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**QUESTION: 394**

The costs that provide a benefit to a company over more than one accounting period are called:

- A. Capital expenses
- B. Revenue expenses
- C. Asset expenses
- D. Manufacturing equipments expenses

**Answer: A**

**QUESTION: 395**

\_\_\_\_\_ are potential obligations that will materialize only if certain events occur in future.

- A. Warranties returns
- B. Liability omissions
- C. Contingent liabilities
- D. Concealed expenses

**Answer: C**

**QUESTION: 396**

According to Accounting Changes and Errors Corrections, which of the following is NOT the type accounting change that must be disclosed to avoid misleading the user of financial statements?

- A. accounting principles
- B. estimates
- C. reporting entities
- D. liability omissions

**Answer: D**

**QUESTION: 397**

Improper asset valuations usually fall into which of the following category?

- A. Inventory valuation
- B. Accounts receivable
- C. Business combinations
- D. All of the above

**Answer:** D

**QUESTION:** 398

To debit accounts receivables and credit sales is the typical entry under:

- A. Fictitious account payables
- B. Fictitious account receivables
- C. Failure to write off account receivables
- D. Failure to write off account payables

**Answer:** B

**QUESTION:** 399

Which of the following is NOT the scheme of fixed assets that are subject to manipulation?

- A. Related party transactions
- B. Booking fictitious assets
- C. Misrepresentation asset valuation
- D. Improperly capitalizing inventory and start-up costs

**Answer:** A

**QUESTION:** 400

Which type of misstatements are considered relevant for audit purpose?

- A. Misstatements arising from fraudulent financial reporting
- B. Misstatements arising from misappropriation of assets
- C. Both A and B
- D. Neither A nor B

**Answer:** C

**QUESTION:** 401

In identifying risks that may result in material misstatements due to fraud, auditors should consider:

- A. type of risk
- B. significance of risk
- C. pervasiveness of risk

D. All of the above

**Answer:** D

**QUESTION:** 402

Judgments about the risk of material misstatement due to fraud have an overall effect on how the audit is concluded in what ways?

- A. Assignment of personnel and supervision
- B. Accounting principles
- C. Predictability of auditing procedures
- D. All of the above

**Answer:** D

**QUESTION:** 403

Which of the following is NOT included in financial statement analysis?

- A. Vertical analysis
- B. Horizontal analysis
- C. Fraction analysis
- D. Ratio analysis

**Answer:** C

**QUESTION:** 404

A technique for analyzing the relationships between the items on an income statement, balance sheet, or statement of cash flows by expressing components as percentages is called:

- A. Vertical analysis
- B. Horizontal analysis
- C. Fraction analysis
- D. Ratio analysis

**Answer:** A

**QUESTION:** 405

A technique for analyzing the percentage change in individual financial statement items from one year to the next is known as:

- A. Vertical analysis
- B. Horizontal analysis
- C. Fraction analysis
- D. Ratio analysis

**Answer:** B

**QUESTION:** 406

A fraction analysis is a means of measuring the relationship between two different financial statement amounts.

- A. True
- B. False

**Answer:** B

**QUESTION:** 407

The formula to calculate quick ratio is:

- A. Quick ratio = (Credit + Securities + Receivables) / Current liabilities
- B. Quick ratio = (Cash + Securities + Payables) / Final liabilities
- C. Quick ratio = (Credit + Securities + Payables) / Final liabilities
- D. Quick ratio = (Cash + Securities + Receivables) / Current liabilities

**Answer:** D

**QUESTION:** 408

The receivable turnover can be calculated by which of the following formula:

- A. Receivable turnover = Net Sales on Account / Average Net Receivables
- B. Receivable turnover = Gross Sales on Account / Average Gross Receivables
- C. Receivable turnover = Net Sales on Receivables / Average Net Account
- D. Receivable turnover = Gross Sales on Receivables / Average Gross Account

**Answer:** A

**QUESTION:** 409

Collection ratio can be calculated by the formula:

- A. Collection Ratio =  $365 / \text{Payable Turnover}$
- B. Collection Ratio =  $365 + \text{Net Income} / \text{Receivable Turnover}$

- C. Collection Ratio =  $365 / \text{Receivable Turnover}$
- D. Collection Ratio =  $365 + \text{Net Sales} / \text{Receivable Turnover}$

**Answer:** C

**QUESTION:** 410

Which of the following is the formula for the inventory turnover?

- A. Inventory turnover =  $\text{Cost of Goods Purchased} / \text{Average Inventory}$
- B. Inventory turnover =  $\text{Cost of Goods Sold} / \text{Average Inventory}$
- C. Inventory turnover =  $\text{Cost of Goods Sold} / \text{Total Inventory}$
- D. Inventory turnover =  $\text{Cost of Goods Purchased} / \text{Total Inventory}$

**Answer:** B

**QUESTION:** 411

The modification of behavior through the perception of negative sanctions is called:

- A. Endorsement
- B. Deterrence
- C. Consent
- D. Authorization

**Answer:** B

**QUESTION:** 412

What is considered by most professionals to be the cornerstone of an employee reporting program?

- A. Focus line
- B. Report Foundation
- C. Hotline
- D. Imputed Reports

**Answer:** C

**QUESTION:** 413

Which of the following is NOT the type of hotline?

- A. Part-time hotline
- B. Full-time hotline

- C. Third-party hotline
- D. Detective hotline

**Answer:** D

**QUESTION:** 414

According to Wheelwright; branch of philosophy which is the systematic study of reflective choice, of the standards of right and wrong by which a person is to be guided, and of the goods toward which it may ultimately be directed is called:

- A. Ethics
- B. Morality
- C. Legality
- D. Saintliness

**Answer:** A

**QUESTION:** 415

What advocates that there are concrete ethical principles that cannot be violated?

- A. Utilitarian principle
- B. Imperative principle
- C. Functional activity
- D. Serviceable principle

**Answer:** B

**QUESTION:** 416

When each situation must be evaluated on its own, in essence, the end can justify the means, this is referred to as:

- A. Situational ethics
- B. Situational behavior
- C. Situational principle
- D. Situational hotline

**Answer:** A

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