

CPA COURSE DEMO VIDEO LINKS

S. No	Subject	URL
1	FAR	https://youtu.be/QYNi5DU8IzE
		https://youtu.be/OJD4InTo4Ag
2	AUD	https://youtu.be/xveN8j58p8Q
		https://youtu.be/ZMJikLMcSr0
3	BEC	https://youtu.be/8FQRmAsi1KM
		https://youtu.be/4UkQFuwYHZQ
4	REG	https://youtu.be/W_sOECdjyL0
		https://youtu.be/SYSd54WRPQ8

CPA MCQ's

CPA FAR MCQ's

1. Frame Co. has an 8% note receivable dated June 30, Year 1, in the original amount of \$150,000. Payments of \$50,000 in principal plus accrued interest are due annually on July 1, Year 2, Year 3, and Year 4. In its June 30, Year 3, balance sheet,

what amount should Frame report as a current asset for interest on the note receivable?

- 1.\$4,000
- 2.\$0
- 3.\$8,000
- 4.\$12,000

Explanation

Choice "3" is correct. The current asset for interest receivable on June 30, Year 3, is the interest to be received within one year. Interest to be received on July 1, Year 3 is:

$\$100,000 \text{ balance of note} \times 8\% = \$8,000$

Choice "1" is incorrect. The current asset for interest receivable on June 30, Year 3, is the interest to be received within one year.

Choice "2" is incorrect. The current asset for interest receivable on June 30, Year 3, is the interest to be received within one year.

Choice "4" is incorrect. The current asset for interest receivable on June 30, Year 3, is the interest to be received within one year.

2. Under U.S. GAAP, is the cumulative effect of an inventory pricing change on prior years earnings reported on the financial statements for LIFO to weighted average? Weighted average to LIFO?

- 1. Yes No
- 2. Yes Yes
- 3. No No
- 4. No Yes

Explanation

Choice "1" is correct. The cumulative effect of a change in accounting principle is now reported as an adjustment to beginning retained earnings when it is considered practicable to calculate the cumulative effect. Under U.S. GAAP, when making a change to LIFO, it is generally considered impracticable to calculate the cumulative effect of the change (in most cases, data on the historical LIFO layers is not available). In a change to LIFO, the beginning inventory dollar amount becomes the first LIFO layer. No cumulative effect adjustment is made. The change is accounted for prospectively. In a change from LIFO to weighted average, there is no such impracticability. The cumulative effect is computed and the change is handled retrospectively.

Choices "2", "3", and "4" are incorrect, per the above explanation.

3.XBRL has which of the following features?

- 1.XBRL tags define the data.
- 2.XBRL is interchangeable with HTML.
- 3.XBRL does not require the use of tags.
- 4.XBRL is interchangeable with SQL.

Explanation

- 1.Choice "1" is correct. XBRL (eXtensible Business Reporting Language) utilizes a taxonomy with tags that identify and define data found within the financial statements and supporting footnotes.
- 2.Choice "2" is incorrect. XBRL (eXtensible Business Reporting Language) is a type of XML (Extensible Markup Language) which is not interchangeable with HTML (Hypertext Markup Language).
- 3.Choice "3" is incorrect. XBRL (eXtensible Business Reporting Language) does require the use of tags.
- 4.Choice "4" is incorrect. XBRL (eXtensible Business Reporting Language) is a type of XML (Extensible Markup Language) which is not interchangeable with SQL (Structured Query Language).

4. Roro, Inc. paid \$7,200 to renew its only insurance policy for three years on March 1, Year 5, the effective date of the policy. At March 31, Year 5, Roro's unadjusted trial balance showed a balance of \$300 for prepaid insurance and \$7,200 for insurance expense.

What amounts should be reported for prepaid insurance and insurance expense in Roro's financial statements for the three months ended March 31, Year 5?

Prepaid Insurance insurance expense

- 1.\$7,000 \$500
- 2.\$7,000 \$300
- 3.\$7,200 \$300
- 4.\$7,300 \$200

Explanation

Choice "1" is correct. The prepaid insurance reflected in the unadjusted trial balance would be fully expensed (\$300) and one month (March 1 through March 31) of the renewed policy cost would be expensed. Insurance expense equals \$500 (\$300 plus \$7,200/36 months). Prepaid insurance equals \$7,000 (\$7,200 • 35/36). The \$300 was the last remaining amount from a previous policy that needed to be expensed. When the \$7,200 was paid, it was recorded as a debit to Insurance Expense. However, it should have been recorded as a debit to Prepaid Insurance, and amortized over the 36 months. Therefore, one month's expense

(\$200) will remain in the expense account, and the remaining 35 months of expense will be moved to Prepaid Insurance (\$7,000).

Choice "2" is incorrect. Insurance expense should include a portion of the renewed policy cost.

Choice "3" is incorrect. Prepaid insurance should be adjusted for the month that has expired on the renewed policy.

Choice "4" is incorrect. The previous balance in prepaid insurance should be expensed.

5. Adam Corp. uses U.S. GAAP and had the following infrequent transactions during Year 1:

- A \$190,000 gain on reacquisition and retirement of bonds. This material event is also considered unusual for Adam Corp.
- A \$260,000 gain on the disposal of a component of a business. Adam continues similar operations at another location.
- A \$90,000 loss on the abandonment of equipment.

In its Year 1 income statement, what amount should Adam report in income from continuing operations?

1. \$170,000
2. \$100,000
3. \$360,000
4. \$450,000

Explanation

Choice "2" is correct: \$100,000. The \$260,000 is a part of discontinued operations. The other two items are reported in income from continuing operations as separate items assuming both are material. The loss on abandonment of equipment is treated like a sale. Disposal of a component of a business is a discontinued operation.

Gain on reacquisition and retirement of bonds \$ 190,000

Loss on abandonment of equipment (90,000)

Total \$ 100,000

Choices "1", "3", and "4" are incorrect, based on the above calculation. The discontinued operations (\$260,000) is the only one of the three items that is not included in income from continuing operations.

6. According to the FASB conceptual framework, completeness is an ingredient of:

Relevance Faithful Representation

1. No Yes
2. Yes No
3. Yes Yes
4. No No

Explanation

Choice "1" is correct. Completeness is an ingredient of faithful representation. Other ingredients

of faithful representation include neutrality and freedom from error.

Choices "2", "3", and "4" are incorrect. Completeness is an ingredient of faithful representation.

Other ingredients of faithful representation include neutrality and freedom from error. The ingredients of relevance are predictive value, confirming value, and materiality.

CPA AUD MCQ's

1. Which of the following is a computer-assisted audit technique that permits an auditor to insert the auditor's version of a client's program to process data and compare the output with the client's output?

1. Frame relay protocol.
2. Test data module.
3. Remote node router.
4. Parallel simulation.

Explanation:

Choice "4" is correct. This is the definition of parallel simulation. The client's input data is processed through both the auditor's version of the client's program and the client's program and the output is compared.

Choice "1" is incorrect. Frame relay protocol refers to the physical and logical link layers of digital communication channels using packet switching methodology

Choice "2" is incorrect. Test data is data that the auditor develops to test programmed controls. For example, if the client has a programmed control that requires a supervisory approval (a supervisor password) for transactions over \$500, the auditor would then create test data to determine if the system would accept a transaction over \$500 without a required supervisor password approval

Choice "3" is incorrect. A remote node router is not a CAAT, it is a device used to connect physical devices such as terminals and printers not connected to the main network

2. Which of the following conditions most likely would pose the greatest risk in accepting a new audit engagement?

1. Staff will need to be rescheduled to cover this new client.
2. There will be a client-imposed scope limitation.
3. The firm will have to hire a specialist in one audit area.
4. The client's financial reporting system has been in place for 10 years.

Explanation

Choice "2" is correct. A client-imposed scope limitation indicates that the client might be hiding errors or irregularities that could result in a material misstatement of the financial statements. Choice 1 is incorrect. Rescheduling staff in response to acceptance of a new audit engagement is a normal activity for CPA firms and does not impact audit risk.

Choice "3" is incorrect. The hiring of a specialist generally decreases risk.

Choice "4" is incorrect. The fact that the client's financial reporting system has been in place for 10 years might be indicative that system's errors have been resolved and that the system has integrity.

3. The audit documentation that makes up the current file most likely would include a copy of

1. Pension plan contract.
2. Bank reconciliation
3. Articles of incorporation
4. Flowchart of the internal control.

Explanation:

Choice "2" is correct. The audit documentation that makes up the current file most likely would include a copy of the bank reconciliation

Choice 1 is incorrect. The audit documentation that makes up the permanent file would include a copy of the pension plan contract.

Choice "3" is incorrect. The audit documentation that makes up the permanent file would include a copy of the articles of incorporation

Choice "4" is incorrect. The audit documentation that makes up the permanent file would include a flowchart of the internal control

4. Grant Company's financial statements adequately disclose uncertainties that concern future events, the outcome of which are not susceptible of reasonable estimation. The auditor's report should include a (an):

1. "Subject to qualified opinion.
2. Unmodified opinion.
3. "Except for qualified opinion.
4. Adverse opinion.

Explanation

Choice "2" is correct. The auditor should issue an unmodified opinion" when management adequately discloses future events, the outcome of which are not susceptible of reasonable estimation. Under U.S. auditing standards an emphasis-of-matter paragraph may be added by the auditor if the matter is of such importance that it is fundamental to the users understanding of the financial statements. International Standards on Auditing recommend the addition of a paragraph describing the significant uncertainty.

Choice "1" is incorrect. Subject to qualified opinions are not permitted.

Choice 3 is incorrect. An except for qualified opinion would not be used as there is adequate disclosure and there are no scope limitations.

Choice "4" is incorrect. An adverse opinion would not be used because the FS are presented "ainly in conformity with GAAP.

5. Which of the following titles would be considered suitable for financial statements that are prepared on a cash basis?

1. Income statement.
2. Statement of operations.
3. Statement of revenues collected and expenses paid.

4. Statement of cash flows.

Explanation

Choice "3" is correct. Non-GAAP statements should be suitably titled. For example, instead of an income statement, an appropriate cash basis financial statement title might be "statement of revenues collected and expenses paid."

Choices "1", "2, and "4" are incorrect. Income statement, statement of operations, and statement of cash flows are all GAAP basis financial statement titles that would not be suitable for cash basis financial statements.

6. While performing procedures in planning an audit, the auditor's comparison of expectations with recorded amounts yields unusual and unexpected relationships. The auditor should consider the results of the analytical procedures in which of the following?

1. Identifying the risks of material misstatement due to fraud.
2. Determining planning materiality and acceptable error.
3. Identifying significant accounts.
4. Determining which controls to test

Explanation

Choice "1" is correct. The auditor should consider the results of analytical procedures performed in the planning stage of the audit in identifying the risks of material misstatement due to fraud. This is one of the primary purposes of performing analytical procedures during the planning stage.

Choice "2" is incorrect. Planning materiality is generally not based on the results of analytical procedures. Planning materiality is usually based on factors such as annualized revenue or prior period financial results.

Choice "3" is incorrect. The results of analytical procedures may or may not be considered when identifying significant accounts. In identifying significant accounts, the auditor's consideration may include, but is not limited to, the size and composition of the account, exposure to losses in the account, accounting and reporting complexities associated with the account or disclosure, existence of related party transactions in the account, and changes from the prior period in the account. This is a good response, but is not the best response of the answer choices.

Choice "4" is incorrect. The auditor typically decides which controls to test based on the auditor's understanding of the design and implementation of internal control rather than on analytical procedures performed during the planning stage.

CPA BEC MCQ's

1. The governance and culture component of COSO's Enterprise Risk Management framework is supported by all of the following principles except:

1. Exercises board oversight.
2. Commitment to core values.
3. Analyzes business context.
4. Defines desired culture.

Explanation

Choice "3" is correct. Analyzes business context is a principle that supports the strategy and objective-setting component of COSO's Enterprise Risk Management framework, not governance and culture.

Choice "1" is incorrect. Exercises board oversight is a principle that supports the governance and culture component of the Enterprise Risk Management framework. Governance is supported by five principles summarized by the DOVES mnemonic. The five principles include: defines Desired culture, exercises board Oversight, demonstrates commitment to core Values, attracts capable Employees, and establishes operating Structure.

Choice "2" is incorrect. Commitment to core values is a principle that supports the governance and culture component of the Enterprise Risk Management framework. Governance is supported by five principles summarized by the DOVES mnemonic. The five principles include: defines Desired culture, exercises board Oversight, demonstrates commitment to core Values, attracts capable Employees, and establishes operating Structure.

Choice "4" is incorrect. Defines desired culture is a principle that supports the governance and culture component of the Enterprise Risk Management framework. Governance is supported by five principles summarized by the DOVES mnemonic. The five principles include: defines Desired culture, exercises board Oversight, demonstrates commitment to core Values, attracts capable Employees, and establishes operating Structure.

2. In capital budgeting, which of the following items is included in the payback model calculation?

1. The present value of the future cash flows of the project.
2. The total amount of the initial outlay for the project.
3. The present value of the estimated salvage value of the project.
4. The amount of depreciation over the life of the project.

Explanation

Choice "2" is correct. The initial cash outlay is included in the numerator of the payback period

method formula. The increase in annual net after-tax cash flows is included in the denominator of the formula, which determines how long it will take for the project to pay back the initial cash outlay.

Choice "1" is incorrect. A major disadvantage of the payback period method is that the time value of money is ignored.

Choice "3" is incorrect. Another disadvantage of the payback period method is that cash flows after the payback period (e.g., salvage value cash flows) are ignored. This method also does not consider the time value of money.

Choice "4" is incorrect. The payback period method takes into account net after-tax cash flows

(including depreciation and its related tax shield), but only up until the initial investment is recovered; beyond that point, depreciation is ignored.

3. Who is required to make special certification statements regarding the establishment of internal control systems on Form 10-K?

1. The principal executive officer, but not the principal financial officer.
2. The principal financial officer, but not the principal executive officer.
3. Neither the principal financial officer nor the principal executive officer.
4. Both the principal executive officer and the principal financial officer.

Explanation

Choice "4" is correct. Per Title III (Corporate Responsibility) of the Sarbanes-Oxley Act of 2002,

the principal executive and financial officers (typically the CEO and CFO) of a public company must sign representations in the annual and quarterly financial reports produced by the company. These representations include assertions regarding the establishment of internal control systems and that these systems have been designed to ensure that material information has been made available, the controls have been evaluated within 90 days prior to the report, and the report includes conclusions as to the effectiveness of the controls.

Choice "1" is incorrect. The principal financial officer must make certification statements related

to internal control systems.

Choice "2" is incorrect. The principal executive officer must make certification statements related

to internal control systems.

Choice "3" is incorrect. Both the principal executive officer and the principal financial officer must make certification statements related to internal control systems.

4. The Elbow Corporation is computing the annual percentage rate of interest on its most recent

borrowing of \$10,000. The note carried a nominal interest rate of 10% and provided net proceeds to Elbow Corporation of \$9,500 after reduction for documentary stamps and loan origination fees.

The annual percentage rate of interest is:

- 1.10%
- 2.9.5%
- 3.10.5%
- 4.11%

Explanation

Choice "3" is correct. The annual percentage rate on debt is equal to the amount of the payments required under the contract divided by the net proceeds of the debt. In this case, the amount of the payments is \$1,000 ($\$10,000 \times 10\%$) while the amount of net proceeds is \$9,500. The annual percentage rate is $\$1,000 / \$9,500$ or 10.5%.

5. Considering the SCOR Model of supply chain operations, which of the following key management processes does assessing the ability of the suppliers to supply resources fall into?

- 1.Source.
- 2.Plan.
- 3.Make.
- 4.Deliver.

Explanation

Choice "2" is correct. The process of planning consists of developing a way to properly balance aggregate demand and aggregate supply within the goals and objectives of the firm and plan for the necessary infrastructure. Assessing the ability of the suppliers to supply resources is part of the "plan" process. Choices "1", "3", and "4" are incorrect, per the above explanation.

6. The factor for present value of an annuity for five years at 10% is 3.791. The factor for the present value of \$1 for five years at 10% is 0.621. The factor for future value of \$1 at 10% for five years is 1.611. The factor for future value of an annuity for five years at 10% is 6.1053.

Given a 10% discount rate with cash inflows of \$3,000 at the end of each year for five years and an initial investment of \$11,000, what is the net present value?

- 1.\$370
- 2.\$(9,500)
- 3.\$4,000
- 4.\$11,370

Explanation

Choice "1" is correct. The present value of the cash inflows of \$3,000 per year for five years at

10% is $\$3,000 \cdot 3.791 = \$11,373$. The original investment is \$11,000. The net present value (NPV) is the difference of \$373. The closest answer is \$370.

Choices "2", "3", and "4" are incorrect based on the above explanation.

CPA REG MCQ's

1. Which of the following should be included when determining adjusted gross income?

1. Compensation for injuries or sickness.
2. Alimony received pursuant to a divorce decree executed in 2014.
3. Rental value of parsonages.
4. Tuition scholarship.

Explanation

Rule: Payments for the support of a spouse (alimony) are income to the spouse receiving the payments and are deductible to arrive at adjusted gross income (AGI) by the spouse making the payments on any divorce agreement executed on or before December 31, 2018. Alimony paid according to a divorce agreement executed after December 31, 2018, is neither taxable to the recipient nor deductible by the payor. To be alimony:

1. Payments must be legally required pursuant to a written divorce or separation agreement,
2. Payments must be in cash or its equivalent.
3. Payments cannot extend beyond the death of the payee-spouse,
4. Payments cannot be made to members of the same household.
5. Payments must not be designated as anything other than alimony, and
6. The spouses may not file a joint tax return.

Choice "2" is correct. Alimony received is considered part of income and adjusted gross income.

Choice "1" is incorrect. Compensation for injuries or sickness is excluded from gross income and adjusted gross income.

Choice "3" is incorrect. The rental value of parsonages (furnished by churches or synagogues) is excluded from the gross income of a minister and the minister's adjusted gross income.

Choice "4" is incorrect. A scholarship for tuition is excluded from gross income and adjusted gross income. There are limits or restrictions, such as the student has to be a degree-seeking student and amounts must actually be spent on tuition, fees, books, and supplies, but generally, the amount is excluded.

2. A guaranteed payment by a partnership to a partner for services rendered may include an agreement to pay:

- I. A salary of \$5,000 monthly without regard to partnership income.
- II. A 25 percent interest in partnership profits.

1. I only.
2. II only.

- 3.Both I and II.
- 4.Neither I nor II.

Explanation

Choice "1" is correct.

- 1. A guaranteed payment is a salary or other payment to a partner that is not calculated with respect to partnership income.
 - II. Since the 25% interest is calculated with respect to partnership profits, it is not a guaranteed payment.
- Choices "2", "3", and "4" are incorrect, per the above explanation.

3.Dave and Pam Stevens contributed to the support of their three children, Lisa, Tanya, and Hannah, and Pam's divorced mother, Ellen. For the current year, Lisa, a 26-year-old sales clerk, earned \$27,000. Tanya, a 23-year-old, full-time college graduate student in accounting, earned \$35,000 working for a CPA firm. Hannah, a 20-year old artist, earned nothing during the year, but is still aspiring to sell her first piece and has signed on with an art studio. Ellen received \$10,000 in nontaxable social security benefits and \$2,000 in dividend income. All are U.S. citizens and are over half supported by Dave and Pam.

How many dependents do Dave and Pam Stevens have under the qualifying child and qualifying relative rules?

- 1.Zero
- 2.One
- 3.Two
- 4.Three

Explanation

Choice "4" is correct. Based on the CARES (QC) and the SUPPORT (QR) tests, Dave and Pam have three dependents.Lisa: NO. Lisa fails the age limit for QC and exceeds the gross income limitation for QR.Tanya: YES. Tanya meets all tests of QC. She is a full-time student under the age of 24 so she meets the age test.Hannah: YES. Hannah meets all criteria for QR. She fails the age limit test for QC.Ellen: YES. Ellen meets the gross income limitation for QR because the Social Security income is nontaxable and not included for the gross income test.Tanya, Hannah, and Ellen all meet dependency requirements.

Choices "1", "2", and "3" are incorrect based on the above explanation.

4. Frank and Mary Wood have 2 children, Becky, age 10, and Matt, age 14. The Woods incur expenses of \$5,000 for after-school care for each child. Their only income is from wages. Frank's wages are \$60,000, and Mary's wages are \$2,500.

What amount of Child and Dependent Care Credit may the Woods claim on their joint tax return in 2021?

- 1.\$1,250
- 2.\$2,500
- 3.\$4,000
- 4.\$5,000

Explanation

Choice "1" is correct. First, determine the eligible expenses. Only expenses for Becky will qualify

because Matt is not under 13 years of age. Of the \$10,000 spent, only \$5,000 will qualify. The

maximum eligible expenses for one dependent is \$8,000 (2021). The eligible expenses are also

limited to the lowest earned income of either spouse. That would be Mary's \$2,500. Frank and Mary's combined income level is less than \$125,000 AGI, so the maximum credit rate of 50 percent applies. The credit is 50 percent of \$2,500, or \$1,250.

Choices "2", "3", and "4" are incorrect, per the above explanation.

5. Baker, a sole proprietor CPA, has several clients that do business in Spain. While on a four- week vacation in Spain, Baker attended a five-day seminar on Spanish business practices that cost \$700. Baker's round-trip airfare to Spain was \$600. While in Spain, Baker spent an average of \$100 per day on accommodations, local travel, and other incidental expenses, for total expenses of \$2,800.

What amount of total expense can Baker deduct on Form 1040 Schedule C, "Profit or Loss From Business," related to this situation?

- 1.\$700
- 2.\$1,200
- 3.\$1,800
- 4.\$4,100

Explanation

Choice "2" is correct. Baker can deduct \$1,200 in total expense on Form 1040 Schedule C, calculated as follows:

Direct educational expenses \$ 700 [cost of the course] Daily expenses for 5-day seminar
500

[\$100 per day • 5] Total educational expenses \$1,200

Rule: If foreign travel is primarily personal in nature (e.g., a vacation), none of the travel expenses (e.g., round-trip airfare) incurred will be allowable business deductions, even if the taxpayer was involved in business activities while in the foreign country.

Choice "1" is incorrect, as the expenses for the five-day period Baker attended the seminar were directly related to being in Spain for the additional period of time and are allowable business deductions.

Choices "3" and "4" are incorrect, per the above rule.

6. An individual's losses on transactions entered into for personal purposes are deductible only if:

1. The losses qualify as casualty or theft losses.
2. The losses can be characterized as hobby losses.
3. The losses do not exceed \$3,000 (\$6,000 on a joint return).
4. No part of the transactions was entered into for profit.

Explanation

Choice "1" is correct. An individual's losses on transactions entered into for personal purposes

are deductible only if the losses qualify as casualty or theft losses. Casualty and theft losses are limited to nationally declared disaster areas. In addition, the individual must itemize deductions and the loss must exceed 10 percent of AGI plus \$100 per casualty.

Choice "2" is incorrect. If the losses can be characterized as hobby losses, none of the loss is deductible.

Choice "3" is incorrect. Losses entered into for personal purposes other than casualty losses are not deductible in any amount.

Choice "4" is incorrect. If no part of the transaction was entered into for profit, none of the related loss is deductible.