

### Part 1

Topic 5.4  
19-An auditor's flowchart... (d) understanding of the system  
21-An advantage of using systems flowcharts... (b) provide a visual depiction of client's activities  
Topic 5.5  
23-Which of the foll. characteristics... (a) computer processing virtually eliminates the occurrence of computational error normally associated with manual processing  
24- In which of the following circum... (d) When transactions are high-volume and recurring  
25-Which of the following controls... (b) Separation of duties for computer programming and computer operations  
26- A client is concerned that a power... (d) hot site  
27 Which of the following is a computer program... (c) Trojan horse  
28-A client who recently installed a new a/p system... (d) employees are not required to take regular vacations  
30-Which of the following most likely represents a hash total (d) 810

### Part 1 (cont)

31-A customer intended to order 100 units... (a) check digit verification  
32-Able Co. uses an online sales order processing... (b) File of all rejected sales transactions  
33-One of the major problems in a computer system... (d) A computer access log  
Topic 16.1  
1-The objective of the audit of GAAP-based financial statements is to (b) Express an opinion on the fairness with which...  
2-Which ...statement best describes distinction b/w auditor/management responsibilities? (d) auditor's responsibility is confined to expressing an opinion, but financial statements remain management responsibility  
3- The evaluation of fairness... (a) indicators of possible bias exist in management's judgements  
7-When single-year fin statements are presented (d) Prior year's financial statements were audited by another CPA whose report, which expressed an unmodified opinion, is not presented

### Part 1 (cont)

8-Does an auditor make the following representations explicitly or implicitly in opinion? (d) ex/impl  
9-In May Year 3, an auditor reissues... (c) use the original report date on the reissued report.  
10-March, CPA, is engaged by Monday corp... (a) Monday Corp, the client that engaged March  
11-An auditor released an audit report that was dual-dated... (a) Limited to the specific event referenced.  
12- On August 13, a CPA dated the audit report... (a) All subsequent events that occurred through August 27.  
13-An auditor may express a qualified opinion for which of the following reasons? (a) Yes, Yes  
14-When an issuer refuses to include in its audited... (b) Qualified opinion because of inadequate disclosure  
15-In which situation would an auditor choose between a qualified or adverse opinion? (b) conditions that cause the auditor to have substantial doubt about the entity's ability to continue as a going concern are adequately disclosed

### Part 1 (cont)

16-When qualifying an opinion because of an insufficiency... (b) Yes, No  
17- An auditor decides to express a qualified opinion an an entity's financial statements... (c) The possible effects on the financial statements  
18- In which of the following situations would an auditor choose between qualified/adverse opinion? (b) The financial statements fail to disclose information that is required by the applicable reporting framework  
19- An auditor did not observe a client's taking of beginning physical inventory... (a) the balance sheet only  
20- When management does not provide reasonable justification for a change in accounting principle (b) Each year that the financial statements initially reflecting the changes are presented.  
21- An auditor concludes that a client's noncompliance w/ laws & regulations... (b) Qualified opinion or an adverse opinion  
22-



### Part 2

22- An auditor's report includes the following statement: "the fin statements..." (c) Misleading  
23- When an auditor expresses an adverse opinion, paragraph should include (b) A direct reference to a separate paragraph disclosing the basis for the opinion.  
24- In which of the following circumstances would an auditor be most likely to express an adverse opinion? (d) The fin statements are not in conformity with FASB codification's guidance regarding the capitalization of leases  
25- Under which of the following circumstances might an auditor disclaim an opinion? (d) The auditor is unable to obtain sufficient appropriate evidence to support management's assertions concerning an uncertainty  
26- Due to a scope limitation, an auditor disclaimed an opinion... (a) Not appropriate because it may tend to overshadow the auditor's disclaimer of opinion.

### Part 2 (cont)

27- A CPA concludes that the unaudited fin statements of an issuer... (d) Describe the nature of the departure from GAAP in the CPA's report and state the effects on the fin statements, if practicable  
28- When an independent CPA assists in preparing... (d) Reading the fin statements for obvious material misstatements  
29- In the first audit of a client, an auditor was not able to gather sufficient appropriate audit evidence... (a) Be unable to express an opinion on the current year's results of operations and cash flows  
Topic 11.1  
1- Which of the following comparisons would be most useful to an auditor in evaluating the results of an entity's operations? (c) current-year revenue to budgeted current-year revenue  
2- An auditor most likely would limit substantive audit tests of sales... (b) Cash receipts and accounts receivable

### Part 2 (cont)

3- If the objective of a test of details is to detect overstatements of sales, the auditor should compare transactions in the (d) Accounting records w/ the source documents  
4- Tracing shipping documents to prenumbered sales invoices provides evidence that (b) Shipments to customers were properly invoiced  
5- An auditor most likely would review an entity's periodic accounting for the numerical sequence... (d) Completeness  
6- An entity's financial statements were misstated over a period of years because large amounts of revenue... (a) Scanning the general journal for unusual entries.  
7- Which of the following might be detected by an auditor's review of the client's sales cutoff? (d) Inflated sales for the year

### Part 2 (cont)

8- An audit client sells 15 to 20 units of product annually... (b) The auditor should inspect transactions occurring in the last month of the fiscal year and review the related sale contracts to determine that revenue was posted in the proper period  
9. Which of the following would most likely give the most assurance concerning the valuation assertion about accounts receivable? (d) Assessing the allowance for uncollectible accounts for reasonableness.  
10- An auditor's purpose in reviewing credit ratings of customers with delinquent accounts receivable most likely... (d) Valuation and allocation  
11- For the fiscal year ending December 31 of the previous year and for the current year... (b) A/R turnovers are 10.0 and 6.7. Uncoll accounts/Gross A/R is .3 and .17  
12- AU-C 505, External Confirmations, defines external confirmation as... (c) Rights and obligations and existence



By **harley6324**

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Published 8th December, 2015.

Last updated 8th December, 2015.

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### Part 2 (cont)

13- An auditor confirms a representative number of open accounts receivable as of December 31...(a) One of the cashiers has been covering a personal embezzlement by lapping

14- An auditor suspects that a client's cashier is misappropriating cash... (a) Dates checks are deposited per bank statements with the dates remittance credits are recorded

15- An auditor who has confirmed accounts receivable may discover that the sales journal... (d) Most of the returned positive confirmation requests indicate that the debtor owes a smaller balance than the amount being confirmed.

16- During the process of confirming receivables as of Dec 31, Year 1... (d) Verify the amount that was received

17- An auditor confirmed a/r as of an interim date, and all confirmations were returned... (c) Review supporting documents for new large balances occurring after the interim date, and evaluate any significant changes in balances at year end.

### Part 2 (cont)

18- To reduce the risks associated with accepting fax responses to requests for confirmations...(b) Verify the sources and contents of the faxes in telephone calls to the senders.

19- Cooper, CPA, is auditing the financial statements of a small rural municipality (a) Send positive confirmation requests

20- When an auditor does not receive replies to positive requests for year end a/r confirmations... (c) Send the customer a second confirmation request

21- Which of the following procedures would an auditor perform... second requests? (d) Inspect the shipping records documenting the merchandise sold to the debtors

### Part 3

22- The best evidence regarding year-end bank balances is documented in the (b) Bank reconciliations

23- Which of the following sets of information does an auditor usually confirm on one form? (b) Cash in bank and collateral for loans

### Part 3 (cont)

24- An auditor ordinarily sends a standard confirmation request to all banks with which the client... (d) Seek info about other deposit and loan amounts that come to the attention of the institution in the process of completing the confirmation

25- The usefulness of the standard bank confirmation request may be limited... (d) Be unaware of all the financial relationships that the bank has with the client.

26- An independent auditor asked a client's internal auditor to assist in preparing a standard... (b) The form was mailed by the controller

27- An auditor should test bank transfers for the last part of the audit period and first part of the subsequent period to detect whether (c) Cash balances were overstated because of kiting.

14.1

1- The primary source of info to be reported about litigation, claims, and assessments is the (c) Client's management

### Part 3 (cont)

4-If the auditor determines that an inquiry of a client's external legal counsel is necessary, who should make the inquiry? (c) Client management

5- The primary reason an auditor requests letters of inquiry to be sent to a client's legal counsel is... (b) Corroboration of the info furnished by management about litigation, claims, and assessments

7- The refusal of a client's legal counsel to provide info requested in an inquiry letter generally is considered (b) A limitation on the scope of the audit

13- Which of the following procedures... to obtain evidence about the occurrence of subsequent events? (c) Inquiring of the entity's legal counsel concerning litigation, claims, and assessments arising after year end.

28- To which of the following matters would materiality limits not apply in obtaining written management representations? (a) The availability of minutes of shareholders' and directors' meetings



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### Part 3 (cont)

31- Which of the following auditing procedures...substantial doubt about an entity's ability to continue as a going concern? (b) Confirming with third parties the details of arrangements to maintain financial support  
17.1  
1- Pell, CPA is the group engagement partner... (b) II only  
2- An auditor may issue an unmodified audit report when the (d) Group engagement partner assumes responsibility for the work of a component auditor  
3- The group engagement partner has identified a significant component of the group that is being audited by a component auditor... (c) The group engagement team should either audit the component directly or have the component auditor audit the information on its behalf  
4- In which situation will a group auditor be most likely to refer to a component auditor... (a) The component auditor performed an audit in accordance with PCAOB standards

### Part 3 (cont)

5- The auditor's responsibility section of an auditor's report contains the following:... (a) Assume no responsibility for the audit of the component auditor.  
6-The following paragraph was included in an auditor's report to indicate a lack of consistency:... (b) Unmodified, After Opinion Paragraph  
7-For which event would an auditor issue a report that omits any reference to a change in accounting principle or correction of a material misstatement? (c) A change in the useful life used to calculate the provision for depreciation expense.  
8- When an entity changes its method of accounting for income taxes,... (d) Refer to the financial statement note that discusses the change in detail.  
9- When the auditor concurs with a change in accounting principle that materially affects the comparability of the comparative fin... (a) No, No, Yes

### Part 4

10- Digit Co uses the FIFO method of costing for its international subsidiary's inventory and the LIFO... (a) Unmodified opinion  
11- A nonissuer changed from the straight-line method to the declining-balance method... (c)  
12- When there has been a change in accounting principles but the effect of the change on... (a) Not refer to to the change in the auditor's report  
13-An auditor most likely will express an unmodified opinion and will not add additional language to the report if the auditor (d) Believes that there is a remote likelihood of a material loss resulting from an uncertainty  
14- Management believes, and the auditor is satisfied, that a material loss probably will occur when pending litigation is resolved... (d) Unmodified opinion with no additional paragraph in the auditor's report  
15- Tech Company has disclosed an uncertainty arising from pending litigation. The auditor's decision to express... (a) Lack of sufficient appropriate evidence

### Part 4 (cont)

16- When an auditor concludes that substantial doubt exists about an entity's... (d) Consider the adequacy of disclosure about the entity's possible inability to continue as a going concern.  
17- In which circumstance would auditor add emphasis-of-matter paragraph... (b) There is substantial doubt about the entity's ability to continue as a going concern  
18- An auditor's report included the following paragraph relative to substantial doubt... (b) The report should not contain conditional language  
19- Green, CPA, concludes that there is substantial doubt about JKL Co.'s ability to continue... (a) Yes Yes Yes  
20- Kane, CPA concludes that there is substantial doubt about Lima Co's ability to continue as a going (d) No No  
21- An auditor concludes that there is substantial... If disclosures are adequate and no issues prevail, audit report may include a (d) Yes, No  
22- Mead, CPA... (a) The Emphasis-of-matter paragraph included in the Year 1 auditor's report should not be repeated.



### Part 4 (cont)

23- When a predecessor auditor reissues the report... (c) Compare the prior period's financial statements that the predecessor reported on with the financial statements to be presented for comparative purposes

24- When reporting on comparative fin statements... (a) Prior year's fin statements are restated to correct a material misstatement

25- The predecessor auditor, who is satisfied after... (d) Not refer to the report or the work of the current auditor.

26- Jewel, CPA... (d) I, I, and III.

28- Unaudited fin statements...In accordance with PCAOB'S interim auditing standards, should be (a) Yes, No, No

29-An other-matter paragraph is included in the auditor's report except when (d) The client has materially restated the prior year's comparative financial statements.

31- In which situation is the auditor most likely not to include an emphasis-of-matter paragraph in the auditor's report? (a) An important audit procedure was formed.



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