Free Questions for CPA-Auditing by ebraindumps

Shared by Weiss on 12-12-2023

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: MultipleChoice

Which of the following statements most likely represents a disadvantage for an entity that keeps microcomputer-prepared data files rather than manually prepared files?

Options:

A- It is usually more difficult to detect transposition errors.

B- Transactions are usually authorized before they are executed and recorded.

C- It is usually easier for unauthorized persons to access and alter the files.

D- Random error associated with processing similar transactions in different ways is usually greater.

Answer:

C

Explanation:

Choice 'c' is correct. Microcomputer systems are sometimes characterized by weak file and data security, and are usually accessible by many office personnel. (Manual systems, in contrast, generally restrict one user from accessing other users' files.) Thus, it is usually easier (increased risk) for unauthorized persons to access and alter computer system files, especially microcomputer system files.

Choice 'a' is incorrect. No difference exists between manual and computer-based systems for detecting transposition errors.

Choice 'b' is incorrect. Transactions should always be authorized before they are executed and recorded, in both manual and computer-based systems.

Choice 'd' is incorrect. Because computer-based processing imposes strict rules on input and processing, generally there are fewer random processing errors.

Question 2

Question Type: **MultipleChoice**

In determining the number of documents to select for a test to obtain assurance that all sales returns have been properly authorized, an auditor should consider the tolerable rate of deviation from the control activity. The auditor should also consider the:

i. Likely rate of deviations.

ii. Allowable risk of assessing control risk too high.

Options:

A- I only.

B- II only.

C- Both I and II.

D- Either I or II.

Answer:

A

Explanation:

Choice 'a' is correct. In determining the number of sample items to select in a test of controls, the auditor would also consider the likely rate of deviations. The higher the expected rate, the greater the number of items selected.

Choices 'b', 'c', and 'd' are incorrect. The process of establishing the number of sample items to select in a test of controls would include the consideration of the allowable risk of assessing control risk too low, not too high.

Question 3

Question Type: MultipleChoice

An auditor may decide to decrease the acceptable level of risk when:

Options:

A- Increased reliability from the sample is desired.

B- Many differences (audit value minus recorded value) are expected.

C- Initial sample results do not support the planned level of control risk.

D- The cost and effort of selecting additional sample items is low.

Answer:

D

Explanation:

Choice 'd' is correct. Decreasing the acceptable level of risk will result in a larger sample size, which the auditor might not want to do unless the cost and effort of selecting additional sample items is low.

Choice 'a' is incorrect. Decreasing the acceptable level of risk doesn't increase the reliability of a given sample. It does, however, result in selection of a larger sample, which in turn makes it less likely that the auditor will make an incorrect decision.

Choice 'b' is incorrect. The auditor's acceptable level of risk is not affected by the extent to which differences are expected.

Choice 'c' is incorrect. Control risk is not relevant in assessing the acceptable level of risk, which is a factor of substantive testing.

Question 4

Question Type: MultipleChoice

Which of the following statements is correct concerning statistical sampling in tests of controls?

Options:

A- Deviations from control procedures at a given rate usually result in misstatements at a higher rate.

B- As the population size doubles, the sample size should also double.

C- The qualitative aspects of deviations are not considered by the auditor.

D- There is an inverse relationship between the sample size and the tolerable rate.

Answer:

D

Explanation:

Choice 'd' is correct. As the auditor's tolerable rate decreases (the auditor cannot accept as large an error rate), the sample size increases and vice-versA. Therefore, there is an inverse relationship between the sample size and the tolerable rate.

Choice 'a' is incorrect. Deviations from control procedures at a given rate usually result in misstatements at a lower rate (i.e., not every deviation from an internal control procedure will necessarily result in a misstatement in the financial statements).

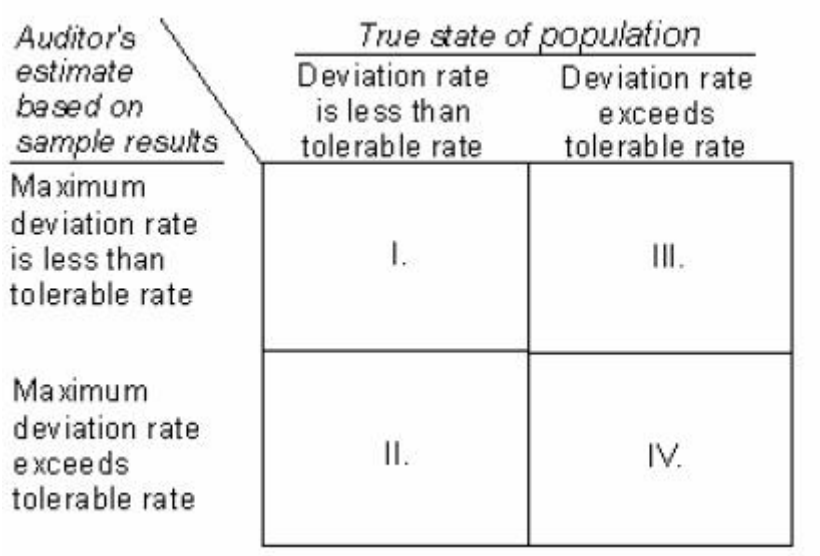
Choice 'b' is incorrect. When using statistical sampling for tests of controls, changing the size of the population has very little effect on the sample size (unless the population is very small).

Choice 'c' is incorrect. Consideration should be given to the qualitative aspects of deviations, including the nature and cause of deviations and the possible relationship of the deviations to other phases of the audit.

Question 5

Question Type: MultipleChoice

The diagram below depicts the auditor's estimated maximum deviation rate compared with the tolerable rate, and also depicts the true population deviation rate compared with the tolerable rate.



As a result of tests of controls, the auditor assesses control risk higher than necessary and thereby increases substantive testing. This is illustrated by situation:

Options:

A- I.

B- II.

C- III.

D- IV.

Answer:

B

Explanation:

Choice 'b' is correct. If, as a result of test of controls, the auditor assesses control risk higher than necessary, then the maximum deviation rate (auditor's estimate) exceeds the tolerable rate (putting us in row 2) and the deviation rate (true state of the population) is less than the tolerable rate (putting us in column 1). The intersection of column 1 and row 2 puts us in box II.

Choice 'a' is incorrect. The auditor estimates that the maximum deviation rate is more than the tolerable rate.

Choice 'c' is incorrect. The question states that the auditor assessed control risk 'higher than necessary.' This implies that the deviation rate (true state of the population) is actually less than the tolerable rate.

Choice 'd' is incorrect. The question states that the auditor assessed control risk 'higher than necessary.' This implies that the deviation rate (true state of the population) is actually less than the tolerable rate.

Question 6

Question Type: MultipleChoice

In a probability-proportional-to-size sample with a sampling interval of $5,000, an auditor discovered that a selected account receivable with a recorded amount of $10,000 had an audit amount of $8,000. If this were the only error discovered by the auditor, the projected error of this sample would be:

Options:

A- $1,000

B- $2,000

C- $4,000

D- $5,000

Answer:

B

Explanation:

CPA-02882 Explanation

Recorded Amount	–	Audit Amount	=	Tainting Percentage	×	Sample Interval	=	Projected Error
$10,000	–	$8,000	=	N/A		N/A		$2,000

N/A = not applicable, as the actual difference of $2,000 is used when the recorded amount is larger than the sample interval.

Choice 'b' is correct. There is a $2,000 projected error in this PPS sample.

Choices 'a', 'c', and 'd' are incorrect, based on the above Explanation: .

Question 7

Question Type: MultipleChoice

Which of the following sampling methods would be used to estimate a numerical measurement of a population, such as a dollar value?

Options:

A- Discovery sampling.

B- Numerical sampling.

C- Sampling for attributes.

D- Sampling for variables.

Answer:

D

Explanation:

Choice 'd' is correct. Variables sampling is used to estimate a numerical measurement of a population, such as the dollar value or the dollar value of errors in the population.

Choice 'a' is incorrect. Discovery sampling is a special case of sampling for 'attributes' (errors) where the auditor's initial estimate of error occurrence is zero or near zero. It does not sample for dollar value.

Choice 'b' is incorrect. The term 'numerical sampling' is not used in statistical sampling and is merely a well-designed distractor.

Choice 'c' is incorrect. Attribute sampling is sampling for errors (or some other attribute). The auditor determines whether the attribute appears or not, but does not try to estimate a numerical measurement of the population.

Question 8

Question Type: MultipleChoice

When using classical variables sampling for estimation, an auditor normally evaluates the sampling results by calculating the possible error in either direction. This statistical concept is known as:

Options:

A- Precision.

B- Reliability.

C- Projected error.

D- Standard deviation.

Answer:

A

Explanation:

Choice 'a' is correct. The statistical concept of precision is used to describe the auditor's evaluation of sampling results by calculating the possible error in either direction.

Choice 'b' is incorrect. Reliability measures how frequently the procedure used will yield differences between the estimated value and the population value.

Choice 'c' is incorrect. Projected error is the auditor's best estimate of the error in the total population based upon evaluating the actual error rate in the sample results. The auditor then adds an allowance for sampling risk to develop a 'precision interval' within which the population is expected to fall.

Choice 'd' is incorrect. Standard deviation is a measure of the variability of a frequency distribution about its mean.