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**1. MCQ-14801**

According to COSO, which of the following issues should lead to the greatest concern regarding the effectiveness of an entity's internal control?

1. Monitoring internal control in areas that have *never* had a control failure.
2. Errors from control failures that were *not* detected timely by the routine monitoring procedures.
3. Unwarranted duplication of efforts when multiple people monitor the same control.
4. Additional evaluations solely to meet regulatory requirements when elements of other procedures would be sufficient.

**ANSWER:**

Choice "B" is correct. Monitoring is one of the five components of the COSO *Internal Control—Integrated Framework.* The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate. 这里的effectiveness重要关注的是timely采取措施解决问题。

选项A，虽然这里需要internal control，但不是greatest concern for effectiveness。

选项C，虽然这里有影响effectiveness，但不是greatest concern。

选项D，虽然这里有影响effectiveness，但不是greatest concern。

2. MCQ-14802

A member of the audit committee is evaluating the following risk matrix for a company:

|  |  |  |  |
| --- | --- | --- | --- |
| *Item Number* | *Likelihood* | *Severity* | *Risk* |
| 1 | 8.3% | $20,235 | Cash register embezzlement |
| 2 | 13.60% | $169,477 | Vendor kickbacks (collusion) |
| 3 | 7.5% | $522,531 | Server outage |
| 4 | 1.1% | $2,937,632 | Financial statement earning restatement |

Using statistical risk ranking methodology, which of the following lists of risks is correct by prioritized?

1. 2, 1, 3, 4.
2. 2, 1, 4, 3.
3. 3, 4, 2, 1.
4. 4, 3, 2, 1

ANSWER：

Choice "C" is correct. 在ERM框架里，对于severity风险评估考虑两方面，likelihood of the risk occurring and impact if it does occur。根据题目给的数据，我们可以计算出的风险数据值是：

* Item 1: Cash register embezzlement: 8.3% x $20,235 = $1,679.51
* Item 2: Vendor kickbacks (collusion): 13.60% x $169,477 = $23,048.87
* Item 3: Server outage: 7.5% x $522,531 = $39,189.83
* Item 4: Financial statement earning restatement: 1.1% x $2,937,632 = $32,313.95

根据上面计算，风险从高到低是 3,4,2,1。

3.MCQ-14804

A manufacturer performed an analysis of its product's price point in an effort to meet its customers' demand without experiencing excess inventory.

|  |  |
| --- | --- |
| *Price Point*  $4  $3  $2  $1 | *Supply Demand*  20 10  15 15  10 20  5 25 |

The manufacturer uses just-in-time inventory processes, and demand for the product is elastic. Which of the following prices should management use in order to address the efforts above while maximizing profits?

1. $1
2. $2
3. $3
4. $4

ANSWER:

Choice "C" is correct. 如果只看利润最大化，那么价格肯定越高越好。但是当需要考虑存货的时候，就需要考虑市场需求量。这时候，如果demand = supply，那么这就符合了题目的要求，也就达到了equilibrium。题目中，价格为3的时候，demand= supply。

4.MCQ-14807

Gray Co. and Seas Co. have the following items on their balance sheet at the end of the current year:

|  |  |  |
| --- | --- | --- |
|  | *Current Assets* | *Current Liabilities* |
| Gray Co. | $2,500,000 | $1,000,000 |
| Seas Co. | 5,000,000 | 3,000,000 |

Which of the following statements best describes the liquidity position of the two companies in relation to each other?

1. Seas is more liquid because it carries a larger amount of current assets than Gray.
2. Seas is more liquid because it has working capital greater than Gray.
3. Gray is more liquid because it carries a smaller amount of current liabilities than Seas.
4. Gray is more liquid because it has a larger current ratio than Seas.

ANSWER:

Choice "D" is correct. 根据题目的信息，判断liquidity可以使用current ratio= current assets/ current liabilities, which reflects a firm's ability to generate cash to meet its short-term obligations。

Gray: the current ratio = $2,500,000 / $1,000,000 = 2.5.

Seas: the current ratio = $5,000,000 / $3,000,000 =1.67.

根据计算，Gary有比较好的liquidity。

**5.MCQ-14808**

Based on the following data, what is the cost of goods sold for the company?

*Beginning Inventory*   *Ending Inventory*

Work in process $500,000 $400,000

Finished goods 100,000 500,000

Sales $1,000,000

Net purchases of raw materials 600,000

Cost of goods manufactured 800,000

Marketing and administrative expenses 250,000

Indirect manufacturing costs 500,000

1. $200,000
2. $400,000
3. $600,000
4. $90,000

ANSWER:

Choice "B" is correct. The cost of goods sold (COGS)= cost of goods manufactured + beginning finished goods inventory - ending finished goods inventory = $800,000 + $100,000 - $500,000 = $400,000.

6.MCQ-14809

A company provides the following information about discount factors and yearly cash flows:

|  |  |  |
| --- | --- | --- |
| *Year* | *Discount Factor* | *Annual* *Cash Flow* |
| 1 | .9 | $200 |
| 2 | .8 | 400 |
| 3 | .7 | 500 |
| 4 | .6 | 500 |

If the discounted payback method is used, an outlay of $1,000 cash would most likely result in payback in which of the following months?

1. Month 33.
2. Month 36.
3. Month 42.
4. After month 48.

ANSWER:

Choice "C" is correct. 按照题目，使用discounted payback method，每年都要折算成 present value。根据计算，要收回1,000的支出，需要在Year 3到Year 4。$850和$1,150的中间正好是1,000，所以是3.5 years = 42 months。

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Year* | *Discount Factor* | *Annual* *Cash* *Flow* | *PV of Cash Flow* | *Cumulative* CF |
| 1 | 0.9 | $200 | $180 | $180 |
| 2 | 0.8 | $400 | $320 | $500 |
| 3 | 0.7 | $500 | $350 | $850 |
| 4 | 0.6 | $500 | $300 | $1,150 |

**7.MCQ-14810**

Which of the following individuals or groups within an organization reviews and approves long-range plans and oversees its information systems?

1. Systems steering committee
2. Project development team
3. Systems analyst
4. Database administrator

ANSWER:

Choice "A" is correct.

A steering committee is an advisory and supervisory body made up of executive-level employees and experts. The committee offers guidance on several issues that a project or a company may or is already encountering. It ensures that projects meet the desired quality and monitor any adjustment that may have been decided. It also monitors the project processes and plans, which is crucial for project success.

Project development teams are concerned with whether projects are performing aligned with businesses’ strategic objectives, whether the IT governance is designed and operating effectively, whether there are change management in place.

System analysts are typically engaged in designing information systems to meet users' needs rather than overseeing an organization's information systems.

Database administrators are responsible for storing and organizing an organization's data within a database.

8.MCQ-14811

A credit card company that processes millions of transactions each year has experienced an increase in fraudulent transactions. The company maintains a data warehouse with data about customers and transactions from the past five years. How could the company best use this data to detect potentially fraudulent charges within 24 hours of receipt of transaction data?

1. Employ data mining.
2. Increase the internal audit staff.
3. Adopt more stringent credit-approval policies.
4. Use sequential coding for authorization numbers.

ANSWER:

Choice "A" is correct. Data mining 允许用户可以获得从data warehouse里获得data本身，通过analytics 获取主要data去更好理解data本身。Data mining provides capabilities for discovering “hidden” predictive relationships in the data and it can be used in manual data extraction.

Employing additional internal audit staff，adopting more stringent credit-approval policies，和using sequential coding for authorization numbers三者都是preventive control。 他们能在一定程度上在前期，使得问题data可以被发现，或者减少问题data的存在，而不是利用以往data去发现问题。

9.MCQ-14812

Multi Co has the following sales mix:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Product* | *Sales Price* | *Variable* Costs | *Fixed Costs* | *Percent of Units Sold* |
| Shoes | $100 | $25 | $40 | 30% |
| Swim suits | 50 | 10 | 20 | 50% |
| Hats | 40 | 5 | 5 | 20% |

What amount is Multi Co's weighted average contribution margin per unit?

1. $40.00
2. $49.50
3. $56.67
4. $63.33

ANSWER:

Choice "B" is correct. Contribution margin = sales price - variable costs. Fixed costs 不会影响contribution。 Weighted average contribution margin 是把每个产品 contribution margin 乘以对应的percentage of units sold. 所以对应的contribution margin计算为：

* Shoes: $100 - $25 = $75
* Swimsuits: $50 - $10 = $40
* Hats: $40 - $5 = $35

The weighted average contribution margin = ($75x30%) + ($40x50%) + ($35x20%) = $49.50.

10.MCQ-14813

Estimated sales for the Johnson Co. in the second quarter are shown below by month:

*April May June*

Sales $70,000 $40,000 $50.000

Johnson has a policy of maintaining 40 percent of the following month's estimated cost of sales on hand in merchandise inventory at the end of each month. The cost of goods sold is 60 percent of sales. What is the cost of the merchandise inventory that Johnson needs to purchase in May?

1. $21.600
2. $24.000
3. $26,400
4. $44,000

ANSWER:

Choice "C" is correct.

Estimated sales in May $40,000

Estimated cost of goods sold $40,000 x 60% = $24,000

Estimated beginning inventory heading into May $24,000 x 40% = $9,600

Estimated ending inventory for May heading into June $50,000 x 60% x 40% = $12,000

Estimated inventory purchased in May $12,000 - $9,600 + $24,000 = $26,400.

11.MCQ-14814

A company has determined that its sales to residential home builders tend to vary with changes in the prime interest rate. Sales this year will be $5 million. The following information is available:

|  |  |  |
| --- | --- | --- |
| *Prime Interest Rate* | *Probability* | *Sales Growth* |
| Increases 2% | 15% | (20%) |
| Increases 1% | 40% | 3% |
| Unchanged | 35% | 5% |
| Decreases 1% | 10% | 8% |

What amount is the expected value of the company's sales for the coming year's budget?

1. $5,037,500
2. $5,150,000
3. $5,172,500
4. $5,337,500

ANSWER:

Choice "A" is correct.

Expected sales growth percentage = [15% x (-20%)] + (40% x 3%) + (35% x 5%) + (10% x 8%) = 0.75% growth.

Expected sales growth = $5,000,000 x 0.75% = $37,500.

Expected sales value = $5,000,000 + $37,500 = $5,037,500.

12.MCQ-14816

A threat to an information system with a total potential dollar-loss impact of $7 million has been discovered. The risk of loss to the identified threat is currently 10 percent. The following four proposed controls are under consideration to mitigate the risk of loss:

|  |  |  |
| --- | --- | --- |
| *Control Name* | *Risk of Loss* | *Implementation Cost* |
| W | 8% | $100,000 |
| X | 6% | 250,000 |
| Y | 4% | 350,000 |
| Z | 2% | 500,000 |

Based on a cost-benefit analysis, which control provides the greatest net benefit?

1. Control W
2. Control X
3. Control Y
4. Control Z

ANSWER：

Choice "C" is correct. 在Enterprise Risk Management系统里，对于 severity risk的评估包括两部分：likelihood of the risk occurring 和 the impact if it does occur。根据题目，每一个control都可以把risk of loss 降低到10%一下。我们要结合cost，去考虑每一个control的net benefit。

Control W: $7 million x(10% - 8%) = $140,000 benefit - $100,000 cost = $40,000 net benefit

Control X: $7 million x (10% - 6%) = $280,000 benefit - $250,000 cost = $30,000 net benefit

Control Y: $7 million x(10% - 4%) = $420,000 benefit- $350,000 cost = $70,000 net benefit

Control Z: $7 million x (10%- 2%) = $560,000 benefit - $500,000 cost = $60,000 net benefit

13.MCQ-14822

Information about returns of eight stocks is as follows:

Stock

E Perfectly correlated with F.

F Perfectly correlated with E.

H Positively correlated with I.

I Positively correlated with H.

J Not correlated with K.

K Not correlated with J.

L Perfectly negatively correlated with M.

M Perfectly negatively correlated with L.

Which pair of stocks, if the stocks are purchased in equal amounts, will create the portfolio with the *least* risk?

1. E and F.
2. H and I.
3. J and K.
4. L and M.

ANSWER:

Choice "D" is correct. Risk reduction 最好的方式就是把 negatively correlated的两个放在一起。这里Stocks L and M 是 perfect negative correlations，所以组合的 portfolio 风险最低。

14.MCQ-14823

Which of the following is a valid method of calculating the internal rate of return?

1. Calculate the present value of each cash flow for each year and subtract it from the cost of the investment.
2. Plot three or four combinations of net present value (NPV) and discount rate on a graph, connect the points with a smooth line, and locate the discount rate at which NPV = 0.
3. Calculate the project net income for each year, and then compute a simple average. Average the project's beginning and ending book value. Divide the average net income by the average book value.
4. Compute the total of the present values of each year's cash flow. Divide the total of the present values by the initial investment.

ANSWER:

Choice "B" is correct. Internal rate of return (IRR) is a discount rate that makes the net present value (NPV) of all cash flows equal to zero. The IRR method emphasizes on percentages of return, while the NPV method focuses on dollar amounts.

15.MCQ-14823

Clear Plus Inc. manufactures and sells boxes of pocket protectors. The static budget and the actual results for May are as follows:

|  |  |  |
| --- | --- | --- |
|  | *Actual Results* | *Static Budget* |
| Units sold | 12,000 | 10,000 |
| Revenues | $132,000 | $100,000 |
| Variable costs | $70,800 | $60,000 |
| Contribution margin | $61,200 | $40,000 |
| Fixed costs | $32,000 | $30,000 |
| Operating income | $29,200 | $10,000 |

What amount of operating income will Clear Plus have for May under a flexible budget?

1. $12,000
2. $18,000
3. $19,200
4. $29,200

ANSWER:

Choice "B" is correct. Flexible budget 允许根据adjusted output调整生产量或者销售量去反应更正确的成本 。这些都是建立在成本都是和预期相对应，唯一的变量是生产量或者销售量。

这里实际销售量是12,000，如果其他变量不动，那么operating income 就是18,000.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | *Actual Results* | *Static Budget* | *Budget Assumptions* | *Flexible Budget* |
| Units sold | 12,000 | 10,000 |  | 12,000 |
| Revenues | $132,000 | $100,000 | $10 per unit | $120,000 |
| Variable costs | $70,800 | $60,000 | 60% of revenues | $72,000 |
| Contribution margin | $61,200 | $40,000 | 40% of revenues | $48,000 |
| Fixed costs | $32,000 | $30,000 | $30,000 | $30,000 |
| Operating income | $29,200 | $10,000 |  | $18,000 |

