

Appendix

Appx-1. CPA-07073

Under the Sarbanes-Oxley Act of 2002, which of the following statements is correct regarding an issuer's audit committee financial expert?

- A. The issuer's current outside CPA firm's audit partner must be the audit committee financial expert.
- B. If an issuer does not have an audit committee financial expert, the issuer must disclose the reason why the role is not filled.
- C. The issuer must fill the role with an individual who has experience in the issuer's industry.
- D. The audit committee financial expert must be the issuer's audit committee chairperson to enhance internal control.

Appx-2. CPA-05284

In order to increase the profit margin for a certain product, a company is planning to purchase a custom-made machine for \$5,000,000. It is anticipated that the introduction of the new machine will reduce the product's variable costs of labor and maintenance by \$5.50 per unit and \$0.95 per unit, respectively. The product manager estimates that 500,000 units of the product will be manufactured and sold each year with a product life cycle of two years, at which time the machine will be discarded with no salvage value. What is the company's total cost savings over the product's life cycle?

- A. \$725,000
- B. \$1,450,000
- C. \$3,225,000
- D. \$6,450,000

Appx-3. CPA-03421

When markets are perfectly competitive, consumers:

- A. Have goods and services produced at the lowest cost in the long run.
- B. Must choose the brands they buy solely on the basis of informational advertising.
- C. Do not receive any consumer surplus unless producers choose to overproduce.
- D. Must search for the lowest price for the products they buy.

Appx-4. CPA-03530

All of the following are characteristics of Internet-based networks, except:

- A. High cost.
- B. Use of public communications channels.
- C. Immediate transmissions.
- D. An increase in the number of potential trading partners.

Appx-5. CPA-04808

Which of the following types of control plans is particular to a specific process or subsystem, rather than related to the timing of its occurrence?

- A. Preventive.
- B. Corrective.
- C. Application.
- D. Detective.

Appx-6. CPA-04598

Which of the following statements is (are) correct for data?

- I. Production and test data are normally stored together in the same databases.
 - II. Production and test data are normally stored separately, with the production data stored in production databases and the test data stored in test databases.
 - III. Access to production and test data are normally the same.
- A. I and III only are correct.
 - B. II and III only are correct.
 - C. II only is correct.
 - D. None of the listed statements is correct.

Appendix

Q#	ID	Answer
Appx-1	7073	B
Appx-2	5284	B
Appx-3	3421	A
Appx-4	3530	A
Appx-5	4808	C
Appx-6	4598	C

Business

(2021 New Questions)

2021 New Questions-1. MCQ-12440

According to COSO, establishing, maintaining, and monitoring an effective internal control system can do each of the following, except:

- A. Ensure an entity's financial survival.
- B. Promote an entity's compliance with laws and regulations.
- C. Help an entity achieve performance targets.
- D. Provide protection for an entity's resources.

2021 New Questions-2. MCQ-12442

Which of the following is a violation of segregation of duties in internal control?

- A. An employee adds vendors and makes changes to a vendor master file.
- B. An employee enters and approves purchase orders.
- C. An employee matches invoices to purchase orders and receiving reports, and applies coding of account distributions.
- D. An employee receives goods from vendors and signs off on the deliveries.

2021 New Questions-3. MCQ-12445

A company's purchasing department creates purchase orders based on electronic requests sent by operations. These requests are approved by operations, and no further approvals are required to place a purchase order. Purchasing clerks key the order information, including vendor names and prices, into the purchasing system based on the electronic requests. Which of the following is the best control to ensure that orders are entered accurately?

- A. Approvals from management in operations are sent to clerks along with the order requests, which are then filled.
- B. Clerks use preformatted screens, which show the clerks the type of information expected, but do not restrict input.
- C. The purchasing system compares vendor information and prices entered by the clerks to master vendor and pricing data and rejects variances.
- D. A hash total of the total quantity of all items entered by purchasing clerks each day is compared to the total quantity of all the items originated by operations personnel.

2021 New Questions-4. MCQ-12454

An employee obtains a blank check, makes it payable to a fictitious company, and then cashes it. Each of the following internal control procedures should prevent this threat to the expenditure cycle, except:

- A. Positive pay with the bank.
- B. Bank reconciliations.
- C. Requiring electronic funds transfer transactions.
- D. Restricted access to blank checks.

2021 New Questions-5. MCQ-12447

According to the COSO Enterprise Risk Management—Integrated Framework, each of the following is considered by management as part of a risk assessment, except:

- A. Inherent risk.
- B. Unknown risk.
- C. Actual residual risk.
- D. Target residual risk.

2021 New Questions-6. MCQ-12462

A manufacturer actively monitors a foreign country's political events whenever a supply chain disruption occurs within the country that exceeds 90 days. According to the COSO Enterprise Risk Management principles, the manufacturer is following which of the following risk- response strategies?

- A. Share
- B. Avoid
- C. Accept
- D. Reduce

2021 New Questions-7. MCQ-12465

According to the COSO Enterprise Risk Management—Integrated Framework, uncertainty in enterprise risk management refers to:

- A. The impact of events or the time it would take to recover.
- B. The state of not knowing how or if potential events may manifest
- C. The possibility that events will occur and affect the achievement of objectives.
- D. The boundaries of acceptable variation in performance related to achieving business objectives.

2021 New Questions-8. MCQ-12441

Which of the following employees of an issuer is required to certify the company's financial reports filed with the SEC?

- A. The chief executive officer, but not the chief financial officer.
- B. The chief financial officer, but not the chief executive officer.
- C. Neither the chief executive officer nor the chief financial officer.
- D. Both the chief executive officer and the chief financial officer.

2021 New Questions-9. MCQ-12455

According to the Sarbanes-Oxley Act of 2002, an issuer must disclose whether or not it has adopted a code of ethics for which of the following?

- A. All employees of the issuer.
- B. The issuer's senior financial officers, but not for other employees of the issuer.
- C. The audit committee.
- D. Audit staff.

2021 New Questions-10. MCQ-12461

A company has a capital project with before-tax cash inflows in real dollars that are expected to be \$200,000 within two years. The inflation rate is expected to be 6 percent each year during that period. What is the before-tax cash inflow expressed in nominal dollars?

- A. \$177,999
- B. \$178,571
- C. \$224,000
- D. \$224,720

2021 New Questions-11. MCQ-12443

A U.S. company is purchasing inventory components from a company in a foreign country. The price of the company's routine inventory order is 100,000 foreign currency units (FCUs), and the exchange rate at the time of the last order was \$1.45 per one FCU. The exchange rate changes to \$1.60 per one FCU, and the U.S. company orders half of its normal quantity. What is the invoice difference from the last order?

- A. A decrease of \$65,000.
- B. A decrease of \$15,000.
- C. An increase of \$7,500.
- D. An increase of \$15,000.

2021 New Questions-12. MCQ-12444

An exporter enters into a contract to supply goods to a foreign buyer. The contract requires the payment in foreign currency 120 days after delivery. Recently the foreign currency has experienced many fluctuations. The exporter may incur a loss on this contract at the time payment is received due to such fluctuations. Which of the following actions should the exporter take to avoid such loss?

- A. Cancel the export contract.
- B. Enter into a forward contract with a bank.
- C. Wait for the settlement date to see if the foreign currency actually fluctuates.
- D. Invest the foreign currency in the buyer's country to avoid short-term fluctuations.

2021 New Questions-13. MCQ-12453

One euro will buy U.S. \$1.48, and a British pound will buy U.S. \$2.06. What is the cross rate of euros per pound?

- A. 0.72
- B. 1.39
- C. 1.48
- D. 2.06

2021 New Questions-14. MCQ-12456

In which of the following situations should a U.S.-based company consider hedging its transaction because it is in a short position?

- A. One receiving shipments from Japan and owing 800,000,000 yen in 60 days.
- B. One selling its Brazilian mine and receiving 10,000,000 reals in 30 days.
- C. One inheriting stock in a New Zealand company worth 90,000 New Zealand dollars with distribution in 180 days.
- D. One exporting products to Denmark and receiving 500,000 krone in 90 days.

2021 New Questions-15. MCQ-12459

A company provides the following financial information:

Cost of Equity	20 percent
Cost of Debt	20 percent
Tax rate	40 percent
Debt-to-equity ratio	0.8

What is the company's weighted average cost of capital?

- A. 9.8 percent
- B. 11.5 percent
- C. 13.3 percent
- D. 14.7 percent

2021 New Questions-16. MCQ-12433

The following is information about three companies:

	<u>ABC Co.</u>	<u>XYZ Co.</u>	<u>KLM Co.</u>
Total assets	\$109,000	\$450,000	\$850,000
Total liabilities	44,000	150,000	450,000
Total equity	65,000	300,000	400,000

Which company would be considered least risky from a creditor's viewpoint?

- A. KLM, because the debt ratio is the highest.
- B. ABC, because the debt ratio is average.
- C. XYZ, because the debt ratio is the lowest.
- D. XYZ, because the debt ratio is the highest.

2021 New Questions-17. MCQ-12434

Strom Inc. has current assets of \$5,500,000. Its current ratio is 2.0 and its quick ratio is 1.5. What is Strom's total inventory?

- A. \$4,125,000
- B. \$3,750,000
- C. \$2,750,000
- D. \$1,375,000

2021 New Questions-18. MCQ-12457

Each of the following is a potential problem for a company that has implemented just-in-time inventory management, except:

- A. Seasonal fluctuations in inventory requirements could cause inventory shortages.
- B. Actual lead time for material orders could be longer than expected.
- C. Loss of quantity discounts could be more than the cost of handling and purchasing larger lots of inventory.
- D. Low-quality inventory could cause shortages.

2021 New Questions-19. MCQ-12460

A company has the following financial information:

Net operating profit after taxes	\$18,000
Capital expenditures	10,000
Depreciation expense	8,000
Change in working capital	4,000

What amount is the company's free cash flow?

- A. \$4,000
- B. \$8,000
- C. \$12,000
- D. \$16,000

2021 New Questions-20. MCQ-12449

A new venture will require an initial investment in fixed assets of \$20,000 and in working capital of \$10,000. The fixed assets will have no salvage value at the end of the project's four-year life, and the working capital will be completely recovered at the end of the project. The organization's cost of capital is 16 percent. At a time value of money of 16 percent, the present value of an ordinary annuity of \$1/year for four years is 2.8 and the present value of \$1 at the end of four years is 0.6. What is the annual net cash inflow required for the project to break even on a time-adjusted basis?

- A. \$7,143
- B. \$8,571
- C. \$10,714
- D. \$12,857

2021 New Questions-21. MCQ-12436

The rankings of two mutually exclusive investments determined using the internal rate of return (IRR) method and the net present value (NPV) method may be different in which of the following situations?

- A. If the expected lives of the two projects are equal and the amounts of the required investments are equal.
- B. If the required rate of return equals the IRR of each project.
- C. If the required rate of return is higher than the IRR of each project.
- D. If the two projects have unequal lives and the size of the investment for each project is different.

2021 New Questions-22. MCQ-12446

The total quality management process identifies each of the following as a cost of quality, except:

- A. Prevention costs.
- B. Investment costs.
- C. Internal failure costs.
- D. Internal failure costs.

2021 New Questions-23. MCQ-12430

Last year a segment of Dickson Company had the following sales, assets, and operating income:

Sales	\$500,000
Assets	200,000
Operating income	50,000

What is the segment's asset turnover?

- A. 2 times
- B. 2.5 times
- C. 4 times
- D. 10 times

2021 New Questions-24. MCQ-12451

In analyzing its current year operating performance, Merle Co. determined that its return on assets improved significantly from the prior year. Total assets and operating expenses were stable and overall debt decreased, while net earnings increased due to greater sales volume. An additional 50,000 shares of common stock were authorized during the year.

Which of the following statements best explains Merle's improved return on assets in the current year?

- A. Merle made more efficient use of its assets.
- B. Merle made more efficient use of its cash flow.
- C. Merle increased its outstanding capital.
- D. Merle decreased its operating expenses.

2021 New Questions-25. MCQ-12448

Ace Co. is evaluating a new novelty product that would sell for \$30 per unit and have the following costs:

Variable manufacturing	\$20 per unit
Variable selling and distribution	4 per unit
Fixed manufacturing	\$100,000 per year
Product design and development	\$80,000 total

The product is expected to have a market life of one year, at the end of which all production and sales would be discontinued. Ace has a target rate of return on sales of 0.10. How many units must Ace sell to earn the target rate of return?

- A. 16,667
- B. 30,000
- C. 33,333
- D. 60,000

2021 New Questions-26. MCQ-12431

A company's target gross margin is 40 percent of the selling price of a product that costs \$178 per unit. The product's selling price should be:

- A. \$445.00
- B. \$296.67
- C. \$296.67
- D. \$249.20

2021 New Questions-27. MCQ-12432

J & L Inc. manufactures dog beds. Each bed requires 10 square feet of material, which has a standard cost of \$2 per bed. During July, J&L's results were as follows:

Square feet of material consumed	12,000
Cost of material consumed	\$3,600
Number of dog beds manufactured	1,000

What is the direct materials usage variance?

- A. \$400 favorable
- B. \$400 unfavorable
- C. \$600 favorable
- D. \$600 unfavorable

2021 New Questions-28. MCQ-12450

Echo Company uses a normalized job costing system and applies factory overhead on the basis of machine hours. Echo's yearly profit plan disclosed anticipated factory overhead of \$4,800,000 if 200,000 machine hours are worked. By year-end, actual factory overhead charges and machine hours worked amounted to \$4,730,000 and 215,000, respectively. What amount correctly states the factory overhead applied to Echo's actual year-end overhead?

- A. \$70,000 overapplied
- B. \$360,000 overapplied
- C. \$430,000 overapplied
- D. \$430,000 underapplied

2021 New Questions-29. MCQ-12435

Diamond Co. uses a material that costs \$195 per ton at the beginning of the year and \$200 per ton at the end of the year. The industry experienced 4 percent inflation during the year. What is the change in the real cost of Diamond's material?

- A. \$5.00-per-ton increase.
- B. \$7.80-per-ton increase.
- C. \$2.80-per-ton decrease.
- D. \$8.00-per-ton decrease

2021 New Questions-30. MCQ-12437

A company currently sells 100,000 units of product A at \$10 per unit. The company also sells 100,000 units of product B at the same price. The company raises the price of both products by 10 percent. Product A has an elasticity of 1.5. Product B has an elasticity of 3.0. Which of the following effects will the price increase most likely have on company revenues?

- A. Company revenues will increase for both products.
- B. Company revenues will decrease for both products.
- C. Company revenues will increase for product A but not product B.
- D. Company revenues will increase for product B but not product A.

2021 New Questions-31. MCQ-12452

When the demand for a product is inelastic, a decrease in price has what effect on the number of units sold and total revenue?

- A. The percentage change in price will be greater than the percentage change in quantity, and total revenue will fall.
- B. The percentage change in price will be greater than the percentage change in quantity, and total revenue will rise.
- C. The percentage change in price will be less than the percentage change in quantity, and total revenue will fall.
- D. The percentage change in price will be less than the percentage change in quantity, and total revenue will rise.

2021 New Questions-32. MCQ-12439

Which of the following terms is used to describe the unique attribute that identifies a specific record in a table?

- A. A foreign key
- B. A primary key
- C. A secondary key
- D. A schema

2021 New Questions-33. MCQ-12464

When evaluating a cloud service provider's data security measures, a company would appropriately consider each of the following risk factors, except:

- A. The provider's vertical scalability.
- B. The provider's third-party suppliers.
- C. The provider's multi-tenant architecture.
- D. The provider's cloud-of-cloud agreements.

2021 New Questions-34. MCQ-12438

Which of the following spreadsheets most likely has the highest risk of data integrity errors?

- A. A spreadsheet the CFO uses that is directly linked to the company's accounting system database.
- B. A spreadsheet that displays imported comma-delimited text files from the check payment module and is reviewed by the accounts payable administrator.
- C. A spreadsheet that captures time and attendance transactions from an automated time clock system.
- D. A spreadsheet into which the controller enters summary daily sales data from a printed report of an automated accounting system.

2021 New Questions-35. MCQ-12458

A large organization uses batch processing to process sales transactions. The system sorts sales transactions by customer number and performs edit checks when preparing invoices, processing payment information, recording journal entries, and updating customer account balances. Which of the following reports should be analyzed most frequently to ensure correct customer balances?

- A. Exception reports with control totals
- B. A cash reconciliation report
- C. An accounts receivable aging report
- D. A report on the sales-price master file

2021 New Questions-36. MCQ-12463

Which of the following IT controls would a company appropriately use to mitigate the risk of unauthorized access to its payroll data?

- A. Validity checks
- B. A neural network
- C. Biometric devices
- D. Employee purchase cards

Q#	ID	Answer
New Qs-1	12440	A
New Qs-2	12442	B
New Qs-3	12445	C
New Qs-4	12454	C
New Qs-5	12447	B
New Qs-6	12462	C
New Qs-7	12465	B
New Qs-8	12441	D
New Qs-9	12455	B
New Qs-10	12461	D
New Qs-11	12443	A
New Qs-12	12444	B
New Qs-13	12453	B
New Qs-14	12456	A
New Qs-15	12459	C
New Qs-16	12433	C
New Qs-17	12434	D
New Qs-18	12457	A
New Qs-19	12460	C
New Qs-20	12449	B
New Qs-21	12436	D
New Qs-22	12446	B
New Qs-23	12430	B
New Qs-24	12451	A
New Qs-25	12448	D
New Qs-26	12431	B
New Qs-27	12432	B
New Qs-28	12450	C
New Qs-29	12435	C
New Qs-30	12437	B
New Qs-31	12452	A
New Qs-32	12439	B
New Qs-33	12464	A
New Qs-34	12438	D
New Qs-35	12458	A
New Qs-36	12463	C