

# Certified Equity Professional Practice Test Questions and Answers

## 1. What is the primary purpose of stock option vesting schedules?

- A) To reduce company tax liability
- B) To retain employees and align interests
- C) To comply with SEC regulations
- D) To minimize dilution effects

## 2. Which accounting standard governs equity compensation in the United States?

- A) ASC 718
- B) ASC 606
- C) ASC 842
- D) ASC 350

## 3. What is the difference between ISOs and NQSOs?

- A) ISOs have more favorable tax treatment
- B) NQSOs can be granted to non-employees
- C) ISOs have \$100,000 annual exercise limit
- D) All of the above

## 4. Which valuation method is commonly used for employee stock options?

- A) Discounted cash flow
- B) Black-Scholes model
- C) Comparable company analysis
- D) Asset-based valuation

Answers: 1-B 2-A 3-D 4-B

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