1. A summary of findings rather than assurance is most likely to be included in a(n):
   A) Agreed-upon procedures report.
   B) Compilation report.
   C) Examination report.
   D) Review report.

2. The Statements on Auditing Standards have been issued by the:
   A) Auditing Standards Board.
   B) Financial Accounting Standards Board.
   C) Securities and Exchange Commission.
   D) Federal Bureau of Investigation.

3. The organization charged with protecting investors and the public by requiring full disclosure of financial information by companies offering securities to the public is the:
   A) Auditing Standards Board.
   B) Financial Accounting Standards Board.
   C) Government Accounting Standards Boards.
   D) Securities and Exchange Commission.

4. An engagement in which a CPA firm arranges for a critical review of its practices by another CPA firm is referred to as a(n):
   A) Peer Review Engagement.
   B) Quality Control Engagement.
   C) Quality Assurance Engagement.
   D) Attestation Engagement.
5. Which of the following attributes most clearly differentiates a CPA who audits management's financial statements as contrasted to management?
A) Integrity.
B) Competence.
C) Independence.
D) Keeping informed on current professional developments.

6. The review of a company's financial statements by a CPA firm:
A) Is substantially less in scope of procedures than an audit.
B) Requires detailed analysis of the major accounts.
C) Is of similar scope as an audit and adds similar credibility to the statements.
D) Culminates in issuance of a report expressing the CPA's opinion as to the fairness of the statements.

7. Passage of the Sarbanes-Oxley Act led to the establishment of the:
A) Auditing Standards Board.
B) Accounting Enforcement Releases Board.
C) Public Company Accounting Oversight Board.
D) Securities and Exchange Commission.

8. The primary responsibility for the adequacy of disclosure in the financial statements of a publicly held company rests with the:
A) Partner assigned to the audit engagement.
B) Management of the company.
C) Auditor in charge of the fieldwork.
D) Securities and Exchange Commission.

9. 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.
10. The standard short-form auditors' report generally includes an introductory paragraph, a scope paragraph, and an opinion paragraph. In the report the auditors refer to both accounting principles generally accepted in the U.S. and auditing standards generally accepted in the U.S. In which of the paragraphs are these terms used?
A) GAAP in the scope paragraph and GAAS in the opinion paragraph.
B) GAAS in the scope paragraph and GAAP in the opinion paragraph.
C) GAAS in all paragraphs and GAAP in the scope paragraph.
D) GAAP in all paragraphs and GAAS in the opinion paragraph.

11. The auditors' examination performed in accordance with generally accepted auditing standards generally should:
A) Be expected to provide absolute assurance that illegal acts will be detected where internal control is effective.
B) Be relied upon to disclose violations of truth in lending laws.
C) Encompass a plan to actively search for all illegalities which relate to operating aspects.
D) Not be relied upon to provide absolute assurance that all illegal acts will be detected.

12. A CPA sole practitioner purchased stock in a client corporation and placed it in a trust as an educational fund for the CPA's minor child. The trust securities were not material to the CPA but were material to the child's personal net worth. Would the independence of the CPA be considered to be impaired with respect to the client?
A) Yes, because the stock would be considered a direct financial interest and, consequently, materiality is not a factor.
B) Yes, because the stock would be considered an indirect financial interest that is material to the CPA's child.
C) No, because the CPA would not be considered to have a direct financial interest in the client.
D) No, because the CPA would not be considered to have a material indirect financial interest in the client.

13. Competence as a certified public accountant includes all of the following except:
A) Having the technical qualifications to perform an engagement.
B) Possessing the ability to supervise and to evaluate the quality of staff work.
C) Warranting the infallibility of the work performed.
D) Consulting others if additional technical information is needed.

14. When an accountant is not independent, the accountant is precluded from issuing a:
A) Compilation report.
B) Review report.
C) Management advisory report.
D) Tax planning report.
15. An audit independence issue might be raised by the auditor's participation in consulting services engagements. Which of the following statements is most consistent with the profession's attitude toward this issue?
A) Information obtained as a result of a consulting services engagement is confidential to that specific engagement and should not influence performance of the attest function.
B) The decision as to loss of independence must be made by the client based on the facts of the particular case.
C) The auditor should not make management decisions for an audit client.
D) The auditor who is asked to review management decisions, is also competent to make these decisions and can do so without loss of independence.

16. Independence is required of a CPA performing:
A) Audits, but not any other professional services.
B) All attestation services, but not other professional services.
C) All attestation and tax services, but not other professional services.
D) All professional services.

17. During an audit engagement pertinent data are prepared and included in the audit working papers. The working papers primarily are considered to be:
A) A client-owned record of conclusions reached by the auditors who performed the engagement.
B) Evidence supporting financial statements.
C) Support for the auditors' representations as to compliance with generally accepted auditing standards.
D) A record to be used as a basis for the following year's engagement.

18. Which of the following is not a primary purpose of audit working papers?
A) To coordinate the examination.
B) To assist in preparation of the audit report.
C) To support the financial statements.
D) To provide evidence of the audit work performed.

19. Which of the following is not a typical analytical procedure?
A) Study of relationships of the financial information with relevant nonfinancial information.
B) Comparison of the financial information with similar information regarding the industry in which the entity operates.
C) Comparison of recorded amounts of major disbursements with appropriate invoices.
D) Comparison of the financial information with budgeted amounts.
20. When considering the use of management's written representations as audit evidence about the completeness assertion, an auditor should understand that such representations:
A) Complement, but do not replace, substantive tests designed to support the assertion.
B) Constitute sufficient evidence to support the assertion when considered in combination with a moderate assessed level of control risk.
C) Are generally sufficient evidential matter to support the assertion regardless of the assessed level of control risk.
D) Replace the assessed level of control risk as evidence to support the assertions.

21. The components of the risk of misstatement are:
A) Inherent Risk: Yes; Control Risk: Yes; Detection Risk: Yes
B) Inherent Risk: Yes; Control Risk: Yes; Detection Risk: No
C) Inherent Risk: Yes; Control Risk: No; Detection Risk: No
D) Inherent Risk: No; Control Risk: Yes; Detection Risk: Yes

22. When performing a financial statement audit, auditors are required to explicitly assess the risk of material misstatement due to:
A) Fraud.
B) Errors.
C) Illegal Acts.
D) Business risk.

23. The inspection of a vendor's invoice by the auditors is:
A) Direct evidence about occurrence of a transaction.
B) Physical evidence about occurrence of a transaction.
C) Documentary evidence about occurrence of a transaction.
D) Part of the client's accounting system.

24. Analytical procedures are required at the planning stage of all audits and as:
A) Tests of internal control.
B) Substantive tests.
C) A part of the final overall review.
D) Computer generated procedures.

25. During financial statement audits, auditors seek to restrict which type of risk?
A) Control risk.
B) Detection risk.
C) Inherent risk.
D) Account risk.
OKAY, PLEASE SWITCH AND ANSWER THE REMAINING QUESTIONS USING PEN, IN YOUR BLUE-BOOK.

PLEASE NOTE: Brief answers which specifically address the question are more likely to result in points, using bullet points, etc. is perfectly acceptable, as long as your answer is clear and legible.

26. Briefly describe what an "attestation" engagement is as part one to your answer.

List each type of attestation engagement as well as a brief description of each.

27. (A) Describe the auditor's responsibilities with respect to fraud in connection with the performance of the audit (hint SAS 99).

(B) What is the auditor's responsibility for the detection of material fraud.

(C) What is the auditor's responsibility for the detection of immaterial fraud.

28. Management makes assertions in the financial statements and it is the auditor's responsibility to audit these assertions. Please list the "management assertions" (hint: 5 of them).

Which of these assertions generally garners a greater amount of attention from the auditor, and why?

29. Briefly describe what distinguishes the following types of audit opinions:
- Unqualified
- Qualified
- Disclaimed
- Adverse

30. Standards of fieldwork require that an engagement be: (hint- there are three of them)

31. There are 10 auditing standards which fall into three categories. Name and briefly describe what each of the three categories are.
Answer Key

1. A
2. A
3. D
4. A
5. C
6. A
7. C
8. B
9. A
10. B
11. D
12. A
13. C
14. B
15. C
16. B
17. C
18. C
19. C
20. A
21. B
22. A
23. C
24. C
25. B
26. Attestation engagements provide assurance as to the compliance with some "suitable criteria" (such as GAAP).

TYPES:
Examination/ Audit: Provides an OPINION as to the material accuracy of financial statements in accordance with GAAP (the suitable criteria). It is the most assurance offered of all the forms of attestation and involves compliance with generally accepted auditing standards.

Review: Like an audit, the suitable criteria is conformity of financial statements to GAAP. Provides a REPORT of NEGATIVE ASSURANCE. No opinion is rendered and is substantially less in scope than an audit.

Agreed Upon Procedures: Suitable criteria are defined by the "agreed upon procedures" to be performed. There is no opinion, only a "summary of findings"
<table>
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<th>Points Allocated</th>
<th>Problem Number</th>
</tr>
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<tr>
<td><strong>Total Points</strong></td>
<td><strong>255</strong></td>
</tr>
</tbody>
</table>
27. (1) Auditor is required to consider the risks of fraud during planning and to design the audit procedures based upon that risk assessment.

(2) Auditors are responsible for detecting all material misstatements whether caused by error or fraud.

(3) An auditor would only be responsible for detecting immaterial fraud in the event that the fraud was a result of a risk factor which should have been identified by the auditor during their engagement planning's specific assessment of fraud risks.

28. Existence
   Completeness
   Rights & Obligations
   Valuation
   Presentation and disclosure

   Valuation generally receives the most attention as it involves the most subjectivity, and consequently carries a high degree of inherent risk.

29. UNQUALIFIED: The auditor renders an opinion that the financial statements are materially in accordance with GAAP

   QUALIFIED: Auditor expresses and opinion that "except for" a departure which is clearly described, including its impact, the financial statements are materially in accordance with GAAP

   DISCLAIMER: There has been a scope limitation preventing the auditor from being able to perform an audit in accordance with GAAS, and the auditor disclaims their opinion relative to the impacts from that restriction.

   ADVERSE: No opinion is rendered as there are severe departures from GAAP.

30. Planned
   Internal control considered
   Sufficient Competent Evidential matter obtained.

31. General standards: Govern the auditing firm and planning of engagements.

   Fieldwork: Govern the performance of an audit engagement.

   Reporting: Govern the issuance of opinions under GAAS.