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第一題 (16分):

The following is a list of defalcations that have occurred within various organizations. You may assume that the amounts involved are material. (4 points per defalcation)

- (1) The purchasing agent of a company set up a fictitious vendor and periodically prepared purchase orders to the fictitious vendor. The agent then created bogus receiving reports and sent the receiving reports, vendor invoices, and purchase orders to accounts payable for processing. The fraud amounted to \$125,000 a year for a company with approximately \$12,000,000 in annual sales.
- (2) A purchasing agent systematically paid higher-than-market prices for goods received from an important vendor. In turn, the purchasing agent received various perks from the vendor and kickbacks that amounted to more than half of the purchasing agent's regular annual salary.
- (3) The branch manager of a bank manipulated the dormant accounts (of inactive depositors) and transferred amounts from those accounts to a fictitious account, from which he eventually withdrew the cash. All of the accounts were computerized. Monthly statements were sent to the customers, but all bank personnel were instructed to refer questions about account balances directly to the manager so he could show personal interest in the customers. He would then correct the accounts of any customers who complained.
- (4) The accounts receivable bookkeeper opens the mail and makes the cash deposit. Over a period of time, she has diverted significant funds to herself, covering up the diversion either by misstating the accounts receivable totals by improperly footing the accounts, recording fictitious discounts or returns for the amount of money diverted, or writing off as uncollectible the accounts of customers whose payments have been diverted.

Required:

For each defalcation, briefly indicate:

- (A) How would the auditor have identified the risk that led to each of the above defalcations?
- (B) What broad types of control procedures would have been effective in preventing or detecting each of the above defalcations?

Please use the following format to organize your answers:

No.	How to detect the fraud?	Necessary Internal control procedures
1		
...		
4		

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第二題(12分) Audit situations (1) through (6) present various independent factual situations an auditor might encounter in conducting an audit. Following these audit situations, **List A** represents the types of opinions the auditor ordinarily would issue, and **List B** represents the report modifications (if any) that would be necessary. For each situation, ① select one response from List A and one from List B, and ② briefly explain your selections. Select, as the best answer for each item, the action the auditor normally would take. Items from either list may be selected once, more than once, or not at all (2 points per situation). In answering this question, please assume that:

- The auditor is independent.
- The auditor previously expressed an unqualified opinion on the prior-year financial statements.
- Only single-year (not comparative) statements are presented for the current year.
- The conditions for an unqualified opinion exist unless contradicted in the factual situations.
- The conditions stated in the factual situations are material.
- No report modifications are to be made except in response to the factual situation.

- (1) In auditing the Long-Term Investments account, an auditor is unable to obtain audited financial statements for an investee located in a foreign country. The auditor concludes that sufficient competent evidential matter regarding this investment cannot be obtained but is not significant enough to disclaim an opinion.
- (2) Due to recurring operating losses and working capital deficiencies, an auditor has substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time. However, the financial statement disclosures concerning these matters are adequate.
- (3) The principal auditor decides to refer to the work of another auditor, who audited a wholly owned subsidiary of the entity and issued an unqualified opinion.
- (4) An entity changes its depreciation method for production equipment from the straight-line to a units-of-production method based on hours of utilization. The auditor concurs with the change, although it has a material effect on the comparability of the entity's financial statements.
- (5) An entity is a defendant in a lawsuit alleging infringement of certain patent rights. However, management cannot reasonably estimate the ultimate outcome of the litigation. The auditor believes that there is a reasonable possibility of a significant material loss, but the lawsuit is adequately disclosed in the notes to the financial statements.
- (6) An entity discloses certain lease obligations in the notes to the financial statements. The auditor believes that the failure to capitalize these leases is a departure from GAAP.

List A — Types of Opinions:

- a. A qualified opinion
- b. An unqualified opinion
- c. An adverse opinion

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- d. A disclaimer of opinion
- e. Either a qualified opinion or an adverse opinion
- f. Either a disclaimer of opinion or a qualified opinion
- g. Either an adverse opinion or a disclaimer of opinion

List B — Report Modifications:

- h. Describe the circumstances in an explanatory paragraph *preceding* the opinion paragraph *without modifying* the three standard paragraphs.
- i. Describe the circumstances in an explanatory paragraph *following* the opinion paragraph *without modifying* the three standard paragraphs.
- j. Describe the circumstances in an explanatory paragraph *preceding* the opinion paragraph and *modifying* the opinion paragraph.
- k. Describe the circumstances in an explanatory paragraph *following* the opinion paragraph and *modifying* the opinion paragraph.
- l. Describe the circumstances in an explanatory paragraph *preceding* the opinion paragraph and *modifying* the *scope* and *opinion* paragraphs.
- m. Describe the circumstances in an explanatory paragraph *following* the opinion paragraph and *modifying* the *scope* and *opinion* paragraphs.
- n. Describe the circumstances within the *scope* paragraph without adding an explanatory paragraph.
- o. Describe the circumstances within the *opinion* paragraph without adding an explanatory paragraph.
- p. Describe the circumstances within the *scope* and *opinion* paragraphs without adding an explanatory paragraph.
- q. Describe the circumstances in the *introductory* paragraph without adding an explanatory paragraph, and modify the wording of the *scope* and *opinion* paragraphs.
- r. Issue the *standard* auditor's report *without modification*.

Please use the following format to organize your answers:

Audit Situation	List A Type of Opinion	List B Report Modification	Brief Explanation
1			
...			
6			

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第三題 (20 分):

Suppose you were the auditor of Noklia Company. During prior years' audits you used the ratio estimation sampling to test Noklia's accounts receivable. For the current year, however, you decided to adopt the probability proportional to size (PPS) sampling to evaluate whether there are material misstatements in Noklia's accounts receivable balance. Based on Noklia's accounting records, the book value of the ending accounts receivable is \$4,500,000. Before executing the sampling plan, you made the following professional judgments and decisions:

- (1) Since you would like to be more certain that the ending accounts receivable balance is not materially misstated, you set the audit risk at 4.5%.
- (2) You concluded that there was a high likelihood of misstatement, ignoring internal controls, in accounts receivable. Therefore, you assessed Noklia's inherent risk at 90%.
- (3) After conducting the tests of controls, you decided to set the control risk at 50%.
- (4) Since you planned to conduct some other substantive procedures in addition to the PPS sampling in auditing Noklia's accounts receivable, you assessed the *other substantive procedure risk* at 50%.
- (5) You estimated the performance materiality of Noklia's accounts receivable to be 6% of its year-end book value.
- (6) Based on your knowledge of the changes in Noklia's credit policy, you expected that an overstatement of \$125,000 in Noklia's accounts receivable is reasonable.
- (7) You obtained the following PPS sampling table from AICPA's *Audit Sampling guide*:

Test of Detailed Risk	1%	5%	10%	15%	20%	25%
Error Expansion Factor	1.90	1.60	1.50	1.40	1.30	1.25
Reliability Factor	4.61	3.00	2.31	1.90	1.61	1.39
Incremental allowance for sampling error (Ranked Overstatement Error)						
1	1.03	0.75	0.58	0.48	0.39	0.31
2	0.77	0.55	0.44	0.34	0.28	0.23
3	0.64	0.46	0.36	0.30	0.24	0.18
4	0.56	0.40	0.31	0.25	0.21	0.17
5	0.50	0.36	0.28	0.23	0.18	0.15
6	0.46	0.33	0.26	0.21	0.17	0.13
7	0.43	0.30	0.24	0.19	0.16	0.13
8	0.41	0.29	0.22	0.18	0.14	0.12
9	0.38	0.27	0.21	0.17	0.14	0.11

Required:

- (A) Compute the PPS sampling interval (rounded to the nearest dollar) and the maximum sample size in your sampling plan. (5 points)
- (B) Suppose you have selected a random start of \$7,800, identify the account items that would be included in the sample from the first 10 book values listed below: (3 points)

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Account Item No.	Book Values	Account Item No.	Book Values
1	\$3,489	6	\$41,500
2	\$4,955	7	\$9,600
3	\$33,145	8	\$11,950
4	\$48,679	9	\$55,125
5	\$66,800	10	\$75,368

(C) Suppose, after sending positive confirmation to the selected customers, you discovered the following misstatements in the sample:

Customers	Book Value	Audited Value
DeFond	\$94,150	\$50,000
Ohlson	\$14,600	\$5,840
Sloan	\$57,350	\$40,145
Lennox	\$65,450	\$52,360

Based on the sampling results, what audit conclusion can you reach about the fairness of Noklia's ending accounts receivable (rounded all dollar amounts to the nearest dollar)? (8 points)

(D) Suppose, in addition to the four misstatements you found in (C) above, you also found the following two misstatements in your sample:

Customers	Book Value	Audited Value
Penman	\$39,580	\$55,412
Larcker	\$89,560	\$110,350

Based on the sampling results you found in (C) and (D), what statistical conclusion can you reach about Noklia's ending accounts receivable balance? (4 points)

第四題 (12 分):

Pembroke Company had poor internal control over its cash transactions. The following are facts about its cash position on November 30, 2012:

- (1) The cash receipt and disbursement journals showed a debit balance of \$18,901.62, which included undeposited cash receipts.
- (2) A credit of \$100 on the bank statement did not appear on the Company's cash journals.
- (3) The balance, according to the bank statement, was \$15,550.
- (4) Outstanding checks include: No. 62 for \$116.25, No. 183 for \$150, No. 284 for \$253.25, No. 8621 for \$190.71, No. 8623 for \$206.80, and No. 8632 for \$145.28.
- (5) The only deposit was in the amount of \$3,794.41 on December 7, 2012.

The cashier handles all incoming cash and makes the bank deposits personally. He also reconciles the monthly bank statement. His November 30 bank reconciliation is as follows:

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Balance per book, November 30, 2012		\$18,901.62
Add: Outstanding checks:		
No. 8621	\$190.71	
No. 8623	206.80	
No. 8632	45.28	<u>442.79</u>
		\$19,344.41
Less: Undeposited receipts		<u>3,794.41</u>
Balance per bank, November 30, 2012		\$15,550.00
Deduct: Unrecorded credit		<u>100.00</u>
True cash, November 30, 2012		<u>\$15,450.00</u>

Required:

- (A) You suspect that the cashier may have misappropriated some money and are concerned specifically that some of the undeposited receipts of \$3,794.41 may have been stolen. Prepare a schedule showing your estimate of the loss. (6 points)
- (B) How did the cashier attempt to conceal the theft? (2 points)
- (C) If the cashier's October 31 bank reconciliation is known to be in order and you start your audit on December 10, what specific auditing procedures could you perform to discover the theft? (4 points)

第五題 (12分):

Bass Pro Shop is a catalog retailer concentrating on fishing and hunting equipment. It prints an annual catalog containing over 200 pages of products, as well as approximately six special sale catalogs during the year. Products range from fishing lures retailing for \$1.29 to boat packages for over \$25,000. Purchases can be paid for by personal checks, *MasterCard*, or *VISA*. Customers can mail in their order (with check or credit card information included) or may place an order by calling the company's toll-free number.

The company has implemented an on-line order entry system by which computer operators take the customer orders, check the availability of items for shipment, and confirm the invoice amounts with the customers. Once an order is taken, the system generates a shipping and packing document, places a hold on the inventory, and prepares an invoice (and recording of sales) when items are shipped.

Required:

Identify the application control procedures you would recommend to control Bass Pro Shop's on-line order-taking process. For each control procedure you identify, please indicate the following two audit implications if a deficiency in the control procedure is found: ① the *potential types of errors or irregularities* that could occur because the control is not put in operation, and ② the *audit procedures* the auditor might take to test the year-end account balances. Please use the following

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format to organize your answers:

No.	Application Control Procedure	Potential Errors or Irregularities	Audit Procedures
1			
...			

第六題 (6分):

以下為某會計師針對某醫療社團法人所出具之會計師查核報告:

會計師查核報告

○○醫療社團法人 公鑒：

○○醫療社團法人民國九十六年十二月三十一日之資產負債表暨民國九十六年一月一日至九十六年十二月十一日之損益表、社員權益變動表及現金流量表，業經本會計師查核竣事。上開財務報表之編製係管理階層之責任，本會計師之責任則為根據查核結果對上開財務報表表示意見。

本會計師係依照「會計師查核簽證財務報表規則」暨一般公認審計準則規劃並執行查核工作，以合理確信財務報表有無重大不實表達。此項查核工作包括以抽查方式獲取財務報表所列金額及所揭露事項之查核證據、評估管理階層編製財務報表所採用之會計原則及所作之重大會計估計，暨評估財務報表整體之表達。本會計師相信此項查核工作可對所表示之意見提供合理之依據。

依本會計師之意見，第一段所述財務報表在所有重大方面係依照醫療法人財務報告編製準則、醫療法及一般公認會計原則編製，足以允當表達○○醫療社團法人民國九十六年十二月三十一日之財務狀況，暨民國九十六年一月一日至九十六年十二月三十一日之經營成果與現金流量。

依附註十五所述，改設醫療社團法人之民國九十六年度自改設基準日至核准登記日間之收支損益業經民國九十七年十一月八日社員總會決議通過，其損益歸屬為○○醫院負責人。

本報告僅提供○○醫療社團法人董事會及管理階層與行政院衛生署使用，不得作為其他用途。

行政院衛生署認為該查核報告並不符合審計準則公報第二十八號之規定，惟該會計師提出下列理由答覆衛生署：

備註	試題隨卷繳交
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- (1) 審計準則公報第二十八號第二條所述：「本公報所稱特殊目的查核報告，係指查核下列各款所提出之報告：...第3款，法令規定或契約約定條款之遵循。...」。同號公報第十七條特殊目的查核財務報表略謂：「財務報表係依法令規定或契約約定方式表達，該項表達除未列示所有資產、負債、收入、費用外，仍符合一般公認會計原則或其他綜合會計基礎之規定」。
- (2) 衛生署財務審議委員會約定醫療社團法人須自醫療社團法人改設基準日起至核准登記日間的營運損益，計入受託經營者之損益，得不計入醫療社團法人之損益，致醫療社團法人的資產負債日之財務狀況所涵蓋之財務資訊及交易事項，包括由改設基準日起至核准登記日止；然而，損益表的會計期間則不含此期間的營運損益，亦即該報表並未列示所有收入、費用等財務資訊。
- (3) 依衛生署所頒布之醫療法人財務報告編製準則與衛生署財務審議委員會之特殊規定所編製之醫療社團法人財務報告，其已符合審計準則公報第二十八號第二條所述之特殊目的查核報告，因而得依同號公報第四條之規定，於查核報告意見段後另加一說明段，說明出具報告之目的及其使用之限制。
- (4) 醫療社團法人財務報告係依據醫療法人財務報告編製準則規定所編製之特定報表，該報表除未列示所有資產、負債、收入、費用外，仍符合一般公認會計原則基礎。
- (5) 財務報表所提供之資訊有助於使用者作成經濟決策之品質特性，可比較性為其一。由於醫療社團法人財務報告之資產負債表與損益表的會計期間與財務資訊不一致，致影響會計資訊品質與財務報表之可比較性，為免衛生署與醫療社團法人董事會以外人士對財務報告之誤解，致於查核報告意見段後另加一說明段。

請問：該會計師的論點正確嗎？其查核報告是否符合審計準則公報第二十八號之規定？

第七題 (22分):

In 2012 Kida Company purchased more than \$10 million worth of office equipment under its 'special' ordering system, with individual orders ranging from \$5,000 to \$30,000. 'Special' orders entail low-volume items that have been included in an authorized user's budget. Department heads include in their annual budget requests the types of equipment and their estimated cost. The budget, which limits the types and dollar amounts of office equipment a department head can requisition, is approved at the beginning of the year by the board of directors. Department heads prepare purchase requisition forms for equipment and forward them to the purchasing department. Kida's 'special' ordering system functions as follows:

(A) **Purchasing:** Upon receiving a purchase requisition, one of five buyers verifies that the person requesting the equipment is a department head. The buyer selects the appropriate vendor by searching the various vendor catalogues on file. The buyer then phones the vendor, requests a price

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quotation and gives the vendor a verbal order. A pre-numbered purchase order is processed with the original sent to the vendor, a copy to the department head, a copy to receiving, a copy to accounts payable and a copy filed in the open requisition file. When the buyer is orally informed by the receiving department that the item has been received, the buyer transfers the purchase order from the unfilled file to the filled file. Once a month the buyer reviews the unfilled file and expedites open orders.

(B) **Receiving:** The receiving department receives a copy of the purchase order. When equipment is received, the receiving clerk stamps the purchase order with the date received and, if applicable, in red pen prints any differences between the quantity shown on the purchase order and the quantity received. The receiving clerk forwards the stamped purchase order and equipment to the requisitioning department head and orally notifies the purchasing department.

(C) **Accounts payable:** Upon receiving a purchase order, the accounts payable clerk files it in the open purchase order file. When a vendor invoice is received, the invoice is matched with the applicable purchase order, and a payable is set up by debiting the equipment account of the department requesting the items. Unpaid invoices are filed by due date, and at the due date a check is prepared. The invoice and purchase order are filed by purchase order number in a paid invoice file, and the check is then forwarded to the treasurer for signature.

(D) **Treasurer:** Checks received daily from the accounts payable department are sorted into two groups: those over \$10,000, and those \$10,000 and less. Checks for \$10,000 and less are machine-signed. The cashier keeps the key and signature plate to the check-signing machine and records all use of the check-signing machine. All checks over \$10,000 are signed by the treasurer or the controller.

Required:

- (1) Prepare a flowchart of Kida Company's purchasing and cash disbursements system. (10 points)
- (2) Describe the internal control deficiencies relating to purchases of and payments for 'special' orders of Kida Company for its purchasing, receiving, accounts payable and treasurer functions. (12 points)