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# Question 1

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## Question Type: MultipleChoice

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Which of the following is true about the term "likely misstatement?"

### Options:

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- A) It refers to misstatements that have not been specifically identified, but which are likely to exist based on the auditor's judgment.
- B) It refers to the cumulative effect of misstatements from prior years on the current year's financial statements.
- C) It refers to misstatements that have been specifically identified by the auditor.
- D) It includes both identified misstatements and an estimate of unidentified misstatements.

### Explanation

Choice 'a' is correct. A 'likely misstatement' is one that has not been specifically identified, but which is likely to exist based on the auditor's judgment.

Choice 'b' is incorrect. 'Likely misstatement' does not refer to the cumulative effect of prior year errors.

It is a measure of misstatements the auditor considers likely to exist, that have not been specifically identified.

Choice 'c' is incorrect. 'Likely misstatement' is a measure of misstatements the auditor considers likely to exist, that have not been specifically identified.

Choice 'd' is incorrect. The term 'likely misstatement' includes only an estimate of potential errors. It does not include specific misstatements identified during the audit.

**Answer:**

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A

## Question 2

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**Question Type:** MultipleChoice

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An annual shareholders' report includes audited financial statements and contains supplementary information required by GAAP. Is it permissible for the auditor to report on such information?

**Options:**

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- A) No, because such reporting may lead to the belief that the auditor is responsible for the information.
- B) No, because the auditor has no responsibility to read the other information in a document containing audited financial statements.
- C) Yes, provided the report provides negative assurance only.
- D) Yes, provided the auditor performs sufficient audit procedures to determine whether the information is fairly stated, in all material respects, in relation to the financial statements.

**Answer:**

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D

**Explanation:**

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Choice 'd' is correct. If the auditor performs sufficient procedures, he or she may report on whether the information is fairly stated, in all material respects, in relation to the financial statements.

Choices 'a' and 'b' are incorrect. The auditor may report on such information.

Choice 'c' is incorrect. The report provides positive assurance about whether the information is fairly stated, in all material respects, in relation to the financial statements.

## Question 3

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**Question Type:** MultipleChoice

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An annual shareholders' report includes audited financial statements and contains supplementary information required by GAAP. Is it permissible for the auditor to report on such information?

**Options:**

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- A) No, because such reporting may lead to the belief that the auditor is responsible for the information.
- B) No, because the auditor has no responsibility to read the other information in a document containing audited financial statements.
- C) Yes, provided the report provides negative assurance only.
- D) Yes, provided the auditor performs sufficient audit procedures to determine whether the information is fairly stated, in all material respects, in relation to the financial statements.

**Answer:**

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D

**Explanation:**

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Choice 'd' is correct. If the auditor performs sufficient procedures, he or she may report on whether the information is fairly stated, in all material respects, in relation to the financial statements.

Choices 'a' and 'b' are incorrect. The auditor may report on such information.

Choice 'c' is incorrect. The report provides positive assurance about whether the information is fairly stated, in all material respects, in relation to the financial statements.

## Question 4

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**Question Type: MultipleChoice**

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Which of the following is true about the term "likely misstatement?"

**Options:**

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- A)** It refers to misstatements that have not been specifically identified, but which are likely to exist based on the auditor's judgment.
- B)** It refers to the cumulative effect of misstatements from prior years on the current year's financial statements.
- C)** It refers to misstatements that have been specifically identified by the auditor.
- D)** It includes both identified misstatements and an estimate of unidentified misstatements.

Explanation

Choice 'a' is correct. A 'likely misstatement' is one that has not been specifically identified, but which is likely to exist based on the auditor's judgment.

Choice 'b' is incorrect. 'Likely misstatement' does not refer to the cumulative effect of prior year errors.

It is a measure of misstatements the auditor considers likely to exist, that have not been specifically identified.

Choice 'c' is incorrect. 'Likely misstatement' is a measure of misstatements the auditor considers likely to exist, that have not been specifically identified.

Choice 'd' is incorrect. The term 'likely misstatement' includes only an estimate of potential errors. It does not include specific misstatements identified during the audit.

**Answer:**

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A



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