1. According to the AICPA Code of Professional Conduct, which of the following financial interests in the client during the engagement period would impair a CPA’s independence?

A. Only material financial interests.

B. All direct and indirect financial interests.

C. Only direct financial interests.

D. Only direct and material indirect financial interests.

ANSWER: D

Either a direct or a material indirect financial interest impairs independence during the engagement period.

2. Which of the following is not an assertion found in the management’s discussion and analysis (MD&A)?

A. Rights and obligations.

B. Occurrence.

C. Consistency with the financial statements

D. Completeness.

ANSWER: A

The attestation standards on MD&A do not include an assertion for rights and obligations. Those standards indicate that the four standards are completeness, consistency with the financial statements, occurrence, and presentation and disclosure.

3. Paul Roberts is a CPA. He believes the occurrence rate of client billing errors is 2.5% across the entire industry. He has established a maximum acceptable occurrence rate of 4%. In the review of client invoices Paul should use

A. Discovery sampling.

B. Variable sampling.

C. Attribute sampling.

D. Stratified sampling.

ANSWER: C

Attribute sampling is used to estimate the error rate for internal control activities.