

# CPA-TEST<sup>Q&As</sup>

Certified Public Accountant Test: Auditing and Attestation, Business Environment and Concepts, Financial Accounting and Reporting, Regulation

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### QUESTION 1

A limited partnership must have:

- A. One general partner and two limited partners.
- B. All must be general partners and one limited partner.
- C. One general partner and one limited partner.
- D. All limited partners.

Correct Answer: C

Explanation:

Choice "c" is correct.

Rule: A limited partnership must have at least one general partner and one limited partner.

Choices "a", "b", and "d" are incorrect, per the above rule. Be careful of answers that include the word "all."

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### QUESTION 2

The local video store's business increased by 12 percent after the movie theater raised its prices from \$6.50 to \$7.00. This is an example of:

- A. Substitute goods.
- B. Superior goods.
- C. Complementary goods.
- D. Independent goods.

Correct Answer: A

Explanation:

Choice "a" is correct. For substitute goods, as the price of one good goes up, the demand for another, substitute good increases as consumers desire the lower-priced substitute good.

Choice "b" is incorrect. Superior goods. Just as the demand for inferior goods declines with an increase in the income level of a consumer, superior goods will experience a spurt in demand as prices are raised.

Choice "c" is incorrect. The demands for mutually "complementary goods" fluctuate together (e.g., more cereal purchases are accompanied by an increase in the demand for milk).

Choice "d" is incorrect. Independent goods have unrelated demand functions (e.g., bread and vacuum

cleaners).

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### QUESTION 3

Entry into monopolistic competition is:

- A. Frequent, as no obstacles exist.
- B. Difficult, with significant obstacles.
- C. Rare, as significant capital is required.
- D. Relatively easy, with only a few obstacles.

Correct Answer: D

Explanation:

Choice "d" is correct. The characteristics of monopolistic competition include:

- Numerous firms with differentiated products.
- Ease of entry - few barriers.
- Firms exact some influence over price and market.
- Non-price competition is frequent and critical.

Choice "a" is incorrect. Monopolistic competition has a few obstacles. A market with no obstacles is in perfect competition.

Choice "b" is incorrect. Significant obstacles are characteristic of oligopoly.

Choice "c" is incorrect. Significant capital requirements represent a significant barrier to entry, which is characteristic of oligopoly.

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### QUESTION 4

For effective internal accounting control, the accounts payable department should compare the information on each vendor's invoice with the:

- A. Receiving report and the purchase order.

- B. Receiving report and the voucher.
- C. Vendor's packing slip and the purchase order.
- D. Vendor's packing slip and the voucher.

Correct Answer: A

Explanation: Choice "a" is correct. For effective internal accounting control, the accounts payable department should compare the information on each vendor's invoice with the receiving report and the purchase order to assure that goods were received and that the purchase was properly authorized. Choices "b", "c", and "d" are incorrect. Vendor packing slips and internally generated vouchers do not

provide assurance that goods were received and that the purchase was properly authorized.

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#### QUESTION 5

A period of inflation:

- A. Increases the price level, which benefits those who are entitled to receive specific amounts of money.
- B. Enhances the positive relationship between the price level and the purchasing power of money.
- C. Harms anyone who has an obligation to pay a specific amount and benefits anyone who is entitled to receive a specific amount.
- D. Increases the price level, which is negatively related to the purchasing power of money.

Correct Answer: D

Explanation:

Choice "d" is correct. A period of inflation increases the price level, which is negatively related to the purchasing power of money (inflation erodes the value of money).

Choice "a" is incorrect. When price levels increase, those with fixed amounts of money are hurt.

Choice "b" is incorrect. The relationship between price levels and the purchasing power of money is negative, or inverse.

Choice "c" is incorrect. Inflation helps anyone with a fixed obligation since the debt can be repaid in inflated dollars. Those receiving a specific fixed amount are harmed.

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