



# CPA-TEST<sup>Q&As</sup>

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

-  **Instant Download** After Purchase
-  **100% Money Back** Guarantee
-  **365 Days** Free Update
-  **800,000+** Satisfied Customers





### QUESTION 1

An auditor most likely would review an entity's periodic accounting for the numerical sequence of shipping documents and invoices to support management's financial statement assertion of:

- A. Occurrence.
- B. Classification.
- C. Cutoff.
- D. Completeness.

Correct Answer: D

Explanation:

Choice "d" is correct. An entity's periodic accounting for the numerical sequence of shipping documents and invoices supports management's financial statement assertion of completeness of sales. A gap in recorded sequence numbers might indicate an unrecorded sale.

Choice "a" is incorrect. An auditor would trace from the sales invoices or sales journal (accounting records) to the shipping documents (source document) to support management's assertion of occurrence.

Choice "b" is incorrect. An auditor would examine journal entries for a sample of shipping documents to determine whether the client has recorded the sales in the proper accounts.

Choice "c" is incorrect. An auditor would review supporting documentation for shipping documents just before and just after year-end to determine whether appropriate cutoff has been achieved.

---

### QUESTION 2

When single-year financial statements are presented, an auditor ordinarily would express an unqualified opinion in an unmodified report if the:

- A. Auditor is unable to obtain audited financial statements supporting the entity's investment in a foreign affiliate.
- B. Entity declines to present a statement of cash flows with its balance sheet and related statements of income and retained earnings.
- C. Auditor wishes to emphasize an accounting matter affecting the comparability of the financial statements with those of the prior year.
- D. Prior year's financial statements were audited by another CPA whose report, which expressed an unqualified opinion, is not presented.

Correct Answer: D



Explanation:

Choice "d" is correct. Since only single-year financial statements are presented, the fact that another CPA audited the prior year's financial statements is not relevant. Therefore, the auditor would express an unqualified opinion in an unmodified report.

Choice "a" is incorrect. The situation described would result in a qualified opinion or disclaimer of opinion due to a scope limitation.

Choice "b" is incorrect. The situation described would result in a qualified opinion due to inadequate disclosure.

Choice "c" is incorrect. The situation described would result in an otherwise unqualified opinion modified by adding an additional explanatory paragraph after the opinion paragraph.

---

### QUESTION 3

Which of the following correctly lists the three ways to increase the money supply?

- A. Raise the required reserve ratio, increase the discount rate, sell bonds in the open market.
- B. Raise the required reserve ratio, increase the discount rate, buy bonds in the open market.
- C. Lower the required reserve ratio, increase the discount rate, buy bonds in the open market.
- D. Lower the required reserve ratio, decrease the discount rate, buy bonds in the open market.

Correct Answer: D

Explanation:

Choice "d" is correct. The three ways the Fed can increase the money supply are: (1) buy (purchase) government securities in the open market, (2) lower the discount rate, and (3) lower the required reserve ratio.

Choice "a" is incorrect, per above.

Choice "b" is incorrect, per above.

Choice "c" is incorrect, per above.

---

### QUESTION 4

Is the cumulative effect of an inventory pricing change on prior years earnings reported on the financial statements for



	<u>LIFO to weighted average?</u>	<u>Weighed average to LIFO?</u>
A.	Yes	Yes
B.	Yes	No
C.	No	No
D.	No	Yes

A. Option A

B. Option B

C. Option C

D. Option D

Correct Answer: B

Explanation: Choice "b" is correct. The cumulative effect of a change in accounting principle is now reported as an adjustment to beginning retained earnings when it is considered practicable to calculate the cumulative effect. When making a change to LIFO, it is generally considered impracticable to calculate the cumulative effect of the change (in most cases, data on the historical LIFO layers is not available). In a change to LIFO, the beginning inventory dollar amount becomes the first LIFO layer. No cumulative effect adjustment is made. The change is accounted for prospectively. A change from LIFO to weighted average, there is no such impracticability. The cumulative effect is computed and the change is handled retrospectively. Choices "a", "c", and "d" are incorrect, per the above Explanation.

#### QUESTION 5

The benefits of debt financing over equity financing are likely to be highest in which of the following situations?

- A. High marginal tax rates and few noninterest tax benefits.
- B. Low marginal tax rates and few noninterest tax benefits.
- C. High marginal tax rates and many noninterest tax benefits.
- D. Low marginal tax rates and many noninterest tax benefits.

Correct Answer: A

Explanation: Choice "a" is correct. The benefits of debt financing over equity financing are likely to be highest if marginal tax rates are high (because interest on debt is deductible for tax purposes) and if there are few noninterest tax benefits (because there is little or no reason to depart from debt financing). Choice "b" is incorrect. The benefits of debt financing over equity financing are likely to be highest if marginal tax rates are high, not low (because interest on debt is deductible for tax purposes), and if there are few noninterest tax benefits. Choice "c" is incorrect. The benefits of debt financing over equity financing are likely to be highest if marginal tax rates are high (because interest on debt is deductible for tax purposes) and if there are few, not many, noninterest tax benefits. Choice "d" is incorrect. The benefits of debt financing over equity financing are likely to be highest if marginal tax rates are high, not low (because interest on debt is deductible for tax purposes), and if there are few, not many, noninterest tax benefits.



VCE & PDF

GeekCert.com

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

2024 Latest geekcert CPA-TEST PDF and VCE dumps Download

---

[CPA-TEST Study Guide](#)

[CPA-TEST Exam Questions](#)

[CPA-TEST Braindumps](#)