

元智大學 108 學年度 碩士班 招生試題卷

系(所)別： 管理學院財務金
融暨會計碩士班

組別： 會計碩士學程

科目： 審計學

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I、Multiple Choice: Please choose *the best answer* for each of the following questions. (60 points; @2 points)

1. Which of the following is an accurate statement regarding assurance services? (A) Assurance services must be performed by a CPA. (B) An attestation service is not a type of assurance service. (C) Assurance services improve the quality of information for decision makers. (D) Assurance services can only be performed on financial data.
2. Which of the following statements is true as it relates to limited liability partnerships? (A) Only senior partners are liable for the partnerships debts. (B) Partners have no liability in a limited liability partnership arrangement. (C) Partners are personally liable for the acts of those under their supervision. (D) All partners must be AICPA members.
3. When there is uncertainty about a company's ability to continue as a going concern, the auditor's concern is the possibility that the client may not be able to continue its operations or meet its obligations for a "reasonable period of time." For this purpose, a reasonable period of time is considered not to exceed (A) six months from the date of the financial statements. (B) one year from the date of the financial statements. (C) six months from the date of the audit report. (D) one year from the date of the audit report.
4. Which of the following is incorrect concerning scope limitations? (A) If client imposed, the auditor should be concerned about the client trying to prevent discovery of a material misstatement. (B) An unqualified opinion can result if auditors can perform alternative procedures and are satisfied that the information is fairly stated. (C) The most common circumstance imposed scope restriction is due to the client changing their auditors. (D) The most common circumstance imposed scope limitation is when the auditor is appointed after the balance sheet date.
5. When the auditor identifies or suspects noncompliance with laws and regulations, the auditor (A) should discuss the matter with those whom they believe committed the illegal act. (B) begin communication with the FASB in accordance with PCAOB regulations. (C) may disclaim an opinion on the basis of scope limitations if he is precluded by management from obtaining sufficient appropriate evidence. (D) should withdraw from the engagement.
6. The cycle approach to auditing (A) ties to the way transactions are recorded in journals and then summarized in the general ledger and financial statements. (B) cannot combine transactions recorded in different journals with the general ledger balances that result from those transactions. (C) is the only way of segmenting an audit. (D) assumes that each account has two or more cycles associated with it.
7. Internal controls are not designed to provide reasonable assurance that (A) all frauds will be detected. (B) transactions are executed in accordance with management's authorization. (C) the company's resources are used efficiently and effectively. (D) company personnel comply with applicable rules and regulations.
8. The auditor must gather sufficient and appropriate evidence during the course of the audit. Sufficient evidence must (A) be well documented and cross-referenced in the audit documents. (B) be based on sources that are external to company. (C) provide evidence that prove or disprove an audit objective/assertion. (D) be persuasive enough to enable the auditor to issue an audit report.

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9. Which of the following is the most objective type of evidence? (A) a letter written by the client's attorney discussing the likely outcome of outstanding lawsuits (B) the physical count of securities and cash (C) inquiries of the credit manager about the collectability of noncurrent accounts receivable (D) observation of cobwebs on some inventory bins.
10. When dealing with audit risk, (A) audit risk should not be a factor when determining if a new client should be accepted. (B) audits with a low acceptable audit risk generally result in lower audit fees. (C) if management of a company has a reputation of integrity, but is also known to take aggressive financial risk, the auditor should not accept the company as a new client. (D) if the auditor concludes that acceptable audit risk is low, but the client is still acceptable, the auditor may still accept the engagement but increase the fee proposed to the client.
11. Which of the following would most likely not be classified as a related-party transaction? (A) an advance of one week's salary to an employee (B) sales of merchandise between affiliated companies (C) loans or credit sales to the principal owner of the client company (D) exchanges of equipment between two companies owned by the same person.
12. The auditors primary purpose in auditing the client's system of internal control over financial reporting is (A) to prevent fraudulent financial statements from being issued to the public. (B) to evaluate the effectiveness of the company's internal controls over all relevant assertions in the financial statements. (C) to report to management that the internal controls are effective in preventing misstatements from appearing on the financial statements. (D) to efficiently conduct the Audit of Financial Statements.
13. Which of the following is not an underlying principle related to risk assessment? (A) The organization should have clear objectives in order to be able to identify and assess the risks relating to the objectives. (B) The auditors should determine how the company's risks should be managed. (C) The organization should consider the potential for fraudulent behavior. (D) The organization should monitor changes that could impact internal controls.
14. When a compensating control exists, the absence of a key control (A) is no longer a concern because there is no longer a significant deficiency or material weakness. (B) is still a major concern to the auditor. (C) could cause a material loss, so it must be tested using substantive procedures. (D) is magnified and must be removed from the sampling process and examined in its entirety.
15. Which of the following is true regarding the auditor's opinion on the effectiveness of internal control? (A) The auditor is attesting to the effectiveness of internal controls as of the end of the fiscal year. (B) If the client remedies a material weakness before the end of the fiscal year, the auditor must still issue a qualified opinion or a disclaimer of opinion. (C) A scope limitation requires the auditor to issue an adverse opinion. (D) Section 404 requires that the auditor design the audit to detect all deficiencies in internal control.
16. The auditor has determined that a key control in the audit of the sales and collection cycle is that recorded sales are supported by authorized shipping documents and approved customer orders. What typical test of controls should be used in this situation? (A) Examine a sample of duplicate sales invoices to determine that each one is supported by an authorized shipping document and approved customer order. (B) Observe whether shipping documents are forwarded daily to billing and observe when they are billed. (C) Examine a sample of sales invoices and agree prices to the authorized computer price list. (D) Use audit software to trace postings from the batch of sales transactions to the subsidiary and general ledgers.

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17. Which of the following statements is not correct regarding probabilistic and nonprobabilistic sample selection?
(A) In probabilistic selection, every population item has a known chance of being selected. (B) It is acceptable to evaluate a nonprobabilistic sample using statistical methods. (C) Probabilistic selection is required for all statistical sampling methods. (D) Both probabilistic and nonprobabilistic methods are acceptable and commonly used.
18. If the auditor finds extensive control test deviations and significant misstatements while performing substantive tests of transactions and substantive analytical procedures, (A) the cost of the audit should decrease. (B) the auditor will conclude that internal controls are effective. (C) extensive tests of details of balances will need to be performed. (D) the assessed inherent risk should be reduced.
19. In order to promote audit efficiency the auditor considers cost in selecting audit tests to perform. Which of the following audit tests would be the most costly? (A) substantive analytical procedures (B) risk assessment procedures (C) tests of controls (D) tests of details of balances.
20. When an auditor tests to determine if all existing accounts receivable are included in the aged trial balance, (A) they cannot rely on the self-balancing nature of the accounts receivable master file. (B) if all sales to a customer are omitted from the sales journal, it is easy to uncover the understatement of accounts receivable by tests of details of balances. (C) auditors rarely send accounts receivable confirmations to customers with zero balances. (D) unrecorded sales to a new customer are easy to identify for confirmation because that customer is included in the accounts receivable master file.
21. While performing a substantive test of details during an audit, the auditor determined that the sample results supported the conclusion that the recorded account balance was materially misstated. Which of the following is the least likely auditor reaction to this discovery? (A) perform expanded audit tests in the relevant areas (B) increase detection risk in the relevant areas (C) increase the sample size (D) take no action until tests of other audit areas are completed.
22. Because the failure to record disposals of property, plant, and equipment can significantly affect the financial statements, the search for unrecorded disposals is essential. Which of the following is not a procedure used to verify disposals? (A) Make inquiries of management and production personnel about the possibility of the disposal of assets. (B) Review whether newly acquired assets replace existing assets. (C) Test the valuation of fixed assets recorded in prior periods. (D) Review plant modifications and changes in product line, property taxes, or insurance coverage.
23. Which of the following is an accurate statement regarding presentation and disclosure? (A) Auditors generally set the risk as low that all required information may not be completely disclosed in the footnotes. (B) Audit tests performed in earlier audit phases provides sufficient appropriate evidence about contingent liabilities and subsequent events. (C) Auditors do not conduct tests of controls related to disclosures when the initial assessment of control risk is below maximum. (D) In phase IV (completing the audit), auditors evaluate whether the overall presentation of the financial statements and related footnotes complies with accounting standards.
24. An auditor is vouching a sample of hourly employees from the payroll master file to approved time clock or time sheet data in order to provide evidence that (A) employees work the number of hours for which they are paid. (B) payments are made at the contractual rate. (C) product cost information is accurate. (D) segregation of duties is present between the payroll function and the payment function for cash disbursements.

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25. Actual interest expense is significantly higher than the auditor's estimate. This would most likely lead the auditor to conclude that the client has not (A) recorded all long-term interest bearing debt in the accounting records. (B) recorded all interest expense paid or accrued. (C) properly accounted for the discount of bonds payable account. (D) properly recorded interest income.
26. You are auditing Rodgers and Company. You are aware of a potential loss due to noncompliance with environmental regulations. Management has assessed that there is a 40% chance that a \$10M payment could result from the non-compliance. The appropriate financial statement treatment is to (A) accrue a \$4 million liability. (B) disclose a liability and provide a range of outcomes. (C) since there is less than a 50% chance of occurrence, ignore. (D) since there is greater than a remote chance of occurrence, accrue the \$10 million.
27. Reports on agreed-upon procedures are intended to be distributed (A) to only the involved parties, who would have the requisite knowledge about those procedures and the level of assurance resulting from them. (B) to only the involved parties, who would have the requisite knowledge about those procedures but not the level of assurance resulting from them. (C) to any party to whom the client wishes. (D) only to the stockholders of the client.
28. CPAs may provide bookkeeping services to their private company audit clients, but there are a number of conditions that must be met if the auditor is to maintain independence. Which of the following conditions is not necessary? (A) The CPA must not assume a management role or function. (B) The client must hire an external CPA to approve all of the journal entries prepared by the auditor. (C) The auditor must comply with GAAS when auditing work prepared by his/her firm. (D) The client must accept responsibility for the financial statements.
29. The assessment against a defendant of the full loss suffered by a plaintiff regardless of the extent to which other parties shared in the wrongdoing is called (A) separate and proportionate liability. (B) shared liability. (C) unitary liability. (D) joint and several liability.
30. Which of the auditor's defenses is ordinarily not available when lawsuits are filed by a third party? (A) absence of causal connections (B) contributory negligence (C) nonnegligent performance (D) lack of duty.

II、The scenarios below all involve a possible violation of the AICPA's *Code of Professional Conduct*.

(1) Using the list below, indicate which of the *Code of Conduct* Rules applies to the scenario. (9 points)

- a. Independence
- b. Integrity and Objectivity
- c. Contingent Fees
- d. Acts Discreditable
- e. Commissions and Referral Fees
- f. Form of Organization and Name

(2) State if the scenario is a violation of the *Code*. (9 points)

Scenario:

1. Margaret Henry is a partner in the Tupelo office of Jenkins & Thorn, CPAs. Margaret's father is the controller at Markrich Sporting Supplies, Inc., a publicly held company in Tupelo. Markrich is one of Jenkins & Thorn's audit clients. Margaret is not involved in the audit of Markrich.

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2. Jason Alexander is an audit manager with Reese & Co., CPAs. Jason owns 100 share of common stock in one of the firm's audit clients, but he does not provide any audit or non-audit services to the company.
3. The accounting firm of Fine & Herman, CPAs, provides bookkeeping and tax services for Henderson Corporation, a privately held company. Mr. Herman also performs the annual audit of Henderson Corporation.
4. Elaine Cooper, CPA, is the auditor of Paula's Pizza. Toward the end of the audit, Paula gave Elaine her estimate of receivable collectability and Elaine accepted it without any testing.
5. Charley Ray, CPA, is a member of the engagement team that performs the audit of Desiree Corporation. Charley's five-year-old daughter, Becky, received ten shares of Desiree common stock for her fifth birthday in a trust fund established by Becky's grandmother.
6. Freeman and Johnson formed a successful CPA practice ten years ago. In the current year, they approached Adam Sawtooth, a surgeon and medical expert, and asked him to assist them with their growing medical consulting practice. Sawtooth agreed, but only after he was given an ownership interest in the firm. Sawtooth does intend to reduce his private practice hours and spend 40% of his working hours devoted to the Freeman & Johnson practice.
7. Sally Preen has a successful computer network consulting business. Sally has recommended one of her clients to Sam Walton, CPA. To show gratitude for the referral, Sam has agreed to pay Sally a token gift of \$50. Sam has not disclosed the payment arrangement to his new clients.
8. The accounting firm of Smith & Black, CPAs, is negotiating a fee with a new audit client where the client will pay \$50,000 if the client obtains the line of credit needed for working capital purposes. Otherwise, the fee will be \$40,000.
9. Manuel Lopez, CPA, is a senior in a small, local, CPA firm that audits Childress, Inc., a closely held corporation. Manuel's sister was recently appointed as the controller for Childress, Inc.

III、Essay Questions:

- (1) Describe the five sources of information gathered to assess fraud risks. (5 points)
- (2) The internal control framework developed by COSO includes five so-called "components" of internal control. Discuss each of these five components. (10 points)
- (3) Distinguish a significant deficiency in internal control from a material weakness in internal control. How will the presence of one significant deficiency affect an auditor's report on internal control under PCAOB standards? How will the presence of one material weakness affect an auditor's report on internal control under PCAOB standards? (7 points)

End of Exam!