

Sox-Questions-For-Discussion 1

1. What does SOX stand for?
 - a. Sorbet Orange Act of 2002
 - b. Sulphur Dioxide Oxide Act of 2002
 - c. Sarbanes-Orrin Act of 2002
 - d. Sarbanes-Oxley Act of 2002
2. What inspired the need for the SOX Act?
 - a. The Act was passed in the wake of terrorist attacks of Sept 11, 2001)
 - b. It was a result of corporate ethics showing an increased prominence at US companies.
 - c. The Act was passed in the wake of a series of corporate scandals including Enron, WorldCom and TYCO.
 - d. The act was passed to penalize companies for strong ethics, good governance and reliable reporting.
3. What is the stated purpose of the Act?
 - a. "To protect investors and maintain the integrity of the securities markets"
 - b. "To protect investors by improving the accuracy and reliability of corporate disclosures"
 - c. "To create a great financial community which cares about its people, and its environment.
 - d. "To create a great accounting disclosure environment in the US
4. What is the SOX Act about?
 - a. The Act requires that investors receive financial and other significant information concerning securities being offered for public sale; and prohibit deceit, misrepresentations, and other fraud in the sale of securities.
 - b. The Act creates new standards for corporate accountability as well as enforcing new penalties for acts of wrongdoing by specifying new financial reporting responsibilities. This includes adherence to new internal controls and procedures designed to ensure the validity of financial records.
 - c. The Act establishes requirements and provides directions that apply when an auditor is engaged to audit both a company's financial statements and management's assessment of the effectiveness of internal control over financial reporting.
5. Who does the act apply to?
 - a. SOX applies to all public companies in the US and international companies.
 - b. SOX applies to all public companies in the US and international companies that have registered equity or debt securities with the Securities and Exchange Commission.
 - c. SOX applies to all public companies in the US and international companies that have registered equity or debt securities with the Securities and Exchange Commission and the accounting firms that provide auditing services to them.
6. When was the Sarbanes-Oxley Act passed?
 - a. April 2001
 - b. March 1999
 - c. December 2003
 - d. July 2002



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7. All of the following represent one of the 11 titles of Sarbanes-Oxley EXCEPT:
- Corporate Responsibility
 - Studies and Reports
 - White Collar Crime Penalty Enhancement
 - Auditor Dependence
8. To be a chairperson of the PCAOB, which of the following is necessary ?
- S/he has to a public accountant.
 - S/he can not to a public accountant.
 - If the chairperson is a public accountant, s/he could not have public accounting for at least 2 years prior to his or her appointment to the Board.
 - If the chairperson is a public accountant, s/he could not have public accounting for at least 5 years prior to his or her appointment to the Board.
 - Must have conducted audits of registrants for atleast ten years.
9. How many members of the PCAOB can be public accountants
- exactly one
 - exactly two
 - any number
 - at least three
 - none.
10. To prepare audit report with respect to any issuer, a public accounting firm must file with the PCAOB which of the following:
- List of all audit clients for the last ten years.
 - Audit and consulting fees received by the firm from audit clients.
 - Consulting fees received by the firm from non-audit clients.
 - Accounting and auditing practices quality control policies.
 - Salaries and all other compensation of each employee in the of the public accounting firm.
 - Accounting disagreements with the audit client in the previous year.
11. Each registered public accounting firm has to maintain audit work papers for
- 3 years
 - 5 years
 - 7 years
 - Forever
 - Till the client of the public accounting firm is not a client.
12. The PCAOB must inspect and check the degree of compliance of each large registered public accounting firm (with more than 100 clients) in connection with its audits:
- Evey year
 - Every six months
 - Every three years
 - Randomly

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- e. Every two years
13. In connection with its audits, for each small registered public accounting firm (with less than 100 clients) the PCAOB must inspect and check the degree of its compliance:
- every year
 - every six months
 - every three years
 - Randomly
 - every two years
14. For the SEC to recognize, as ‘generally accepted’ accounting principles established by a standard setting body, which of the following can not be true about that standard setting body:
- is a private entity;
 - a majority of whom are currently CPA’s
 - Is self funded with support directly from donors and corporations
 - To adopt procedures, by unanimous consent of its members, changes to accounting principles
 - Will consider whether convergence with the IFRS is necessary or appropriate for the protection of investors;
15. SOX asks the the SEC to:
- Move towards a principles-based accounting system.
 - Study the extent to which principles-based accounting exists in the United States;
 - Study the public and private economic costs of a change from a rules-based to a principles-based financial reporting system;
 - Study the extent to which principles-based accounting exists in other large countries
16. The PCAOB is to be funded by
- The congress directly from treasury
 - Contributions from issuers which vary in proportion to the asset size of the issuers.
 - Contributions from issuers which vary in proportion to the sales or turnover of the issuers.
 - As a surcharge to corporate tax through the IRS
 - Contributions from issuers which vary in proportion to the market capitalization of the issuers.
17. The SEC may remove a PCAOB member before the expiration of the term of that member for all of the following EXCEPT
- A good cause shown
 - At will
 - for willful violations of the rules of the Board, or the securities laws;
 - for has willful abuse of the authority of that member;
 - Without reasonable justification, has failed to enforce compliance with any professional standard by a registered public accounting firm.
18. A public accounting firm that audits a particular client can do which of the following activities for the same client

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- a. Maintaining accounting records
 - b. Design and implementation of financial information systems
 - c. Act as investment banker
 - d. Expert and legal services unrelated to the audit
 - e. Tax services
19. Which of the following activities can a public accounting firm that audits a particular client can do for the same client
- a. Actuarial services;
 - b. SEC registration and compliance services
 - c. Human resources management
 - d. Valuation services and fairness opinions
 - e. Internal audit outsourcing services
20. PPP, a public accounting firm did some pricing advisory services to its audit client CCC in March 2012, without the approval in advance by the audit committee of the CCC. Which of the following facts is not needed to make the work legal:
- a. The pricing advisory services contract was for 2)3% the total amount of revenues paid by CCC to PPP during 2024)
 - b. CCC did not recognize the pricing advisory services to be non-audit services;
 - c. CCC audit committee was made aware of the pricing advisory services in April 2024)
 - d. CCC disclosed the pricing advisory services from PPP in its April-June 2012 quarterly report to investors.
 - e. CCC reduced the 2012 audit fees to PPP by the amount of pricing advisory services fees.
21. The maximum length of time that a public accounting firm can keep auditing that client (registrant) is
- a. three years
 - b. five years
 - c. seven years\$
 - d. till there is a change in the CEO of the registrant
 - e. unlimited.
22. Rod Blago a partner at PPP, a public accounting firm had primary responsibility for audits and was lead auditor of client CCC in 2007, 2009, 2010 and 2023) Assume that Mr. Blago remains with PPP and PPP audits CCC for the next eight years. In the next eight years which of the following sets of years can Mr. Blago NOT be the lead auditor for the CCC engagement?
- a. 2012, 2013, 2014, 2018
 - b. 2012, 2013, 2015, 2016, 2017, 2018, 2019
 - c. 2012, 2014, 2015, 2016, 2017, 2018
 - d. 2012, 2015, 2016, 2017, 2018, 2019
 - e. 2013, 2014, 2015, 2016, 2017, 2019

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23. For setting up the review of disclosures made by issuers, the SEC should consider which factors (Mark all that apply)
- a. issuers with high P/E ratios
 - b. issuers that are risky as measured by beta
 - c. issuers whose boards that do not have a financial expert in the audit committee.
 - d. issuers that have issued restated financial results
 - e. issuers that have significant relative unpredictability in their share prices
 - f. issuers with the low market values
 - g. issuers whose operations significantly affect any material sector of the economy.
24. Suppose a stock-broker dealer firm employs investment analysts who issue research reports, fund managers and investment bankers who assist in security issues. Which of the following is proscribed under SOX, (mark all that apply)
- a. The investment analysts gets approval of research reports from the investment fund managers.
 - b. The investment bankers threatens to retaliate against an investment analyst for a favorable research report about an issuer who has no relation to the stock-broker dealer firm.
 - c. The fund managers sit in a committee evaluating the compensation of investment analysts.
 - d. The investment bankers sit in a committee evaluating the compensation of investment analysts.
 - e. The investment analysts gets prepublication clearance of research reports from the investment bankers.