

MC

Which of these questions would an auditor ask when sampling to perform tests of controls?

- a. Which population and sampling unit should be tested, and what characteristics should be examined?
- b. How many items should be selected for audit testing?
- c. Which items should be included in the sample?
- d. What inferences can be made about the overall population from the sample?
- e. All of these.

The risk that the auditor will conclude that internal controls are effective when internal controls are actually not effective.

- a. The risk of incorrect acceptance of internal control reliability.
- b. The risk of incorrect acceptance of book value.
- c. The risk of incorrect rejection of internal control reliability.
- d. The risk of incorrect rejection of book value.
- e. None of these.

In attributes sampling, which of the following will not affect the determination of sample size?

- a. The expected population deviation rate.
- b. Sampling risk.
- c. The risk of incorrect rejection of book value.
- d. The tolerable rate of deviation.

Which of the following definitions is true?

- a. Factual misstatement—A misstatement that has been specifically identified and about which there is no doubt.
- b. Projected misstatement—The auditor's best estimate of the misstatement in a given population based on projecting the sample results to the population.
- c. Tolerable misstatement—A monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeded by the actual misstatement in the population.
- d. Expected misstatement—The level of misstatement that the auditor expects to detect.
- e. All of these are true.

Which of the following represents the calculation of the sampling interval?

- a. Tolerable error ÷ Risk of incorrect acceptance.
- b. Sample size ÷ Population size.
- c. Population size ÷ Sample size.
- d. Tolerable error × Risk of incorrect acceptance.

MC (cont)

Which statement is false regarding the use of sampling and data analytics tools by auditors?

- a. Sampling techniques would be appropriate when an auditor wants to perform procedures such as examining documents, reperforming calculations, or sending confirmations.
- b. Auditors use sampling in testing account balances and assertions.
- c. Auditors use sampling in testing controls.
- d. Sampling involves looking at all of the transactions that occurred during the period under audit.

Which of these is the correct definition of sampling units?

- a. Sampling units refer to the group of transactions or the items that make up an account balance for which the auditor wants to estimate some characteristic.
- b. Sampling units refer to the individual items making up the population.
- c. Both of these are correct.
- d. Neither of these is correct.

Which of the following correctly defines nonsampling risk?

- a. The risk that the auditor will conclude that the state of internal controls is effective when internal controls are actually not effective (also referred to as the risk of assessing control risk too low).
- b. The risk that the auditor will conclude that the state of internal controls is not effective when internal controls are actually effective (also referred to as the risk of assessing control risk too high).
- c. The risk that the auditor's conclusion based on a sample might be different from the conclusion he or she would reach if the test were applied in the same way to the entire population.
- d. The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.



MC (cont)

Which of the following statements is true of the tolerable rate of deviation?

- a. It is a rate of deviation set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the rate of deviation set is not exceeded by the actual rate of deviation in the population.
- b. This term is sometimes referred to as the tolerable failure rate.
- c. The auditor's tolerable rate of deviation is the level at which the control's failure to operate would cause the auditor to conclude that the control is not effective and would likely change the auditor's planned assessment of control risk in performing tests of account balances.
- d. All of these statements are true.

What is simple random sampling?

- a. Selecting a random sample by matching random numbers generated by a computer or selected from a random-number table with, for example, document numbers such as an invoice or a purchase order.
- b. It involves systematic sampling in which the first item is selected randomly from the interval.
- c. A sampling technique that involves selecting a sample that consists of contiguous population items, such as selecting transactions by day or week.
- d. A nonstatistical sample selection method that attempts to approximate a random selection by selecting sampling units without any conscious bias or special reason for including or omitting certain items from the sample.

Which of these statements is false?

- a. If expected misstatement is smaller than tolerable misstatement, sampling is not appropriate unless it is used to estimate the size of the required adjustment to the account balance.
- b. A misstatement is a dollar amount of misstatement, either intentional or unintentional, that exists in a transaction or financial statement account balance.
- c. A factual misstatement is a misstatement that has been specifically identified and about which there is no doubt.
- d. A tolerable misstatement is a monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeded by the actual misstatement in the population.

T/F

Sampling can be used for both tests of controls and substantive tests of account balances and assertions.

True False

Block sampling involves selecting a sample that consists of contiguous population items, such as selecting transactions by day or week.

True False

Top-stratum items are population items whose book values exceed the sampling interval and are therefore excluded from the sample.

True False

Benford's Law helps predict frequency patterns of deviations of controls.

True False

An example of an attribute of interest to an auditor would be evidence that the client has matched vendor invoice details with the purchase order and receiving report before payment approval and noted that they match before authorizing a payment for the goods received.

True False

When the total estimated misstatement exceeds the tolerable misstatement, the auditor has available several possible courses of action. Two of the options are expanding the sample or changing the audit objective to estimating the correct value.

True False

The sample size of a MUS sample is a function of the following factors: (1) the risk of incorrect acceptance, (2) the ratio of expected misstatement to tolerable misstatement, and (3) the ratio of tolerable misstatement to the population.

True False

One example of the circumstances in which the auditor might use MUS includes accounts receivable confirmations when credit balances are not significant.

True False

