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| 1. | State boards of accountancy | 10. | State societies of CPAs |
| 2. | FASB and GASB | 11. | SEC, state and federal courts |
| 3. | AICPA | 12. | GASB |
| 4. | SEC | 13. | AICPA |
| 5. | AICPA, state societies of CPAs,
and state boards of accountancy | 14. | State boards of accountancy |
| 6. | FASB | 15. | AICPA |
| 7. | State boards of accountancy | 16. | Practice units |
| 8. | SEC | 17. | GAO |
| 9. | AICPA | 18. | IRS |

4-23.

1. True. The offering was filed with the SEC and was public.
2. True. This is the essence of the 1933 Act. The effect of the Securities Act of 1933 is to give to third parties who purchase registered securities similar rights against the auditor as are possessed by the client under law.
3. True. Plaintiffs can show that the financial statements omitted material facts necessary to prevent the statements from being misleading. Investors need not prove that they relied on the statements, however. The burden is on the auditors to demonstrate that the losses were not the result of omissions in the financial statements.
4. True. Accountants have no liability if they can show that their work was adequate to support their opinion (the "due diligence" defense).
5. True. One defense available to the accountants is to demonstrate that the losses of the inventories were due to causes other than errors or omissions in the financial statements.
6. True. Any action must be filed within three years after the securities have been offered to the public and within one year after the discovery of the error or omission has been made.
7. False. That is not the function of the SEC. The SEC does not pass judgment on the merit of securities, nor does it defend accountants.
8. False. The fact that the financial statements are management's responsibility is not a defense if the auditor know of loans and collateral that were not disclosed.