



Free Questions for CPA-Auditing by certsinside

Shared by Bowen on 20-10-2022

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: MultipleChoice

The management of Cain Company, a nonissuer, engaged Bell, CPA, to express an opinion on Cain's internal control. Bell's report described several material weaknesses and potential errors and irregularities that could occur. Subsequently, management included Bell's report in its annual report to the Board of Directors with a statement that the cost of correcting the weaknesses would exceed the benefits. Bell should:

Options:

- A- Disclaim an opinion as to management's cost-benefit statement.
- B- Advise the Board that Bell either agrees or disagrees with management's statement.
- C- Advise management that Bell's report was restricted for use only by management.
- D- Advise both management and the Board that Bell was withdrawing the opinion.

Answer:

A

Explanation:

Choice 'a' is correct. The auditor should disclaim an opinion as to management's cost-benefit statement (i.e., 'We do not express an opinion or any other form of assurance on management's cost-benefit statement.').

Choice 'b' is incorrect. The CPA should disclaim an opinion regarding management's representation.

Choice 'c' is incorrect. The CPA's report on internal control is not restricted as to use.

Choice 'd' is incorrect. The CPA does not need to withdraw the opinion as long as a disclaimer on management's cost-benefit statement is presented.

Question 2

Question Type: MultipleChoice

Which of the following statements concerning material weaknesses and significant deficiencies is correct with respect to an audit of a nonissuer?

Options:

A- An auditor need not identify and communicate material weaknesses separately from significant deficiencies.

- B-** All material weaknesses are significant deficiencies.
- C-** An auditor should report immediately material weaknesses and significant deficiencies discovered during an audit.
- D-** All significant deficiencies are material weaknesses.

Answer:

B

Explanation:

Choice 'b' is correct. A material weakness in internal control is a significant deficiency that results in more than a remote likelihood that a material misstatement in the financial statements will not be prevented or detected.

Choice 'a' is incorrect. The auditor is required to separately identify and communicate significant deficiencies and material weaknesses.

Choice 'c' is incorrect. Significant deficiencies (including material weaknesses) are generally communicated to the appropriate parties after the audit is complete. They may, at the auditor's discretion, be communicated during the audit, but there is no requirement for immediate communication.

Choice 'd' is incorrect. A material weakness is a significant deficiency that results in more than a remote likelihood that a material misstatement in the financial statements will not be prevented or detected. Not all significant deficiencies will meet this description.

Question 3

Question Type: MultipleChoice

Processing data through the use of simulated files provides an auditor with information about the operating effectiveness of controls. One of the techniques involved in this approach makes use of:

Options:

- A- Controlled reprocessing.
- B- An integrated test facility.
- C- Input validation.
- D- Program code checking.

Answer:

B

Explanation:

Choice 'b' is correct. An integrated test facility runs test transactions through the 'live' system and posts to simulated (dummy) files to provide an auditor with information about the operating effectiveness of controls.

Choice 'a' is incorrect. Controlled reprocessing of transactions is a less common term used for parallel processing where the auditor writes a program to 'reprocess' some or all of the client's live data. It does not involve the use of simulated files.

Choice 'c' is incorrect. Input validation is a general description of any test that ensures that the input was accurate. It does not involve the use of simulated files.

Choice 'd' is incorrect. Program code checking is the review of the client's program source code by a qualified auditor/IT specialist. It does not involve the use of simulated files.

Question 4

Question Type: MultipleChoice

When engaged to express an opinion on a nonissuer's internal control, an accountant should:

Options:

- A-** Obtain management's written assertions regarding whether the company has maintained effective internal control.
- B-** Qualify any opinion concerning management's assertion that the cost of correcting any weaknesses exceeds the benefits.
- C-** Keep informed of events subsequent to the date of the report that might have affected the accountant's opinion.

D- Disclaim an opinion on whether the system taken as a whole is sufficient to prevent or detect material errors or irregularities.

Answer:

A

Explanation:

Choice 'a' is correct. An auditor should obtain management's written assertion about the effectiveness of the entity's internal control.

Choice 'b' is incorrect. The accountant should disclaim (not qualify) an opinion on management's assertions that the cost of correcting weaknesses exceeds the benefits.

Choice 'c' is incorrect. The accountant has no responsibility to evaluate the effect of subsequent events. In fact, the report on an entity's internal control specifically states that projections of the internal control evaluation to future periods is inappropriate.

Choice 'd' is incorrect. The accountant does provide an opinion (and not a disclaimer) on the effective operation of internal control.

Question 5

Question Type: MultipleChoice

With respect to the audit of a nonissuer, significant deficiencies are matters that come to an auditor's attention, which should be communicated to an entity's management and those charged with governance because they represent:

Options:

- A-** Material irregularities or illegal acts perpetrated by high-level management.
- B-** Deficiencies in the design or operation of internal control that could reasonably be expected to cause a non-inconsequential misstatement in the financial statements.
- C-** Flagrant violations of the entity's documented conflict-of-interest policies.
- D-** Intentional attempts by client personnel to limit the scope of the auditor's fieldwork.

Answer:

B

Explanation:

Choice 'b' is correct. Significant deficiencies in the design or operation of internal control should be communicated to management and those charged with governance because there is more than a remote likelihood that they will result in a financial statement misstatement that is more than inconsequential.

Choice 'a' is incorrect. Irregularities or illegal acts may not represent deficiencies in internal control (e.g., if such acts occur through collusion).

Choice 'c' is incorrect. Significant deficiencies do not necessarily involve violations of an entity's conflict-of-interest policies.

Choice 'd' is incorrect. Interfering with the auditor's procedures would not constitute a significant deficiency, since such interference would not affect the financial statements.

Question 6

Question Type: MultipleChoice

The two requirements crucial to achieving audit efficiency and effectiveness with a microcomputer are selecting:

Options:

- A-** The appropriate audit tasks for microcomputer applications and the appropriate software to perform the selected audit tasks.
- B-** The appropriate software to perform the selected audit tasks and client data that can be accessed by the auditor's microcomputer.
- C-** Client data that can be accessed by the auditor's microcomputer and audit procedures that are generally applicable to several clients in a specific industry.
- D-** Audit procedures that are generally applicable to several clients in a specific industry and the appropriate audit tasks for microcomputer applications.

Answer:

A

Explanation:

Choice 'a' is correct. In microcomputer audit applications, efficient and effective system usage requires:

- (1) identification of the appropriate audit tasks and
- (2) appropriate software to perform the selected audit tasks.

Choice 'b' is incorrect. Although microcomputer access to client data is desirable, it is not required.

Choice 'c' is incorrect. Although microcomputer access to client data is desirable, it is not required. Also, microcomputer audit applications need not be applicable to several clients to be efficient and effective.

Choice 'd' is incorrect. Microcomputer audit applications need not be applicable to several clients to be efficient and effective.

Question 7

Question Type: MultipleChoice

Which of the following characteristics distinguishes computer processing from manual processing?

Options:

- A-** Computer processing virtually eliminates the occurrence of computational error normally associated with manual processing.
- B-** Errors or irregularities in computer processing will be detected soon after their occurrences.
- C-** The potential for systematic error is ordinarily greater in manual processing than in computerized processing.
- D-** Most computer systems are designed so that transaction trails useful for audit purposes do not exist.

Answer:

A

Explanation:

Choice 'a' is correct. Computer processing virtually eliminates the occurrence of (random) computational errors normally associated with manual processing. This is a major benefit of computer processing over manual processing.

Choice 'b' is incorrect. Depending on human involvement and review, errors or irregularities in computer processing may not be detected quickly.

Choice 'c' is incorrect. The potential for systematic errors (e.g., incorrect programming, incorrect data entry) is greater in a computerized system due to reduced human involvement in processing.

Choice 'd' is incorrect. Only poorly designed computerized systems provide no audit trail capabilities.

Question 8

Question Type: MultipleChoice

With respect to the audit of a nonissuer, significant deficiencies are matters that come to an auditor's attention that should be communicated to an entity's management and those charged with governance because they represent:

Options:

- A-** Manipulation or falsification of accounting records or documents from which financial statements are prepared.
- B-** Disclosures of information that significantly contradict the auditor's going concern assumption.
- C-** Material irregularities or illegal acts perpetrated by high-level management.
- D-** Deficiencies in the design or operation of internal control that could reasonably be expected to cause a non-inconsequential misstatement in the financial statements.

Answer:

D

Explanation:

Choice 'd' is correct. Significant deficiencies in the design or operation of internal control should be communicated to management and those charged with governance because there is more than a remote likelihood that they will result in a financial statement misstatement that is more than inconsequential.

Choice 'a' is incorrect. Manipulation or falsification of accounting records may not represent an internal control deficiency (e.g., if such fraud occurs through collusion).

Choice 'b' is incorrect. Information indicative of a going concern problem is not an internal control deficiency.

Choice 'c' is incorrect. Irregularities or illegal acts may not represent deficiencies in internal control (e.g., if such acts occur through collusion).

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>

