

壹. 問答題 (27%)

The schedule in Exhibit 1 was prepared by the controller of World Manufacturing, Inc., for use by the independent auditors during their examination of World's year-end financial statements. All procedures performed by the audit assistant were noted in the bottom "Legend" section, and it was properly initialed, dated and indexed, and then submitted to a senior member of the audit staff for review. The client's internal control was reviewed and considered to be satisfactory.

Required:

- What information that is essential to the audit of marketable securities is missing from this schedule? *列出八點 (8%)*
- What essential audit procedures were not noted as having been performed by the audit assistant? *列出九點 (19%)*

EXHIBIT 1 Securities Schedule

World Manufacturing, Inc.  
 Marketable Securities  
 Year Ended December 31, 1997

Description of Security	Serial No.	Face Value of Bonds	Gen. Ledger 1/1	Purch in 1997	Sold in 1997	Cost	Gen. Ledger 12/31	Dividend & Interest				
								12/31 Market	Pay Date(s)	Amount Received	Accruals 12/31	
Corp. Bonds	Year Due											
A	6 2007	21-7 \$10,000	9,400 a				9,400	9,100	7/15	300 b,d	275	
D	4 1999	73-0 30,000	27,500 a				27,500	26,220	12/1	1,200 b,d	100	
G	9 2014	16-4 5,000	4,000 a				4,000	5,080	8/1	450 b,d	188	
Rc	5 2001	08-2 70,000	66,000 a		57,000 b	66,000						
Sc	10 2015	07-4 100,000		100,000 e			100,000	101,250	7/1	5,000 b,d	5000	
			\$106,900	100,000	57,000	66,000	140,900	141,650		6,950	5563	
			a,f	f	f	f	f,g	f		f	f	
<b>Stocks</b>												
P common	1044		\$7,500 a				7,500	7,600	3/1	750 b,d		
1000 shares									6/1	750 b,d		
									9/1	750 b,d		
									12/1	750 b,d	250	
U common	8530		9,700 a				9,700	9,800	2/1	800 b,d		
50 shares									8/1	800 b,d	667	
			\$17,200				17,200	17,400		4,600	917	
			a,f				f,g	f		f	f	

Legends and comments relative to above

- a = Beginning balances agreed to 1996 working papers
- b = Traced to cash receipts
- c = Minutes examined (purchase and sales approved by the board of directors)
- d = Agreed to 1099 (Tax form for Dividend & Interest)
- e = Confirmed by tracing to broker's advice
- f = Totals footed
- g = Agreed to general ledger

(背面仍有題目,請繼續作答)

貳. 配合題 (13%) : 下圖 (流程圖之 #61~#73 對應 A~Z 何者?)

The flowchart presented in Figure 2 depicts part of a client's revenue cycle. Some of the flowchart symbols are labeled to indicate control procedures and records. For each symbol numbered 61 through 73, select one response from the answer lists below. Each response in the lists may be selected only once, or may not be selected at all. Not all responses will be chosen.

答卷上五題一組:

- #61 →
- #62 →
- #63 →
- #64 →
- #65 →
- #66 →
- !
- #70 →

ANSWER LISTS

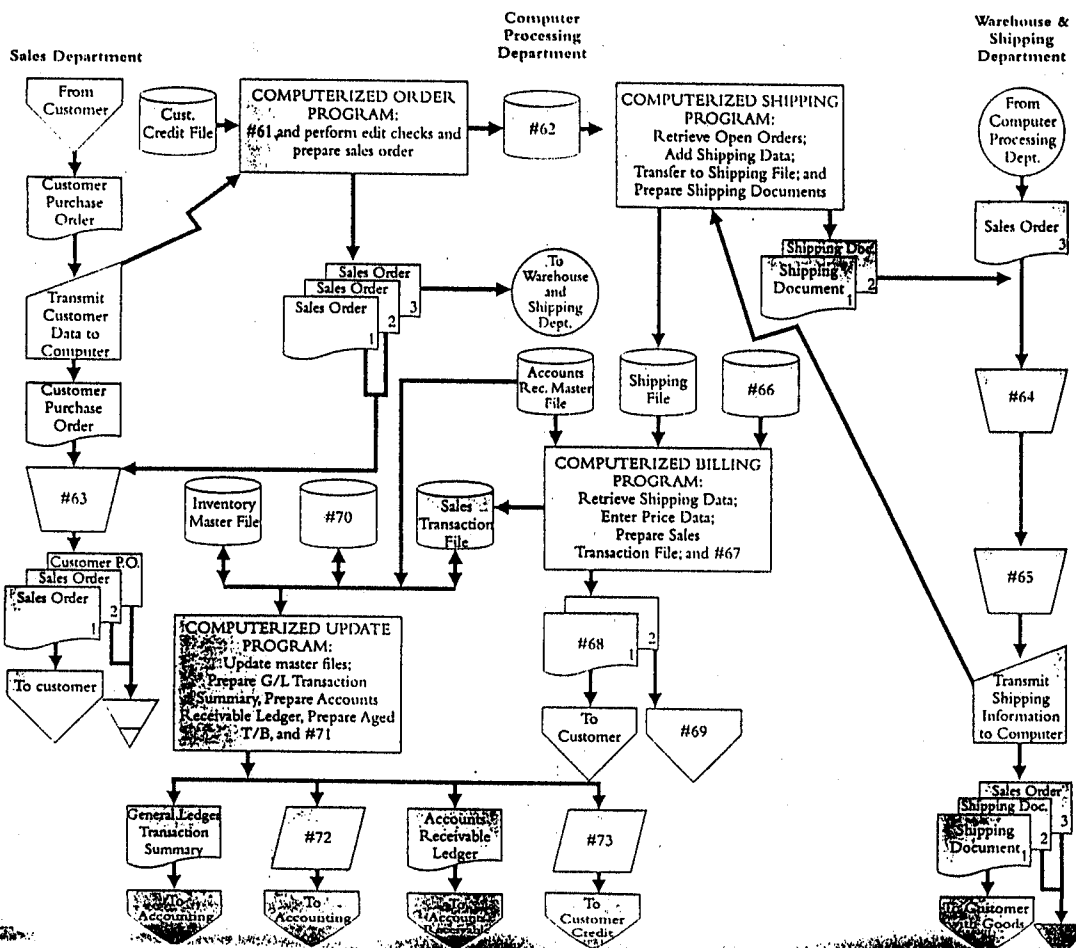
Operations and Control Procedures

- A. Enter shipping data
- B. Verify agreement of sales order and shipping document
- C. Write off accounts receivable
- D. To warehouse and shipping department
- E. Authorize accounts receivable write-off
- F. Prepare aged trial balance
- G. To sales department
- H. Release goods for shipment
- I. To accounts receivable department
- J. Enter price data
- K. Determine that customer exists
- L. Match customer purchase order with sales
- M. Perform customer credit check
- N. Prepare sales journal
- O. Prepare sales invoice

Documents, Journals, Ledgers, and Files

- P. Shipping document
- Q. General ledger master file
- R. General journal
- S. Master price file
- T. Sales journal
- U. Sales invoice
- V. Cash receipts journal
- W. Uncollectible accounts file
- X. Shipping file
- Y. Aged trial balance
- Z. Open order file

FIGURE 2. Flowchart



卷：單選題 (每題兩分, 計 60%)

卷上之題-組:	1	2	3	4	5
(如右示):	6	7	8	9	10
	11	12	13	14	15

1. Before accepting an engagement to audit a new client, an auditor is required to
  - a. Make inquiries of the predecessor auditor after obtaining the consent of the prospective client.
  - b. Obtain the prospective client's signature to the engagement letter.
  - c. Prepare a memorandum setting forth the staffing requirements and documenting the preliminary audit plan.
  - d. Discuss the management representation letter with the prospective client's audit committee.
  
2. Which of the following statements is generally correct about the competence of evidential matter?
  - a. The more effective the internal control system is, the more assurance it provides about the reliability of the accounting data and financial statements.
  - b. Competence of evidential matter refers to the amount of corroborative evidence obtained.
  - c. Information obtained indirectly from independent outside sources is more persuasive than the auditor's direct personal knowledge obtained through observation and inspection.
  - d. Competence of evidential matter refers to the audit evidence obtained from outside the entity.
  
3. Which of the following statements best describes an auditor's responsibility to detect errors and irregularities?
  - a. The auditor should study and evaluate the client's internal control system, and design the audit to provide reasonable assurance of detecting all errors and irregularities.
  - b. The auditor should assess the risk that errors and irregularities may cause the financial statements to contain material misstatements, and determine whether the necessary internal control procedures have been prescribed and are being followed satisfactorily.
  - c. The auditor should consider the types of errors and irregularities that could occur, and determine whether the necessary internal control procedures have been prescribed and are being followed.
  - d. The auditor should assess the risk that errors and irregularities may cause the financial statements to contain material misstatements, and design the audit to provide reasonable assurance of detecting material errors and irregularities.
  
4. Which of the following procedures would an auditor be most likely to perform in planning a financial statement audit?
  - a. Reviewing investment transactions of the audit period to determine whether related parties were created.
  - b. Performing analytical procedures to identify areas that may represent specific risks.
  - c. Reading the minutes of stockholder and director meetings to discover whether any unusual transactions have occurred.
  - d. Obtaining a written representation letter from the client to emphasize management's responsibilities.
  
5. Which of the following circumstances most likely would cause an auditor to believe that material misstatements might exist in an entity's financial statements?
  - a. Accounts receivable confirmation requests yield significantly fewer responses than expected.
  - b. Audit trails of computer-generated transactions exist for only a short time.
  - c. The chief financial officer does not sign the management representation letter until the last day of the auditor's field work.
  - d. Management consults with other accountants about significant accounting matters.

(背面仍有題目, 請繼續作答)

6. For which of the following judgments may an independent auditor share responsibility with an entity's internal auditor, who is assessed to be both competent and objective?

	<u>Materiality of misstatements</u>	<u>Evaluation of accounting estimates</u>
a.	Yes	No
b.	No	Yes
c.	No	No
d.	Yes	Yes

7. When an auditor increases the planned assessed level of control risk because certain control procedures were determined to be ineffective, the auditor would most likely increase the
- Extent of tests of details.
  - Level of inherent risk.
  - Extent of tests of controls.
  - Level of detection risk.

8. In an audit of financial statements in accordance with generally accepted auditing standards, an auditor is required to
- Perform tests of controls to evaluate the effectiveness of the entity's accounting system.
  - Determine whether control procedures are suitably designed to prevent or detect material misstatements.
  - Document the auditor's understanding of the entity's internal control system.
  - Search for significant deficiencies in the operation of the internal control system.

9. When an auditor assesses control risk below the maximum level, the auditor is required to document his or her

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

10. Which of the following statements is correct concerning statistical sampling in tests of controls?

- Deviations from control procedures at a given rate usually result in misstatements at a higher rate.
- As the population size doubles, the sample size also should double.
- The qualitative aspects of deviations are not considered by the auditor.
- There is an inverse relationship between the sample size and the tolerable occurrence rate.

11. An entity's internal control system requires that for every check request, there be an approved voucher, supported by a prenumbered purchase order and a prenumbered receiving report. To determine whether checks are being issued for unauthorized expenditures, an auditor most likely would select items for testing from the population of all

- Purchase orders.
- Canceled checks.
- Receiving reports.
- Approved vouchers.

- 12 As a result of tests of controls, an auditor assessed control risk too low and decreased substantive testing. This assessment occurred because the true deviation rate in the population was
- More than the risk of assessing control risk too low, based on the auditor's sample.
  - More than the deviation rate in the auditor's sample.
  - Less than the risk of assessing control risk too low, based on the auditor's sample.
  - Less than the deviation rate in the auditor's sample.
- 13 Which of the following sampling methods would be used to estimate a numerical value measurement of a population, such as a dollar value?
- Discovery sampling.
  - Numerical sampling.
  - Sampling for attributes.
  - Sampling for variables.
- 14 Which of the following courses of action would an auditor be most likely to follow in planning a sample of cash disbursements if the auditor were aware of several unusually large cash disbursements?
- Increase the sample size to reduce the effect of the unusually large disbursements.
  - Continue to draw new samples until all the unusually large disbursements appeared in the sample.
  - Set the tolerable rate of deviation at a lower level than originally planned.
  - Stratify the cash disbursements population so that the unusually large disbursements were selected.
- 15 Cutoff tests designed to detect credit sales made before the end of the year but recorded in the subsequent year provide assurance about management's assertion of
- Presentation.
  - Completeness.
  - Rights.
  - Existence.
- 16 If the objective of a test of details is to detect overstatements of sales, the auditor should trace transactions from the
- Cash receipts journal to the sales journal.
  - Sales journal to the cash receipts journal.
  - Source documents to the accounting records.
  - Accounting records to the source documents.
- 17 Which of the following questions most likely would be included in an internal control questionnaire concerning the completeness assertion for purchases?
- Is an authorized purchase order required before the receiving department can accept a shipment or the vouchers payable department can record a voucher?
  - Are purchase requisitions prenumbered and independently matched with vendor invoices?
  - Is the unpaid voucher file periodically reconciled with inventory records by an employee who does not have access to purchase requisitions?
  - Are purchase orders, receiving reports, and vouchers prenumbered and periodically accounted for?
- 18 An auditor most likely would analyze inventory turnover rates to obtain evidence concerning management's assertions about
- Existence or occurrence.
  - Rights and obligations.
  - Presentation and disclosure.
  - Valuation or allocation.

- 19 In testing long-term investments, an auditor ordinarily would use analytical procedures to ascertain the reasonableness of the
- Completeness of recorded investment income.
  - Classification of current versus noncurrent portfolios.
  - Valuation of marketable equity securities.
  - Existence of unrealized gains or losses in the portfolio.
- 20 A purpose of a management representation letter is to reduce
- Audit risk to an aggregate level of misstatement that could be considered material.
  - An auditor's responsibility to detect material misstatements only to the extent that the letter is relied on.
  - The possibility of a misunderstanding concerning management's responsibility for the financial statements.
  - The scope of an auditor's procedures concerning related-party transactions and subsequent events.
- 21 The existence of audit risk is recognized by the statement in the auditor's standard report that the auditor
- Obtains reasonable assurance about whether the financial statements are free of material misstatement.
  - Assesses the accounting principles used and also evaluates the overall financial statement presentation.
  - Realizes that some matters, either individually or in the aggregate, are important, while other matters are *not* important.
  - Is responsible for expressing an opinion on the financial statements, which are the responsibility of management.
- 22 The following explanatory paragraph was included in an auditor's report to indicate a lack of consistency:

As discussed in note T to the financial statements, the company changed its method of computing depreciation in 1996.

How should the auditor report on this matter if the auditor concurred with the change?

	<u>Type of opinion</u>	<u>Location of explanatory paragraph</u>
a.	Unqualified	Before opinion paragraph
b.	Unqualified	After opinion paragraph
c.	Qualified	Before opinion paragraph
d.	Qualified	After opinion paragraph

- 23 Which of the following phrases should be included in the opinion paragraph when an auditor expresses a qualified opinion?

	<u>When read in conjunction with Note X</u>	<u>With the foregoing explanation</u>
a.	Yes	No
b.	No	Yes
c.	Yes	Yes
d.	No	No

- 24 In which of the following circumstances would an auditor most likely add an explanatory paragraph to the standard report while the circumstance does *not* affect the auditor's unqualified opinion?
- The auditor is asked to report on the balance sheet, but not on the other basic financial statements.
  - There is substantial doubt about the entity's ability to continue as a going concern.
  - Management's estimates of the effects of future events are unreasonable.
  - Certain transactions cannot be tested because of management's records retention policy.

- 25 An accountant may accept an engagement to apply agreed-upon procedures to prospective financial statements provided that
- Distribution of the report is to be restricted to the specified users involved.
  - The prospective financial statements also are examined.
  - Responsibility for the adequacy of the procedures performed is taken by the accountant.
  - Negative assurance is expressed on the prospective financial statements taken as a whole.
- 26 The objective of a review of interim financial information of a public entity is to provide the accountant with a basis for
- Determining whether the prospective financial information is based on reasonable assumptions.
  - Expressing a limited opinion that the financial information is presented in conformity with generally accepted accounting principles.
  - Deciding whether to perform substantive audit procedures prior to the balance sheet date.
  - Reporting whether material modifications should be made for such information to conform with generally accepted accounting principles.
- 27 When an independent CPA assists in preparing the financial statements of a publicly held entity, but has not audited or reviewed them, the CPA should issue a disclaimer of opinion. In such situations, the CPA has no responsibility to apply any procedures beyond
- Ascertaining whether the financial statements are in conformity with generally accepted accounting principles.
  - Determining whether management has elected to omit substantially all required disclosures.
  - Documenting that the internal control system is not being relied on.
  - Reading the financial statements for obvious material misstatements.
- 28 An attestation engagement is one in which a CPA is engaged to
- Issue a written communication expressing a conclusion about the reliability of a written assertion that is the responsibility of another party.
  - Provide tax advice or prepare a tax return based on financial information the CPA has not audited or reviewed.
  - Testify as an expert witness in accounting, auditing, or tax matters, given certain stipulated facts.
  - Assemble prospective financial statements based on the assumptions of the entity's management, without expressing any assurance.
- 29 A car rental agency has branch offices throughout the world. Each branch is organized into three separate departments: maintenance, operations, and accounting. What information would be most useful in establishing the objectives for an operational audit?
- The objectives of each department.
  - The most recent financial data for each department.
  - Activity reports showing rental information for the different branches.
  - A complete listing of the perpetual inventory for the branch to be audited.
- 30 Because of the pervasive effects of laws and regulations on the financial statements of governmental units, an auditor should obtain written management representations acknowledging that management has
- Implemented internal control policies and procedures designed to detect all illegal acts.
  - Documented the procedures performed to evaluate the governmental unit's compliance with laws and regulations.
  - Identified and disclosed all laws and regulations that have a direct and material effect on its financial statements.
  - Reported all known illegal acts and material weaknesses in internal control to the funding agency or regulatory body.

