

系所組別：會計學系甲組

考試科目：審計學

考試日期：0308，節次：2

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Part I: Multiple-Choice Questions: Select the best answer for each of the following question (2% for each question) (60%)

1. An investor reading the financial statements of The Sundby Corporation observes that the statements are accompanied by an unqualified auditors' report. From this the investor may conclude that:

- A. Any disputes over significant accounting issues have been settled to the auditors' satisfaction
- B. The auditors are satisfied that Sundby is operationally efficient
- C. The auditors have ascertained that Sundby's financial statements have been prepared accurately
- D. Informative disclosures in the financial statements but not necessarily in the footnotes are to be regarded as reasonably adequate

2. In creating lead schedules for an audit engagement, a CPA often uses automated audit documentation software. What client information is needed to begin this process?

- A. Interim financial information such as third quarter sales, net income and inventory and receivables balances
- B. Specialized journal information, such as the invoice and purchase order numbers of the last few sales and purchases of the year
- C. General ledger information, such as account numbers, prior-year account balances and current year unadjusted information
- D. Adjusting entry information, such as deferrals and accruals and reclassification journal entries

3. The term "special reports" may include all of the following *except* reports on financial statements:

- A. Of a partnership which follows accounting practices used to file its tax return
- B. Prepared for limited purposes such as a report that relates to certain aspects of financial statements
- C. Of an organization that has limited the scope of the auditor's examination
- D. Of an organization which maintains its accounts and prepares its statements on a cash or other comprehensive basis of accounting which is materially at variance with accounting practices customarily followed in preparing accrual-basis statements

4. An auditor should trace corporate stock issuances and treasury stock transactions to the:

- A. Numbered stock certificates
- B. Articles of incorporation
- C. Transfer agent's records
- D. Minutes of the board of directors

5. During consideration of internal control in a financial statement audit, an auditor is not obligated to

- A. Search for significant deficiencies in the operation of internal control
- B. Understand the internal control environment and the information system
- C. Determine whether the controls relevant to audit planning have been placed in operation
- D. Perform procedures to understand the design of internal control

6. Which is *least* likely to be a question asked of employee personnel during a walkthrough?

- A. Have you ever been asked+ to override the process?
- B. Have you assessed the operating effectiveness of the system?
- C. What do you do when you find an error?
- D. What are you looking for to determine if there is an error?

(背面仍有題目,請繼續作答)

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7. Compliance auditing procedures are:

- A. Tests of controls B. Observation procedures C. Substantive procedures D. Confirmation procedures

8. Which of the following statements ordinarily is **not** included among the written client representations made by the chief executive officer and the chief financial officer?

- A. Sufficient audit evidence has been made available to the auditor to permit the issuance of an unqualified opinion."
B. "There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed."
C. "We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities."
D. "No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements."

9. Which of the following best describes the reason why independent auditors report on financial statements?

- A. A management fraud may exist and it is more likely to be detected by independent auditors
B. Different interests may exist between the company preparing the statements and the persons using the statements
C. A misstatement of account balances may exist and is generally corrected as the result of the independent auditors' work
D. Poorly designed internal control may be in existence

10. It is sometimes impossible for the auditors to use normal accounts receivable confirmation procedures. In such situations the best alternative procedure the auditors might resort to would be:

- A. Examining subsequent receipts of year-end accounts receivable
B. Reviewing accounts receivable aging schedules prepared at the balance sheet date and at a subsequent date
C. Requesting that management increase the allowance for uncollectible accounts by an amount equal to some percentage of the balance in those accounts that cannot be confirmed
D. Applying analytical procedures to accounts receivable and sales on a year-to-year basis

11. An entity's internal control requires for every check request that 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 for testing from the population of:

- A. Purchase orders B. Canceled checks C. Receiving reports D. Approved vouchers

12. Which of the following would be **least** likely to address control over the initiation and execution of equipment transactions?

- A. Requests for major repairs are approved by a higher level than the department initiating the request
B. Prenumbered purchase orders are used for equipment and periodically accounted for
C. Requests for purchases of equipment are reviewed for consideration of soliciting competitive bids
D. Procedures exist to restrict access to equipment

13. An auditor's analytical procedures performed during the overall review stage indicated that the client's accounts receivable

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balance had doubled since the end of the prior year. However, the allowance for doubtful accounts as a percentage of accounts receivable remained about the same. Which of the following client explanations most likely would satisfy the auditor?

- A. The client liberalized its credit standards in the current year and sold much more merchandise to customers with poor credit ratings
- B. Twice as many accounts receivable were written off in the prior year than in the current year
- C. A greater percentage of accounts receivable were currently listed in the "more than 90 days overdue" category than in the prior year
- D. The client opened a second retail outlet in the current year and its credit sales approximately equaled the older, established outlet
14. Key Co. plan to present comparative financial statements for the years ended December 31, 2006 and 2007, respectively. Smith, CPA, audited Key's financial statements for both years and plans to report on the comparative financial statements on May 1, 2008. Key's current management team was not present until January 1, 2007. What period of time should be covered by Key's management representation letter?
- A. January 1, 2006 through December 31, 2007 B. January 1, 2006 through May 1, 2008
- C. January 1, 2007 through December 31, 2007 D. January 1, 2007 through May 1, 2008
15. In verifying debits to perpetual inventory records of a non-manufacturing firm, the auditor would be most interested in examining the:
- A. Purchases journal B. Purchase requisitions C. Purchase orders D. Vendors' invoices
16. Jones embezzled \$10,000 from his company's account in Bank A. At year-end he hid the shortage by making a deposit on December 31 in Bank A, drawn on Bank B. He has *not* recorded the transaction on the books. This is an example of:
- A. Lapping B. Kiting C. Effective cash management D. Related party transactions
17. Which of the following is *not* necessarily an attest engagement?
- A. An elder care engagement B. A WebTrust engagement
- C. An examination of internal control over financial reporting for a nonpublic company
- D. A review of management's discussion and analysis
18. Which of the following topics is *not* normally included in an engagement letter?
- A. The auditors' preliminary assessment of internal control B. The auditors' estimate of the fee for the engagement
- C. Limitations on the scope of the engagement D. A description of responsibility for the detection of fraud
19. Under common law, which of the following statements most accurately reflects the liability of a CPA who fraudulently gives an opinion on an audit of a client's financial statements?
- A. The CPA is liable only to third parties in privity of contract with the CPA
- B. The CPA is liable only to known users of the financial statements

(背面仍有題目,請繼續作答)

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- C. The CPA probably is liable to any person who suffered a loss as a result of the fraud
- D. The CPA probably is liable to the client even if the client was aware of the fraud and did not rely on the opinion

20. Bill Pan, CPA, has posted the general ledger and has maintained the financial records of Zorko Corporation. As a part of his responsibilities he has recorded journal entries and made closing entries. Which of the following best summarize the AICPA

Item	AICPA	SEC
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

and SEC views as to the following question: Is audit independence impaired?

- A. Choice A
- B. Choice B
- C. Choice C
- D. Choice D

21. An auditor wishes to estimate inventory shrinkage by weighing a sample of inventory items. From experience, the auditor knows that a few specific items are subject to unusually large amounts of shrinkage. In using statistical sampling, the auditor's best course of action is to:

- A. Eliminate any of the items known to be subject to unusually large amounts of shrinkage.
- B. Increase the sample size to lessen the effect of the items subject to unusually large amounts of shrinkage.
- C. Stratify the inventory population so that items subject to unusually large amounts of shrinkage are reviewed separately.
- D. Continue to draw new samples until a sample is drawn which includes none of the items known to be subject to large amounts of shrinkage.

22. Which of the following best describes the reason that auditors are concerned with the detection of related party transactions?

- A. The financial statements must often be adjusted for the effects of material related party transactions
- B. Material related party transactions must be disclosed in the notes to the financial statements
- C. The substance of related party transactions will differ from their form
- D. In a related party transaction one party has the ability to exercise significant influence over the other party

23. As the acceptable level of detection risk decreases, an auditor may change the

- A. Timing of substantive procedures by performing them at an interim date rather than at year-end
- B. Nature of substantive procedures from less effective to more effective procedures
- C. Timing of tests of controls by performing them at several dates rather than at one time
- D. Assessed level of risk of material misstatement to a higher amount

Use the following to answer the next three questions:

In preparing for an audit of the retail footwear division of a major retail organization, the auditor gathered the following information about the organization's stores:

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	All Stores	Northeast Region	Southwest Region	Mid-Central Region
Average sales per store	\$736,000	\$840,000	\$760,000	\$630,000
Average cost of goods sold per store	\$375,000	\$420,000	\$325,000	\$395,000
Number of stores	48	13	18	17
Average square feet per store	1,800	2,200	1,850	1,550
Average sales per full-time employee	\$137,000	\$152,000	\$140,000	\$122,000
Average wage related expense per store	\$ 98,000	\$102,000	\$ 82,000	\$112,000
Average net profit contribution per store	\$238,000	\$285,000	\$320,000	\$115,000

24. An auditor performs analytical procedures that involve comparing the gross margins of various divisional operations with those of other divisions and with the individual division's performance in previous years. The auditor notes a significant increase in the gross margin at one division. The auditor does some preliminary investigation and also notes that there were no changes in products, production methods, or divisional management during the year. Based on the above information, the most likely cause of the increase in gross margin would be:
- An increase in the number of competitors selling similar products
 - A decrease in the number of suppliers of the material used in manufacturing the product
 - An overstatement of year-end inventory
 - An understatement of year-end accounts receivable
25. Which of the following statements is *not* correct regarding the auditor's further analysis?
- The Mid-Central Region has fewer average full-time equivalent employees per store than the other regions per store
 - The other regions all generate higher sales per square foot than the Mid-Central Region
 - The Mid-Central Region has the highest average wages per full-time equivalent employee
 - The largest contributor to total corporate profits is the Southwest Region
26. Management has centralized purchasing and uses a model based upon previous year's sales with adjustments for trends in the market place, e.g., the trend to more casual shoes. A staff auditor has suggested that the centralized purchasing may be one of the reasons for the lower level of profitability in the Mid-Central Region. Which of the following would be the best single audit procedure to address the staff auditor's assertion?
- Take a sample of receiving documents at stores and trace to purchase orders to determine the length of time between the purchase and delivery of the goods
 - Interview store managers in the Mid-Central Region to determine their attitude toward centralized purchasing
 - Perform an inventory count at selected stores in the Mid-Central Region and determine if adjustments are needed to the perpetual records
 - Perform a product-line analysis of sales and purchases in the Mid-Central Region and compare with other regions
27. Which of the following statements is correct?
- Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by the company's audit

(背面仍有題目,請繼續作答)

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committee.

- B. Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by staff of the PCAOB.
- C. Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by staff of the PCAOB and the SEC.
- D. D Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by management of the client.

28. The preferred defense in third-party suits is:

- A. Absence of causal connection.
- B. Non-negligent performance.
- C. Lack of duty to perform.
- D. None of the above.

29. Which one of the following is more difficult to evaluate objectively?

- A. Efficiency and effectiveness of operations.
- B. Presentation of financial statements in accordance with generally accepted accounting principles.
- C. Compliance with government regulations.
- D. All three of the above are equally difficult.

30. A combined report on financial statements and internal control over financial reporting includes all but which of the following types of paragraphs?

- A. Opinion paragraph.
- B. Description paragraph.
- C. Inherent limitations paragraph.
- D. Each of the above paragraphs is included.

PART II: Problems

1. Each of the following situations involves a possible violation of the rule on independence. For each situation, (1) decide whether the *Code of Professional Conduct* has been violated, and (2) briefly explain how the situation violates (or does not violate) the *Code of Professional Conduct*.

Please answer in the following format: (10%)

Situation	Violation?		Explanation
	Yes	No	
a			

- a. Harry Brown is a partner in the Topeka office of Hedley & Co., CPAs. Harry's brother is employed in an audit-sensitive position by Jensen Appliances, a publicly held company in Kansas. Jensen Appliances is one of Hedley & Co.'s audit clients. Neither Harry nor personnel from the Topeka office is involved in the audit of Jensen .
- b. John Woods is an audit manager with Calden & Co., CPAs, a one-office CPA firm. John owns 100 shares of common stock in one of the firm's audit clients, but he does not provide any audit or non-audit services to the company.
- c. The accounting firm of Fine & Herman, CPAs, provides bookkeeping and tax services for Henderson Corporation, a privately held company. Fine & Herman also performs the annual audit of Henderson Corporation.
- d. Bob Shelton CPA, is the auditor of Cafe Ecko. A couple of weeks ago, Cafe Ecko's management expressed an intention to commence litigation against Bob, alleging he was negligent in last year's audit. Bob believes there is a strong possibility that management will proceed with the litigation. However, Cafe Ecko has not fired Bob as its auditor, and he is now working on the current year's audit.

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e. Hamilton Appliance has not paid Karen Linwood, CPA, her audit fee for the past two years. Karen is starting work on the current year's audit of Hamilton.

2. Use the accompanying solution sheet to reply to all of the situations below that relate to the audit of financial statements of nonpublic companies. Unless indicated otherwise, assume that material amounts are involved.

1. A company has departed from GAAP for what the auditor considers to be unjustified reasons.
2. A company's inventory records were deficient and the auditor was required to satisfy herself that the inventory was properly stated using alternative procedures. She is satisfied with the results of those procedures.
3. In auditing a client, an auditor has determined that substantial doubt exists about an entity's ability to continue as a going concern.
4. A principal auditor decides not to take responsibility for the work of another CPA who audited a 70% owned subsidiary and issued an unqualified opinion. The total assets and revenues of the subsidiary are 5% and 8%, respectively, of the total assets and revenues of the entity being audited.
5. A company changes from FIFO to LIFO for inventory valuation and the auditor concurs with the change. The change has a material effect on the comparability of the entity's financial statements this year, but is expected to have an immaterial effect in the future.
6. A client is issuing two years of comparative financial statements. The first year was audited by another auditor who, after performing the appropriate procedures, has updated and reissued her audit report. (NOTE: You are replying as to the proper report to be issued at the end of the second year.)
7. A company has included incorrect other information in a client prepared document containing audited statements. The financial statements are correct, but the president's letter is incorrect.
8. A client has changed its estimate of likely doubtful accounts from 2% of credit sales to 3%. The auditor believes the change to be reasonable.

Reply as to the following three factors relating to the appropriate audit report(s) for each of the situations. More than one type of opinion and placement of explanatory paragraph reply may be appropriate.

Circumstances--Other auditors, going concern, consistency, emphasis of a matter, justified departure from GAAP, unjustified departure from GAAP, Scope Limitation (1 of these must be selected except for numbers 6 and 7).

Types of Opinion

- A. Standard unqualified B. Unqualified with an explanatory paragraph C. Unqualified with explanatory language, but no explanatory paragraph. D. Qualified E. Disclaimer F. Adverse

If more than one type of opinion is appropriate list each.

Placement of explanatory paragraph--before opinion paragraph, after opinion paragraph, either before or after the opinion paragraph, not applicable since there is no explanatory paragraph. (If more than one type of opinion was appropriate, provide a separate reply for placement of explanatory paragraph for each.) (13%)

	Circumstance	Type (Opinion(s))	Placement of Explanatory Paragraph
1			
2			

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3			
4			
5			
6	Comparative Statements		
7	Other Information		
8			

3. The auditors are using mean-per-unit sampling to evaluate the reasonableness of the book value of the accounts receivable of Smith, Inc. Smith has 10,000 receivable accounts with a total book value of \$800,000. The auditors estimate the population's standard deviation as being equal to \$25. After examining the overall audit plan, the auditors believe that the account's tolerable misstatement is \$40,000, and that a risk of incorrect rejection of .10 (risk coefficient = 1.64) and a risk of incorrect acceptance of .15 (risk coefficient = 1.04) should be used.

Required: (9%)

a. Calculate the required sample size.

Now ignore your sample size calculation in part "a," and assume that your answer was a sample size of 289 (the square root of 289 is 17) and that you obtained the following results:

Average audited value of items in sample: \$76

Average book value of items in sample: \$78

Standard Deviation in the sample (audited values): \$24

Standard Deviation in the sample (book values): \$26

b. Using mean-per-unit sampling, calculate the projected misstatement for the population.

c. Using mean-per-unit sampling, calculate the adjusted allowance for sampling risk and use it to form a statistical conclusion concerning the book value of the population (\$800,000). That is, calculate an interval and either "accept" or "reject"

4. Categorize the following (8%)

	At least a significant deficiency and a strong indicator of a material weakness	At least a significant deficiency	Neither of preceding 2 columns
a. Ineffective oversight of external reporting by the audit committee			
b. An ineffective internal audit function			
c. Lack of effective antifraud programs			
d. Lack of effective controls over the period-end financial reporting process			
e. A deviation identified during tests of controls			
f. Significant deficiencies previously communicated that have gone uncorrected for a reasonable period of time			
g. An ineffective control environment			
h. A chief internal auditor who reports directly to the audit committee			