**Testbank**

to accompany

**Accounting: Business Reporting for Decision Making 5e**

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**Chapter 2: Business sustainability**

**LEARNING OBJECTIVES:**

1. Describe business sustainability, outline its key drivers and principles and compare key theories in the area

Q1, Q2, Q 31, Q32

2. Appraise corporate social responsibility (CSR) reporting frameworks and the accountant’s role in CSR

Q3, Q4, Q5, Q6, Q7, Q8, Q9, Q33, Q34, Q35, Q36, Q37, Q38

3 Explain the concept of corporate governance

Q10, Q39, Q40

4. Outline corporate governance guidelines and practices

Q11, Q12, Q13, Q14, Q41

5. Outline the role of ethics in business and compare ethical philosophies relevant to business decision making

Q15, Q16, Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q24, Q42

6. Explain the use of codes of ethical conduct and apply ethical decision-making methods to business situations.

Q25, Q26, Q27, Q28, Q29, Q30, Q42, Q29, Q30**,** Q43, Q44, Q45

**Multiple-choice questions**

1. Which of the following is a key driver of business sustainability?

a. Economic globalisation.

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, outline its key drivers and principles and compare key theories in the area*

2. Which of these is *not* one of the nine principles of business sustainability performance?

a. Employment practices

b. Transparency

c. Financial return

\*d. Exchange policy

*Correct answer: d*

*Learning Objective 2.1 ~ Describe business sustainability, outline its key drivers and principles and compare key theories in the area*

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) reporting frameworks and the accountant’s role in CSR*

4. According to stakeholder theory, 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) reporting frameworks and the accountant’s role in CSR*

5. 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 2.2 ~ Appraise corporate social responsibility (CSR) reporting frameworks and the accountant’s role in CSR*

6. The role of accountants in promoting sustainability and reporting includes:

a. internal control procedures.

b. analysing costs of choices.

c. reporting sustainability performance.

\*d. all of the above.

*Correct answer: d*

*Learning Objective 2.2 ~ Appraise corporate social responsibility (CSR) reporting frameworks and the accountant’s role in CSR*

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 2.2 ~ Appraise corporate social responsibility (CSR) reporting frameworks and the accountant’s role in CSR*

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 2.2 ~ Appraise corporate social responsibility (CSR) reporting frameworks and the accountant’s role in CSR*

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 2.2 ~ Appraise corporate social responsibility (CSR) reporting frameworks and the accountant’s role in CSR*

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 2.3 ~ Explain the concept of corporate governance*

11. The following which 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 2.4 ~ 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: c*

*Learning Objective 2.4 ~ Outline corporate governance guidelines and practices*

13. The ASX guidelines for company directors and the code of ethics for accountants both require the following attributes:

a. integrity.

b. objectivity.

c. competence.

\*d. all of the above.

*Correct answer: d*

*Learning Objective 2.4 ~ Outline corporate governance guidelines and practices*

14. The ASX says a company should safeguard integrity in financial reporting, (principle 4). Which of the following is *not* a recommendation to achieve integrity in financial reporting?

a. In the annual report state the external auditor selection process.

b. Have financial reports independently verified.

c. The audit committee has an informal charter.

\*d. The board sets up an audit committee.

*Correct answer: d*

*Learning Objective 2.4 ~ Outline corporate governance guidelines and practices*

15. 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: b*

*Learning Objective 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

16. 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 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

17. Kantian philosophy is grounded in the notion:

a. that people should be treated as a means to other people’s ends.

\*b. of respect for the individual.

c. of the need for individuals to maximise their utility.

d. of maximising the utility of society.

*Correct answer: b*

*Learning Objective 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

18. The thinking underlying the development of economics is based on John Stuart Mills’s theory that behaviour should be based on:

\*a. what provides the greatest good to the greatest number.

b. what is best for the individual.

c. taking advantage of people to achieve a certain end.

d. treating loyal customers and suppliers favourably.

*Correct answer: a*

*Learning Objective 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

19. 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: d*

*Learning Objective 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

20. Which of the following statements relating to ethics is true?

\*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 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

21. Which of the following statements relating to ethics is *not* true?

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: b*

*Learning Objective 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

22. 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: d*

*Learning Objective 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

23. Which of the following statements concerning utilitarianism is *not* true?

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: c*

*Learning Objective 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

24. 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 2.5 ~ Outline the role of ethics in business and compare ethical philosophies relevant to business decision making*

25. 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 2.6 ~ Explain the use of codes of ethical conduct and apply ethical decision-making methods to business situations*

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: a*

*Learning Objective 2.6 ~ Explain the use of codes of ethical conduct and apply ethical decision-making methods to business situations*

27. The overriding application of the joint code of ethics of CPA Australia and the Institute of Chartered Accountants in Australia is the responsibility to:

a. act objectivity.

\*b. act in the public interest.

c. have competence.

d. act with integrity.

*Correct answer: b*

*Learning Objective 2.6 ~ Explain the use of codes of ethical conduct and apply ethical decision-making methods to business situations*

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: b*

*Learning Objective 2.6 ~ Explain the use of codes of ethical conduct and apply ethical decision-making methods to business situations*

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.

d. not necessary.

*Correct answer: c*

*Learning Objective 2.6 ~ Explain the use of codes of ethical conduct and 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.

c. because they always lead to higher profits.

d. because they are required by the accounting standards.

*Correct answer: b*

*Learning Objective 2.6 ~ Explain the use of codes of ethical conduct and apply ethical decision-making methods to business situations*

**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 CSR reporting frameworks*

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

a. stakeholders

*Learning Objective 2.2 CSR reporting frameworks*

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

a. Agency

*Learning Objective 2.2 CSR reporting frameworks*

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

a. Shareholder

*Learning Objective 2.2 CSR reporting frameworks*

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

a. ethical

*Learning Objective 2.2 CSR reporting frameworks*

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

a. Triple bottom

*Learning Objective 2.2 CSR reporting frameworks*

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

a. Corporations

*Learning Objective 2.3 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 2.3 Corporate governance*

41. An important element in providing accounting services is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. independence

*Learning Objective 2.4 ~ Outline corporate governance guidelines and practices*

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

a. greatest

*Learning Objective 2.5 Ethical philosophies*

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

a. confidentiality

*Learning Objective 2.6 Codes of ethical conduct and ethical decision-making methods*

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

a. whistle-blower

*Learning Objective 2.6 Codes of ethical conduct and ethical decision-making methods*

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

a. Insider

*Learning Objective 2.6 Codes of ethical conduct and ethical decision-making methods*