

Damietta University
Faculty of Commerce
English Section

Studies in Auditing
Final Exam
Model 4

4th level
1st Semester
Duration: 2 Hours

1. The verification of accounts payable should require little audit effort once the auditor concludes that internal controls are operating effectively; and vice versa.
A) True B) False
2. The Realizable Value objective is not applicable to liabilities. It applies only to assets.
A) True B) False.
3. When the auditor selects one transaction from the acquisition journal, he can verify both acquisitions and cash disbursements transactions at the same time without decreasing the effectiveness.
A) True. B) False.
4. It is not a bank account, but it is sufficiently similar to cash in the bank to merit inclusion in the Cash balance.
A) General Cash Account. B) Branch Bank Account. C) Imprest Petty Cash. D) Imprest Accounts.

5. The following is an interbank transfer schedule for Dec. 2011:

Transfer	Disbursements		Receipt	
	Recorded in books	Paid by bank	Recorded in books	Received by bank
(1)	12/31/11	1/4/12	12/31/11	12/31/11
(2)	1/4/12	1/5/12	12/31/11	1/4/12
(3)	12/31/11	1/5/12	12/31/11	1/4/12
(4)	1/4/12	1/11/12	1/4/12	1/4/12

Which cash transfer results in a misstatement of Cash on Dec. 31, 2011?
A) Transfer (1). B) Transfer (2). C) Transfer (3). D) None of these.

6. Based on the above information, the misstatement in Cash on Dec. 31, 2011, led to:
A) an understatement. B) an overstatement. C) All of these. D) None of these.

7. Based on the above information, as of Dec. 31, 2011, Transfer (1) should be included in Bank Reconciliation as:
A) Out. Check. B) DiT. C) Out. Check and DiT. D) None of these.

8. Based on the above information, as of Dec. 31, 2011, Transfer (2) should be included in Bank Reconciliation as:
A) Out. Check. B) DiT. C) Out. Check and DiT. D) None of these.

9. Based on the above information, as of Dec. 31, 2011, Transfer (3) should be included in Bank Reconciliation as:
A) Out. Check. B) DiT. C) Out. Check and DiT. D) None of these.

10. Debit Memo is a document received from the vendor indicates a in the amount owed to a vendor because of A) increase — purchase returns and allowances. B) decrease — purchase returns and allowances. C) increase — sales returns and allowances. D) decrease — sales returns and allowances.	
11. Vendor's Statement is a document prepared by the vendor and indicates the beginning balance, acquisitions, returns and allowances, payments to the vendor, and ending balance. A) every day. B) every month. C) every week. D) All of these.	
12. A signed check is an asset, while a cancelled check is a(n) A) liability. B) Owner's equity. C) Expense. D) Document.	
13. Auditor could trace inventory acquisitions to inventory master file or examine fixed assets acquired to fulfill acquisition transactions-related audit objective of: A) Occurrence. B) Completeness. C) Accuracy. D) Classification.	
14. The auditor can trace from receiving reports and vendor invoices to the acquisitions Journal to fulfill objective. A) Occurrence. B) Completeness. C) Accuracy. D) Classification.	
15. If the auditor finds that internal controls are operating effectively, and if analytical procedures results are satisfactory, he is likely to: A) decrease TOCs. B) decrease STOTs. C) decrease TDBs. D) All of these.	
16. Are unpaid obligations for goods and services received in the ordinary course of business A) Prepaid Expenses B) Accounts Receivables C) Accounts Payable D) None of these.	
17. Examine whether Accounts Payable in the accounts payable journal agree with the related master file, and whether the total is correctly added and agrees with the general ledger is a test to satisfy objective. A) Existence. B) Cutoff. C) Classification. D) Detail tie-in.	
18. Assume that the physical examination of the inventory is completed on December 25, 2023. An inventory acquisition on a FOB Destination basis of 500,000£ is shipped by the vendor on 28 December 2023. An inventory of 300,000£, only, received on December 31, 2023. What should be included in the 2023 ending inventory balance? A) 200,000£. B) 300,000£. C) 500,000£. D) None of these.	
19. For accounts payable verification, auditors should emphasize balance-related audit objective because of the potential for in the account balance. A) existence, understatements. B) existence, overstatements. C) completeness, understatements D) completeness, overstatements.	
20. For accounts payable balance verification, performing out-of-period liability tests help in fulfilling objective. A) Classification. B) Existence. C) Accuracy. D) All of these.	
21. The focal point of cash for most organizations because virtually all cash receipts and disbursements flow through this account A) General Cash Account. B) Branch Bank Account. C) Imprest Petty Cash. D) Imprest Accounts.	

22. The starting point for the verification of the balance in the general bank account is to obtain a _____ from the client.
A) bank statement B) proof of cash C) bank reconciliation D) any of these

23. It is relatively easy to verify the client's reconciliation of the balance in the bank account to the general ledger, but a significant part of the total audit of a company involves verifying whether cash transactions are correctly recorded.
A) True. B) False.

24. While examining the documentation for a cash disbursement transaction of 500,000£ recorded on 16 January 2024, for an account payable balance included in the 2023 A.P. Trial Balance, the auditor obtains the following information: (1) The date on the related purchase order is 20 December 2023. (2) The date on the related receiving report is 30 December 2023. In this case, for the 2023 fiscal year, there is _____ in the accounts payable balance:
A) an overstatement of 500,000. B) an understatement of 500,000.
C) neither understatements nor overstatements. D) Another Answer.

25. Assume that the physical examination of the inventory is completed on December 25, 2023. An inventory acquisition on a FOB Origin basis of 500,000£ is shipped by the vendor on 28 December 2023. An inventory of 300,000£, only, received on December 31, 2023. what should be included in the 2023 ending inventory balance?
A) 200,000£. B) 300,000£. C) 500,000£. D) None of these.

26. Cash is the only account included in every cycle except _____ cycle.
A) inventory and warehousing. B) acquisition and payment.
C) payroll and personnel. D) None of these.

27. If a check was included in the Cash Disbursement journal and have not clear yet before the balance sheet date, it should be included in Outstanding Check list in Bank Reconciliation.
A) True. B) False

While auditing Palestine Co., you have been assigned responsibility for doing a proof of cash for the month of December 2022. You obtain the following information:

- Balance per bank: November 30 = 24,000
- Outstanding checks: November 30 = 3,600 and December 31 = 5,200
- Cash disbursements for December: per bank = 54,000
- Cash receipts for December: per bank = 62,000
- Deposits in transit: November 30 = 11,000 and December 31 = 1800
- On December 26, a 3,000 check of Gaza Co. was charged to Palestine Co. account by the bank in error.
- Dishonored checks are not recorded on the books unless they permanently fail to clear the bank. The bank treats them as disbursements when they are dishonored and deposits when they are redeposited. Checks totaling 4,600 were dishonored in October; only 2500 was redeposited in December.

28. Based on the above information, Beginning balance per bank adjusted equals:
A) 24000 B) 35000 C) 38600 D) 31400

29. Based on the above information, Cash receipts per bank adjusted equals:
A) 50300 B) 52800 C) 74,800 D) 72,300

30. Based on the above information, Cash disbursements per bank adjusted equals:
A) 52600 B) 50100 C) 56100 D) 39,700

31. Based on the above information, Ending balance per bank adjusted equals:
A) 24000 B) 25600 C) 31600 D) None of these

32. Based on the above information, Ending balance per bank equals:
A) 24000 B) 25600 C) 31600 D) None of these

33. To audit cash in the bank, the auditor _____ the bank reconciliation.
A) prepare. B) verify the correctness of.
C) prepare and verify the correctness. D) None of these.

34. Review the journal and master file for related parties, notes or other interest-bearing liabilities, long-term payables, and debit balances is a test to fulfill
A) Accuracy. B) Completeness. C) Classification. D) Cut-off.

35. In accounts payable, auditors must distinguish between acquisitions of inventory that are on a FOB destination basis and those that are made on FOB origin basis based on examining
A) vendors' invoices. B) vendors' statements. C) purchase orders. D) purchase requisitions.

36. Auditor can confirm Accounts Payable balance, especially large and unusual balances to fulfill _____ objective.
A) Existence. B) Cutoff. C) Classification. D) Detail tie-in.

37. For accounts payable balance verification, performing out-of-period liability tests help in fulfilling _____ objective.
A) Existence. B) Cutoff. C) Classification. D) All of these.

38. Auditor can confirm Accounts Payable balance of (Active) Vendors with Which the Client Does Business, especially with Zero balances to fulfill _____ objective.
A) Existence. B) Completeness. C) Classification. D) Detail tie-in.

39. It is often used to indicate authorization of the acquisition in the acquisition and payment cycle
A) Purchase Requisition. B) Purchase Order.
C) Receiving Report. D) Vendor Invoice.

40. While auditing the acquisition and payment cycle, you found some acquisition transactions for unnecessary items. You could inform the management that these could be avoided by performing:
A) Adequate Authorization of acquisitions. B) Separation of Asset Custody from Other Functions.
C) Timely Recording of transactions. D) None of these.

BEST WISHES
Dr. Elsayed Dawoud