

7. Which of the following is *not* a way by which the Sarbanes-Oxley Act attempts to ensure auditor independence from an audit client?
 - a. The auditing firm must be appointed by the client's audit committee.
 - b. Audit fees must be approved by the Public Company Accounting Oversight Board.
 - c. The audit committee must be composed of members of the client's board of directors who are independent of the management.
 - d. The external auditor cannot also perform financial information system design and implementation work.
8. What is a registration statement?
 - a. A statement that must be filed with the SEC before a company can begin an initial offering of securities to the public.
 - b. A required filing with the SEC before a large amount of stock can be obtained by an inside party.
 - c. An annual filing made with the New York Stock Exchange.
 - d. A filing made by a company with the SEC to indicate that a significant change has occurred.
9. Which of the following is a registration statement used by large companies that already have a significant following in the stock market?
 - a. Form 8-K.
 - b. Form 10-K.
 - c. Form S-1.
 - d. Form S-3.
10. What was the significance of the controversy in 1977 over the appropriate accounting principles to be used by oil- and gas-producing companies?
 - a. Several major lawsuits resulted.
 - b. Companies refused to follow the SEC's dictates.
 - c. Partners of a major accounting firm were indicted on criminal charges.
 - d. The SEC overruled the FASB on its handling of this matter.
11. Which of the following must be provided to every potential buyer of a new security?
 - a. A letter of comments.
 - b. A deficiency letter.
 - c. A prospectus.
 - d. A Form S-16.
12. What does the term *incorporation by reference* mean?
 - a. The legal incorporation of a company in more than one state.
 - b. Filing information with the SEC by indicating that the information is already available in another document.
 - c. A reference guide indicating informational requirements specified in *Regulation S-X*.
 - d. Incorporating a company in a state outside of its base of operations.
13. What is a letter of comments?
 - a. A letter the SEC sends to a company indicating needed changes or clarifications in a registration statement.
 - b. A questionnaire supplied to the SEC by a company suggesting changes in *Regulation S-X*.
 - c. A letter included in a Form 10-K to indicate the management's assessment of the company's financial position.
 - d. A letter composed by a company asking for information or clarification prior to the filing of a registration statement.
14. What is a prospectus?
 - a. A document attached to a Form 8-K.
 - b. A potential stockholder as defined by *Regulation S-K*.
 - c. A document a company files with the SEC prior to filing a registration statement.
 - d. The first part of a registration statement that a company must furnish to all potential buyers of a new security.
15. Which of the following is *not* exempt from registration with the SEC under the Securities Act of 1933?
 - a. Securities issued by a nonprofit religious organization.
 - b. Securities issued by a government unit.
 - c. A public offering of no more than \$5.9 million.
 - d. An offering made to only 26 sophisticated investors.
16. Which of the following is usually *not* filed with the SEC on a regular periodic basis?
 - a. A Form 10-Q.
 - b. A prospectus.
 - c. A proxy statement.
 - d. A Form 10-K.
17. What is a shelf registration?
 - a. A registration statement that the SEC formally rejects.
 - b. A registration statement that the SEC rejects due to the lapse of a specified period of time.
 - c. A registration process for large companies that allows them to offer securities over a period of time without seeking additional approval by the SEC.
 - d. A registration form that is withdrawn by the registrant without any action having been taken.
18. What is EDGAR?
 - a. A system the SEC uses to reject registration statements that do not contain adequate information.
 - b. The enforcement arm of the SEC.
 - c. A system designed by the SEC to allow electronic filings.
 - d. A branch of the government that oversees the work of the SEC.
19. Identify each of the following as they pertain to the SEC.
 - a. Blue sky laws.
 - b. S-8 Statement.
 - c. Letter of deficiencies.
 - d. Public Company Accounting Oversight Board.
 - e. Prospectus.
20. Discuss the objectives of the Securities Act of 1933 and the Securities Exchange Act of 1934. How are these objectives accomplished?
21. What are the general steps involved in filing a registration statement with the SEC?
22. Discuss the methods by which the SEC can influence the development of generally accepted accounting principles in the United States.
23. Which forms do most companies file with the SEC on a periodic basis? Explain the purpose of each form and its primary contents.
24. Which forms do most companies file with the SEC in connection with the offering of securities to the public?
25. What is the importance of a Form 8-K? What is the importance of a proxy statement?
26. Describe the provisions of the Sarbanes-Oxley Act as they relate to the creation and responsibilities of the Public Company Accounting Oversight Board.
27. Explain each of the following items:
 - a. *Staff Accounting Bulletins*.
 - b. Wraparound filing.
 - c. Incorporation by reference.
 - d. Division of corporation finance.
 - e. Integrated disclosure system.
 - f. Management's discussion and analysis.
 - g. Chief accountant of the SEC.
28. Which organizations are normally exempted from the SEC's registration requirements?