

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?

- a. The SEC completely delegates authority to set accounting principles to the FASB, and enforces the FASB Codification.
- b. If the SEC disagrees with FASB requirements, it changes the FASB Codification to satisfy SEC concerns.
- c. The SEC may impose additional disclosure requirements on its registrants, not required by the FASB.
- d. 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?

- a. Prospectus
- b. 10-K
- c. 8-K
- d. Letter of comment

6. Topic: Periodic reporting requirements

LO 4

A registrant's annual report to the SEC is known as:

- a. Form 8-K
- b. Form S-1
- c. Form S-K
- d. Form 10-K

7. Topic: Periodic reporting requirements

LO 4

Which statement below is *false* concerning quarterly reports filed with the SEC?

- a. Firms required to file an annual report with the SEC must also file quarterly reports.
- b. 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.
- c. The quarterly report's financial statements consist of only two documents: (1) comparative balance sheets, and (2) comparative income statements.
- d. 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:

- a. Oversees SEC enforcement actions against registrants who file false or misleading financial data
- b. Files criminal proceedings against individuals who defraud investors
- c. Monitors financial information filed by companies whose securities are regulated by the SEC
- d. 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:

- a. Include the Chief Executive Officer of the company
- b. Consist of members with extensive financial training and experience
- c. Be directly responsible for oversight of the company's external audit firm
- d. 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 global standard-setting

LO 6

Which statement best describes the SEC's current 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 2017.
- 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 2017.
- d. U.S. companies can currently choose to use U.S. GAAP or IFRS in their SEC filings.