



Select the best answer and shade it in the Electronic Sheet.

- 1) ----- is considered an example of non-assurance services.
 (a) Environmental audit (b) Bookkeeping services (c) ISO 900 certification (d) Both (a) and (c)
- 2) Cost is never an adequate justification for omitting a necessary procedure or not gathering an adequate sample size.
 (a) True (b) False
- 3) If the auditor tour plant to obtain an impression of client's facilities, this is considered ----- evidence
 (a) analytical procedures (b) inquiry (c) observation (d) confirmation
- 4) Documents that originate from outside the client's organization are considered more reliable than those that originate within the client's organization.
 (a) True (b) False
- 5) ----- is the first section of the auditor's report.
 (a) Opinion (b) Responsibilities of Management for the Financial Statements
 (c) Basis for opinion (d) Auditor's Responsibilities for the Audit of the Financial Statements
- 6) Which of the following is an example of vouching?
 a. Trace inventory purchases from the acquisitions journal to supporting invoices.
 b. Trace selected sales invoices to the sales journal.
 c. Trace details of employee paychecks to the payroll journal.
 d. All of the above are examples of vouching.
- 7) The advantage of using the negative form of confirmations is that:
 a. larger sample sizes can be used without increasing the costs. b. they provide greater reliance
 c. follow-up procedures are scheduled automatically. d. customer non-response ensure balance is correct.
- 8) Audit evidence has two primary qualities for the auditor, relevance and reliability. Given the choices below which provides the auditor with the most reliable audit evidence?
 A) general ledger account balances B) confirmation of accounts receivable balance received from a customer
 C) internal memo explaining the issuance of a credit memo D) copy of month-end adjusting entries
- 9) Whenever an auditor issues an adverse opinion, the implication is that the auditor
 a) does not know if the statements are presented fairly b) does not believe the statements are presented fairly.
 c) is satisfied with statements fairness except for a specific aspect of them. (d) is satisfied with statements fairness
- 10) ----- risk reflects the possibility that the information upon which the business decision was made was inaccurate.
 A) Client acceptance B) Information C) Business D) Control
- 11) The Sarbanes Oxley Act established ----- to provide oversight for auditors of U.S public companies.
 (a) FASB (b) IAASB (c) IASB (d) PCAOB
- 12) ----- established audit standards used by more than 100 countries outside the U.S.

- (a) FASB (b) IAASB (c) IASB (d) PCAOB

- 13) Assurance services are independent professional services that improve the quality of information for decision makers. Assurance services can be performed by CPAs or by a variety of other professionals.
 (a) True (b) False
- 14) If a client has not applied GAAP consistently from the prior year to the current year, the auditor does not concur with the appropriateness of this material change, the auditor should issue ----- opinion
 A. Adverse B. Disclaimer C. Qualified D. Unmodified with explanatory paragraph
- 15) A company has changed its method of inventory valuation from an unacceptable one to one in conformity with GAAP. The auditor should issue -----
 A. Adverse B. Disclaimer C. Qualified D. Unmodified with explanatory paragraph
- 16) When a misstatement in the financial statements exists, but is unlikely to affect the decisions of a reasonable user, it would be appropriate to issue ----- opinion
 A. Adverse B. Disclaimer C. Qualified D. Unmodified
- 17) An audit to determine whether an entity is following specific procedures or rules set down by some higher authority is classified as a(n) ----- audit.
 A) financial statements B) compliance C) operational D) production
- 18) Of the following, which is the least persuasive type of audit evidence?
 a) Bank statements obtained from the client b) Documents obtained by auditor from third parties directly.
 c) Carbon copies of sales invoices inspected by the auditor d) Computations made by the auditor
- 19) ----- is considered an example of other assurance services.
 (a) Environmental audit (b) Bookkeeping services (c) ISO 900 certification (d) Both (a) and (c)
- 20) When client's internal controls effective, evidence obtained is less reliable than when they are weak.
 (a) True (b) False
- 21) ----- is the detailed instruction for the collection of a type of audit evidence that is to be obtained at some time during the audit.
 (a) Audit Program (b) Sample size (c) Audit Procedure (d) Audit report
- 22) Evidence obtained directly by the auditor is more competent than information obtained indirectly. Which of the following is not an example of the auditor's direct knowledge?
 a. Physical examination. b. Observation. c. Computation. d. Inquiry.
- 23) Read the footnote disclosures related to the company's accounting policies for valuing inventory to make sure of the correctness of the information. This represents which kind of audit evidence?
 a. Analytical Procedures b. Physical examination c. Inspection d. Repurchase
- 24) Scan the sales journal looking for large unusual transactions. This represents ----- audit evidence
 a. Physical examination b. Analytical Procedures c. Inspection d. Recalculation
- 25) Obtain a letter from the client's attorney addressed to the CPA firm stating that the attorney is not aware of any existing lawsuits. This represents ----- audit evidence
 a. Inquiries of the client b. Recalculation c. Inspection d. Confirmation
- 26) Sufficiency of evidence is a measure of the ----- of evidence.
 a. quality b. quantity c. cost d. meaning

27) An auditor was unable to obtain audited financial statements or other evidence supporting an entity's investment in a large highly material foreign subsidiary. The auditor should issue ----- A. Adverse B. Disclaimer C. Qualified D. Unmodified with explanatory paragraph
28) If the balance sheet of a company is dated December 31, 2019, the audit report is dated February 8, 2020, and both are released on February 15, 2020, this indicates that the auditor has searched for subsequent events that occurred up to a) December 31, 2019 b) January 1, 2020 c) February 8, 2020 d) February 15, 2020.
29) When the auditor determines the financial statements are fairly stated and then determines that the auditor lacks independence, the auditor should issue ----- opinion A. Adverse B. Disclaimer C. Qualified D. Unmodified with explanatory paragraph
30) The two characteristics of the appropriateness of evidence are: A) relevance and timeliness B) relevance and accuracy. C) relevance and reliability. D) reliability and accuracy.
31) Trace the total in the cash disbursements journal to the general ledger is considered which type of audit evidence? (a) Vouching (b) Recalculation (c) Observation (d) Reperformance
32) Examine an insurance policy stating the amount of the fire insurance coverage on buildings and equipment. (a) Vouching (b) Recalculation (c) Observation (d) Reperformance
33) Foot the sales journal for a one-month period and compare all totals with the general ledger. (a) Vouching (b) Recalculation (c) Observation (d) Reperformance
34) ----- asks the external party to respond only when the information is incorrect. (a) Inquiry (b) Positive confirmation (c) Blank confirmation (d) Negative confirmation
35) One of the purposes of analytical procedures is to reduce detailed audit tests. (a) True (b) False
36) An ----- reviews the overall audit work and is involved in significant audit decisions. (a) audit manager (b) audit partner (c) in-charge auditor (d) audit senior
37) Because of the nature of audit evidence and the characteristics of fraud, the auditor is able to obtain absolute, but not reasonable, assurance that material misstatements are detected. (a) True (b) False
38) ----- audits much of the financial information prepared by various government agencies (a) IRS (b) CPA (c) GAO (d) VAT
39) Internal auditors can be entirely independent of the entity as long as an employer-employee relationship exists (a) True (b) False
40) ----- responsibility is to determine if the tax return of a multinational corporation is in accordance with the tax code. (a) IRS (b) CPA (c) GAO (d) VAT

41) Many non-public companies use review attestation service to provide limited assurance on their financial statements without incurring the cost of an audit. (a) True (b) False
42) ----- services might be done by CPAs to provide assurance to management or third parties about the reliability of information systems used to generate real-time information. (a) WebTrust (b) SysTrust (c) Grey hackers (d) EDI
43) Appropriateness of evidence is a measure of the ----- of evidence. a. quality b. quantity c. cost d. meaning
44) ----- audit report is issued in case of inability to confirm the existence of an asset which is material but not extremely material in value. (a) Unmodified (b) Disclaimer (c) Adverse (d) Qualified
45) Management's evaluation of whether there are conditions or events, that raise substantial doubt about the entity's ability to continue as a going concern, is stated in ----- paragraph. (a) Opinion (b) Responsibilities of Management for the Financial Statements (c) Basis for opinion (d) Auditor's Responsibilities for the Audit of the Financial Statements
46) ----- paragraph includes a statement that the auditor is required to be independent of the entity and to meet the auditor's other ethical responsibilities. (a) Opinion (b) Responsibilities of Management for the Financial Statements (c) Basis for opinion (d) Auditor's Responsibilities for the Audit of the Financial Statements
47) ----- paragraph states that the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. (a) Opinion (b) Responsibilities of Management for the Financial Statements (c) Basis for opinion (d) Auditor's Responsibilities for the Audit of the Financial Statements
48) ----- states that reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. (a) Opinion (b) Responsibilities of Management for the Financial Statements (c) Basis for opinion (d) Auditor's Responsibilities for the Audit of the Financial Statements
49) ----- states whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion (a) Opinion (b) Responsibilities of Management for the Financial Statements (c) Basis for opinion (d) Auditor's Responsibilities for the Audit of the Financial Statements
50) Examples of unmodified opinions which contain modified wording include: a) The use of other auditors. b) Material uncertainties. c) Lack of consistent application of GAAP d) Substantial doubt about the audited company (or the entity) continuing as a going concern.

BEST WISHES,
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