



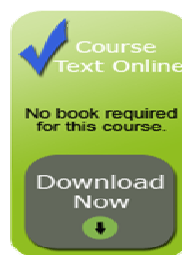
## FINAL EXAM

# Course # 271016 Maryland Ethics

based on the electronic .pdf file(s):

### **Maryland Ethics**

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pages



4 CPE Credit Hours  
Ethics

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*This exam sheet is made available for your convenience in answering questions while offline.  
Please note that you will still need to enter your answers on the online exam sheet for grading.  
Instructions are provided at the end of this document.*

## **Chapter 1 - Ethics And Ethical Reasoning**

1. Ethics is focused on

- Integrity
- Independence
- Objectivity
- All of the above

## **Chapter 2 - Ethical Reasoning and Accountants**

2. Which of the following statements best explains why the accounting profession has found it essential to promulgate ethical standards and to establish means for ensuring their observance?

- Vigorous enforcement of an established code of ethics is the best way to prevent unscrupulous acts.
- Ethical standards that emphasize excellence in performance over material rewards establish a reputation for competence and character.
- A distinguishing mark of a profession is its acceptance of responsibility to the public.
- A requirement for a profession is to establish ethical standards that stress primarily a responsibility to clients and colleagues.

3. Which of the following most completely describes how independence has been defined by the accounting profession?

- Performing an audit from the viewpoint of the public.
- Avoiding the appearance of significant interests in the affairs of an audit client.
- Possessing the ability to act with integrity and objectivity.
- Accepting responsibility to act professionally and in accordance with a professional code of ethics.

4. According to the ethical standards of the profession, which of the following acts is generally prohibited?

- Purchasing a product from a third party and reselling it to a client.
- Writing a financial management newsletter promoted and sold by a publishing company.
- Accepting a commission for recommending a product to an audit client.
- Accepting engagements obtained through the efforts of third parties.

5. In which of the following circumstances would a CPA who audits XM Corporation lack independence?
- The CPA is a director of, but does not control, YN Corporation, which has a loan from XM.
  - The CPA and XM's president each owns 25% of FOB Corporation, a closely held company.
  - The CPA has an automobile loan from XM, a financial institution. The loan is collateralized by the automobile.
  - The CPA reduced XM's usual audit fee by 40% prior to the audit because XM's financial condition was unfavorable.
6. According to the ethical standards of the profession, which of the following acts is generally prohibited?
- Issuing a modified report explaining a failure to follow a governmental regulatory agency's standards when conducting an attest service for a client.
  - Revealing confidential client information during a quality review of a professional practice by a team from the state CPA society.
  - Accepting a contingent fee for representing a client in an examination of the client's federal tax return by an IRS agent.
  - Retaining client records after an engagement is terminated prior to completion and the client has demanded their return.
7. In accordance with the AICPA's Statements on Standards for Tax Services, when a reasonable basis exists for omission of an answer to an applicable question on a tax return
- The preparer need not provide an explanation for the omission on the return.
  - A brief explanation of the reason for the omission must be provided on the return.
  - The question should be marked as nonapplicable.
  - A note on the return should state that the answer will be provided if the information is requested.
8. Which of the following bodies ordinarily would have the authority to suspend or revoke a CPA's license to practice public accounting?
- The SEC.
  - The AICPA.
  - A state CPA society.
  - A state board of accountancy.
9. Inclusion of which of the following statements in a CPA's advertisement is not acceptable pursuant to the AICPA Code of Professional Conduct?
- Paul Fall Certified Public Accountant Fluency in Spanish and French
  - Paul Fall Certified Public Accountant J.D., Evans Law School 1984
  - Paul Fall Certified Public Accountant Free Consultation
  - Paul Fall Certified Public Accountant Endorsed by AICPA
10. The PCAOB was established by
- The Sarbanes-Oxley Act of 2002.
  - The SEC.
  - The AICPA.

The IRS.

## Chapter 3 - Conclusions and Implications

11. Independence is considered to be impaired if a licensee obtains

- A loan for a home mortgage.
- A loan not material in relation to the net worth of the licensee.
- Compensation from a third party with respect to services procured by a client.
- A secured loan that is not solely by a guarantee of the licensee.

12. The competence and technical standards would be compromised if a licensee

- Undertakes any professional engagement for professional services that he or she can complete in a timely manner and within applicable professional standards.
- Can reasonably expect to perform professional service and be in compliance with current regulations.
- Issue reports that assert financial statements are presently conforming to GAAP standards when there are departures from accounting principles that appear to be misleading.
- Performs accounting services and tax services that conform to professional standards applicable to the services at the time of performance.

13. It is legal for a Maryland licensee to

- Permit others to carry out services on the licensee's behalf provided the services providers receive compensation.
- Withhold information from a client if the data is from the licensee's working papers even if it contains data which are needed but not available for the client's records.
- Refuse to issue the client a copy of a tax return prepared for the client.
- Practice public accounting only in a proprietorship, partnership, or professional corporation that was organized under title 2 of the Annotated Code of Maryland.

14. A licensee may advertise and solicit accounting business by

- Overreaching or compulsion activities and communication.
- Disclosing all variables that reasonably may be expected to affect the fees that will be charged.
- Issuing misleading or unfair statements or claims provided the term CPA is not included in the written or oral communication.
- Creating a false or unjustified expectation of favorable results.

15. Courses that contribute to the required 27 hours of the required accounting course required prior to making application for the CPA license must include courses in

- Financial accounting and cost accounting.
- Economics and statistics.

Business ethics and U.S. business law.

Marketing and written communications.

16. Business ethics courses need not examine issues related to

Environmental concerns.

Confidentiality.

Profit motive and the public good.

Law of contracts and negotiable instruments.

17. A Limited Liability Corporation (LLC) practicing public accounting in Maryland needs to have

A permanent office located in Maryland.

An office supervised under the immediate direction of a partner who resides in Maryland.

All non-CPA owners actively participating in the partnership.

All the above.

18. Renewal fees are set by law and regulation for the individual inactive CPA in Maryland and are

\$50.00.

\$20.00.

\$40.00.

\$60.00.

19. An institute recognized and approved to develop professional programs for continuing professional education for CPAs required by the Board of Accounting in Maryland includes

American Institute of Certified Planners.

Maryland Association of Certified Brokers.

Maryland Society of Women's Business and Entrepreneurs.

National Association of State Boards of Accountancy.

20. The Board will accept courses for continuing professional education (CPE) which are

Designed for general public use.

Sales-orientation presentations of any kind.

Financial planning that contributes to professional competence.

Programs restricted to policies and procedures of a particular company.

## Chapter 4 - Definitions

## **Chapter 5 - Culture, Motivation, Power, and Business Ethics**

## **Chapter 6 - AICPA's Code of Professional Conduct**

## **Chapter 7 - Interpretations and Rulings**

## **Chapter 8 - Corporate Responsibility law (Sarbanes-Oxley act)**

## **Chapter 9 - Standards of Ethical Conduct for Practitioners**

## **Chapter 10 - Maryland Ethics**

### Instructions for Submitting Answers Online:

- Sign In at [www.ApexCPE.com](http://www.ApexCPE.com)
- Click the "My CPE" tab at the top of the page.
- Click "My CPE Courses".
- Find the current CPE year and click "Go to My Courses".
- Find this course and click the "Go to Course" link.
- Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.
- Enter your answers on the online exam sheet.
- Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.
- A short evaluation page will display. Please provide your feedback for the course.
- Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.

- *You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.*

**If you have any questions, please call us at 713.234.0892  
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