AICPA CPA-Auditing Practice Questions

Shared by Terrell on 16-10-2026

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: MultipleChoice

Which of the following reporting options is least likely with regard to supplementary information that is required by GAAP?

Options:

A- The auditor's report on the financial statements makes no reference to the supplementary information.
B- A disclaimer of opinion is issued on supplementary information that is not clearly distinguished from the financial statements and is not marked 'unaudited.'
C- The auditor's report on the financial statements includes both an opinion on the supplementary information and a statement restricting the use of the report.
D- The auditor's report on the financial statements includes an opinion regarding whether the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Answer:

C

Explanation:

Choice 'c' is correct. There is no requirement that the auditor's report on supplementary information required by GAAP be restricted.

Choice 'a' is incorrect. An auditor is not required to audit supplementary information, and in such cases the auditor's report on the basic financial statements would not generally include a reference to such information.

Choice 'b' is incorrect. When supplementary information that is not clearly distinguished from the financial statements is not marked 'unaudited,' the auditor would generally issue a disclaimer on that information.

Choice 'd' is incorrect. When the auditor chooses to apply auditing procedures to the supplementary information, he or she may express an opinion regarding whether the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Question 2

Question Type: MultipleChoice

In testing plant and equipment balances, an auditor examines new additions listed on an analysis of plant and equipment. This procedure most likely obtains evidence concerning management's assertion of:

Options:

A- Completeness.
B- Existence.
C- Understandability and classification.
D- Valuation and allocation.

Answer:

B

Explanation:

Choice 'b' is correct. By examining the assets listed as new additions on an analysis of plant and equipment, an auditor obtains evidence concerning management's assertion of existence.

Choice 'a' is incorrect. Examining new additions that are already listed on the analysis does not provide evidence of completeness. The assertion of completeness relating to fixed assets might be tested by reviewing large repair and maintenance charges to determine if the cost should more properly have been capitalized (i.e., to evaluate whether fixed asset additions are complete).

Choice 'c' is incorrect. Understandability and classification deals with whether the components of the financial statements are properly presented, described, and disclosed. Examination of new assets does not provide evidence regarding this assertion.

Choice 'd' is incorrect. Valuation and allocation pertains to presentation of balances at their proper amounts. Examination of new assets does not provide evidence regarding this assertion.

Question 3

Question Type: MultipleChoice

Which of the following ratios would an engagement partner most likely calculate when

reviewing the balance sheet in the overall review stage of an audit?

Options:

A- Quick assets/current assets.
B- Accounts receivable/inventory.
C- Interest payable/interest receivable.
D- Total debt/total assets.

Answer:

D

Explanation:

Choice 'd' is correct. During the final review stage of an audit, the auditor focuses on the overall presentation of the financial statements. Total debt/total assets indicates the portion of assets financed by creditors, which is a meaningful ratio to calculate during the final audit review.

Choice 'a' is incorrect. Quick assets/current assets simply indicates the percentage of current assets that are also 'quick' assets. It is not a particularly meaningful ratio.

Choice 'b' is incorrect. Accounts receivable/inventory is not a meaningful ratio because it compares a figure based on retail dollars with a cost-based figure.

Choice 'c' is incorrect. Interest payable/interest receivable is not a meaningful ratio because these two amounts are not related.

Question 4

Question Type: MultipleChoice

When an auditor increases the assessed level of control risk because certain control activities were determined to be ineffective, the auditor would most likely increase the:

Options:

A- Extent of tests of controls.
B- Level of detection risk.
C- Extent of tests of details.
D- Level of inherent risk.

Explanation
Choice 'c' is correct. As the assessed level of control risk increases, the acceptable level of detection risk for financial statement assertions decreases. To attain a decreased level of detection risk, greater assurance is needed from substantive tests. Increasing the extent of tests will provide greater assurance.
Choice 'a' is incorrect. Tests of controls are used to assess the level of control risk. Once such assessment is made, there is no need to perform further tests of controls.
Choice 'b' is incorrect. As the assessed level of control risk increases, the acceptable level of detection risk decreases. In this way, the auditor can keep total audit risk to an acceptable level.
Choice 'd' is incorrect. Inherent risk is based on the nature of the assertion and cannot be changed.

Answer:

C

Question 5

Question Type: MultipleChoice

An accountant's standard report on a compilation of a projection should not include a statement that:

Options:

A- There will usually be differences between the forecasted and actual results.
B- The hypothetical assumptions used in the projection are reasonable in the circumstances.
C- The accountant has no responsibility to update the report for future events and circumstances.
D- The compilation of a projection is limited in scope.

Answer:

B

Explanation:

Choice 'b' is correct. An accountant's standard report on a compilation of a projection does not include a statement that the hypothetical assumptions used in the projection are reasonable in the circumstances.

Choice 'a' is incorrect. An accountant's standard report on a compilation of a projection does state that there will usually be differences between the forecasted and actual results.

Choice 'c' is incorrect. An accountant's standard report on a compilation of a projection does state that the accountant has no responsibility to update the report for future events and circumstances.

Choice 'd' is incorrect. An accountant's standard report on a compilation of a projection does state that the compilation of a projection is limited in scope ('A compilation is limited to presenting in the form of a projection information that is the representation of management and does not include evaluation of the support for the assumptions underlying the projection.')

Question 6

Question Type: MultipleChoice

An auditor is considering whether the omission of a substantive procedure considered necessary at the time of an audit may impair the auditor's present ability to support the previously expressed opinion. The auditor need not apply the omitted procedure if the:

Options:

A- Financial statements and auditor's report were not distributed beyond management and the board of directors.
B- Auditor's previously expressed opinion was qualified because of a departure from GAAP.
C- Results of other procedures that were applied tend to compensate for the procedure omitted.
D- Omission is due to unreasonable delays by client personnel in providing data on a timely basis.

Answer:

C

Explanation:

Choice 'c' is correct. When the auditor concludes that an auditing procedure considered necessary at the time of the audit was omitted, the auditor should assess the importance of the procedure to the present ability to support the previously issued opinion. The results of other procedures that were applied may tend to compensate for the one omitted or make its omission less important.

Choice 'a' is incorrect. If a procedure has been omitted, the auditor must consider whether other parties may be relying on the financial statements, even if the audit report had limited distribution.

Choice 'b' is incorrect. The fact that the previous opinion was qualified does not negate the need

to apply the omitted procedure.

Choice 'd' is incorrect. Delays by client personnel may extend audit work, but do not provide a reason for omitting a procedure.

Question 7

Question Type: MultipleChoice

The authoritative body designated to promulgate standards concerning an accountant's association with unaudited financial statements of an entity that is not required to file financial statements with an agency regulating the issuance of the entity's securities is the:

Options:

A- Financial Accounting Standards Board.
B- General Accounting Office.
C- Accounting and Review Services Committee.
D- Auditing Standards Board.

Answer:

C

Explanation:

Choice 'c' is correct. The accounting and review services committee is the authoritative body designated to promulgate standards concerning an accountant's association with unaudited financial statements of a nonissuer (i.e., an entity that is not required to file financial statements with an agency regulating the issuance of the entity's securities).

Choice 'a' is incorrect. The Financial Accounting Standards Board (FASB) is responsible for GAAP standards.

Choice 'b' is incorrect. The General Accounting Office (GAO) is responsible for audit standards under the federal 'Single Audit Act.'

Choice 'd' is incorrect. The Auditing Standards Board (ASB) is responsible for auditing standards under GAAS.

Question 8

Question Type: MultipleChoice

An auditor may report on condensed financial statements that are derived from complete financial statements if the:

Options:

A- Condensed financial statements are distributed to stockholders along with the complete financial statements.
B- Auditor describes the additional procedures performed on the condensed financial statements.
C- Auditor indicates whether the information in the condensed financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived.
D- Condensed financial statements are presented in comparative form with the prior year's condensed financial statements.

Answer:

C

Explanation:

Choice 'c' is correct. An auditor may report on condensed financial statements that are derived from financial statements that he or she has audited, indicating (1) that he or she has audited and expressed an opinion on the complete financial statements, (2) the date of the auditor's report, (3) the type of opinion expressed, and (4) that the information contained in the condensed financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived.

Choice 'a' is incorrect. The condensed financial statements do not have to be distributed to the stockholders.

Choice 'b' is incorrect. The audit report on condensed financial statements does not require that additional procedures be described.

Choice 'd' is incorrect. Condensed financial statements do not need to be presented in comparative form with the prior year's financial statements.

Question 9

Question Type: MultipleChoice

An accountant's standard report on a compilation of a projection should not include a:

Options:

A- Statement that a compilation of a projection is limited in scope.
B- Disclaimer of responsibility to update the report for events occurring after the report's date.
C- Statement that the accountant expresses only limited assurance that the results may be achieved.
D- Separate paragraph that describes the limitations on the presentation's usefulness.

Answer:

C

Explanation:

Choice 'c' is correct. A compilation of prospective financial statements is not intended to provide assurance on the prospective financial statements or the assumptions underlying such statements.

Choice 'a' is incorrect. The report on a compilation should include a statement that a compilation is limited in scope.

Choice 'b' is incorrect. The report on a compilation should include a statement that the accountant assumes no responsibility to update the report for events subsequent to the report date.

Choice 'd' is incorrect. The report on a compilation should include a separate paragraph that describes the limitations on the presentation's usefulness.

Question 10

Question Type: MultipleChoice

Which of the following factors is (are) considered in determining the sample size for a test of controls?

	Expected deviation rate	*Tolerable deviation rate*
A.	Yes	Yes
B.	No	No
C.	No	Yes
D.	Yes	No

Options:

A- Option A
B- Option B
C- Option C
D- Option D

Answer:

A

Explanation:

Choice 'a' is correct. To determine the number of items to be selected for a particular sample for a test of controls, the auditor should consider the tolerable rate of deviation from the controls being tested, the likely rate of deviations (expected deviation rate), and the allowable risk of assessing control risk too low.

Choices 'b', 'c', and 'd' are incorrect, per the above Explanation: .

Question 11

Question Type: MultipleChoice

This question consists of an item pertaining to possible deficiencies in an accountant's review report. Jordan & Stone, CPAs, audited the financial statements of Tech Co., a nonissuer, for the year ended December 31, 20X1, and expressed an unqualified opinion. For the year ended December 31, 20X2, Tech issued comparative financial statements. Jordan & Stone reviewed Tech's 20X2 financial statements and Kent, an assistant on the engagement, drafted the accountants' review report below.

Land, the engagement supervisor, decided not to reissue the prior year's auditors' report, but instructed Kent to include a separate paragraph in the current year's review report describing the responsibility assumed for the prior year's audited financial statements. This is an appropriate reporting procedure.

Land reviewed Kent's draft and indicated in the Supervisor's Review Notes below that there were several deficiencies in Kent's draft.

Accountant's Review Report

We have reviewed and audited the accompanying balance sheets of Tech Co. as of December 31, 20X2 and 20X1, and the related statements of income, retained earnings, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants and generally accepted auditing standards. All information included in these financial statements is the representation of the management of Tech Co.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements. Because of the inherent limitations of a review engagement, this report is intended for the information of management and should not be used for any other purpose.

The financial statements for the year ended December 31, 20X1, were audited by us and our report was dated March 2, 20X2. We have no responsibility for updating that report for events and circumstances occurring after that date.

Jordan and Stone, CPAs

March 1, 20X3

Supervisor's Review Notes

There should be no comparison of the scope of a review to an audit in the second (scope) paragraph.

Options:

A- Correct
B- Incorrect

Answer:

B

Explanation:

Incorrect. There is and should be a comparison between a review and an audit in the scope paragraph.

Question 12

Question Type: MultipleChoice

The authority to accept incoming goods in receiving should be based on a (an):

Options:

A- Vendor's invoice.
B- Materials requisition.
C- Bill of lading.
D- Approved purchase order.

Answer:

D

Explanation:

Choice 'd' is correct. The authority to accept incoming goods in receiving should be based upon an approved purchase order.

Choice 'a' is incorrect. A vendor's invoice does not serve as an authority to accept incoming goods since it is generated by the vendor, not a responsible employee in the purchasing department.

Choice 'b' is incorrect. A materials requisition, which is prepared by the ultimate user of the goods, does not serve as an authority to accept incoming goods since it has not been approved by the purchasing department.

Choice 'c' is incorrect. A bill of lading does not serve as an authority to accept incoming goods since it is generated by the carrier, not a responsible employee in the purchasing department.

Question 13

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: .

To Get Premium Files for CPA-Auditing Visit

https://www.p2pexams.com/products/cpa-auditing

For More Free Questions Visit

https://www.p2pexams.com/aicpa/pdf/cpa-auditing

