

※注意：「第一大題選擇題考生應作答於『答案卡』，並請用 2B 鉛筆作答。」

第一大題: Multiple Choice Questions : (選擇題，每題 2 分，共 60 分)

1. The auditor performs analytical procedures and discovers an unexplained increase in the gross margin percentage. A possible explanation for this is:
- A. A change in the sales mix in the current year such that a greater percentage of unit sales are low margin items.
 - B. Unrecorded sales.
 - C. Unrecorded inventory.
 - D. Fictitious sales.
2. Analytical procedures used in planning an audit should focus on:
- A. Reducing the scope of tests of controls and substantive tests.
 - B. Providing assurance that financial statement errors have been identified.
 - C. Enhancing the auditor's understanding of the client's business.
 - D. Assessing the adequacy of the available evidential matter.
3. What assurance does the auditor provide that errors, fraud and indirect illegal acts that are material to the financial statements will be detected?
- | | Errors | Fraud | Indirect Effect
Illegal Acts |
|----|------------|------------|---------------------------------|
| A. | Reasonable | Limited | Limited |
| B. | Reasonable | Reasonable | None |
| C. | Reasonable | Limited | Reasonable |
| D. | Reasonable | Limited | None |
4. When the scope of the auditors examination has been limited, the auditor may generally issue a(an): (dependent on materiality of the item)
- | | Qualified
Opinion Only | Disclaimer
of opinion |
|----|---------------------------|--------------------------|
| A. | Yes | No |
| B. | Yes | Yes |
| C. | No | Yes |
| D. | No | No |
5. Which of the following would most likely indicate the existence of related parties?
- A. Writing down obsolete inventory prior to year end.
 - B. Failing to correct weaknesses in the client's internal control structure.
 - C. An unexplained increase in gross margin.
 - D. Borrowing money at a rate significantly below the market rate.

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6. When an auditor qualifies an opinion because of inadequate disclosure, the auditor should describe the nature of the omission in a separate explanatory paragraph and modify the

	Introductory paragraph	Scope paragraph	Opinion paragraph
A.	No	No	Yes
B.	No	Yes	No
C.	No	Yes	Yes
D.	Yes	Yes	No

7. Which of the following would not be considered an inherent limitation of the potential effectiveness of an entity's internal control structure?

- A. Incompatible duties.
- B. Management override.
- C. Mistakes in judgment.
- D. Collusion among employees.

8. As the acceptable level of control risk decreases, the assurance provided from:

- A. Tests of controls should decrease.
- B. Tests of controls should increase.
- C. Substantive tests of transactions should increase.
- D. Substantive tests of balances should increase.

9. Which of the following internal controls most likely would reduce the risk of diversion of customer receipts by an entity's employees?

- A. A bank lockbox system.
- B. Prenumbered remittance advices.
- C. Monthly bank reconciliations.
- D. Daily deposit of cash receipts.

10. Which of the following audit risk components is usually assessed at the account and assertion level?

	<u>Acceptable Audit Risk</u>	<u>Control Risk</u>	<u>Inherent Risk</u>
A.	Yes	Yes	No
B.	Yes	No	Yes
C.	Yes	Yes	Yes
D.	No	Yes	Yes

11. In considering materiality for planning purposes, an auditor believes that misstatements aggregating \$20,000 would have a material effect on an entity's income statement, and that misstatements would have to aggregate \$10,000 to materially affect the balance sheet. Ordinarily, it would be appropriate to design auditing procedures to detect misstatements that aggregate
- A. \$10,000
 - B. \$20,000
 - C. \$30,000
 - D. \$40,000
12. To determine whether accounts payable are complete, an auditor performs a test to verify that all merchandise received is recorded. The population of documents for this test consists of all:
- A. Vendor's invoices.
 - B. Purchase orders.
 - C. Receiving reports.
 - D. Canceled checks.
13. One of the axioms of auditing is that the auditor's reliance on the performance of substantive tests may properly vary with the extent of reliance on control procedures, as measured by the assessed level of control risk. Which of the following statements, if any, represents an improper interpretation of this axiom, when material financial statement dollar amounts are involved?
- A. Rely 0% on substantive tests, 100% on internal accounting control.
 - B. Rely 25% on substantive tests, 75% on internal accounting control.
 - C. Rely 100% on substantive tests, 0% on internal accounting control.
 - D. None of the above would be improper.
14. As the acceptable level of detection risk increases, an auditor may change the:
- A. Assessed level of control risk from below the maximum to the maximum level.
 - B. Assurance provided by tests of controls by using a larger sample size than planned.
 - C. Timing of substantive tests from year-end to an interim date.
 - D. Nature of substantive tests from a less effective to a more effective procedure.
15. Three characteristics are generally present in the client's organization when fraud occurs. Those conditions include each of the following **except** a(n):
- A. Incentive or pressure to commit fraud.
 - B. Professional skepticism about the likelihood of fraud.
 - C. Opportunity to commit fraud.
 - D. Attitude or rationalization about the act of fraud.
16. A purpose of a management representation letter is to reduce:
- A. Audit risk to an aggregate level of misstatement that could be considered material.
 - B. An auditor's responsibility to detect material misstatements only to the extent that the letter is relied upon.
 - C. The possibility of a misunderstanding concerning management's responsibility for the financial statements.
 - D. The scope of an auditor's procedures concerning related party transactions and subsequent events.

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17. In evaluating the adequacy of the allowance for doubtful accounts, an auditor most likely reviews the entity's aging of receivables to support management's financial assertion of:
- A. Existence or occurrence
 - B. Valuation or allocation
 - C. Completeness
 - D. Rights and obligations
18. Miller Co. uses the first-in, first-out method of costing for its international subsidiary's inventory and the last-in, first-out method of costing for its domestic inventory. Under these circumstances, Miller should issue an auditor's report with an:
- A. "Except for" qualified opinion.
 - B. Unqualified opinion.
 - C. Explanatory paragraph as to consistency.
 - D. Qualified opinion due to lack of consistency.
19. After accounting for a sequence of inventory tags, an auditor traces a sample of tags to the physical inventory listing to obtain evidence that all items:
- A. Included in the listing have been counted.
 - B. Represented by inventory tags have been included in the listing.
 - C. Included in the listing are represented by inventory tags.
 - D. Represented by inventory tags are bona fide.
20. Negative confirmation of accounts receivable is less effective than positive confirmation of accounts receivable because:
- A. A majority of respondents usually lack the willingness to respond objectively.
 - B. Some respondents may report incorrect balances that require extensive follow-up.
 - C. The auditor cannot infer that all nonrespondents have verified their account information.
 - D. Negative confirmations do not produce evidential matter that is statistically quantifiable.
21. The understatement of sales and receivables is best uncovered by:
- A. Test a sample of sales transactions, selecting the sample from prenumbered shipping documents.
 - B. Test a sample of sales transactions, selecting the sample from sales invoices recorded in the sales journal.
 - C. Confirming receivables.
 - D. Reviewing the aged trial balance.
22. Which of the following most likely would give the most assurance concerning the valuation assertion of accounts receivable?
- A. Agree the total accounts receivable per the subsidiary ledger to the balance in the general ledger.
 - B. Comparing receivable turnover ratios to industry statistics for reasonableness.
 - C. Inquiring about receivables pledged under loan agreements.
 - D. Assessing the allowance for uncollectible accounts for reasonableness.

23. An auditor would most likely verify the interest earned on bond investments by:
- A. testing the internal controls over cash receipts.
 - B. vouching the receipt and deposit of interest checks.
 - C. confirming the bond interest rate with the issuer of the bonds.
 - D. recomputing the interest earned on the basis of face amount, interest rate, and period held.
24. Which one of the following analytical procedures would be most helpful in alerting the auditor to the possibility of obsolete inventory?
- A. Compare gross margin percentage with previous years'
 - B. Compare unit costs of inventory with previous years'
 - C. Compare inventory turnover ratio with previous years'
 - D. Compare current year manufacturing costs with previous years'.
25. In connection with a review of the prepaid insurance account, auditors would typically not perform which of the following procedures?
- A. Recompute the portion of the premium that expired during the year.
 - B. Prepare excerpts of insurance policies for audit working papers
 - C. Confirm premium rates with an independent insurance broker.
 - D. Examine support for premium payments.
26. Which of the following statements is false?
- A. The ownership objective is an important part of verifying assets but not liabilities.
 - B. In auditing liabilities, the emphasis is on the search for understatements rather than overstatements.
 - C. Because of the emphasis on understatements in liability accounts, out-of-period liability tests are important for accounts payable.
 - D. The extent of the auditor's search for unrecorded liabilities is not dependent upon the materiality of the potential balance in the account.
27. Which of the following is the best way for an auditor to determine that every name on a company's payroll is that of a bona fide employee presently on the job?
- A. Examine personnel records for accuracy and completeness.
 - B. Examine employees' names listed on payroll tax returns for agreement with payroll accounting records.
 - C. Make a surprise observation of the company's regular distribution of paychecks.
 - D. Visit the working areas and confirm with employees their badge or identification numbers.
28. In monetary-unit sampling, the relationship between the tolerable misstatement size and the required sample size is
- A. direct; that is, larger tolerable misstatement leads to larger sample size.
 - B. inverse; that is, larger leads to smaller.
 - C. varied; that is, sometimes larger = larger, and sometimes larger = smaller.
 - D. indeterminable.

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29. Which of the following statements is true?
- A. The audit procedures will vary as a result of using either statistical or nonstatistical sampling.
 - B. The audit procedures will be the same for either statistical or nonstatistical sampling but they must be performed differently for each.
 - C. Statistical sampling requires quantitative audit procedures whereas nonstatistical sampling requires judgmental audit procedures
 - D. The same audit procedures are performed in the same manner for either statistical or nonstatistical sampling.
30. Which of the following statements is **not** true?
- A. Analytical procedures emphasize the overall reasonableness of transactions and balances.
 - B. Tests of controls are concerned with evaluating whether controls are sufficiently effective to justify reducing control risk and thereby reducing analytical review procedures.
 - C. Substantive tests of transactions emphasize the verification of transactions recorded in the journals and then posted in the general ledger.
 - D. Tests of details of balances emphasize the ending balances in the general ledger.

第二大題： Problem (3 小題，共 40 分) ※ 本大題請於試卷內之「非選擇題作答區」標明題號依序作答。

第一小題： Risk and Materiality (12 分)

Part a:

The following list identifies various aspects of the audit, such as client characteristics, external factors, and auditor decisions that are related to the risk model. For each factor, identify which risk model factor it is **most closely** related to (AAR, IR, CR, or PDR), and the direction of the change (where AAR= Acceptable Audit Risk; IR = Inherent Risk; CR= Control risk; PDR= Planned Detection Risk): (8 分)

	Factor Affected (AAR, IR, CR or PDR)	Direction of change (Increase, decrease, no effect)	Description
1.			The auditor decided to increase the amount of tests of controls.
2.			The auditor decided to observe inventory at all client locations instead of a sample of locations.

Part b:

Following are four situations that involve the audit risk model as it is used for planning audit evidence requirements in the audit of inventory. (4分)

Risk	Situation			
	1	2	3	4
Acceptable audit risk	High	High	Low	Low
Inherent risk	Low	High	High	Low
Control risk	Low	Low	High	High

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Answer: _____ Situation with highest evidence requirements

Answer: _____ Of situations 2 and 4, which has higher evidence requirements?

第二小題:(共 16 分)

Part a: Cutoff (8 分)

Your client had numerous cutoff problems. Potential adjustments for the errors are given below. Additional facts:

- Gross margin on sales = 50%
- Amount of sale = \$10,000 **recorded prior** to year-end

	Adjustment	Debit	Credit
a.	No adjustment		
b.	Cost of sales Inventory	5,000	5,000
c.	Inventory Sales Cost of sales Accounts receivable	5,000 10,000	5,000 10,000
d.	Accounts receivable Sales	10,000	10,000
e.	Sales Accounts receivable	10,000	10,000

For each potential cutoff error indicated below, match the error with the letter of the appropriate adjusting entry given above.

	Letter of adjusting entry	Description of potential cutoff error
1.		Shipment made 1/1; goods were not counted in inventory.
2.		Shipment made 12/31 after inventory counted; goods were not counted in inventory.
3.		Shipment made 1/1; goods were counted in inventory.
4.		Shipment made 12/31 after inventory counted; goods were counted in inventory.

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Part b: Subsequent Events, Discovery and Contingencies (8分)

You completed the fieldwork for the December 31, 1996 audit of Dewman Industries on February 15, 1997, and mailed the completed statements with auditor's report on March 1, 1997. For each of the following highly material events, indicate the appropriate action from the alternatives listed below (no explanation is required):

Possible actions:

- a. Adjust the December 31, 1996 financial statements.
 - b. Disclose the information in the December 31, 1996 financial statements.
 - c. Request the client to recall the December 31, 1996 financial statements.
 - d. No action is required.
1. On February 14th, 1997, you learned that a major customer entered bankruptcy the day before as a result of a catastrophic explosion at their main plant on February 10, 1997. The customer did not have an outstanding balance at December 31, 1996, but made major purchases in January and early February that were still outstanding at the time of the bankruptcy filing.
Action: _____
 2. On March 23, 1997, you learned that a customer was severely injured on January 2, 1997 using one of Dewman's products. To keep the issue quiet, Dewman paid a material settlement on February 12, 1997.
Action: _____
 3. On January 2, 1997, a lawsuit was filed against Dewman claiming damages for patent infringement. Dewman's attorney indicated in his written confirmation that it is highly likely Dewman will lose the case. Using a projection based on lost sales, he estimates the damages will be approximately \$400,000, which is material. The case is still pending, and will go to trial next year. However, the lawyer believes a settlement will be reached before then.
Action: _____
 4. On January 31, 1997, the company settled a lawsuit for \$250,000. The lawsuit had originated in the prior year and is currently listed as a contingent liability.
Action: _____

第三小題:(12分)

What is the **risk-based auditing** approach that can be used by auditors?
Further, what is the main difference between the risk-based auditing approach and the traditional account-based auditing approach?

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