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Strategic Finance Quiz — February 2003

Please circle your answer for each question

New Laws, New Challenges (p. 31)

Field of Study: ACCOUNTING AND AUDITING

1. The Public Company Accounting Oversight Board (PCAOB) will be responsible for:
- **a.** Investigating and disciplining firms and individuals.
- **b.** Establishing standards for auditors.
- **c.** Performing quality reviews of auditing firms.
- **d.** All of the above.

2. How will the PCAOB be funded?
- **a.** Its funding comes from public accounting firms.
- **b.** Its funding comes from publicly traded companies.
- **c.** Its funding comes from U.S. stock exchanges.
- **d.** Its funding comes from all of the above.

3. Which is NOT a provision of the Sarbanes-Oxley Act?
- **a.** CPA firms must keep documents that support their audit report for a minimum of seven years.
- **b.** Makes it a criminal offense for officers or directors to influence auditors with the intention to misstate financial statements.
- **c.** Limits the lead auditing and reviewing partners to five years on an engagement.
- **d.** Establishes a 10-consecutive-year maximum audit service by the same CPA firm.

4. The Sarbanes-Oxley Act prohibits a company from hiring for its top accounting/finance positions anyone who has worked for its audit firm during the one-year period preceding its audit even if the person did not work on the company's audit. True or False

5. The Sarbanes-Oxley Act requires all audit committee members to be independent of the firm and prohibits them from receiving any compensation from the firm other than for Board service. True or False

6. The Sarbanes-Oxley Act provides fines and up to five years in prison for CEOs and CFOs who knowingly allow reports to be filed with the SEC that do not present fairly the financial condition of the company. True or False

7. Which of the following is true regarding the reporting of pro forma earnings figures?
- **a.** Pro forma earnings figures are prohibited except with regard to Cumulative Effects of Changes in Accounting Principles.
- **b.** Firms must explain how the pro forma figures differ from GAAP figures.
- **c.** Both A and B are true.

8. Which is NOT true regarding the Sarbanes-Oxley Act?
- **a.** Significant off-balance-sheet transactions with unconsolidated entities must be disclosed even if such disclosure is not required by GAAP.
- **b.** CEOs and CFOs must forfeit bonuses and stock profits if their firm restates financial statements.
- **c.** CEOs and CFOs must state in their company's quarterly and annual reports that establishing and maintaining a system of internal controls is their responsibility.
- **d.** A company cannot hire, for its accounting/finance function, any employee who worked for the audit firm during the one-year period preceding an audit.

The Six-Legged Stool (p. 26)

Field of Study: ACCOUNTING AND AUDITING

9. Audit committees are composed of
- **a.** Corporation employees with particular accounting expertise.
- **b.** Executive members of the corporation.
- **c.** Financially literate, professionally qualified, functionally independent members.
- **d.** Internal audit and independent audit firm staff members.

10. External auditors provide to
- **a.** Top management certification that the financials are free of fraudulent entries.
- **b.** Financial statement users reasonable assurance that audited financials are free of material misstatements.
- **c.** Company management guidance on structuring transactions to achieve company goals.
- **d.** None of the above.

Strategies for Cutting Costs: Turning Procurement into a Virtuous Cycle (p. 38)

Field of Study: MANAGEMENT

11. According to the author, what percentage of transactions is in compliance with companies' procurement policies?
- **a.** Less than 10%.
- **b.** 10% to 20%.
- **c.** 20% or less.
- **d.** 20% to 30%.

12. Financial executives need systems to do which of the following?
- **a.** Identify appropriate vendors.
- **b.** Drive spending to those vendors.
- **c.** Measure performance across the organization.
- **d.** All of the above.

13. The best way to tackle spend management is to address the complete procurement cycle through a combination of technology, category-specific content, and expert services. True or False

14. For many companies, the costly engagement cycles that come with traditional consulting offerings for full spend management are prohibitive. True or False

15. To create a procurement cycle that drives improvement in speed, accuracy, and impact and ensures ongoing savings, companies should look for:
- **a.** Analytic solutions to aggregate, organize, and normalize the procurement transaction data.
- **b.** Sourcing technology that automates high-volume bid collection, management, and analysis.
- **c.** All of the above.
- **d.** None of the above.

I have read the articles in *Strategic Finance* upon which the questions are based and have personally prepared the answers without the assistance of any other person.

Signature ________________________________ Date ________________________

Print name ________________________________ Member Number ______________