

Part I Multiple Choice 20%

Select the best answer for each of the following items and write down your answer on your answer sheet in numerical order. Your grade will be based on the total number of correct answers.

1. Which of the following statements is not correct ?
  - a. Tests of details of balances are normally the last tests performed, they can be performed prior to the balance sheet day.
  - b. When controls are not considered effective, or when control deviations are discovered, substantive tests will be performed on a low-risk basis.
  - c. It is common to use analytical procedures at any time during the audit.
  - d. Tests of transactions are often performed several months prior to the balance sheet date.
2. Contingent liabilities must be
  - a. material and imminent or they should not even be mentioned.
  - b. evaluated the chance of occurrence and ignored it in the case of remote.
  - c. disclosed in the footnotes.
  - d. recorded on the balance sheet between current and long-term liabilities.
3. When using dollar-unit sampling, the recorded dollar population is a definition of
  - a. the items in the population which the auditor has included in the sample.
  - b. the items in the sample which contain errors.
  - c. all the items in the population.
  - d. the items in the population which contain errors.
4. The most significant feature of dollar-unit sampling is
  - a. it is the only method which satisfies the completion objective.
  - b. it is the only method which allows statistical analysis of monetary units.
  - c. the definition of the sampling unit as an individual dollar in an account balance.
  - d. the definition of the sampling unit as an individual customers account.
5. The internal control objective to determine that "existing acquisition transactions are record" satisfied the objective of
  - a. accuracy.
  - b. authorization.
  - c. completeness.
  - d. existence.

(背面仍有題目,請繼續作答)

6. The primary objective of a CPA's observation of a client's physical inventory count is to
- obtain direct knowledge that the inventory exists and has been properly counted.
  - provide an appraisal of the quality of the merchandise on hand on the day of the physical count.
  - discover whether a client has counted a particular inventory item or group of items.
  - allow the auditor to supervise the conduct of the count so as to obtain assurance that physical inventory count is performed effectively.
7. Which of the following audit objectives is less significant for the cash-in-bank account ?
- Valuation.
  - Mechanical accuracy.
  - Ownership.
  - Cutoff.
8. A representation letter issued by a client
- Is a substitute for testing.
  - Reduces the auditor's responsibility only to the extent that it is relied upon.
  - Does not reduce the auditor's responsibility.
  - Is essential for the preparation of the audit program.
9. A CPA who is not independent may issue a
- comfort letter.
  - review report.
  - qualified opinion.
  - compilation report.
10. An auditor who conducts an examination in accordance with generally accepted auditing standards and concludes that the financial statements are fairly presented in accordance with a comprehensive basis of accounting other than generally accepted accounting principles, such as the cash basis of accounting, should issue a
- Review report.
  - Qualified opinion.
  - Disclaimer of opinion.
  - Special report.

(背面仍有題目,請繼續作答)

## PART 2 30%

Please complete each of the following statement by filling in the blank space(s) with the appropriate word(s) in English or Chinese. Write down your answer on the answer in numerical order of blank spaces.

- 1 The examination by CPAs of a CPA firm's compliance with its quality control system is called \_\_\_\_\_ (1) \_\_\_\_\_.
- 2 A review of any part of an organization's operating procedures and methods for the purpose of evaluating efficiency and effectiveness is called \_\_\_\_\_ (2) \_\_\_\_\_.
- 3 A method of dividing an audit by keeping closely related types of transactions and account balance in the same segment is call \_\_\_\_\_ (3) \_\_\_\_\_.
- 4 An audit program is included \_\_\_\_\_ (4) \_\_\_\_\_ \_\_\_\_\_ (5) \_\_\_\_\_ and timing.
- 5 An agreement between the CPA firm and the client as to the terms of engagement for the conduct of the audit and related services is called \_\_\_\_\_ (6) \_\_\_\_\_.
- 6 Planned Detection Risk is determined by following three factors \_\_\_\_\_ (7) \_\_\_\_\_ \_\_\_\_\_ (8) \_\_\_\_\_ and \_\_\_\_\_ (9) \_\_\_\_\_.
- 7 \_\_\_\_\_ (10) \_\_\_\_\_ is a financial statement that deal with expected future date rather than with historical data.
- 8 When auditor assess control risk at maximum level, what kind of test can be omitted \_\_\_\_\_ (11) \_\_\_\_\_.
- 9 A disclaimer opinion can be issued when the following conditions exist: \_\_\_\_\_ (12) \_\_\_\_\_ \_\_\_\_\_ (13) \_\_\_\_\_.
- 10 There are three types of attestation services provided by CPA: Audit, \_\_\_\_\_ (14) \_\_\_\_\_ and other attestation service.
- 11 The auditor must allocate the preliminary judgment about materiality to account balances, the materiality allocated to any given account balance is referred to as \_\_\_\_\_ (15) \_\_\_\_\_.

(背面仍有題目,請繼續作答)

PART 3 20%

Auditors are use five type of tests to determine whether financial statements are fairly stated. Please classify each of the following procedure according to the five types of test.

- 1 Trace shopping documents to entry of shipments in perpetual inventory records.
- 2 Observe whether monthly statements are mailed to debtor during interim.
- 3 Take only are or few sales transaction documents to walk through the control policies and procedures.
- 4 Trace a file of receiving reports to the acquisition journal.
- 5 Account for a sequence of purchase order.
- 6 Compare individual accounts payable with previous years.
- 7 Review transactions near the balance sheet date for proper period.
- 8 Count the cash on hand on the last day of the year and subsequently trace to deposits in transit and the cash receipts journal.
- 9 Confirm accounts payable, emphasizing large and unusual amount.
- 10 Examine customer order for credit approval.

(背面仍有題目,請繼續作答)

PART 4 20%

The following are examples of audit procedures. Please classify each of the following procedures according to the seven types of audit evidence.

(1) Physical examination, (2) Confirmation, (3) Documentation, (4) Observation  
(5) Inquiries of the client, (6) Reperformance and (7) Analytical procedures

- 1 Review the account receivable with credit manager to evaluate their collectibility.
- 2 Count inventory items and record the amount in the audit working papers.
- 3 Obtain a letter from the client's attorney addressed to the CPA firm stating that the attorney is not aware of any existing lawsuits.
- 4 Extend the cost of inventory times the quantity on an inventory listing to test whether it is accurate.
- 5 Calculate the ratio of cost goods sold to sales as a test of overall reasonableness of gross margin relative to the preceding year.
- 6 Obtain information about the internal control structure by requesting the client to fill out a questionnaire.
- 7 Watch employees count inventory to determine whether company procedures are being followed.
- 8 Examine corporate minutes to determine the authorization of the issue of bonds.
- 9 Add the sales journal entries to determine whether they were correctly totaled.
- 10 Make a petty cash count to make sure that the amount of the petty cash fund is intact.

(背面仍有題目,請繼續作答)

**PART 5 10%**

Section A are the key control of client's internal control.

Section B are the typical error or misstatement that may occur in the cycle.

Please identify what error or misstatement can be detected or prevented by the key controls of section A (only one error for each control) Your answer should be organized in following form.

<u>Key Control</u>	<u>Error or Misstatement Detected</u>
(1)	(Number of error or misstatement)
(2)	
(3)	
(4)	
(5)	

**Section A**

- (1) Shipping documents and sales invoice are renumbered and accounted for
- (2) Recording of sales is supported by authorized, shipping documents and approved customer orders
- (3) Cancellation of documents to prevent their reuse
- (4) Approval of acquisition for price and discount
- (5) Procedures require recording transactions as soon as possible after the goods and services have been received.

**Section B**

- (1) Omission of some transaction
- (2) Inclusion counterfeit transaction
- (3) Monetary error
- (4) Inappropriate inclusion into another period
- (5) Overstatement or understatement of assets or liabilities
- (6) Disagreement between financial statement and general ledger