

※ 考生請注意：本試題不可使用計算機。請於答案卷(卡)作答，於本試題紙上作答者，不予計分。

Part I: Multiple-Choice Questions: Select the best answer for each of the following question (3 points for each question) (60 points)

1. Which of the following is *not* a test primarily used to test property, plant and equipment accounts for overstatement?
 - A. Investigation of reductions in insurance coverage.
 - B. Review of property tax bills.
 - C. Examination of retirement work orders prepared during the year.
 - D. Vouching retirements of plant and equipment.

2. An auditor plans to examine a sample of 20 checks for counter signatures as prescribed by the client's control procedures. One of the checks in the chosen sample of 20 cannot be found. The auditor should consider the reasons for this limitation and:
 - A. Evaluate the results as if the sample size had been 19.
 - B. Treat the missing check as a deviation for the purpose of evaluating the sample.
 - C. Treat the missing check in the same manner as the majority of the other 19 checks, i.e., countersigned or not.
 - D. Choose another check to replace the missing check in the sample.

3. When a client engages in transactions involving derivatives, the auditor should
 - A. Develop an understanding of the economic substance of each derivative.
 - B. Confirm with the client's broker whether the derivatives are for trading purposes.
 - C. Notify the audit committee about the risks involved in derivative transactions.
 - D. Add an explanatory paragraph to the auditor's report describing the risks associated with each derivative.

4. A typical objective of an operational audit is for the auditor to:
 - A. Determine whether the financial statements fairly present the entity's operations.
 - B. Evaluate the feasibility of attaining the entity's operational objectives.
 - C. Make recommendations for improving performance.
 - D. Report on the entity's relative success in attaining profit maximization.

5. Which of the following is *not* used by auditors to establish the completeness of recorded assets?
 - A. Assessing control risk.
 - B. Tracing from source documents to entries in the accounting records.
 - C. Performing analytical procedures.
 - D. Vouching transactions.

6. Internal control over accounts payable is improved when:
- A. Purchase orders show approved prices.
 - B. Informal bids are obtained.
 - C. Annual trial balance of accounts payable subsidiary ledgers is required.
 - D. Payment is made upon approval of the purchasing agent.
7. Quincy bought Teal Corp. common stock in an offering registered under the Securities Act of 1933. Worth & Co., CPAs, gave an unqualified opinion on Teal's financial statements that were included in the registration statement filed with the SEC. Quincy sued Worth under the provisions of the 1933 Act that deal with omission of facts required to be in the registration statement. Quincy must prove that:
- A. There was fraudulent activity by Worth.
 - B. There was a material misstatement in the financial statements.
 - C. Quincy relied on Worth's opinion.
 - D. Quincy was in privity with Worth.
8. Contingency fee based pricing of accounting services is:
- A. Always strictly prohibited in public accounting practice.
 - B. Never restricted in public accounting practice.
 - C. Prohibited for clients for whom attestation services are provided.
 - D. Considered an act discreditable to the profession.
9. A CPA issued an unqualified opinion on the financial statements of a company that sold common stock in a public offering subject to the Securities Act of 1933. Based on a misstatement in the financial statements, the CPA is being sued by an investor who purchased shares of this public offering. Which of the following represents a viable defense?
- A. The investor has not proven CPA negligence.
 - B. The investor did not rely upon the financial statement.
 - C. The CPA detected the misstatement after the audit report date.
 - D. The misstatement is immaterial in the overall context of the financial statements.
10. The AICPA allows an auditor to perform which of the following services for an audit client:
- A. Performance of bookkeeping services for the client.
 - B. Authorization of transactions for the client.
 - C. Preparation of client source documents.
 - D. Preparation and posting of journal entries without the client's approval.
11. Which of the following is an internal control weakness for a company whose inventory of supplies

consists of a large number of individual items?

- A. Supplies of relatively little value are expensed when purchased.
 - B. The cycle basis is used for physical counts.
 - C. The storekeeper is responsible for maintenance of perpetual inventory records.
 - D. Perpetual inventory records are maintained only for items of significant value.
12. Which of the following expressions is *least* likely to be included in a client's representation letter?
- A. No events have occurred subsequent to the balance sheet date that require adjustment to, or disclosure in, the financial statements.
 - B. The company has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 - C. Management acknowledges responsibility for illegal actions committed by employees.
 - D. Management has made available all financial statements, including notes.
13. An auditor discovered that a client's accounts receivable turnover is substantially lower for the current year than for the prior year. This may indicate that
- A. Obsolete inventory has not yet been reduced to fair market value.
 - B. There was an improper cutoff of sales at the end of the year.
 - C. An unusually large receivable was written off near the end of the year.
 - D. The aging of accounts receivable was improperly performed in both years.
14. The auditor can best verify a client's bond sinking fund transactions and year-end balance by
- A. Confirmation with the bond trustee.
 - B. Confirmation with individual holders of retired bonds.
 - C. Recomputation of interest expense, interest payable, and amortization of bond discount or premium.
 - D. Examination and count of the bonds retired during the year.
15. If noncompliance with a law is discovered during the audit of a publicly held company, the auditors should
- A. Notify the regulatory authorities.
 - B. Determine who was responsible for the noncompliance.
 - C. Intensify the examination to identify noncompliance with any laws.
 - D. Report the act to high level personnel within the client's organization and to the audit committee.
16. Which of the following constitutes a weakness in the internal control of a computer system?
- A. One generation of backup files is stored in an off-premises location.
 - B. Machine operators are supervised by the programmer.
 - C. Machine operators do not have access to the complete systems manual.

D. Machine operators distribute error messages to the control group.

17. Which of the following is *not* a procedure that is designed to provide evidence about the existence of loss contingencies?

- A. Obtaining a lawyers' letter.
- B. Confirming accounts payable.
- C. Reviewing the minutes of board of directors' meetings.
- D. Review correspondence with banks.

18. In preparing for an audit of the retail footwear division of a major retail organization, the auditor gathered the following information about the organization's stores:

	All Stores	Northeast Region	Southwest Region	Mid-Central Region
Average sales per store	\$736,000	\$840,000	\$760,000	\$630,000
Average cost of goods sold per store	\$375,000	\$420,000	\$325,000	\$395,000
Number of stores	48	13	18	17
Average square feet per store	1,800	2,200	1,850	1,550
Average sales per full-time employee	\$137,000	\$152,000	\$140,000	\$122,000
Average wage related expense per store	\$ 98,000	\$102,000	\$ 82,000	\$112,000
Average net profit contribution per store	\$238,000	\$285,000	\$320,000	\$115,000

Management has centralized purchasing and uses a model based upon previous year's sales with adjustments for trends in the market place, e.g., the trend to more casual shoes. A staff auditor has suggested that the centralized purchasing may be one of the reasons for the lower level of profitability in the Mid-Central Region. Which of the following would be the best single audit procedure to address the staff auditor's assertion?

- A. Take a sample of receiving documents at stores and trace to purchase orders to determine the length of time between the purchase and delivery of the goods.
- B. Interview store managers in the Mid-Central Region to determine their attitude toward centralized purchasing.
- C. Perform an inventory count at selected stores in the Mid-Central Region and determine if adjustments are needed to the perpetual records.
- D. Perform a product-line analysis of sales and purchases in the Mid-Central Region and compare with other regions.

19. The auditors will *not* ordinarily initiate discussion with the audit committee concerning the:

- A. Details of the procedures which the auditors intend to apply.
- B. Details of potential problems which the auditors believe might cause a qualified opinion.
- C. Extent to which the work of internal auditors will influence the scope of the examination.
- D. Extent to which change in the company's organization will influence the scope of the examination.

20. Accepting an engagement to examine an entity's financial projection most likely would be appropriate if

the projection were to be distributed to:

- A. All employees who work for the entity.
- B. Potential stockholders who request a prospectus or a registration statement.
- C. A bank with which the entity is negotiating for a loan.
- D. All stockholders of record as of the report date.

PART II: Problems and Analysis

1. 國內已於104年9月22日發佈第57號審計準則公報「財務報表查核報告」，並將於107年7月1日開始適用。
 - (1) 請簡述該公報主要變革內容有哪些？(5%)
 - (2) 請分析此號公報實施後，對於財報編制者、使用者及查核會計師，分別可能產生什麼成本與效益？(12%)
2. (8%) The following is an audit working paper prepared by an assistant on the Williams audit:

Prepared by _____
 Reviewed by _____

Williams Inc.
 Bank Confirmation-General Account
 12/31/0X

Balance per Bank @ 12/31/0X	\$20,200.22 ♥
Deposit in Transit – per A-1-2	2,000.00 Γ
Outstanding Checks – per A-1-3	(5,200.00)
Other – Note Collected by Bank	(10,000.00) ✓
Bank Service Charge	<u> (9.50)</u>
 Balance per Books @ 12/31/0X	 \$8,990.69 ♥

fColumn footed.

✓ Amount agrees to amount recorded as a deposit on the bank statement and description agrees with receipt enclosed with 12/31/0X bank statement. This note is the Wilde note receivable that was recorded as a receipt by the client in the cash receipts journal on 1/3/0X. The receivable was appropriately credited and properly reflected in the January cash receipts journal. No adjustment needed as bank and books simply record this in different periods.

Γ Agreed to 12/31/0X bank statement.

♥ Agreed to general ledger.

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Required: Prepare a list of review points as the preparer of this working. You may assume that any other working

papers referred to are appropriate. You will receive credit for proper points you bring up and lose credit for improper ones and omissions.

3. (15%) On September 3, 20X1, Larkin, CPA, was engaged to audit the financial statements of Precious Metals Co. (PM), for the year ended October 31, 20X1. PM purchases precious metals at wholesale prices and resells them to craft clubs at retail. PM is a new client whose common stock was first offered to the public five years ago. PM received an unqualified opinion on its financial statements in each of the prior three years, but changes auditors after each engagement. In accepting the engagement, Larkin completed all of the appropriate client acceptance procedures.

Larkin instructed Johnson, an assistant on the engagement, to draft a planning checklist that would assist Larkin in preparing the audit staff for the fieldwork that is scheduled to begin on October 17, 20X1. On October 5, 20X1, Johnson prepared the planning checklist below (engagement letter points have been omitted) Indicate the inappropriate points that are included on Johnson's planning checklist.

I. Understanding the assignment

In planning the audit, have the engagement personnel considered:

- (1) PM's accounting policies and procedures?
- (2) Financial statement items likely to require adjustment?
- (3) The nature of the reports expected to be rendered?
- (4) The effects of accounting and auditing pronouncements, particularly new ones?
- (5) Methods of audit sampling to be used?
- (6) Whether the method of sampling is likely to be approved by PM?
- (7) The extent of involvement of other independent auditors or internal auditors?
- (8) Procedures to evaluate competence and objectivity of PM's internal auditors? In planning the audit, have engaged personnel discussed:
 - (9) The general scope and timing of the audit work with PM's management, board of directors, or audit committee?
 - (10) The risk of misstatement due to fraud for each assertion for each account with PM's management, board of directors, and the audit committee?

II. Assigning personnel to the engagement

Has a time budget for the engagement been prepared to determine the staffing requirements and to schedule the fieldwork, and has it been approved by:

- (11) The engagement partner?
- (12) PM's controller and audit committee?
- (13) Has the engagement staffing schedule been approved by the engagement partner?

Have the following factors been considered:

- (14) Engagement size and complexity?

- (15) Personnel available?
- (16) Timing of the work to be performed?
- (17) Continuity and periodic rotation of personnel?
- (18) Need to restrict engagement to CPAs?

III. Knowledge of the entity's business

Has an overall understanding of PM's operations been obtained by reviewing:

- (19) Successor auditor's working papers?
- (20) Financial statements and interim financial statements?
- (21) Minutes of stockholders' and board of directors' meetings?
- (22) Filings with regulatory agencies?
- (23) Recent management letters?
- (24) The Codification of Statements on Auditing Standards?
- (25) Economic conditions, government regulations, and specialist accounting practices?
- (26) Have engagement personnel obtained knowledge of PM's organization and operating characteristics?

Have engagement personnel considered

- (27) Factors affecting the risk of misstatements due to error or fraud?
- (28) Materiality?
- (29) Degree of understanding of internal control to plan the audit?
- (30) Methods that PM uses to process accounting information?
- (31) Whether their investments in PM stock are material?

IV. Assessing auditability

Has the adequacy of the accounting records been assessed for proper:

- (32) Descriptions of transactions to permit the appropriate financial statement classification?
- (33) Information about transactions to permit the recording of appropriate monetary amounts?
- (34) Recording of transactions in the appropriate accounting period?

Have the following factors regarding the integrity of management been considered in planning the audit:

- (35) Responses to previous inquiries of local attorneys, bankers, and other business leaders regarding PM's standing in the community?
- (36) PM's credit rating?
- (37) Have inquiries of a sample of PM's customers regarding PM's credit-granting policies been made?

V. Assessing risk

- (38) Has detection risk been appropriately restricted to determine how much inherent risk can be accepted?
- (39) Has consideration been given to permitting PM's internal auditors to make the assessment of inherent risk and evaluations of significant accounting estimates?

If control risk is assessed at below the maximum level

(40) Is the audit fee high enough to handle any likely litigation?

(41) Have specific internal control activities that are likely to prevent or detect material misstatements in those assertions been identified?

If control risk is assessed at the maximum level for some or all assertions

(42) Is the scope of substantive testing appropriately decreased?

(43) Have tests of controls to evaluate the design and operation of such activities been performed?

VI. Illegal acts

Have the following matters been considered in assessing the risk that PM has not complied with laws and regulations that have a direct and material effect on the financial statements:

(44) PM's policy relative to the prevention of illegal acts?

(45) PM's understanding of the requirements of law and regulations pertinent to its business?

(46) Obtaining management's written assurance that no employees have committed any illegal acts of any type?

VII. Analytical procedures

In planning the audit, have analytical procedures been used that focus on:

(47) Enhancing an understanding of PM's business and the transactions and events of the year under audit?

(48) Identifying areas that may represent specific risks relevant to the audit?

(49) Evaluating the overall financial statement presentation?

VIII. Audit strategies and the audit program

(50) Has the program been developed for the engagement and approved by the engagement partner?