

※ 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 (60 points, 3 points for each question)

- (1) Which of the following is not one of the major differences between financial and operational auditing?
- (A) The financial audit is oriented to the past, but an operational audit concerns performance for the future.
 - (B) The financial audit report has widespread distribution, but the operational audit report has limited distribution.
 - (C) Financial audits deal with the information on the financial statements, but operational audits are concerned with the information in the ledgers.
 - (D) Financial audits are limited to matters that directly affect the fairness of the financial statement presentation, but operational audits cover any aspect of efficiency and effectiveness.
- (2) You are preparing to issue a report on the compilation of financial statements for a nonpublic company. Prior to issuing the report you should
- (A) read the financial statements to determine if they are free from obvious material errors.
 - (B) perform analytical procedures to determine if they are free from material misstatements.
 - (C) perform tests of balances on selected accounts to determine if they are free from material misstatements.
 - (D) perform limited control tests to determine if there are any material misstatements.
- (3) When verifying if capital stock is accurately recorded,
- (A) the ending balance in the account does not need to be verified.
 - (B) the number of shares outstanding at the balance sheet date is verified by examining the corporate minutes.
 - (C) the recorded par value can be determined by multiplying the number of shares by the market price of the stock.
 - (D) a confirmation from the transfer agent is the simplest way to verify the number of shares outstanding at the balance sheet date.
- (4) Determining if the financial instruments included in the schedule of investment activity at year-end are stated at appropriate amounts in accordance with accounting standards is the balance-related audit objective of
- (A) materiality.
 - (B) realizable value.
 - (C) consistency.
 - (D) classification.

- (5) Which of the following statements is most correct about an auditor's required communication with management and those charged with corporate governance?
- (A) The auditor is required to inform those charged with governance about significant errors discovered and subsequently corrected by management.
 - (B) Any significant matter reported to those charged with governance must also be communicated to management.
 - (C) Communication is required before the audit report is issued.
 - (D) The auditor does not have any requirement to communicate with anyone other than the company's senior management.
- (6) Which of the following statements is correct regarding the audit of inventory cost accounting?
- (A) Cost accounting systems and controls are the same for all manufacturing companies.
 - (B) All companies that have work-in-process must use a perpetual inventory system.
 - (C) Auditors test perpetual inventory master files by examining documentation that supports additions and reductions of inventory amounts in the master files.
 - (D) Manufacturing companies keep their cost accounting records separate from the production and other accounting records.
- (7) To calculate the sample size in monetary unit sampling,
- (A) the confidence factor is multiplied by the tolerable misstatement as a percentage of the population value.
 - (B) the confidence factor is divided by the tolerable misstatement as a percentage of the population value.
 - (C) the tolerable misstatement is divided by the population recorded value.
 - (D) the tolerable misstatement is multiplied by the population recorded value.
- (8) A CPA learns that his client has paid a vendor twice for the same shipment, once based upon the original invoice and once based upon the monthly statement. A control procedure that should have prevented this duplicate payment is
- (A) attachment of the receiving report to the disbursement report.
 - (B) prenumbering of disbursement vouchers.
 - (C) use of a limit or reasonableness test.
 - (D) prenumbering of receiving reports.

- (9) Which of the following is a key control for the transaction-related audit objective of accuracy?
- (A) The time records are approved by a supervisor.
 - (B) The payroll checks are prenumbered and accounted for.
 - (C) The payroll master file contents are internally verified.
 - (D) The batch totals are compared with computer summary reports.
- (10) Which of the following audit tests both have the effect of simultaneously verifying balance sheet and income statement accounts?
- (A) analytical procedures and substantive tests of transactions
 - (B) tests of controls and substantive tests of transactions
 - (C) tests of details of balances and substantive tests of transactions
 - (D) tests of controls and analytical procedures
- (11) An auditor is comparing the write-off of uncollectible accounts as a percentage of total accounts receivable with previous years. A possible misstatement this procedure could uncover is
- (A) overstatement or understatement of sales.
 - (B) overstatement or understatement of accounts receivable.
 - (C) overstatement or understatement of bad debt expense.
 - (D) overstatement or understatement of sales returns and allowances.
- (12) Which of the following statements is not correct regarding probabilistic and nonprobabilistic sample selection?
- (A) In probabilistic selection, every population item has a known chance of being selected.
 - (B) It is acceptable to evaluate a nonprobabilistic sample using statistical methods.
 - (C) Probabilistic selection is required for all statistical sampling methods.
 - (D) Both probabilistic and nonprobabilistic methods are acceptable and commonly used.
- (13) Which of the following represents a correct statement regarding internal control testing?
- (A) When auditors plan to use evidence about the operating effectiveness of internal control contained in prior audits, auditing standards require tests of the controls' effectiveness at least every other year.
 - (B) The greater the risk, the less audit evidence the auditor should obtain that controls are operating effectively.
 - (C) The auditor uses control risk assessment and results of tests of controls to determine planned detection risk and the related substantive tests for the financial statement audit.
 - (D) Testing of internal controls can only be performed by the auditor at the end of the fiscal year.

- (14) The auditor's primary concern in performing audit procedures of the write-off of uncollectible accounts relates to the risk that the client writes off customer accounts that have already been collected. The primary control for preventing this fraud is
- (A) examining authorized credit memos.
 - (B) examining the uncollectible account authorization form.
 - (C) examining debit memos.
 - (D) examining the vouchers payable register.
- (15) If the auditor finds extensive control test deviations and significant misstatements while performing substantive tests of transactions and substantive analytical procedures,
- (A) the cost of the audit should decrease.
 - (B) the auditor will conclude that internal controls are effective.
 - (C) extensive tests of details of balances will need to be performed.
 - (D) all of the above
- (16) Hanlon Corp. maintains a large internal audit staff that reports directly to the accounting department. Audit reports prepared by the internal auditors indicate that the system is functioning as it should and that the accounting records are reliable. An independent auditor will probably
- (A) eliminate tests of controls.
 - (B) increase the depth of the study and evaluation of administrative controls.
 - (C) avoid duplicating the work performed by the internal audit staff.
 - (D) place limited reliance on the work performed by the internal audit staff.
- (17) When assessing the risk for fraud, the auditor must be cognizant of the fact that
- (A) the existence of fraud risk factors means fraud exists.
 - (B) analytical procedures must be performed on revenue accounts.
 - (C) horizontal analysis is not useful in helping to determine unusual financial statement relationships.
 - (D) the auditor cannot make inquiries about fraud to company personnel who have no financial statement responsibilities.
- (18) The predecessor auditor is required to respond to the request of the successor auditor for information, but the response can be limited to stating that no information will be provided when
- (A) the predecessor auditor has poor relations with the successor auditor.
 - (B) the client is dissatisfied with the predecessor's work.
 - (C) there are actual or potential legal problems between the client and the predecessor.
 - (D) the predecessor believes that the client lacks integrity.

- (19) In a financial statement audit, inherent risk is evaluated to help an auditor assess which of the following?
- (A) the internal audit department's objectivity in reporting a material misstatement of a financial statement assertion it detects to the audit committee
 - (B) the risk the internal control system will not detect a material misstatement of a financial statement assertion
 - (C) the risk that the audit procedures implemented will not detect a material misstatement of a financial statement assertion
 - (D) the susceptibility of a financial statement assertion to a material misstatement assuming there are no related controls
- (20) As a consequence of his failure to adhere to generally accepted auditing standards in the course of his examination of the Lamp Corp., Harrison, CPA, did not detect the embezzlement of a material amount of funds by the company's controller. As a matter of common law, to what extent would Harrison be liable to the Lamp Corp. for losses attributable to the theft?
- (A) He would have no liability, since the ordinary examination cannot be relied upon to detect thefts of assets by employees.
 - (B) He would have no liability because privity of contract is lacking.
 - (C) He would be liable for losses attributable to his negligence.
 - (D) He would be liable only if it could be proven that he was grossly negligent.

Part II: Problems (40 points)

Please answer the following problems carefully in English. Your answers have to be clear and precise.

- (1) What is the possible information content if the key audit matters disclosed in the audit report change dramatically from one period to another? (15 points)
- (2) Financial ratios such as short-term liquidity ratios and long-term solvency ratios help us understand a company's credit risk. Since these ratios could be calculated from numbers in financial statements, why do we need an external auditor to assess the entity's ability to continue as going concern in the audit report? (15 points)
- (3) You are an Big-X auditor, and your client is NCKU Duck Farm, LLC., a company in duck farming which raise thousands of ducklings. Today you need to obtain reasonable assurance about the total number of ducklings. Please describe what kind of ways (methods) you are going to conduct? (10 points)