CPA-TEST Q&As

Certified Public Accountant Test: Auditing and Attestation, Business Environment and Concepts, Financial Accounting and Reporting, Regulation

Pass AICPA CPA-TEST Exam with 100% Guarantee

Free Download Real Questions & Answers **PDF** and **VCE** file from:

https://www.geekcert.com/cpa-test.html

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by AICPA Official Exam Center

QUESTION 1

Which of the following describes how comprehensive income should be reported?

A. Must be reported in a separate statement, as part of a complete set of financial statements.

B. Should not be reported in the financial statements but should only be disclosed in the footnotes.

C. May be reported in a separate statement, in a combined statement of income and comprehensive income, or within a statement of stockholders\\' equity.

D. May be reported in a combined statement of income and comprehensive income or disclosed within a statement of stockholders\\' equity; separate statements of comprehensive income are not permitted.

Correct Answer: C

Explanation:

Choice "c" is correct.

Comprehensive income must be presented in one of three formats:

1.

In a combined statement of income and comprehensive income;

2.

In a separate statement of comprehensive income that begins with net income; or

3.

In a statement of changes in equity.

Choices "a", "b", and "d" are incorrect, per the above.

QUESTION 2

The optimal capitalization for an organization usually can be determined by the:

A. Maximum degree of financial leverage (DFL).

B. Maximum degree of total leverage (DTL).

C. Lowest total weighted-average cost of capital (WACC).

D. Intersection of the marginal cost of capital and the marginal efficiency of investment.

Correct Answer: C

Explanation: Choice "c" is correct. The optimal capitalization for an organization usually can be determined by the lowest total weighted-average cost of capital (WACC). Capitalization at WACC serves to maximize shareholder\\'s equity. Choice "a" is incorrect. The degree of financial leverage relates to the risk assumed by a firm using fixed debt service costs to finance operations not comprehensively to capital structure. Choice "b" is incorrect. The degree of total leverage relates the risk assumed by a firm using a combination of both debt services costs to finance operations and fixed costs to operate the business, not comprehensively to capital structure. Choice "d" is incorrect. The intersection of the marginal cost of capital and the marginal efficiency of investment does not indicate optimal capitalization.

QUESTION 3

A CPA\\'s report on agreed-upon procedures related to management\\'s assertion about an entity\\'s compliance with specified requirements should contain:

A. A statement of limitations on the use of the report.

B. An opinion about whether management\\'s assertion is fairly stated.

C. Negative assurance that control risk has not been assessed.

D. An acknowledgment of responsibility for the sufficiency of the procedures.

Correct Answer: A

Explanation: Choice "a" is correct. The practitioner\\'s report on agreed-upon procedures related to management\\'s assertion about the entity\\'s compliance with specified requirements is intended solely for the use of specified parties. Thus, the report should include a statement of limitations on the use of the report. Choice "b" is incorrect. The report is in the form of procedures and findings. Since the work performed is less in scope than an examination, the accountant disclaims any opinion. Choice "c" is incorrect. The auditor does not provide any negative assurance relative to assessment of control risk or to compliance with the specified requirements. Choice "d" is incorrect. The report contains a statement that the sufficiency of the procedures is solely the responsibility of the parties specifying the procedures and a disclaimer of responsibility on the part of the accountant.

QUESTION 4

Sam, CPA, is one of the partners in a limited liability partnership with other CPAs. Sam avoids personal liability for:

A. The wrongful acts of employees acting under his supervision.

B. His own negligent acts.

C. The malpractice of his partners regarding errors and omissions.

D. The negligent actions of his subordinates under his direct control.

Correct Answer: C

Explanation:

Choice "c" is correct.

Rule: A partner in a LLP is personally liable for tort liabilities arising from his own negligence and the

negligence of his direct subordinates and for breach of contract damages. He is NOT personally liable for

the negligent actions committed by his partners.

Choices "a", "b", and "d" are incorrect, per the above rule.

QUESTION 5

Pell, CPA, decides to serve as principal auditor in the audit of the financial statements of ABC, Inc. Smith, CPA, audits one of ABC\\'s subsidiaries. In which situation(s) should Pell make reference to Smith\\'s audit?

I. Pell reviews Smith\\'s audit documentation and assumes responsibility for Smith\\'s work, but expresses a qualified opinion on ABC\\'s financial statements.

II.

Pell is unable to review Smith\\'s audit documentation; however, Pell\\'s inquiries indicate that Smith has an excellent reputation for professional competence and integrity.

A.

I only.

B.

II only.

C.

Both I and II.

D.

Neither I nor II.

Correct Answer: B

Explanation: Choice "b" is correct. The principal auditor makes reference in the audit report to the work of the other auditor when the principal auditor is unable to review the other auditor\\'s audit documentation. This is because the principal auditor will be unable to be satisfied concerning the work performed by the other auditor. Even though the other auditor has an excellent reputation, the principal auditor must see the work to be able to assume responsibility for it. Choice "a" is incorrect. When the principal auditor decides to assume responsibility for the work of the other independent auditor, no reference is made to the work of the other auditor, regardless of the type of audit report expressed. Choice "c" is incorrect. When the principal auditor decides to assume responsibility for the work of the other independent auditor, no reference is made to the work of the other auditor, regardless of the type of audit report expressed. Choice "d" is incorrect. The principal auditor will make reference in the audit report to the work of the other auditor when the principal auditor is unable to review the other auditor\\'s audit documentation. This is because the principal auditor will be unable to be satisfied concerning the work performed by the other auditor. Even though the other auditor has an excellent reputation, the principal auditor must see the work to be able to assume responsibility for it.