

PART I: Multiple-Choice Questions –(2 Points Each) Choose the one best response that you believe is most appropriate. (60%)

1. Which of the following procedures would an auditor most likely perform for accounts receivable confirmations sent at year-end when the auditor did not receive replies to second requests?
 - a. Review the cash receipts journal for the month prior to year-end.
 - b. Intensify the study of the internal control structure for the revenue cycle.
 - c. Increase the assessed level of detection risk for the existence assertion.
 - d. Inspect the shipping records documenting the merchandise sold.

2. In evaluating the adequacy of the allowance for doubtful accounts, an auditor most likely reviews the entity's aging of receivables to support management's financial assertion of:
 - a. Existence or occurrence
 - b. Valuation or allocation
 - c. Completeness
 - d. Rights and obligations

3. After accounting for a sequence of inventory tags, an auditor traces a sample of tags to the physical inventory listing to obtain evidence that all items:
 - a. Included in the listing have been counted.
 - b. Represented by inventory tags have been included in the listing.
 - c. Included in the listing are represented by inventory tags.
 - d. Represented by inventory tags are bona fide.

4. Which of the following procedures would an auditor most likely perform in obtaining evidence about subsequent events?
 - a. Determine that changes in employee pay rates after year end were properly authorized.
 - b. Recompute depreciation charges for plant assets sold after year end.
 - c. Inquire about payroll checks that were recorded before year end but cashed after year end.
 - d. Investigate changes in long-term debt occurring after year-end.

(背面仍有題目,請繼續作答)

5. Which of the following control procedures would most likely be used to maintain accurate perpetual inventory records?
- Independent storeroom count of goods received.
 - Periodic independent reconciliation of inventory control account with subsidiary records.
 - Periodic independent comparison of records with goods on hand.
 - Independent matching of purchase orders, receiving reports, and vendors' invoices.
6. The understatement of sales and receivables is best uncovered by:
- Test a sample of sales transactions, selecting the sample from prenumbered shipping documents.
 - Test a sample of sales transactions, selecting the sample from sales invoices recorded in the sales journal.
 - Confirming receivables.
 - Reviewing the aged trial balance.
 - Reconciling the accounts receivable general ledger account with the detailed listing of accounts receivable.
7. Which of the following most likely would give the most assurance concerning the valuation assertion of accounts receivable?
- Agree the total accounts receivable per the subsidiary ledger to the balance in the general ledger.
 - Comparing receivable turnover ratios to industry statistics for reasonableness.
 - Inquiring about receivables pledged under loan agreements.
 - Assessing the allowance for uncollectible accounts for reasonableness.
8. A customer has returned an accounts receivable confirmation indicating that the amount owed as of December 31st is lower than the amount shown on the client's books. Which of the following explanations would **not** explain the difference:
- Goods shipped by the client in December were received in January.
 - Goods shipped by the client in December were received by the customer in December, but they immediately returned them as defective. The return was received in January.
 - The client issued a credit memo in December, which was received by the customer in January.
 - Customer mailed a payment in December was received by the client in January.

9. Internal control over cash receipts is weakened when an employee who receives customer mail receipts also:
- Prepares remittance advices when they are not included with the customer payment.
 - Prepares the cash receipt prelist.
 - Records credits to individual accounts receivable.
 - Prepares bank deposit slips for all mail receipts.
10. To determine whether the internal control structure operated effectively to minimize errors of failure to invoice shipments, the auditor would select a sample of transactions from the population represented by:
- Customer order file.
 - Bill of lading file.
 - Sales invoice file.
 - Accounts receivable master file.
11. After the auditor has prepared a flowchart of the internal accounting controls surrounding sales and evaluated the design of the system, the auditor would perform tests of control for all internal accounting control procedures:
- Documented in the flowchart.
 - That would aid in preventing fraud.
 - Considered to be strengths that the auditor plans to rely on.
 - Considered to be weaknesses that might allow errors into the accounting system.
12. Which of the following statements is **not** correct?
- No matter how good a client's system of internal control may be, some substantive procedures must be performed to test whether transactions and balances are correctly recorded.
 - It is often convenient, and permissible, to carry out tests of controls and substantive tests of transactions simultaneously.
 - If tests of controls indicate weaknesses, substantive tests may need to be expanded.
 - Tests of control procedures for testing internal control effectiveness need to be performed whether or not the auditor intends to rely on the controls.
13. An auditor traced a sample of purchase orders and the related receiving reports to the purchases journal and the cash disbursements journal. The purpose of this substantive audit procedure most likely was to
- Identify unusually large purchases that should be investigated further.
 - Verify that cash disbursements were for goods actually received.
 - Determine that purchases were properly recorded.
 - Test whether payments were for goods actually ordered.

(背面仍有題目,請繼續作答)

14. Which of the following controls most likely would be effective in offsetting the tendency of sales personnel to maximize sales volume at the expense of high bad debt writeoffs?
- Employees responsible for authorizing sales and bad debt write-offs are denied access to cash.
 - Shipping documents and sales invoices are matched by an employee who does not have the authority to write off bad debts.
 - Employees involved in the credit-granting function are separated from the sales function.
 - Subsidiary accounts receivable records are reconciled to the control account by an employee independent of the authorization of credit.
15. In considering materiality for planning purposes, an auditor believes that misstatements aggregating \$20,000 would have a material effect on an entity's income statement, but that misstatements would have to aggregate \$30,000 to materially affect the balance sheet. Ordinarily, it would be appropriate to design auditing procedures to detect misstatements that aggregate
- \$10,000
 - \$20,000
 - \$30,000
 - \$50,000
16. An auditor would most likely review an entity's periodic accounting for the numerical sequence of shipping documents and invoices to support management's assertion of
- Existence or occurrence.
 - Rights and obligations.
 - Valuation or allocation.
 - Completeness.
17. An auditor anticipates assessing control risk at a low level in a computerized environment. Under these circumstances, on which of the following procedures would the auditor initially focus?
- Programmed control procedures.
 - Application control procedures.
 - Output control procedures.
 - General control procedures.

18. What assurance does the auditor provide that errors, fraud and indirect illegal acts that are material to the financial statements will be detected?

	<i>Errors</i>	<i>Fraud</i>	<i>Indirect Effect Illegal Acts</i>
a.	Reasonable	Limited	Limited
b.	Reasonable	Reasonable	None
c.	Reasonable	Reasonable	Limited
d.	Reasonable	Limited	None

19. Auditors try to identify predictable relationships when using analytical procedures. Relationships involving transactions from which of the following accounts most likely would yield the highest level of evidence?

- Advertising expense.
- Depreciation expense.
- Legal expense.
- Accounts receivable.

20. Analytical procedures can be performed in the planning phase, as a substantive test in the testing phase, and in the review stage of the audit. In which phases are analytical procedures required?

	<i>Planning Stage</i>	<i>Substantive Testing Stage</i>
a.	Yes	No
b.	Yes	Yes
c.	No	Yes
d.	No	No

21. Analytical procedures used in planning an audit should focus on:

- Identifying possible scope limitations used in assessing control risk.
- Aggregating data at a low level to substantiate management assertions in the financial statements.
- Enhancing the understanding of the client's business and transactions and events that have occurred since the last audit.
- Discovering material weaknesses in the internal control structure and reporting them to management for corrective action.

(背面仍有題目,請繼續作答)

22. When one auditor succeeds another, the successor should request the
- Client to authorize the predecessor auditor to allow a review of the predecessor auditor's working papers.
 - Client to instruct its attorney to send a letter of audit inquiry concerning the status of the prior year's litigations, claims and assessments.
 - Predecessor auditor to submit a list of internal control weaknesses that have not been corrected.
 - Predecessor auditor to update the prior year's report to the date of the change in auditors.
23. Hickory, Inc. is a small manufacturer. William Cream is the principal owner and president of Hickory, a privately-held corporation. The financial statements will be used by Hickory's 15 shareholders and for bank credit purposes. Hickory's financial statements have never been audited. On July 18, 2000, William Cream hired the CPA firm of Part & Co. to audit Hickory's financial statements for the year ended December 31, 2000. If Part & Co. were able to examine satisfactory evidence for all items in the financial statements **except** verification of Hickory's January 1, 2000 inventory quantities, Part's opinion on Hickory's financial statements will probably be:
- A disclaimer for both the balance sheet and income statement.
 - A disclaimer for the balance sheet and unqualified for the income statement.
 - Unqualified for the balance sheet and an adverse opinion for the income statement.
 - Unqualified for the balance sheet and a disclaimer for the income statement.
24. If an auditor conducts an audit of financial statements in accordance with generally accepted auditing standards, which of the following will the auditor most likely detect?
- Misposting of recorded transactions.
 - Unrecorded transactions.
 - Forgery.
 - Fraud involving collusion.
25. In auditing accounts payable, an auditor's procedures are most likely to focus on management's assertion of:
- Existence or occurrence.
 - Completeness.
 - Valuation or allocation.
 - Presentation and disclosure.

26. Which of the following best illustrates the concept of sampling risk?
- a. A randomly chosen sample may **not** be representative of the population as a whole on the characteristic of interest.
 - b. An auditor may select audit procedures that are **not** appropriate to achieve the specific objective.
 - c. An auditor may fail to recognize errors in the documents examined for the chosen sample.
 - d. The documents related to the chosen sample may **not** be available for inspection.
27. For which of the following audit tests would an auditor most likely use attribute sampling?
- a. Making an independent estimate of the amount of a LIFO inventory.
 - b. Examining invoices in support of the valuation of fixed asset additions.
 - c. Selecting accounts receivable for confirmation of account balances.
 - d. Inspecting employee time cards for proper approval by supervisors.
28. Which of the following statements most likely represents a disadvantage for an entity that keeps microcomputer-prepared data files rather than manually prepared files?
- a. Random error associated with processing similar transactions in different ways is usually greater.
 - b. It is usually more difficult to compare recorded accountability with physical count of assets.
 - c. Attention is focused on the accuracy of the programming process rather than errors in individual transactions.
 - d. It is usually easier for unauthorized persons to access and alter the files.
29. Which of the following is an example of a validity check?
- a. The computer ensures that a numerical amount in a record does **not** exceed some predetermined amount.
 - b. As the computer corrects errors and data are successfully resubmitted to the system, the causes of the errors are printed out.
 - c. The computer flags any transmission for which the control field value did **not** match that of an existing file record.
 - d. After data for a transaction are entered, the computer sends certain data back to the terminal for comparison with data originally sent.

(背面仍有題目,請繼續作答)

30. An auditor most likely would introduce test data into a computerized payroll system to test controls related to the
- Existence of unclaimed payroll checks held by supervisors.
 - Early cashing of payroll checks by employees.
 - Discovery of invalid employee I.D. numbers.
 - Proper approval of overtime by supervisors.

Part II: Problems (40%)

1. Audit Objectives and Evidence (16%)

For each specific audit objective (audit procedure), identify the most appropriate audit objective and the type of evidence. Select a lettered response from the first two columns for the audit objective, and numbered response from the last column for the type of evidence. Indicate **only one response** for each item. Lettered and numbered responses may be used more than once or not at all.

Selected Audit Objective		
Transaction objectives	Balance objectives	Type of evidence
a. Existence	g. Existence	1. Physical examination
b. Completeness	h. Completeness	2. Confirmation
c. Accuracy	i. Accuracy	3. Documentation
d. Classification	j. Classification	4. Observation
e. Timing	k. Cutoff	5. Inquiries of client
f. Posting and summarization	l. Detail tie-in	6. Reperformance
	m. Realizable value	7. Analytical procedures

- Add the accounts payable trial balance and agree the total with the general ledger.
- Examine sales invoices selected from the sales journal to determine if recorded on the correct dates.

Audit Objective	Type of Evidence
_____	_____
_____	_____

3. Trace from receiving reports to entries in the purchases journal to determine that existing purchases have been recorded. _____
4. Examine invoices recorded in repair and maintenance account to determine if any represent fixed assets. _____
5. Extend the inventory quantity times cost to test the correctness of the inventory listing _____
6. Examine purchases transactions at year-end to determine whether they have been recorded in the proper period. _____
7. Send a letter to the customers to verify that a receivable balance is outstanding. _____
8. Examine condition of inventory to determine if saleable. _____

2. Smith, CPA, has decided to rely on an audit client's affecting receivables. Smith plans to use sampling to obtain substantive evidence concerning the reasonableness of the client's accounts receivable balances. Smith has identified the first few steps in an outline of the sampling plan as follows.

1. Determine the audit objectives of the test.
2. Define the population.
3. Define the sampling unit.

Required: Identify the remaining steps which Smith should include in the outline of the sampling plan. Illustrations and examples need NOT be provided. (14%)

3. Briefly describe what you know about the Sarbanes-Oxley Act of 2002, and discuss what are the impacts on accounting profession. (10%)