

How to Best Approach MCQs on the CPA Exam



FAR: Financial Accounting and Reporting

Content Allocation

- Area I Conceptual Framework, Standard-Setting and Financial Reporting 25-35%
- Area II Select Financial Statement Accounts 30-40%
- Area III Select Transactions 20-30%
- Area IV State and Local Governments 5-15%

Multiple Choice Questions

66 MCQs – 33 in each of two Testlets
50% of FAR score comes from MCQs

Testlets

Each Testlet is 60 minutes long
 $60 \text{ divided by } 33 = 1.8 \text{ minutes per MCQ}$

NOTE: Questions for FAR are theoretical and computational type questions. Therefore, for the theoretical types of questions, you should plan to solve them as quickly as possible (within 1 minute) to allow the extra time required to solve the computational types of MCQs.



Multiple Choice Questions - FAR

FAR Blueprint Area II – Select Financial Statement Accounts, Group 5, Topic 1 – Application

1. Dodd Co.'s debt securities at December 31 included available-for-sale securities with a cost basis of \$24,000 and a fair value of \$30,000. Dodd's income tax rate was 20%. What amount of unrealized gain or loss should Dodd recognize in its income statement at December 31?

- A. \$6,000 loss.
- B. \$0.
- C. \$4,800 gain.
- D. \$6,000 gain.

Countdown to 1.8 minutes

Answer: B



Multiple Choice Questions - FAR

FAR Blueprint Area II – Select Financial Statement Accounts, Group 5, Topic 1 – Application

2. Mast Co. converted from the FIFO method for inventory valuation to the LIFO method for financial statement and tax purposes. During a period of inflation, would Mast's ending inventory and income tax payable using LIFO be higher or lower than FIFO?

	Ending inventory	Income tax payable
A.	Lower	Lower
B.	Higher	Higher
C.	Lower	Higher
D.	Higher	Lower

Countdown to 1.8 minutes

Answer: A



Multiple Choice Questions - FAR

FAR Blueprint Area I – Conceptual Framework, Standard-Setting and Financial Reporting, Group 6, Topic 1 – Application

3. Sussman Co. prepared cash-basis financial statements for the month ended January 31. A summary of Sussman's January activities follows:

Credit sales of \$5,600.

Collections of \$1,900 relating to January credit sales.

Accrued salaries of \$1,200.

By what amount will Sussman's cash-basis income for the month ended January 31 increase as a result of restating these activities to the accrual basis of accounting?

- A. \$2,500.
- B. \$3,700.
- C. \$4,400.
- D. \$4,900.

Countdown to 1.8 minutes

Answer: A



Multiple Choice Questions - FAR

FAR Blueprint Area II – Select Financial Statement Accounts, Group 3, Topic 1 – Application

4. Cobb Inc.'s inventory at May 1 consisted of 200 units at a total cost of \$1250. Cobb uses the periodic inventory method. Purchases for the month were as follows:

<u>Date</u>	<u>No. of Units</u>	<u>Unit Cost</u>	<u>Total Cost</u>
May 4	20	\$5.80	\$116.00
May 17	80	\$5.50	\$440.00

Cobb sold 10 units on May 14 for \$120. What is Cobb's weighted average cost of goods sold for May?

- A. \$60.20.
- B. \$62.10.
- C. \$62.50.
- D. \$65.00.

Countdown to 1.8 minutes

Answer: A



BEC: Business Environment and Concepts

Content Allocation

Area I	Corporate Governance 17-27%
Area II	Economic Concepts and Analysis 17-27%
Area III	Financial Management 11-21%
Area IV	Information Technology 15-25%
Area V	Operations Management 15-25%

Multiple Choice Questions

62 MCQs – 31 in each of two Testlets
50% of BEC score comes from MCQs

Testlets

Each Testlet is 60 minutes long
 $60 \text{ divided by } 31 = 1.9 \text{ minutes per MCQ}$



Multiple Choice Questions - BEC

BEC Blueprint Area V – Operations Management, Group 4, Topic 1 – Application

1. A 20% target contribution margin is set for Duct, which is a new product with the following unit costs:

Manufacturing costs	Variable	\$12
	Fixed	8
Selling & admin costs	Variable	\$3
	Fixed	5

What is Duct's target selling price?

- A. \$18.00.
- B. \$18.75.
- C. \$25.00.
- D. \$33.60.

Countdown to 1.9 minutes

Answer: B



Multiple Choice Questions - BEC

BEC Blueprint Area IV – Information Technology, Group 1, Topic 1 – Remembering and Understanding

2. An issuer's board of director's would ordinarily participate in each of the following activities **except**
- A. Establishing long-term strategy and objectives to which their information technology system should be aligned.
 - B. Supervising and monitoring the quality control testing upon the installation of a new information technology system.
 - C. Ensuring that suitable information technology resources and skills are available to meet the company's strategic objectives.
 - D. Maintaining awareness of current technology used by the organization to assure its efficiency and effectiveness for financial reporting.

Countdown to 1.9 minutes

Answer: B



Multiple Choice Questions - BEC

BEC Blueprint Area III – Financial Management, Group 3, Topic 1 – Remembering and Understanding

3. What term is used to represent unavoidable past costs that **cannot** be changed **no matter what** action is taken?

- A. Prime costs.
- B. Sunk costs.
- C. Opportunity costs.
- D. Incremental costs.

Countdown to 1.9 minutes

Answer: B



Multiple Choice Questions - BEC

BEC Blueprint Area III – Financial Management, Group 2, Topic 1 – Application

4. The following information pertains to Baxter Co.:

Inventory at beginning of year	\$200,000
Inventory at year end	\$300,000
Cost of goods sold during the year	\$500,000

What was Baxter's inventory turnover for the year?

- A. 1.0.
- B. 1.5.
- C. 2.0.
- D. 2.5.

Countdown to 1.9 minutes

Answer: C



Multiple Choice Questions - BEC

BEC Blueprint Area V – Operations Management, Group 3, Topic 1 – Remembering and Understanding

5. Which of the following is a major difference between the just-in-time (JIT) and traditional approaches to manufacturing?
- A. The JIT approach usually involves a large number of suppliers while traditional approaches usually involve only a small number of suppliers.
 - B. The JIT approach requires centralized purchasing while traditional approaches encourage purchasing decisions by production employees.
 - C. The JIT approach uses a push-through system while traditional approaches use a pull-through system.
 - D. The JIT approach operates with low inventory levels while traditional approaches may operate with high inventory levels.

Countdown to 1.9 minutes

Answer: D



REG: Regulation

Content Allocation

- Area I Ethics, Professional Responsibilities and Federal Tax Procedures 10-20%
- Area II Business Law 10-20%
- Area III Federal Taxation of Property Transactions 12-22%
- Area IV Federal Taxation of Individuals 15-25%
- Area V Federal Taxation of Entities 28-38%

Multiple Choice Questions

76 MCQs – 38 in each of two Testlets
50% of REG score comes from MCQs

Testlets

Each Testlet is 60 minutes long
 $60 \text{ divided by } 38 = 1.6 \text{ minutes per MCQ}$

NOTE: Questions for REG are also a combination of theoretical and computational type questions. Therefore, for the theoretical types of questions, you should plan to solve them as quickly as possible (within 1 minute) to allow the extra time required to solve the computational types of MCQs.



Multiple Choice Questions - REG

REG Blueprint Area III – Federal Taxation of Property Transactions, Group 1, Topic 2 – Application

1. Decker, a 62-year-old single individual, sold his principal residence for the net amount of \$500,000 after all selling expenses. Decker bought the house 15 years ago and occupied it until it was sold. On the date of sale, the house had a cost basis of \$200,000. Within six months, Decker purchased a new house for \$600,000. What amount of gain should Decker recognize from the sale of the residence?

- A. \$0.
- B. \$50,000.
- C. \$175,000.
- D. \$300,000.

Countdown to 1.6 minutes

Answer: B



Multiple Choice Questions - REG

REG Blueprint Area III – Federal Taxation of Property Transactions, Group 1, Topic 1 – Application

2. In the current year, Vinton exchanged unimproved land for an apartment building. The land had a basis of \$300,000, and a fair market value (FMV), of \$420,000, and was encumbered by a \$100,000 mortgage. The apartment building had an FMV of \$550,000 and was encumbered by a \$230,000 mortgage. Each party assumed the other's mortgage. What is Vinton's basis in the apartment building?

- A. \$300,000.
- B. \$320,000.
- C. \$430,000.
- D. \$550,000.

Countdown to 1.6 minutes

Answer: C



Multiple Choice Questions - REG

REG Blueprint Area I – Ethics, Professional Responsibilities and Federal Tax Procedures, Group 4, Topic 1 – Remembering and Understanding

4. Which of the following defenses is likely to be successful in a suit alleging negligence by a CPA?
- A. Due care.
 - B. Ignorance of the law.
 - C. Lack of intent.
 - D. Lack of mental capacity.

Countdown to 1.6 minutes

Answer: A



AUD: Auditing and Attestation

Content Allocation

- Area I Ethics, Professional Responsibilities and General Principles 15-25%
- Area II Assessing Risk and Developing a Planned Response 20-30%
- Area III Performing Further Procedures and Obtaining Evidence 30-40%
- Area IV Forming Conclusions and Reporting 15-25%

Multiple Choice Questions

72 MCQs – 36 in each of two Testlets
50% of AUD score comes from MCQs

Testlets

Each Testlet is 60 minutes long
 $60 \text{ divided by } 36 = 1.7 \text{ minutes per MCQ}$



Multiple Choice Questions - AUD

AUD Blueprint Area I – Ethics, Professional Responsibilities, and General Principles, Group 2, Topic 2 – Application

1. According to rules issued under the Sarbanes-Oxley Act, which of the following nonaudit services is an accounting firm permitted to provide for an issuer audit client without impairing the accounting firm's independence?

- A. Providing an expert opinion in order to advocate the client's interest in litigation.
- B. Providing an expert opinion in order to advocate the client's position in a regulatory investigation.
- C. Providing factual accounts in testimony explaining positions taken during the performance of any services provided to the client.
- D. Providing legal services to the client in a foreign jurisdiction.

Countdown to 1.7 minutes

Answer: C



Multiple Choice Questions - AUD

AUD Blueprint Area I – Ethics, Professional Responsibilities, and General Principles, Group 3, Topic 2 – Remembering and Understanding

2. Which of the following statements would most likely appear in an auditor's engagement letter?
- A. Management is responsible for reporting to us any inadequate provisions for the safeguarding of assets.
 - B. We will identify internal controls relevant to specific assertions that may prevent or detect material misstatements.
 - C. Management agrees to correct all deficiencies in internal control activities identified by us.
 - D. Management is responsible for making all financial records and related information available to us.

Countdown to 1.7 minutes

Answer: D



Multiple Choice Questions - AUD

AUD Blueprint Area II – Assessing Risk and Developing a Planned Response, Group 3, Topic 5 – Application

3. Which of the following factors most likely would be considered an inherent limitation to an entity's internal control?
- A. The ineffectiveness of the entity's audit committee.
 - B. Collusion of employees in circumventing internal controls.
 - C. The lack of resources to monitor internal controls.
 - D. The complexity of the entity's electronic order processing system.

Countdown to 1.7 minutes

Answer: B



Multiple Choice Questions

Coming Soon!

Our next webinar, entitled

**“The AICPA: How They Implement Changes to the Exam
and What Changes We Are Expecting”**

**will be on Saturday, February 8 at 12pm EST. Visit our
webinar page to register!**

<https://www.yaegercpareview.com/webinars.cfm>



Please use Phil's online calendar at
<https://phil-yaeger.youcanbook.me/>
to schedule a time to chat.

Thank you!