

系所組別：會計學系甲組

考試科目：審計學

考試日期：0223，節次：2

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Part I: Multiple-Choice Questions: Select the best answer for each of the following questions (3% for each question) (60%)

1. Which of the following discoveries through the use of analytical procedures would most likely indicate a relatively high risk of financial failure?
 - (A) A decline in gross margin percentages
 - (B) An increase in the balance in fixed assets
 - (C) An increase in the ratio of allowance for uncollectible accounts to gross accounts receivable, while at the same time accounts receivable turnover also decreased
 - (D) A higher than normal ratio of long-term debt to net worth as well as a lower than average ratio of profits to total assets
2. Most auditors believe that financial statements are "presented fairly" when the statements are in accordance with GAAP, and that it is also necessary to:
 - (A) determine that they are not in violation of FASB statements.
 - (B) examine the substance of transactions and balances for possible misinformation.
 - (C) review the statements using the accounting principles promulgated by the SEC.
 - (D) assure investors that net income reported this year will be exceeded in the future.
3. The most common case in which conditions beyond the client's and auditor's control cause a scope restriction in an engagement is when the:
 - (A) auditor is not appointed until after the client's year-end.
 - (B) client won't allow the auditor to confirm receivables for fear of offending its customers.
 - (C) auditor doesn't have enough staff to satisfactorily audit all of the client's foreign subsidiaries.
 - (D) client is going through Chapter 11 bankruptcy.
4. The risk of material misstatement refers to:
 - (A) control risk and acceptable audit risk.
 - (B) inherent risk.
 - (C) the combination of inherent risk and control risk.
 - (D) inherent risk and audit risk.
5. The trait that distinguishes auditors from accountants is the:
 - (A) auditor's ability to interpret accounting principles generally accepted in the United States.
 - (B) auditor's education beyond the Bachelor's degree.
 - (C) auditor's ability to interpret FASB Statements.
 - (D) auditor's accumulation and interpretation of evidence related to a company's financial statements.
6. Lewis Corporation has a few large accounts receivable that total one million dollars whereas Clark Corporation has many small accounts receivable that total one million dollars. Misstatement in any one

(背面仍有題目，請繼續作答)

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- account is more significant for Lewis corporation because of the concept of:
- (A) materiality. (B) audit risk. (C) reasonable assurance. (D) comparative analysis.
7. Why does the auditor divide the financial statements into segments around the financial statement cycles?
- (A) Most auditors are trained to audit cycles as opposed to entire financial statements.
(B) The approach aids in the assignment of tasks to different members of the audit team.
(C) The cycle approach is required by auditing standards.
(D) The cycle approach allows the auditor to detect illegal acts.
8. An auditor who is testing IT controls in a payroll system would most likely use test data that contain conditions such as:
- (A) deductions not authorized by employees. (B) overtime not approved by supervisors.
(C) time tickets with invalid job numbers. (D) payroll checks with unauthorized signatures.
9. Hanlon Corp. maintains a large internal audit staff that reports directly to the accounting department. Audit reports prepared by the internal auditors indicate that the system is functioning as it should and that the accounting records are reliable. An independent auditor will probably:
- (A) eliminate tests of controls.
(B) increase the depth of the study and evaluation of administrative controls.
(C) avoid duplicating the work performed by the internal audit staff.
(D) place limited reliance on the work performed by the internal audit staff.
10. Evidence is usually more persuasive for balance sheet accounts when it is obtained:
- (A) as close to the balance sheet date as possible.
(B) only from transactions occurring on the balance sheet date.
(C) from various times throughout the client's year.
(D) from the time period when transactions in that account were most numerous during the fiscal
11. Which of the following types of evidence is **not** available when using substantive tests of transactions?
- (A) Inspection (B) Confirmation (C) Inquiries of the client (D) Reperformance
12. After the balance sheet date but prior to issuance of the auditor's report the auditor learns that the client's facility in a foreign country has been expropriated. Management refuses to disclose this information in a financial statement footnote or present pro-forma data as to the effect of the event. The auditor should:
- (A) add a footnote to the financial statements.
(B) disclaim an opinion due to the client imposed scope limitation.
(C) provide the information in the report and modify the opinion.
(D) issue an unqualified opinion but provide the information in the auditor report.

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13. Which one of the following is **not** true regarding the American Institute of Certified Public Accountants peer review requirement?
- (A) A CPA firm must develop and adhere to quality control standards.
 - (B) Peer reviews are mandatory.
 - (C) A CPA firm will lose AICPA eligibility if a peer review is not performed.
 - (D) Firms required to be registered with and inspected by the PCAOB are exempt.
14. One of the first steps that should be performed for a review of a nonpublic entity's financial statements is to:
- (A) read the financial statements.
 - (B) obtain knowledge of the accounting principles and practices of the client's industry.
 - (C) inquire whether management has omitted substantially all of the disclosures required by applicable accounting standards.
 - (D) apply analytical procedures to provide limited assurance that no material modifications should be made to the financial statements.
15. The primary emphasis by auditors is on controls over:
- (A) classes of transactions.
 - (B) account balances.
 - (C) both A and B, because they are equally important.
 - (D) both A and B, because they vary from client to client.
16. Four of the six Ethical Principles in the AICPA's *Code of Professional Conduct* are equally applicable to all members of the AICPA. Which of the following principles applies only to members in public practice?
- (A) Scope and Nature of Services (B) Integrity (C) Due Care (D) The Public Interest
17. A client has a calendar year-end. Listed below are four events that occurred after December 31. Which one of these subsequent events might result in adjustment of the December 31 financial statements?
- (A) Sale of a major subsidiary
 - (B) Adoption of accelerated depreciation methods
 - (C) Write-off of a substantial portion of inventory as obsolete
 - (D) Collection of 90% of the accounts receivable existing at December 31
18. An auditor who accepts an audit engagement and does not possess the industry expertise of the business entity should:
- (A) engage financial experts familiar with the nature of the business entity.
 - (B) obtain a knowledge of matters that relate to the nature of the entity's business.
 - (C) refer a substantial portion of the audit to another CPA who will act as the principal auditor.

(背面仍有題目，請繼續作答)

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(D) first inform management that an unqualified opinion cannot be issued.

19. Listed below are four interbank cash transfers, indicated by the numbers 1, 2, 3, and 4, of a client for late December 2013 and early January 2014:

	Bank Account One		Bank Account Two	
	Disbursing Date		Receiving Date	
	(Month/Day)		(Month/Day)	
	<u>Per Bank</u>	<u>Per Books</u>	<u>Per Bank</u>	<u>Per Books</u>
1.	12/31	12/30	12/31	12/30
2.	1/2	12/30	12/31	12/31
3.	1/3	12/31	1/2	1/2
4.	1/3	12/31	1/2	12/31

Based on the schedule of interbank transfers above, which of the cash transfers indicates an error in cash cutoff at December 31, 2013?

- (A) 1 (B) 2 (C) 3 (D) 4

20. Matthews & Co., CPAs, issued an unqualified opinion on Dodgers Corporation. Millennium Bank, which relied on the audited financial statements, granted a loan of \$200,00,000 to Dodgers Corporation. Dodgers subsequently defaulted on the loan. To succeed in an action against Matthews & Co., Millennium Bank must prove that the bank was:

- (A) in privity of contract with Dodgers.
- (B) in privity of contract with Millennium.
- (C) free from contributory negligence.
- (D) justified in relying on the financial statements in granting the loan.

II. Problem Analysis (40%)

1. The most common fraud in the acquisition and payment cycle is for the perpetrator to issue payments to fictitious vendors and deposit the cash in fictitious accounts. What procedures could the company take to prevent this type of fraud? (10%)
2. Jennifer enjoyed taking her first auditing course as part of her undergraduate accounting program. While at home during her semester break, she and her father discussed the class and it was clear that he didn't really understand the nature of the audit process as he asked the following questions:
 - a. What is the main objective of the audit of an entity's financial statements?
 - b. The audit represents the CPA firm's guarantee about the accuracy of the financial statements, right?
 - c. Isn't the auditor's primary responsibility to detect all kinds of fraud at the client?
 - d. Given the CPA firm is auditing financial statements, why would they need to understand anything about the client's business?

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- e. What does the auditor do in an audit other than verify the mathematical accuracy of the numbers in the financial statements?

If you were Jennifer, how would you respond to each question in a clear and detail manner? (10%)

3. An audit report prepared by Garrett and Brown, CPAs, is provided below. The audit for the year ended December 31, 2012 was completed on March 1, 2013, and the report was issued to Javlin Corporation, a private company, on March 13, 2013. List any deficiencies in this report. Do not rewrite the report. (20%)

We have examined the accompanying financial statements of Dalton Corporation as of December 31, 2012. These financial statements are the responsibility of the company's management.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted auditing standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from all misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to give an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted throughout the world. Those standards require that we plan and perform the audit to obtain absolute assurance about whether the financial statements are free of misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on management's judgment, including the assessment of the risks of material misstatement of the income statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the auditor's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies and the accuracy of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present accurately the financial position of Javlin Corporation as of December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Garrett and Brown, CPAs

March, 2013