

Multiple Choice (1.67% each)

Select ONE best answer for each of the following questions: (答案卷每頁答十題)

1. The exercise of due professional care requires that an auditor
  - a. Examine all available corroborating evidence.
  - b. Critically review the judgment exercised at every level of supervision.
  - c. Reduce control risk below the maximum.
  - d. Attain the proper balance of professional experience and formal education.
  
2. A CPA firm should establish procedures for conducting and supervising work at all organizational levels to provide reasonable assurance that the work performed meets the firm's standards of quality. To achieve this goal, the firm most likely would establish procedures for
  - a. Evaluating prospective and continuing client relationships.
  - b. Reviewing engagement working papers and reports.
  - c. Requiring personnel to adhere to the applicable independence rules.
  - d. Maintaining personnel files containing documentation related to the evaluation of personnel.
  
3. On completing an audit, Larkin, CPA, was asked by the client to provide technical assistance in the implementation of a new EDP system. The set of pronouncements designed to guide Larkin in this engagement is the Statements on
  - a. Auditing Standards.
  - b. Standards for Consulting Services.
  - c. Quality Control Standards.
  - d. Standards for Accountants' EDP Services.
  
4. A CPA firm would be reasonably assured of meeting its responsibility to provide services that conform with professional standards by
  - a. Adhering to generally accepted auditing standards.
  - b. Having an appropriate system of quality control.
  - c. Joining professional societies that enforce ethical conduct.
  - d. Maintaining an attitude of independence in its engagements.
  
5. Which of the following general standards apply to consulting services engagements?
 

	<i>Due professional care</i>	<i>Independence in mental attitude</i>	<i>Planning and supervision</i>
a.	No	Yes	No
b.	No	Yes	Yes
c.	Yes	No	Yes
d.	Yes	No	No
  
6. To exercise due professional care an auditor should
  - a. Attain the proper balance of professional experience and formal education.
  - b. Design the audit to detect all instances of illegal acts.
  - c. Critically review the judgment exercised by those assisting in the audit.
  - d. Examine all available corroborating evidence supporting management's assertions.
  
7. When an auditor becomes aware of a possible illegal act by a client, the auditor should obtain an understanding of the nature of the act to
  - a. Evaluate the effect on the financial statements.
  - b. Determine the reliability of management's representations.
  - c. Consider whether other similar acts may have occurred.
  - d. Recommend remedial actions to the audit committee.

(背面仍有題目,請繼續作答)

8. Dexter and Co., CPAs, issued an unqualified opinion on the 1996 financial statements of Bart Corp. Late in 1997, Bart determined that its treasurer had embezzled over \$1 million. Dexter was unaware of the embezzlement. Bart has decided to sue Dexter to recover the \$1 million. Bart's suit is based upon Dexter's failure to discover the missing money while performing the audit. Which of the following is Dexter's best defense?
- The audit was performed in accordance with GAAS.
  - Dexter had no knowledge of the embezzlement.
  - The financial statements were presented in conformity with GAAP.
  - The treasurer was Bart's agent and as such had designed the internal controls that facilitated the embezzlement.
9. If a stockholder sues a CPA for common law fraud based upon false statements contained in the financial statements audited by the CPA, which of the following is the CPA's best defense?
- The stockholder lacks privity to sue.
  - The CPA disclaimed liability to all third parties in the engagement letter.
  - The client showed contributory negligence.
  - The false statements were immaterial.
10. A CPA firm issues an unqualified opinion on financial statements not prepared in accordance with GAAP. The CPA firm will have acted with scienter in all the following circumstances *except* that in which the firm
- Intentionally disregards the truth.
  - Has actual knowledge of fraud.
  - Negligently performs auditing procedures.
  - Intends to gain monetarily by concealing fraud.
11. Which of the following statements relating to the competence of evidential matter is always true?
- Evidential matter gathered by an auditor from outside an enterprise is reliable.
  - Accounting data developed under satisfactory conditions of internal control are more relevant than data developed under unsatisfactory internal control conditions.
  - Oral representations made by management are not valid evidence.
  - Evidence gathered by auditors must be both valid and relevant to be considered competent.
12. Which of the following elements ultimately determines the specific auditing procedures necessary under the circumstances to afford a reasonable basis for an opinion?
- Auditor judgment.
  - Materiality.
  - Relative risk.
  - Reasonable assurance.
13. Which of the following statements concerning evidential matter is correct?
- Competent evidence supporting management's assertions should be convincing rather than merely persuasive.
  - An effective internal control system contributes little to the reliability of the evidence created within the entity.
  - The cost of obtaining evidence is *not* an important consideration to an auditor in deciding what evidence should be obtained.
  - A client's accounting data *cannot* be considered sufficient audit evidence to support the financial statements.

14. The current file of an auditor's working papers most likely would include a copy of the
- Bank reconciliation.
  - Pension plan contract.
  - Articles of incorporation.
  - Flowchart of the internal control procedures.
15. Which of the following circumstances is most likely to cause an auditor to consider whether a material misstatement exists?
- Transactions selected for testing are *not* supported by proper documentation.
  - The turnover of senior accounting personnel is exceptionally low.
  - Management places little emphasis on meeting earnings projections.
  - Operating and financing decisions are dominated by several persons.
16. The element of the audit planning process most likely to be agreed upon with the client before implementation of the audit strategy is the determination of the
- Timing of inventory observation procedures to be performed.
  - Evidence to be gathered to provide a sufficient basis for the auditor's opinion.
  - Procedures to be undertaken to discover litigation, claims, and assessments.
  - Pending legal matters to be included in the inquiry of the client's attorney.
17. The acceptable level of detection risk is inversely related to the
- Assurance provided by substantive tests.
  - Risk of misapplying auditing procedures.
  - Preliminary judgment about materiality levels.
  - Risk of failing to discover material misstatements.
18. The third standard of field work states that sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit. The substantive evidential matter required by this standard may be obtained, in part, through
- Flowcharting the internal control system.
  - Proper planning of the audit engagement.
  - Analytical procedures.
  - Auditor working papers.
19. Which of the following comparisons would be most useful to an auditor in evaluating the results of an entity's operations?
- Prior-year accounts payable to current-year accounts payable.
  - Prior-year payroll expense to budgeted current-year payroll expense.
  - Current-year revenue to budgeted current-year revenue.
  - Current-year warranty expense to current-year contingent liabilities.
20. Before accepting an audit engagement, a successor auditor should make specific inquiries of the predecessor auditor regarding
- Disagreements the predecessor had with the client concerning auditing procedures and accounting principles.
  - The predecessor's evaluation of matters of continuing accounting significance.
  - The degree of cooperation the predecessor received concerning the inquiry of the client's lawyer.
  - The predecessor's assessments of inherent risk and judgments about materiality.

(背面仍有題目,請繼續作答)

21. Which of the following factors are included in an entity's control environment?

	<u>Audit committee</u>	<u>Internal audit function</u>	<u>Organizational structure</u>
a.	Yes	Yes	No
b.	Yes	No	Yes
c.	No	Yes	Yes
d.	Yes	Yes	Yes

22. Mailing of disbursement checks and remittance advices should be controlled by the employee who

- Approves the vouchers for payment.
- Matches the receiving reports, purchase orders, and vendors' invoices.
- Maintains possession of the mechanical check-signing device.
- Signs the checks last.

23. For effective internal control, the accounts payable department generally should

- Obliterate the quantity ordered on the receiving department copy of the purchase order.
- Establish the agreement of the vendor's invoice with the receiving report and purchase order.
- Stamp, perforate, or otherwise cancel supporting documentation after payment is mailed.
- Ascertain that each requisition is approved as to price, quantity, and quality by an authorized employee.

24. The authority to accept incoming goods in receiving should be based on a(an)

- Vendor's invoice.
- Materials requisition.
- Bill of lading.
- Approved purchase order.

25. Which of the following internal control activities is not usually performed in the treasurer's department?

- Verifying the accuracy of checks and vouchers.
- Controlling the mailing of checks to vendors.
- Approving vendors' invoices for payment.
- Canceling payment vouchers when paid.

26. When control risk is assessed at the maximum level for all financial statement assertions, an auditor should document the auditor's

	<u>Understanding of the entity's internal control elements</u>	<u>Conclusion that control risk is at the maximum level</u>	<u>Basis for concluding that control risk is at the maximum level</u>
a.	Yes	No	No
b.	Yes	Yes	No
c.	No	Yes	Yes
d.	Yes	Yes	Yes

27. After obtaining an understanding of an entity's internal control system, an auditor may assess control risk at the maximum level for some assertions because the auditor

- Believes the internal control policies and procedures are unlikely to be effective.
- Determines that the pertinent internal control system elements are *not* well documented.
- Performs tests of controls to restrict detection risk to an acceptable level.
- Identifies internal control policies and procedures that are likely to prevent material misstatements.

28. The objective of tests of details of transactions performed as tests of controls is to
- Detect material misstatements in the account balances of the financial statements.
  - Evaluate whether an internal control policy or procedure operated effectively.
  - Determine the nature, timing, and extent of substantive tests for financial statement assertions.
  - Reduce control risk, inherent risk, and detection risk to an acceptably low level.
29. Reportable conditions are matters that come to an auditor's attention that should be communicated to an entity's audit committee because they represent
- Material irregularities or illegal acts perpetrated by high-level management.
  - Significant deficiencies in the design or operation of the internal control system.
  - Flagrant violations of the entity's documented conflict-of-interest policies.
  - Intentional attempts by client personnel to limit the scope of the auditor's field work.
30. Miller Retailing, Inc., maintains a staff of three full-time internal auditors who report directly to the controller. In planning to use the internal auditors to provide assistance in performing the audit, the independent auditor most likely will
- Place limited reliance on the work performed by the internal auditors.
  - Decrease the extent of the tests of controls needed to support the assessed level of detection risk.
  - Increase the extent of the procedures needed to reduce control risk to an acceptable level.
  - Avoid using the work performed by the internal auditors.
31. An auditor wishes to perform tests of controls on a client's cash disbursements procedures. If the control procedures leave *no* audit trail of documentary evidence, the auditor most likely will test the procedures by
- Inquiry and analytical procedures.
  - Confirmation and observation.
  - Observation and inquiry.
  - Analytical procedures and confirmation.
32. Internal control is ineffective when computer department personnel
- Participate in computer software acquisition decisions.
  - Design documentation for computerized systems.
  - Originate changes in master files.
  - Provide physical security for program files.
33. When EDP programs or files can be accessed from terminals, users should be required to enter a(n)
- Parity check.
  - Personal identification code.
  - Self-diagnosis test.
  - Echo check.
34. An auditor who is testing EDP controls in a payroll system would most likely use test data that contained conditions such as
- Deductions *not* authorized by employees.
  - Overtime *not* approved by supervisors.
  - Time tickets with invalid job numbers.
  - Payroll checks with unauthorized signatures.
35. Which of the following computer-assisted auditing techniques allows fictitious and real transactions to be processed together without client operating personnel being aware of the testing process?
- Parallel simulation.
  - Integrated test facility approach.
  - Test data approach.
  - Exception report tests.

(背面仍有題目,請繼續作答)

36. Which of the following combinations results in a decrease in sample size in a sample for attributes?

	<u>Risk of assessing control risk too low</u>	<u>Tolerable rate</u>	<u>Expected population error rate</u>
a.	Increase	Decrease	Increase
b.	Decrease	Increase	Decrease
c.	Increase	Increase	Decrease
d.	Increase	Increase	Increase

37. Which of the following models expresses the general relationship of risks associated with the auditor's assessment of control risk (CR), inherent risk as assessed through the application of analytical procedures and other relevant substantive tests (IR), and overall audit risk (AR), that would lead the auditor to conclude that additional substantive tests of details of an account balance are not necessary?

	<u>IR</u>	<u>CR</u>	<u>AR</u>
a.	20%	40%	10%
b.	20%	60%	5%
c.	10%	70%	4.5%
d.	30%	40%	5.5%

38. What is an auditor's evaluation of a statistical sample for attributes when a test of 100 documents results in 4 errors, if the tolerable rate is 5%, the expected population error rate is 3%, and the allowance for sampling risk is 2%?

- Accept the sample results as support for lowering the assessed level of control risk, because the tolerable rate less the allowance for sampling risk equals the expected occurrence rate.
- Do not decrease the assessed level of control risk, because the sample error rate plus the allowance for sampling risk exceeds the tolerable rate.
- Do not decrease the assessed level of control risk, because the tolerable rate plus the allowance for sampling risk exceeds the expected population error rate.
- Accept the sample results as support for lowering the assessed level of control risk, because the sample error rate plus the allowance for sampling risk exceeds the tolerable rate.

39. In planning a statistical sample for a test of controls, an auditor increased the expected population deviation rate from the prior year's rate because of the results of the prior year's tests of controls and the overall control environment. The auditor most likely would then increase the planned

- Tolerable rate.
- Allowance for sampling risk.
- Risk of assessing control risk too low.
- Sample size.

40. In performing tests of controls over authorization of cash disbursements, which of the following statistical sampling methods would be most appropriate?

- Variables.
- Stratified.
- Ratio.
- Attribute.

41. If the achieved precision range of a statistical sample at a given reliability level is greater than the desired range, this is an indication that the

- Standard deviation was larger than expected.
- Standard deviation was smaller than expected.
- Population was larger than expected.
- Population was smaller than expected.

42. If the auditor is concerned that a population may contain exceptions, the determination of a sample size sufficient to include at least one such exception is a characteristic of
- Discovery sampling.
  - Variables sampling.
  - Random sampling.
  - Dollar unit sampling.
43. Which of the following would be designed to estimate a numerical measurement of a population, such as a dollar value?
- Sampling for variables.
  - Sampling for attributes.
  - Discovery sampling.
  - Numerical sampling.
44. While performing a substantive test of details during an audit, the auditor determined that the sample results supported the conclusion that the recorded account balance was materially misstated. It was, in fact, not materially misstated. This situation illustrates the risk of
- Incorrect rejection.
  - Incorrect acceptance.
  - Assessing control risk too low.
  - Assessing control risk too high.
45. In a probability proportional to size sample with a sampling interval of \$5,000, an auditor discovered that a selected account receivable with a recorded amount of \$10,000 had an audit amount of \$8,000. If this were the only error discovered by the auditor, the projected error of this sample would be
- \$1,000.
  - \$2,000.
  - \$4,000.
  - \$5,000.
46. An auditor's working papers should
- Not be permitted to serve as a reference source for the client.
  - Not contain critical comments concerning management.
  - Show that the accounting records agree or reconcile with the financial statements.
  - Be considered the primary support for the financial statements being audited.
47. Which of the following documentation is required for an audit in accordance with generally accepted auditing standards?
- An internal control questionnaire.
  - A client engagement letter.
  - A planning memorandum or checklist.
  - A client representation letter.
48. An auditor searching for related-party transactions should obtain an understanding of each subsidiary's relationship to the total entity because
- This may permit the audit of intercompany balances to be performed as of concurrent dates.
  - Intercompany transactions may have been consummated on terms equivalent to arm's-length transactions.
  - This may reveal whether particular transactions would have taken place if the parties had *not* been related.
  - The business structure may be deliberately designed to obscure related-party transactions.

(背面仍有題目,請繼續作答)

49. An auditor's purpose in reviewing the renewal of a note payable shortly after the balance sheet date most likely is to obtain evidence concerning management's assertions about
- Existence or occurrence.
  - Presentation and disclosure.
  - Completeness.
  - Valuation or allocation.
50. An auditor most likely would inspect loan agreements under which an entity's inventories were pledged to support management's financial statement assertion of
- Existence or occurrence.
  - Completeness.
  - Presentation and disclosure.
  - Valuation or allocation.
51. An auditor was unable to obtain sufficient competent evidential matter concerning certain transactions due to an inadequacy in the entity's accounting records. The auditor would choose between issuing a(n)
- Qualified opinion and an unqualified opinion with an explanatory paragraph.
  - Unqualified opinion with an explanatory paragraph and an adverse opinion.
  - Adverse opinion and a disclaimer of opinion.
  - Disclaimer of opinion and a qualified opinion.
52. For an entity's financial statements to be presented fairly in conformity with generally accepted accounting principles, the principles selected should
- Be applied on a basis consistent with those followed in the prior year.
  - Be approved by the Auditing Standards Board or the appropriate industry subcommittee.
  - Reflect transactions in a manner that presents the financial statements within a range of acceptable limits.
  - Match the principles used by most other entities within the entity's particular industry.
53. An auditor issued an audit report that was dual dated for a subsequent event occurring after the completion of field work but before issuance of the auditor's report. The auditor's responsibility for events occurring subsequent to the completion of field work was
- Extended to subsequent events occurring through the date of issuance of the report.
  - Extended to include all events occurring since the completion of field work.
  - Limited to the specific event referenced.
  - Limited to include only events occurring up to the date of the last subsequent event referenced.
54. When reporting on financial statements prepared on the basis of accounting used for income tax purposes, the auditor should include in the report a paragraph that
- States that the income tax basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.
  - Justifies the use of the income tax basis of accounting.
  - Emphasizes that the financial statements are not intended to have been audited in accordance with generally accepted auditing standards.
  - Refers to the authoritative pronouncements that explain the use of the income tax basis of accounting.



55. Green, CPA, concludes that there is substantial doubt about JKL Co.'s ability to continue as a going concern. If JKL's financial statements adequately disclose its financial difficulties, Green's auditor's report should

	<i>Include an explanatory paragraph following the opinion paragraph</i>	<i>Specifically use the words "going concern"</i>	<i>Specifically use the words "substantial doubt"</i>
a.	Yes	Yes	Yes
b.	Yes	Yes	No
c.	Yes	No	Yes
d.	No	Yes	Yes

56. Green, CPA, was engaged to audit the financial statements of Essex Co. after its fiscal year had ended. The timing of Green's appointment as auditor and the start of field work made confirmation of accounts receivable by direct communication with the debtors ineffective. However, Green applied other procedures and was satisfied as to the reasonableness of the account balances. Green's auditor's report most likely contained a(n)

- Unqualified opinion.
- Unqualified opinion with an explanatory paragraph.
- Qualified opinion due to a scope limitation.
- Qualified opinion due to a departure from generally accepted auditing standards.

57. Delta Life Insurance Co. prepares its financial statements on an accounting basis insurance companies use pursuant to the rules of a state insurance commission. If Wall, CPA, Delta's auditor, discovers that the statements are not suitably titled, Wall should
- Disclose any reservations in an explanatory paragraph and qualify the opinion.
  - Apply to the state insurance commission for an advisory opinion.
  - Issue a special statutory basis report that clearly disclaims any opinion.
  - Explain in the notes to the financial statements the terminology used.

58. When disclaiming an opinion due to a client-imposed scope limitation, an auditor should indicate in a separate paragraph why the audit did not comply with generally accepted auditing standards. The auditor also should omit the

	<i>Scope paragraph</i>	<i>Opinion paragraph</i>
a.	No	Yes
b.	Yes	Yes
c.	No	No
d.	Yes	No

59. In which of the following reports should a CPA not express negative or limited assurance?

- A standard compilation report on financial statements of a nonpublic entity.
- A standard review report on financial statements of a nonpublic entity.
- A standard review report on interim financial statements of a public entity.
- A standard comfort letter on financial information included in a registration statement of a public entity.

60. When an accountant examines a financial forecast that fails to disclose several significant assumptions used to prepare the forecast, the accountant should describe the assumptions in the accountant's report and issue a(n)

- "Except for" qualified opinion.
- "Subject to" qualified opinion.
- Unqualified opinion with a separate explanatory paragraph.
- Adverse opinion.