



FINAL EXAM

Course # 271027 Ethics & the CPA 6 Hours

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Ethics & the CPA 6 Hours

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6 CPE Credit Hours
Ethics

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Chapter 1 - Ethics & the CPA

1. A profession has certain attributes that are evident. A distinguishing attribute is:

- Standards that are devoted to the profession;
- Rules of conduct;
- Technical attributes;
- Regulations.

2. A rich ethics-based strategy for organizations post-Enron has a foundation based on the fact that:

- Values and ethics are exactly the same;
- An ethical-based strategy is richer in values;
- Ethics are public; values are private;
- Generation Y learners are private.

3. The Public Company Accounting Oversight Board (PCAOB) was established:

- In 1998;
- As a result of the scandals and the lack of credibility of CPA's;
- By the Securities and Exchange Commission because of requirements in the SEC Act of 1933;
- Because recent scandals created the Canadian Public Accountability Board.

4. A fiduciary relationship exists with clients and CPA's because:

- CPA's always try to keep their clients satisfied;
- Being a fiduciary requires knowledge of accounting;
- Services are different because of the level of expertise of a professional accountant who is trusted;
- CPA's are generally competent.

5. The public interest means that:

- The public is government-supported;
- The group served by accountants according to KPMG;
- The group served by accountants according to SOX;
- The group serviced by only CPA's.

6. The most effective way to establish an ethics program is:

- To call KPMG and Coopers and Lybrand;
- To use principles set forth in the KPMG Ethics Toolkit;
- To call a CPA who follows the IRS Tax Code;
- To call a hotline and report the wrongs in the company.

7. Not conforming to GAAP is a serious violation that is:

- Committed by 71 percent of CPA's;
- Violated and in conformance with the Principle of Objectivity;
- Committed by about half of CPA's;
- CPA's never fail to conform to GAAP.

8. The best way to conform with the Due Care Standard is to:

- Follow GAAP at all costs;
- Perform audits in accordance with GAAS;
- Only accept relationships where there is trust;
- Never complete an audit for large, public companies.

9. CPA professionals:

- Follow the AICPA Professional Code of Conduct if the accountants are members of the AICPA;
- Follow the AICPA Professional Code of Conduct if they perform audits;
- Follow the SEC's Professional Code of Conduct after SOX;
- Follow their own ethics.

10. To appear to be independent, the CPA should avoid circumstances that would cause an informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of a firm or member of the audit engagement:

- Was compromised;
- CPA's must be independent for all services;
- CPA's must always appear to be independent;
- CPA's must follow an integrity-based program for the public interest.

11. To be independent, CPA's must consider the following:

- Independence must be in fact and in appearance for all engagements;
- The required standards apply to all public companies only;
- The required standards apply to all privately held companies only;
- The required standards apply to all not-for-profit entities.

12. Which of the following is true about PCAOB audit standards?

- The required standards apply to all public companies;
- They compromised journal entries in order to fool the auditors;
- They were audited by KPMG;
- They ran out of cash because of the recession.

13. When solving an ethical dilemma:

- One should follow two schools of thought;
- One should analyze the consequences, analyze the actions, and make a decision;
- One should report matters to a whistle-blower;
- One should follow the Golden Rule.

14. The objectivity standard refers to:

- Engagements that have fiduciary relationships;
- The quality of services performed by the CPA;
- Regulations that CPA's take an oath to abide with;
- Only tax matters.

15. The concept of fairness is a characteristic:

- That is advocated by the Josephson Institute in accordance with GAAP;
- That must be fully disclosed;
- That applies to accountants in the preparation of financial statements that are without bias and are transparent;
- Is an element of the ladder of character.

16. Frauds are often explained by the Fraud Triangle. The explanation is:

- pressure exists to commit fraud and boast about its existence;
- opportunity is nonexistent; rationalization occurs; pressure is eliminated;
- opportunity for fraud is curtailed with a code of ethics;
- opportunity exists; pressure exists; behavior if rationalized.

17. According to a study by the Association of Certified Fraud Examiners, the annual cost of occupational fraud in the U.S. is:

- \$60 billion;
- \$600 million;
- \$600 billion;
- None of the above.

18. The Six Pillars of Character are the foundation for:

- The Josephson Institute;
- Integrity;
- The AICPA Code of Professional Conduct;
- Values-based education.

19. Better knowledge of morals came about because:

- Kohlberg researched the stages of moral development;
- Values are not the underlying premise;
- It is an IRS requirement;
- Not applicable.

20. A CPA must approach all audit work with:

- The AICPA behind them by following the AICPA Code of Professional Conduct;
- Conservatism;
- Professional skepticism;

Ethics.

21. What is the motive behind the PCAOB integrated audit concept?

- Elevation of importance of internal controls;
- Improvement of the quality and integrity of both internal controls over financial reporting and independent financial statement audits;
- Improvement of the speed and reliability of both corporate financial reporting and independent financial statement audits;
- Elevation of importance of independent financial statement audits.

22. In an audit, the auditor has a requirement to address risk assessment with respect to:

- The design and performance of audit procedures to respond to assessed risks;
- Whether the standards close the expectation gap;
- The role and responsibilities of the audit committee in preventing fraud;
- All of these.

23. PCAOB AS 4 requires that the external auditors should take each of the following steps when reporting on whether a material weakness still exists in the internal controls except for:

- Evaluate whether management has accepted responsibility for the effectiveness of internal control;
- Evaluate whether management asserts whether the controls are effective in correcting the material weakness;
- Evaluate whether management has obtained sufficient evidence to support its assessment;
- Evaluate whether management has conducted an audit of internal controls.

24. Which of the following is not true of "reasonable assurance"?

- The auditors have exercised due care;
- The audit opinion is a guarantee that material misstatements have been identified;
- The audit has been properly planned and supervised;
- The auditors have followed GAAS.

25. Which of the following is not an essential area of fraud considerations assessed by the auditors?

- Assessing the possibility of fraud;
- Whether management deliberately committed fraud;
- Identifying risks of fraud;
- Evaluating the characteristics of fraud.

26. PCAOB AS 16 require the auditor to communicate with the audit committee all but???

- Significant accounting policies and practices;
- Critical accounting practices and policies;
- Significant unusual transactions;
- The procedures followed by the auditor in evaluating evidence.

27. XYZ Company requires that its internal auditor must bring all accounting and financial reporting matters of concern to the CFO and CEO before going to the audit committee. The weakness in internal controls is most likely to lead to which element of the fraud triangle when instances of

fraud occur:

- Pressure;
- Opportunity;
- Rationalization;
- Professional Skepticism.

28. One of the rules of professional conduct and repeated in GAAS, due care requires a member to discharges professional responsibilities with _____

- Confidentiality and integrity;
- Objectivity and ethics;
- Standard morals and ethics;
- Competence and diligence.

29. The purpose of the fraud triangle is to identify:

- The causes of when the audit opinion should be qualified;
- To identify the causes of and reasons for fraud when acts are intentional;
- To identify the causes of when there is a lack of independence in performing an audit;
- All of these.

30. The difference between an error in the financial statements as compared to fraud is:

- An error is always an intentional act designed to deceive another party;
- Fraud is always an intentional act designed to deceive another party;
- An error always leads to a qualification of the auditors' opinion;
- Fraudulent financial reporting is always material in amount.

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