



• Answer all Questions

<b>First Question:</b> True or False	<b>No. of Branches (2)</b>	<b>( /11)</b>
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<b><u>Q1 B1</u></b>	<b><u>( /05) (5-10 Minutes)</u></b>
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1. If profits are volatile over time the company is assumed to be a more attractive investment (.....)
2. Religion is often seen as a subset of culture impact on accounting practice (.....)
3. The adoption of IFRS provides a number of benefits including transportable accounting skills (.....)
4. In the United States, the tax rules are the accounting rules (.....)
5. The key issue that has stood in the way of convergence is that US GAAP standards are ‘principles-based’, while the IASB have previously taken a ‘rules-based’ approach to standard setting (.....)
6. Agency theory assumes managers are self-interested and wish to maximize any financial rewards (.....)
7. Common law countries have higher financial disclosure than entities from civil law countries (.....)
8. If earnings are being generated through non-recurring items rather than current operations, it may indicate a problem with meeting earnings forecasts and continued increases in earnings (.....)
9. Tax is very closely linked with financial reporting in several countries, e.g. Germany (.....)
10. The accounting profession is likely to have less of an influence on accounting regulation in systems which follow a civil code (.....)

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**Q1 B2** ( /06) (15-20 Minutes)

**1. A normative theory**

- a. Is completely divorced from reality
  - b. Describes, explains or predicts activities
  - c. Is based on what should be the case given a certain objective
  - d. Only focuses on normal activities
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**2. According to agency theory the following are examples of bonding costs:**

- a. Auditing the financial reports
  - b. Putting in place operating rules
  - c. Linking remuneration to performance
  - d. All of the above
- 

**3. Legitimacy theory argues that**

- a. Organisations can only continue to exist if they demonstrate values consistent with society at large.
  - b. Organisations should focus on wealth maximisation for their owners
  - c. The business of business is business
  - d. Consumers are only interested in minimising costs to themselves.
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**4. With regards to inventory which of the following would be classed as conservative accounting?**

- a. Being slow to write down slow-moving inventory
  - b. Still recording obsolete inventory as an asset
  - c. Consistently and quickly applying the lower of cost and net realisable value rule
  - d. Overstating inventory by including non-existent inventory in accounts.
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**5. Which of the following would be considered fraudulent accounting?**

- a. Recognising revenue when services are prepaid but only partially performed
  - b. Capitalising advertising costs
  - c. Liberal credit terms and estimation of provision for doubtful debts
  - d. Restating useful life and residual value of non-current assets upwards
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**6. Which of the following methods is NOT commonly used to manipulate earnings:**

- a. Accounting policy choice
  - b. Accelerating expenses
  - c. Incorrect classification of current liabilities as non-current
  - d. Aggressive accounting for accruals
- 

**7. Big bath accounting is generally used to drop earnings when**

- a. There is a change in management team
  - b. When operations are restructured
  - c. When the economy is poor
  - d. All of the above
- 

**8. Which of the following is NOT thought to reflect earnings quality?**

- a. Trend in profit results
  - b. Total income tax expense for the period
  - c. Operating/non-operating mix
  - d. Earnings base
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**9. Which of the following is an argument for more flexible reporting periods?**

- a. It makes it less attractive for entities to manipulate profits
  - b. It enhances comparability
  - c. It makes dividend calculation easier
  - d. It is widely supported
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**10. The kinds of information likely to be included in the annual report includes**

- a. Corporate governance
  - b. Environmental performance
  - c. Occupational health and safety disclosures
  - d. All of the above
- 

**11. Which of the following is likely to influence accounting systems at a national level?**

- a. Tax system
- b. Political system
- c. Capital market structures
- d. All of the above



**12. In countries where finance is mainly provided by banks we would expect:**

- a. More lenient bankruptcy laws
- b. Greater emphasis on the balance sheet
- c. More public disclosure
- d. All of the above

**Second Question: Fill in the Blanks      No. of Branches (12)      ( /13) (15-20 Minutes)**

**(XBRL, Gross income, Profit, USA, France, Germane, Earning Management, Earning Quality, Big Bath, Volatility, Persistent, Profit Trend, Harmonization, International accounting, Common, Convergence, Codified , Accounting policy diversity, Income smoothing, Accrual accounting, Normative theory, Positive theory )**

- 1. ....provides recommendations about what should happen.
- 2. .... relates to how closely current earnings are aligned with future earnings.
- 3. In ....., capital provided by banks is very significant, as are small family owned businesses
- 4. ....is one of the three criteria usually considered important in assessing earnings quality.
- 5. The two main legal systems operating across the world are referred to as..... law and ..... law.
- 6. One of the methods entities can use to manage earnings where managers have flexibility in making accounting choices.....
- 7. .... is a process that takes place over time, and implies the adoption of one set of standards across the globe.
- 8. Earnings is another name for .....
- 9. .... refers to a description or comparison of accounting in different countries and the accounting dimensions of international transactions.



- 10..... implies reconciling different points of view and reducing diversity, while allowing countries to have different sets of accounting standards.
  - 11. ....is a computer-based language that converts business and financial data to a standardized form.
  - 12..... refers to large losses reported against income.
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**Third Question:** Answer the questions      **No. of Branches (5)**      (    /10) (15-20 Minutes)

“The rise of the knowledge economy and the difficulty in providing adequate information on intangibles in financial statements have generated a noteworthy debate in the accounting community on the ability of firms to disclose **intellectual capital** information (Holland, 2004; Wyatt, 2005). A number of frameworks have been developed in literature to stimulate the management, measurement and communication of intellectual capital (Edvinsson and Malone, 1997; Nahapiet and Ghoshal, 1998; Schiuma et al., 2008; Ricceri, 2008; Roos et al., 1997; Sveiby, 1997), while a multitude of studies have investigated the frequency of intellectual capital voluntary disclosure and its perceived benefits”

**Instructions:**

- 1. *What is meant by intellectual capital?*
- 2. *What are the main Characteristics of intellectual capital?*
- 3. *Illustrate the components (pillars) of intellectual capital.*
- 4. *Outline the major methods (models) used for measuring Intellectual Capital.*
- 5. *What are the benefits of intellectual capital disclosure ?*

**The Answer:**

- 1.

University of Palestine



Final Exam  
Second Semester  
2018/2019  
Total Grade: 50

Instructor Name: Tareq Y. Abu Al-Ajeen  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: \_\_\_\_\_  
Dep. / Specialist: \_\_\_\_\_  
Using Dictionary (No)

Course No: ACNE 4222  
Course Title: Contemporary Accounting Issues  
Date: / 05 / 2019  
No. of Questions: 4  
Time: 120 Minutes  
Using Calculator :(Yes)

2.

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3.

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4.

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5.





4- Define what is meant by ‘annual report’ and lists three reasons management might voluntarily disclose information in annual reports.

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**Q4 B2** ( /08)

1- Sources of finance differ across countries. This leads to a difference in financial statement orientation”. **Compare between the features of the two major classification based on source of finance. Provide examples.**

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2- What is the difference between ‘secrecy’ and ‘conservatism’?

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**3- Outline the benefits of global adoption of IFRSs.**

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**5- Illustrate the different types of harmonization.**

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End of Questions  
*Good Luck*