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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.

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

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

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.

**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

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.

**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

**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.

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

**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

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

**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

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.

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.

**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

