Systematic recording and reporting of business transactions
3. Analysis of financial information for users
4. Systematic recording, reporting, and analysis of financial transactions

Answer d

2 The term *accountability* can best be understood as the:

1. Process of carrying out the accounting function
2. Responsibility of the management of an organization to its stakeholders
3. Ability to render accurate financial statements to management
4. Processing of reliable financial information to shareholders

Answer b

3 Stewardship is an important concept because of:

1. The importance of the quality of decisions by small business owners
2. The need to increase shareholder wealth
3. The separation of ownership from management
4. The need to recognise the importance of all stakeholders

Answer c

4 Financial accounting in its present-day form can be most accurately traced back to:

1. Mesopotamia in the 3rd century BC
2. Northern Italy in the 14th and 15th centuries
3. The Industrial Revolution in Britain in the 19th century
4. The development of the assembly line in the early 20th century in the USA

Answer b

5 Accounting is traditionally seen as fulfilling three functions:

1. Scorekeeping, attention-directing and problem-solving
2. Planning, decision-making and control
3. Financial accounting, management accounting and corporate finance
4. Income Statement, Balance Sheet and Statement of Cash Flows

Answer a

6 The recording of financial transactions, aimed principally at reporting performance to shareholders is the main function of

1. Bookkeeping
2. Financial accounting
3. Management Accounting
4. Corporate finance

Answer b

7 Financial statements are regulated by:

1. Legislation and accounting standards
2. Accounting standards and audit
3. Legislation, accounting standards and audit
4. The accounting profession

Answer c

8 Financial accounting is useful for managers because:

1. The decisions of managers are influenced by how those decisions will be presented to users
2. The accounting information is used by managers for planning, decision making and control
3. Both a and b above
4. It is not useful because it is produced annually, is highly aggregated and provides no comparison to target

Answer c

9 It is most correct to say that management accounting:

1. Provides information to improve the organization’s performance through better decisions
2. Has little relevance to modern business practices
3. Is predominantly comncerned with product costing
4. Is predominantly concerned with improving productivity and production processes

Answer a

10 Globalisation, high profile corporate failures and increased transactional complexity has led to the increased:

1. Criticism of accounting standards
2. Importance of financial accounting
3. Relevance of management accounting
4. Concern with stock market performance

Answer b

11 Management accounting information is regulated by:

1. Legislation and accounting standards
2. Accounting standards and audit
3. Legislation, accounting standards and audit
4. No one

Answer d

12 Compared with the production of financial statements for shareholders, management accounting information is most commonly:

1. More frequent
2. Disaggregated to business unit level
3. Supplemented by non-financial information
4. All of the above

Answer d

13 Operational decisions made by non-financial managers using management accounting information need to be integrated with:

1. The needs of accountants
2. The needs of stakeholders
3. The result of those choices as they impact on financial statements
4. Nothing. Management accounting information is unregulated

Answer c

14 History suggests that the pre-eminence of accountants in British (and most English-speaking economies) is largely due to their:

1. Reliability in accurately reporting financial information
2. Power base in global capital markets
3. English language ability
4. Skill in interpreting financial information

Answer b

15 A critical perspective on accounting, derived from Marxist historians, suggests that accounting is:

1. No longer of any particular value
2. Critical in reducing the exploitation of labour
3. Focused on a wide range of stakeholders
4. Reinforcing a capitalist system, and privileging shareholders over other stakeholders

Answer d