CERTIFIED PUBLIC ACCOUNTANTS (CPA) ETHICS PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. **Which of the following behaviors is expected from a CPA under the AICPA Code of Professional Conduct?**

   A. Flamboyant marketing of services

   B. Transparency in client communications

   C. Seeking maximum profit

   D. Concealing client issues from authorities

2. **What must a CPA do if they discover a significant error in a financial report after it has been issued?**

   A. Notify only upper management

   B. Disclose the error and take corrective action

   C. Wait for client feedback

   D. Ignore the error

3. **How does serving on a client's board of directors affect an individual's independence?**

   A. Independence is maintained if located in a different office

   B. Independence is impaired regardless of office location

   C. Independence is not affected if they hold an honorary position

   D. There are no restrictions on board memberships

4. **A sole practitioner wishes to invest in a corporation where their client owns 40% but the investment is not material to either party. Does this impact independence?**

   A. Yes, it will impair independence

   B. No, it will not impair independence

   C. Independence is dependent on the amount invested

   D. Independence is affected if the client can control the corporation

5. **Before providing tax services, what must a CPA obtain from the client?**

   A. A list of previous tax filings

   B. An engagement letter outlining the scope of services

   C. Approval for discount rates

   D. A waiver of liability

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6. May Green, CPA, accept a fee based on the outcome of a case as an expert witness?

A. Yes, contingent fees are allowed.

B. Yes, unless the client is an attest client.

C. No, because expert witness fees cannot be contingent.

D. No, contingent fees are only for CPA firms.

7. Is it allowed for a CPA to share fees for a referral to another professional?

A. Yes, as long as the client consents

B. No, this is prohibited regardless of the situation

C. Yes, if the client is an attest client

D. Only in specific legal circumstances

8. During a conflict of interest, what is the best course of action for a CPA?

A. Ignore the conflict if it is minor

B. Disclose the conflict and take corrective action

C. Continue working as usual

D. Inform the client's CEO

9. What should CPAs prioritize when considering the public interest?

A. Maximizing company profits

B. Ensuring transparency and accountability

C. Keeping client information confidential at all costs

D. Providing services at competitive rates

10. What could happen if a member does not pay dues to the AICPA?

A. The member will receive a warning

B. No action can be taken

C. The member can be expelled after five months

D. The member must pay a fine before expulsion

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Answers

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1. B
2. B
3. B
4. B
5. B
6. C
7. B
8. B
9. B
10. C

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Explanations

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1. Which of the following behaviors is expected from a CPA under the AICPA Code of Professional Conduct?

A. Flamboyant marketing of services

B. Transparency in client communications

C. Seeking maximum profit

D. Concealing client issues from authorities

Under the AICPA Code of Professional Conduct, transparency in client communications is considered a fundamental ethical obligation for CPAs. This principle supports the necessity of maintaining open, honest, and clear communication with clients regarding their financial situations and the services being provided. Transparency fosters trust in the CPA-client relationship and ensures that clients are fully informed about their financial matters, allowing them to make informed decisions. Moreover, transparent communications help to uphold the integrity and objectivity of the profession. CPAs are expected to provide accurate information, disclose relevant facts, and avoid any misleading statements, which aligns with their duty to act in the public interest. By adhering to this standard, CPAs contribute to the overall reputation of the profession and safeguard the interests of their clients and the public. The other options highlight behaviors that do not align with the ethical standards expected of CPAs. Flamboyant marketing could potentially mislead clients or exaggerate services, which is contrary to maintaining professional competence. Seeking maximum profit without consideration for ethical obligations can compromise a CPA's integrity and responsibilities towards clients. Finally, concealing client issues from authorities undermines the CPA's duty to adhere to regulatory requirements and ethical obligations, potentially leading to serious legal consequences.

2. What must a CPA do if they discover a significant error in a financial report after it has been issued?

A. Notify only upper management

B. Disclose the error and take corrective action

C. Wait for client feedback

D. Ignore the error

When a CPA discovers a significant error in a financial report after it has been issued, the professional responsibility is to disclose the error and take corrective action. This is rooted in the ethical obligation to ensure transparency and integrity in financial reporting. Failing to address the error can mislead stakeholders and is contrary to the principles of honesty and accountability that CPA professionals adhere to. By choosing to disclose the error and take corrective action, the CPA upholds their duty to protect the interests of users of the financial statements, including investors, creditors, and the public. This often involves informing the appropriate parties, such as management or the governing body, and may also necessitate restating the financial statements to reflect accurate information. In contrast, simply notifying upper management would not suffice, as it may not lead to the necessary corrective actions being communicated to all relevant stakeholders. Waiting for client feedback could result in prolonged misinformation and potential harm to stakeholders relying on those financial reports. Ignoring the error altogether undermines the CPA's ethical obligations and can have serious repercussions for both the CPA and the organization involved. Thus, disclosing the error and correcting it is the only appropriate course of action to maintain professional standards and ethical conduct.

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3. How does serving on a client's board of directors affect an individual's independence?

A. Independence is maintained if located in a different office

B. Independence is impaired regardless of office location

C. Independence is not affected if they hold an honorary position

D. There are no restrictions on board memberships

Serving on a client's board of directors fundamentally affects an individual's independence because it creates a direct financial or managerial relationship with the client. Independence in a professional context, particularly for CPAs, is crucial to maintaining objectivity and impartiality in an audit or advisory engagement. When a CPA serves on a client's board, they are no longer able to be viewed as an independent party. This association supersedes considerations of location, such as being in a different office, or the nature of the role, such as an honorary position. The mere fact of holding a position on the board signifies a level of involvement and influence over the client's operations, which compromises the CPA's objectivity. Professional ethics standards, notably those upheld by bodies such as the AICPA, specify that any direct involvement with a client in a managerial capacity, such as serving on a board, would impair independence. This principle is critical as it helps to ensure that CPAs provide unbiased opinions that stakeholders can rely on without question.

4. A sole practitioner wishes to invest in a corporation where their client owns 40% but the investment is not material to either party. Does this impact independence?

A. Yes, it will impair independence

B. No, it will not impair independence

C. Independence is dependent on the amount invested

D. Independence is affected if the client can control the corporation

Independence in the context of Certified Public Accountants is primarily concerned with the appearance and reality of objectivity and impartiality in professional judgment. When considering investment relationships between a CPA and a client, the key factors usually include the nature of the investment, the level of control or influence over the entity, and the materiality of the investment to both the practitioner and the client. In this scenario, although the practitioner is investing in a corporation where their client owns 40%, the investment is considered not material to either party. Materiality is a significant determinant because if the investment is small enough not to affect the financial statements or the decision-making of either the CPA or the client, it typically does not compromise independence. This means that the relationship does not present a threat to the impartiality expected from the CPA, as the investment does not provide the CPA with excessive influence or control over the client's affairs, nor does it create a financial interest that could impair objectivity. Therefore, under these circumstances, independence is maintained because the investment is not substantial enough to influence the CPA's professional behavior or judgement regarding the client's financial matters. As a result, the conclusion that independence is not impaired is supported by the concept of materiality, which indicates that a non

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5. Before providing tax services, what must a CPA obtain from the client?

A. A list of previous tax filings

B. An engagement letter outlining the scope of services

C. Approval for discount rates

D. A waiver of liability

In the context of providing tax services, it is essential for a CPA to obtain an engagement letter from the client. This letter serves as a formal agreement that outlines the scope of services to be provided, the responsibilities of both the CPA and the client, and any terms related to fees and confidentiality. Having this written agreement ensures that both parties have a clear understanding of what services will be performed and helps to prevent misunderstandings or disputes in the future. The engagement letter establishes the professional relationship and is a foundational element of providing ethical and competent services. It not only protects the CPA's interests but also reassures the client about the nature and extent of the services they will receive. Other options, while they may seem relevant in different contexts, do not fulfill the primary requirement of establishing a formal understanding of services before commencing tax work. An engagement letter is a critical step in maintaining professionalism and adhering to the ethical standards expected of CPAs.

6. May Green, CPA, accept a fee based on the outcome of a case as an expert witness?

A. Yes, contingent fees are allowed.

B. Yes, unless the client is an attest client.

C. No, because expert witness fees cannot be contingent.

D. No, contingent fees are only for CPA firms.

In the context of CPA ethics and professional conduct, a CPA may not accept a fee based on the outcome of a case as an expert witness. This principle is rooted in maintaining objectivity and independence, which are crucial for the credibility of the CPA's testimony and the integrity of the profession. Expert witness fees that are contingent upon the outcome of a case can create conflicts of interest and compromise the CPA's ability to provide impartial testimony. The concern is that if a CPA stands to gain or lose financially based on the verdict of a case, their objectivity could be questioned, affecting the reliability of their expertise. This is in line with the ethical standards set forth by the AICPA and other regulatory bodies, which emphasize the importance of maintaining independence in both appearance and fact. Other considerations in this topic touch upon the nuanced understanding of different types of clients. In situations involving attest clients, the prohibition against contingent fees is firm. For non-attest services, while there may be more flexibility, the principles of independence and objectivity remain paramount. Thus, the clear stance is that CPA professionals should avoid any fee arrangements that may compromise their integrity or the perception of their impartiality.

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7. Is it allowed for a CPA to share fees for a referral to another professional?

A. Yes, as long as the client consents

B. No, this is prohibited regardless of the situation

C. Yes, if the client is an attest client

D. Only in specific legal circumstances

Sharing fees for a referral to another professional is generally prohibited because it can create a conflict of interest and may compromise the CPA's objectivity and independence. Professional ethics standards dictate that CPAs must maintain integrity and avoid any appearance of impropriety. Accepting or sharing referral fees can create an obligation that may impair the CPA's ability to act in the best interest of the client, fundamentally conflicting with the principle of providing unbiased and independent advice. In most jurisdictions, ethical guidelines require that any fees or compensation arrangements be fully transparent and in alignment with professional standards. This ensures that clients are aware of any potential impacts on the advice or services they receive. Hence, the prohibition against sharing fees serves to protect the integrity of the accounting profession and maintains public trust in CPAs' roles as impartial advisors.

8. During a conflict of interest, what is the best course of action for a CPA?

A. Ignore the conflict if it is minor

B. Disclose the conflict and take corrective action

C. Continue working as usual

D. Inform the client's CEO

Disclosing the conflict and taking corrective action is the best course of action for a CPA when faced with a conflict of interest. This approach is essential for maintaining professional integrity and trust, which are fundamental principles in the field of accounting. By disclosing the conflict to the relevant parties, including the involved clients or stakeholders, the CPA allows for transparency and provides an opportunity for all parties to address the situation appropriately. Taking corrective action might involve adjusting the scope of work, seeking consent from affected parties, or even withdrawing from the engagement if necessary. This proactive stance demonstrates a commitment to ethical standards and the responsibility to uphold the interests of clients and the public, reducing the risk of harm that could arise from a perceived or actual conflict. Addressing a conflict of interest in this manner aligns with the ethical principles outlined by professional organizations, such as the American Institute of Certified Public Accountants (AICPA), which emphasizes the importance of integrity, objectivity, and professional behavior in accounting practices. Such actions not only protect the CPA's reputation but also uphold the credibility of the profession as a whole.

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9. What should CPAs prioritize when considering the public interest?

A. Maximizing company profits

B. Ensuring transparency and accountability

C. Keeping client information confidential at all costs

D. Providing services at competitive rates

CPAs have a fundamental obligation to serve the public interest, which entails acting in a manner that promotes trust and integrity in the profession. Prioritizing transparency and accountability helps to ensure that stakeholders, including clients, investors, and the general public, receive accurate and honest information about financial conditions and business practices. By focusing on transparency, CPAs can help avoid conflicts of interest and unethical behavior, fostering trust in financial reporting and services. Accountability reinforces this trust, as it ensures that CPAs are answerable for their actions and that they adhere to ethical standards. Together, these principles encourage ethical conduct and maintain the integrity of the accounting profession. In contrast, pursuing company profits without regard to ethical considerations can result in misleading financial representations and harm the public good. Keeping client information confidential is crucial, but the commitment to the public interest may still require CPAs to disclose certain information in specific circumstances, especially to avert illegal activities or fraud. Additionally, while providing services at competitive rates is important for business sustainability, it should not supersede ethical obligations to maintain transparency and accountability.

10. What could happen if a member does not pay dues to the AICPA?

A. The member will receive a warning

B. No action can be taken

C. The member can be expelled after five months

D. The member must pay a fine before expulsion

If a member does not pay dues to the AICPA, the member can face expulsion if the dues remain unpaid after a specified period, which is typically five months. This policy underscores the importance of maintaining financial responsibilities within professional organizations. Dues are essential for the operations and services the organization provides, and the failure to pay can indicate a lack of commitment to the professional standards and ethical obligations that members are expected to uphold. Consequently, the rule allowing for expulsion after five months serves to encourage adherence to the dues requirement, preserving the integrity and functionality of the organization. This accountability aligns with the broader ethical principle that members should act responsibly and professionally within their association.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

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We wish you the very best on your exam journey. You've got this!

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