

Chapter 16– Advanced Accounting, 1st edition by Hamlen, Huefner and Largay

Practice Quiz

1. Topic: Principal legislation enforced by the SEC
LO 1
The Securities Act of 1933:
 - a. Established the Securities and Exchange Commission
 - b. Regulates the public offering of new securities
 - c. Regulates trading of securities once they are issued and outstanding
 - d. Limits the liability of public accountants

2. Topic: SEC regulation of securities
LO 1
All of the following securities are subject to SEC registration and reporting rules *except*:
 - a. Certificates of interest in a profit-sharing agreement
 - b. Short-term notes issued for working capital purposes
 - c. Preferred stock issued by a private company
 - d. Restricted common stock issued by a public corporation

3. Topic: Organization of the SEC
LO 2
Which SEC division processes registration statements and periodic financial reports such as the 10-K and 10-Q?
 - a. Division of Corporation Finance
 - b. Division of Enforcement
 - c. Division of Trading and Markets
 - d. Division of Investment Management

4. Topic: SEC authority over accounting practices
LO 2
For financial disclosures made by SEC registrants, which statement below best describes the relationship between FASB and SEC requirements?
- The SEC completely delegates authority to set accounting principles to the FASB, and enforces the FASB Codification.
 - If the SEC disagrees with FASB requirements, it changes the FASB Codification to satisfy SEC concerns.
 - The SEC may impose additional disclosure requirements on its registrants, not required by the FASB.
 - The FASB has oversight powers over the SEC, requiring SEC disclosure requirements to agree with the FASB Codification.
5. Topic: Registration requirements for new securities
LO 3
When a company registers new securities with the SEC, what document must be included with the registration statement?
- Prospectus
 - 10-K
 - 8-K
 - Letter of comment
6. Topic: Periodic reporting requirements
LO 4
A registrant's annual report to the SEC is known as:
- Form 8-K
 - Form S-1
 - Form S-K
 - Form 10-K

7. Topic: Periodic reporting requirements
LO 4
Which statement below is *false* concerning quarterly reports filed with the SEC?
- Firms required to file an annual report with the SEC must also file quarterly reports.
 - Quarterly reports are not designed to forecast the next annual report, but are intended to provide investors with updates to the most recently filed annual report.
 - The quarterly report's financial statements consist of two documents: (1) comparative balance sheets, and (2) comparative income statements.
 - Quarterly financial statements may combine accounts that are reported separately in the annual report.
8. Topic: Corporate accountability and governance
LO 5
The PCAOB was established by the Sarbanes-Oxley Act, and is subject to SEC oversight. The PCAOB:
- Oversees SEC enforcement actions against registrants who file false or misleading financial data
 - Files criminal proceedings against individuals who defraud investors
 - Monitors financial information filed by companies whose securities are regulated by the SEC
 - Sets auditing standards for audits of companies whose securities are regulated by the SEC
9. Topic: Corporate accountability and governance
LO 5
Section 301 of the Sarbanes-Oxley Act requires the audit committee to:
- Include the Chief Executive Officer of the company
 - Consist of members with extensive financial training and experience
 - Be directly responsible for oversight of the company's external audit firm
 - File an annual report with the SEC, outlining its activities and problems it has identified concerning the company's financial disclosures and internal control system

10. Topic: The SEC and IFRS

LO 6

Which statement best describes the SEC's position regarding U.S. GAAP and IFRS, for its U.S. registrants?

- a. IFRS, and not U.S. GAAP, is required for all U.S. registrants, starting in 2012.
- b. The SEC requires U.S. GAAP for its U.S. registrants, but is still evaluating whether to require IFRS in the future.
- c. U.S. companies will be required to file parallel financial information, using both U.S. GAAP and IFRS, starting in 2013.
- d. U.S. companies can currently choose to use U.S. GAAP or IFRS in their SEC filings.