

AUD MCQ Samples



In confirming a client's accounts receivable in prior years, an auditor found that there were many differences between the recorded account balances and the confirmation replies. These differences, which were not misstatements, required substantial time to resolve. In defining the sampling unit for the current year's audit, the auditor most likely would choose:

- A individual overdue balances.
- B individual invoices.
- C small account balances.
- D large account balances.

An auditor who uses statistical sampling for attributes in testing internal controls should reduce the planned reliance on a prescribed control when the:

- A sample rate of deviation plus the allowance for sampling risk equals the tolerable rate.
- B sample rate of deviation is less than the expected rate of deviation used in planning the sample.
- C tolerable rate less the allowance for sampling risk exceeds the sample rate of deviation.
- D sample rate of deviation plus the allowance for sampling risk exceeds the tolerable rate.

As a result of tests of controls, an auditor assessed control risk too low and decreased substantive testing. This assessment occurred because the true deviation rate in the population was:

- A more than the risk of assessing control risk too low based on the auditor's sample.
- B more than the deviation rate in the auditor's sample.
- C less than the risk of assessing control risk too low based on the auditor's sample.
- D less than the deviation rate in the auditor's sample.

The sampling unit in a test of controls pertaining to the existence of payroll transactions ordinarily is:

- A a clock card or time ticket.
- B an employee W-2 Form.
- C an employee personnel record.
- D a payroll register entry.

An auditor desired to test credit approval on 10,000 sales invoices processed during the year. The auditor designed a statistical sample that would provide a 1% risk of assessing control risk too low (99% confidence) that not more than 7% of the sales invoices lacked approval. The auditor estimated from previous experience that about 2.5% of the sales invoices lacked approval. A sample of 200 invoices was examined and 7 of them were lacking approval. The auditor then determined the achieved upper precision limit to be 8%. The allowance for sampling risk was:

- A 5.5%.
- B 4.5%.
- C 3.5%.
- D 1%.

When using classical variables sampling for estimation, an auditor normally evaluates the sampling results by calculating the possible error in either direction. This statistical concept is known as:

- A precision.
- B reliability.
- C projected error.
- D standard deviation.

What is an auditor's evaluation of a statistical sample for attributes when a test of 50 documents results in three deviations when the tolerable rate is 7%, the expected population deviation rate is 5%, and the allowance for sampling risk is 2%?

- A Modify the planned assessed level of control risk because the tolerable rate plus the allowance for sampling risk exceeds the expected population deviation rate
- B Accept the sample results as support for the planned assessed level of control risk because the sample deviation rate plus the allowance for sampling risk exceeds the tolerable rate
- C Accept the sample results as support for the planned assessed level of control risk because the tolerable rate less the allowance for sampling risk equals the expected population deviation rate
- D Modify the planned assessed level of control risk because the sample deviation rate plus the allowance for sampling risk exceeds the tolerable rate

In determining the sample size for a test of controls, an auditor should consider the likely rate of deviations, the allowable risk of assessing control risk too low, and the:

- A tolerable deviation rate.
- B risk of incorrect acceptance.
- C nature and cause of deviations.
- D population size.

An advantage of using statistical over nonstatistical sampling methods in tests of controls is that the statistical methods:

- A can more easily convert the sample into a dual-purpose test useful for substantive testing.
- B eliminate the need to use judgment in determining appropriate sample sizes.
- C afford greater assurance than a nonstatistical sample of equal size.
- D provide an objective basis for quantitatively evaluating sample risk.

Which of the following sampling methods would be used to estimate a numerical measurement of a population, such as a dollar value?

- A Attributes sampling
- B Stop-or-go sampling
- C Variables sampling
- D Random number sampling

BEC MCQ Samples

During the recessionary phase of a business cycle:

- A the purchasing power of money is likely to decline rapidly.
- B the natural rate of unemployment will increase dramatically.
- C potential national income will exceed actual national income.
- D the real rate of interest will exceed the nominal rate of interest.

Information related to the economic activity for a country is given as follows with values stated in billions of dollars.

-- Gross domestic product (GDP)	\$4,000
-- Transfer payments	500
-- Corporate income taxes	50
-- Social Security contributions	200
-- Indirect business taxes	210
-- Personal income taxes	250
-- Undistributed corporate profits	25
-- Depreciation	500
-- Net income earned abroad for the country	0

National income is:

- A \$3,500
- B \$3,290
- C \$3,515
- D \$3,265

Which of the following economic terms describes a general decline in prices for goods and services and in the level of interest rates?

- A Expansion
- B Inflation
- C Deflation
- D Recession

Economists and economic policy makers are interested in the multiplier effect because the multiplier explains why:

- A a small change in investment can have a much larger impact on gross domestic product.
- B consumption is always a multiple of savings.
- C the money supply increases when deposits in the banking system increase.
- D the velocity of money is greater than one.

One of the measures economists and economic policy makers use to gauge a nation's economic growth is to calculate the change in the:

- A money supply.
- B total wages.
- C general price level.
- D real per capita output.

Annual gross domestic product (GDP) for the past 10 years is available. To accurately compare each yearly amount, adjustments should be made for changes in which of the following?

- A Defective units
- B Price level
- C Technology
- D Units produced

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Net domestic product is:

- A \$3,500
- B \$3,450
- C \$3,285
- D \$3,475

The full-employment gross domestic product is \$1.3 trillion, and the actual gross domestic product is \$1.2 trillion. The marginal propensity to consume is 0.8. When inflation is ignored, what increase in government expenditures is necessary to produce full employment?

- A \$100 billion
- B \$80 billion
- C \$20 billion
- D \$10 billion

A banking system with a reserve ratio of 20% and a change in reserves of \$1 million can increase its total demand deposits by:

- A \$200,000
- B \$5 million
- C \$1 million
- D \$800,000

The business cycle refers to the continual ebb and flow of economic activity. No two cycles are exactly the same, but most are characterized by changes in the price level and the rate of employment and can be identified by common factors.

The trough of a business cycle is generally characterized by:

- A shortages of essential raw materials and rising costs.
- B rising costs and an unwillingness to risk new investments.
- C unused productive capacity and an unwillingness to risk new investments.
- D declining purchasing power and unused productive capacity.

FAR MCQ Samples

Which inventory costing method would a company that wishes to maximize profits in a period of rising prices use?

- A FIFO
- B Dollar-value LIFO
- C Weighted average
- D Moving average

At the end of the year, Ian Co. determined its inventory to be \$258,000 on a FIFO (first-in, first-out) basis. The current replacement cost of this inventory was \$230,000. Ian estimates that it could sell the inventory for \$275,000 at a disposal cost of \$14,000. If Ian's normal profit margin for its inventory was \$10,000, what would be its net carrying value?

- A 244000
- B 251000
- C 258000
- D 261000

The following costs pertain to Den Co.'s purchase of inventory:

700 units of Product A	\$3,750
Freight-in	175
Cost of materials and labor incurred to bring Product A to saleable condition	900
Insurance cost during transit of purchased goods	100

Total	\$4,925

What amount should Den record as the cost of inventory as a result of this purchase?

- A 3925
- B 4650
- C 4825
- D 4925

A company recently moved to a new building. The old building is being actively marketed for sale, and the company expects to complete the sale in four months. Each of the following statements is correct regarding the old building, except it will:

- A be reclassified as an asset held for sale.
- B be classified as a current asset.
- C no longer be depreciated.
- D be valued at historical cost.

A company has a parcel of land to be used for a future production facility. The company applies the revaluation model under IFRS to this class of assets. In Year 1, the company acquired the land for \$100,000. At the end of Year 1, the carrying amount was reduced to \$90,000, which represented the fair value at that date. At the end of Year 2, the land was revalued, and the fair value increased to \$105,000. How should the company account for the Year 2 change in fair value?

- A By recognizing \$10,000 in other comprehensive income
- B By recognizing \$15,000 in other comprehensive income
- C By recognizing \$15,000 in profit or loss
- D By recognizing \$10,000 in profit or loss and \$5,000 in other comprehensive income

Roro, Inc., paid \$7,200 to renew its only insurance policy for three years on March 1, 20X1, the effective date of the policy. On March 31, 20X1, Roro's unadjusted trial balance showed a balance of \$300 for prepaid insurance and \$7,200 for insurance expense. What amounts should be reported for prepaid insurance and insurance expense in Roro's financial statements for the 3 months ending March 31, 20X1?

- A Prepaid insurance: \$7,000; Insurance expense: \$300
- B Prepaid insurance: \$7,000; Insurance expense: \$500
- C Prepaid insurance: \$7,200; Insurance expense: \$300
- D Prepaid insurance: \$7,300; Insurance expense: \$200

Barr Co. has total debt of \$420,000 and stockholders' equity of \$700,000. Barr is seeking capital to fund an expansion. Barr is planning to issue an additional \$300,000 in common stock, and is negotiating with a bank to borrow additional funds. The bank is requiring a debt-to-equity ratio of .75. What is the maximum additional amount Barr will be able to borrow?

- A 225000
- B 330000
- C 525000
- D 750000

When purchasing a bond, the present value of the bond's expected net future cash inflows discounted at the market rate of interest provides what information about the bond?

- A Price
- B Par
- C Yield
- D Interest

Clark Co.'s advertising expense account had a balance of \$146,000 on December 31, 20X1, before any necessary year-end adjustment relating to the following:-Included in the \$146,000 is the \$15,000 cost of printing catalogs for a sales promotional campaign in January 20X2.-Radio advertisements broadcast during December 20X1 were billed to Clark on January 2, 20X2. Clark paid the \$9,000 invoice on January 11, 20X2.What amount should Clark report as advertising expense in its income statement for the year ending December 31, 20X1?

- A 122000
- B 131000
- C 140000
- D 155000

Which of the following is the characteristic of a perfect hedge?

- A No possibility of future gain or loss
- B No possibility of future gain only
- C No possibility of future loss only
- D The possibility of future gain and no future loss

REG MCQ Samples

Under the Revised Uniform Partnership Act, which of the following statements concerning the powers and duties of partners in a general partnership is correct?

- I. Each partner is an agent of every other partner and acts as both a principal and an agent in any business transaction within the scope of the partnership agreement.
- II. Each partner is subject to joint liability on partnership debts and contracts.

- A I only
- B II only
- C Both I and II
- D Neither I nor II

An S corporation must adhere to all of the following conditions except having:

- A no more than 100 shareholders.
- B a nonresident alien as a shareholder.
- C an individual as a shareholder.
- D one class of stock.

Under the Revised Model Business Corporation Act, a merger of two public corporations usually requires all of the following, except:

- A a formal plan of merger.
- B an affirmative vote by the holders of a majority of each corporation's voting shares.
- C receipt of voting stock by all stockholders of the original corporations.
- D approval by the board of directors of each corporation.

Which of the following facts is generally included in a corporation's articles of incorporation?

- A The name of the registered agent
- B The number of authorized shares
- C Both the name of the registered agent and the number of authorized shares
- D Neither the name of the registered agent nor the number of authorized shares

Wilson and Thomas are partners. Wilson contributed \$150,000 to the partnership and Thomas contributed \$50,000. Wilson does 40% of the work and Thomas does 60% of the work. They do not have a partnership agreement that addresses the sharing of profits and losses. By the end of the year, the partnership has earned a profit of \$200,000. What is Wilson's share of the profit under the Revised Uniform Partnership Act?

- A \$80,000
- B \$100,000
- C \$115,000
- D \$150,000

The partnership agreement for Owen Associates, a general partnership, provided that profits be paid to the partners in the ratio of their financial contribution to the partnership. Moore contributed \$10,000, Noon contributed \$30,000, and Kale contributed \$50,000. For the year ended December 31, 20X1, Owen had losses of \$180,000. What amount of the losses should be allocated to Kale?

- A \$40,000
- B \$60,000
- C \$90,000
- D \$100,800

What is the doctrine under which a corporation is made liable for the torts of its employees, committed within the scope of their employment?

- A Respondeat superior
- B Ultra vires
- C Estoppel
- D Ratification

Which of the following statements is a general requirement for the merger of two corporations?

- A The merger plan must be approved unanimously by the stockholders of both corporations
- B The merger plan must be approved unanimously by the boards of both corporations
- C The absorbed corporation must amend its articles of incorporation
- D The stockholders of both corporations must be given due notice of a special meeting, including a copy or summary of the merger plan

Which of the following statements is correct concerning liability when a partner in a general partnership commits a tort while engaged in partnership business?

- A The partner committing the tort is the only party liable.
- B The partnership is the only party liable.
- C Each partner is jointly and severally liable.
- D Each partner is liable to pay an equal share of any judgment.

Which of the following rights is a holder of a public corporation's cumulative preferred stock always entitled to?

- A Conversion of the preferred stock into common stock
- B Voting rights
- C Dividend carryovers from years in which dividends were not paid, to future years
- D Guaranteed dividends

