

※ 注意：「第一大題選擇題考生應作答於『答案卡』。」

第一大題: Multiple Choice Questions : (選擇題，每題 2 分，共 60 分)

※ 注意：請用 2B 鉛筆作答於答案卡，並先詳閱答案卡上之「畫記說明」。

1. "Other assurance services" are similar to, yet differ somewhat from, attestation services. When performing "other assurance services," the CPA
- A. is not required to issue a written report, and the assurance is about the reliability and relevance of information.
 - B. is required to issue a written report, and the assurance is about the reliability and relevance of information.
 - C. is not required to issue a written report, and the assurance is about the completeness and sufficiency of information.
 - D. is required to issue a written report, and the assurance is about the completeness and sufficiency of information.

2. In assessing whether to accept a client for an audit engagement, a CPA should consider

	<u>Client Business Risk</u>	<u>Acceptable Audit Risk</u>
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- | | | |
|----|-----|-----|
| A. | Yes | Yes |
| B. | Yes | No |
| C. | No | Yes |
| D. | No | No |

3. Which of the following statements is *false*?

- A. The ownership objective is an important part of verifying assets but not liabilities.
- B. In auditing liabilities, the emphasis is on the search for understatements rather than overstatements.
- C. Because of the emphasis on understatements in liability accounts, out-of-period liability tests are important for accounts payable.
- D. The extent of the auditor's search for unrecorded liabilities is not dependent upon the materiality of the potential balance in the account.

4. What assurance does the auditor provide that errors, fraud and illegal acts that are material to the financial statements will be detected?

	<u>Errors</u>	<u>Fraud</u>	<u>Direct Effect Illegal Acts</u>	<u>Indirect Effect Illegal Acts</u>
A.	Limited	Negative	Limited	Limited
B.	Reasonable	Reasonable	Reasonable	Reasonable
C.	Reasonable	Limited	Limited	None
D.	Reasonable	Reasonable	Reasonable	None

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5. Cutoff misstatements occur when
- A. the auditor mistakenly asks the bank for the end-of-year bank statement instead of the statement which would include the two succeeding weeks.
 - B. subsequent period transactions are recorded in the current period.
 - C. current period transactions are recorded in the subsequent period.
 - D. both b and c above, but not a.
6. Which one of the following statements is *not* true with respect to an audit report issued for a private company's financial statements?
- A. The auditor's report must state whether the client has provided adequate disclosure on the financial statements and in the accompanying notes.
 - B. The auditor's report must disclose if GAAP was not consistently followed from the prior period to the current period.
 - C. The auditor's report must state whether the financial statements were prepared with GAAP.
 - D. The auditor's report must express an opinion on the financial statements taken as a whole, or explain why there is no opinion provided.
7. Which of the following is *not* a primary consideration when assessing inherent risk?
- A. Control environment of the client.
 - B. Existence of related parties.
 - C. Susceptibility to defalcation.
 - D. Nature of client's business.
8. If the balance sheet of a company is dated December 31, 2007, the audit report is dated February 8, 2008, and both are released on February 15, 2008, this indicates that the auditor has searched for subsequent events that occurred up to:
- A. December 31, 2007.
 - B. February 8, 2008.
 - C. February 15, 2008.
 - D. none of these
9. Which of the following is the best example of a substantive test?
- A. Examining a sample of cash disbursements to test whether expenses have been properly approved.
 - B. Confirmation of balances of accounts receivable.
 - C. Comparison of signatures on checks to a list of authorized signers.
 - D. Evidence obtained directly by the auditor is ordinarily more reliable than evidence obtained from other sources.

10. Which of the following statements about the existence and completeness assertions is *not* true?
- A. The existence and completeness assertions emphasize different audit concerns.
 - B. Existence deals with understatements and completeness deals with overstatements.
 - C. Existence deals with overstatements and completeness deals with understatements.
 - D. The completeness assertion deals with unrecorded transactions.
11. Which of the following is *not* a disadvantage of monetary-unit-sampling?
- A. It may be difficult to select samples from large population without computer assistance.
 - B. The total misstatement bounds resulting when misstatements are found may be too low to be useful to the auditor.
 - C. The total misstatement bounds resulting when misstatements are found may be too high to be useful to the auditor.
 - D. Each of the above is a disadvantage.
12. The erroneous inclusion of transactions that should properly be recorded as assets into accounts such as repairs expense, lease expense, or supplies is a common client error. The auditor should evaluate the likelihood of these types of misclassifications in conjunction with:
- A. obtaining an understanding of internal control.
 - B. the test of controls.
 - C. the tests of transactions.
 - D. the tests of details of balances.
13. The primary concern in testing payroll-related liabilities is to make sure that:
- A. accruals are properly valued.
 - B. transactions are recorded in the proper period.
 - C. there are no understated or omitted accruals.
 - D. the accruals are not overstated.
14. The independent auditor should acquire an understanding of the internal audit function as it relates to the independent auditor's study and evaluation of internal control because the:
- A. audit programs, working papers, and reports of internal auditors can often be used as a substitute for the work of the independent auditor's staff.
 - B. procedures performed by the internal audit staff may eliminate the independent auditor's need for an extensive study and evaluation of internal control.
 - C. work performed by internal auditors may be a factor in determining the nature, timing, and extent of the independent auditor's procedures.
 - D. understanding of the internal audit function is an important substantive test to be performed by the independent auditor.
15. SAS No. 99 requires auditors to document which of the following matters related to the auditor's consideration of material misstatements due to fraud?
- A. Reasons supporting a conclusion that there is not a significant risk of material improper expense recognition.
 - B. Procedures performed to obtain information necessary to identify and assess the risks of material fraud.
 - C. Results of the internal auditor's procedures performed to address the risk of management override of controls.
 - D. Discussions with management regarding separation of duties.

16. In obtaining an understanding of an entity's internal control, an auditor is required to obtain knowledge about the:

	<u>Design of Policies and Procedures</u>	<u>Operating Effectiveness of Policies and Procedures</u>
A.	Yes	Yes
B.	No	Yes
C.	Yes	No
D.	No	No

17. An auditor may compensate for a high assessed level of control risk by increasing the:

- A. Extent of substantive tests.
- B. Extent of tests of controls.
- C. Preliminary judgment of acceptable audit risk.
- D. Level of detection risk.

18. An auditor would most likely review an entity's periodic accounting for the numerical sequence of shipping documents and invoices to support management's assertion of

- A. Existence or occurrence.
- B. Completeness.
- C. Valuation or allocation.
- D. Rights and obligations.

19. A key control in the sales and collection cycle is the use of an independent prelist of cash receipts. The use of a prelist is linked most closely with which assertion:

- A. Existence.
- B. Completeness.
- C. Valuation.
- D. Ownership.

20. If the objective of a substantive test of transactions is to detect overstatements of sales, the auditor should trace transactions from the:

- A. Cash receipts journal to the sales journal.
- B. Sales journal to the cash receipts journal.
- C. Source documents to the accounting records.
- D. Accounting records to the source documents.

21. The auditors did not observe the taking of **beginning** inventory and were unable to satisfy themselves as to the value of the beginning inventory by means of other auditing procedures. Assuming no other scope or reporting problems, the auditor could issue an unqualified opinion on the current year's financial statements with respect to:
- A. The balance sheet.
 - B. The income statement.
 - C. The statement of cash flows.
 - D. All of the financial statements.
22. In assessing control risk for purchases, an auditor vouches a sample of entries in the purchases journal to the supporting documents. Which assertion would this test most likely support?
- A. Completeness.
 - B. Existence.
 - C. Valuation or allocation.
 - D. Rights and obligations.
23. Which of the following statements is *not* correct?
- A. Analytical procedures used in the planning phase of the audit are primarily directed at understanding the client's business and directing the auditor's attention to areas that may contain possible misstatements.
 - B. Analytical procedures used in the completion phase are primarily aimed at assessing going concern and secondarily aimed at directing the auditor's attention to areas that may contain possible misstatements.
 - C. Analytical procedures must be used in the planning and completion phases of the audit, and are optional in the testing phase.
 - D. Analytical procedures used in the completion phase are primarily aimed at directing the auditor's attention to areas that may contain possible misstatements and secondarily aimed at assessing going concern.
24. Analytical procedures used in planning an audit should focus on:
- A. Reducing the scope of tests of controls and substantive tests.
 - B. Providing assurance that financial statement errors have been identified.
 - C. Enhancing the auditor's understanding of the client's business.
 - D. Assessing the adequacy of the available evidential matter.
25. Which of the following would most likely indicate the existence of related parties?
- A. Writing down obsolete inventory prior to year end.
 - B. Failing to correct weaknesses in the client's internal control structure.
 - C. An unexplained increase in gross margin.
 - D. Borrowing money at a rate significantly below the market rate.

26. Which of the following errors would be least likely to be discovered during the tests of the bank reconciliation?
- A. Payment was made to an employee for more hours than he worked.
 - B. Cash received by the client subsequent to the balance sheet date was recorded as cash receipts in the current year.
 - C. Payments on notes payable were debited directly to the bank balance by the bank were not entered in the client's records.
 - D. Deposits were recorded in the cash receipts records near the end of the year, deposited in the bank, and were included in the bank reconciliation as a deposit in transit.
27. You are reviewing sales to discover cutoff problems. If the client's policy is to record sales when title to the merchandise passes to the buyer, then the books and records would contain errors if the December 31 entries were for sales recorded:
- A. before the merchandise was shipped.
 - B. at the time the merchandise was shipped.
 - C. several days subsequent to shipment.
 - D. at a time after the point at which title passed.
28. When designing substantive tests of transactions for sales, the auditor is concerned with the possibility of several types of misstatements. Which of the following is *not* one of the types of these misstatements?
- A. Sales being included in the journal for which no shipment was made.
 - B. Sales to related parties, such as officers and subsidiaries.
 - C. Sales recorded more than once.
 - D. Shipments being made to nonexistent customers and recorded as sales.
29. Which of the following is *not* a general control?
- A. The plan of organization and operation of IT activity.
 - B. Procedures for documenting, reviewing, and approving systems and programs.
 - C. Processing controls.
 - D. Hardware controls.
30. Which of the following is *not* an application control?
- A. Preprocessing authorization of sales transactions.
 - B. Reasonableness test for unit selling price of sale.
 - C. Post-processing review of sales transactions by the sales department.
 - D. Separation of duties between computer programmer and operators.

第二大題: Problem (三小題, 共 40 分)

※ 注意：請於試卷上依序作答，並應註明作答之大題及小題題號。

第一小題:(共 13 分)

What is the strategic risk analysis, and process risk analysis, that can be used by auditors? (6 分)
 What are the role of those risk analysis played in the audit process? (3 分) Further, what is the differences between the risk-based strategic-system audit approach and the traditional reductionist audit approach? (4 分)

第二小題: Internal Control (共 14 分)

Part a: The following are controls in the acquisitions and payment cycle. Indicate the transaction objective affected by each control. (8 分)

Transaction-related Audit Objectives

- a. Occurrence
- b. Completeness
- c. Accuracy
- d. Classification
- e. Timing
- f. Posting and summarization

	Control	Objective (letter)
1.	Cancellation of documents prior to signing of the check	
2.	Monthly reconciliation of the accounts payable master file with the general ledger	
3.	Use of prenumbered receiving reports, properly accounted for	
4.	The accounts payable clerk indicates that all invoice extensions have been checked.	

Part b: COSO Internal Control Integrated Framework (6 分)

Match five elements of internal control with the situation provided below:

- (1) Assess participation by those charged with governance.
- (2) Decides upon actions needed to manage risks.
- (3) Assess on a timely basis the design and operation of controls and if it is necessary taking corrective actions.
- (4) Assess communication and enforcement of integrity and ethical values.
- (5) Transactions may be initiated manually or automatically.
- (6) Information processing.

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第三小題: Analytical Procedures (共 13 分)

Formulas:

1. Gross margin percentage = (Sales-Cost of sales)/Sales
2. Accounts receivable turnover = Sales/ending accounts receivable
3. Inventory turnover = Cost of sales/ending inventory

Part a: The following is information based on the Crazy Eddie Company: (4 分)

	2007 \$ (000)	2006 \$ (000)
Sales	352,523	262,286
Cost of sales	272, 255	194,371
Ending inventory	109,072	59,864

1. Calculate the dollar amount of the unexpected change in gross margin for 2007.
 2. Compute the dollar amount of the unexpected change in inventory for 2007.
- b. The following are certain errors that might affect the financial statements. For each error, indicate whether it increases, decreases, or has no effect on the reported ratio. (9 分)

Financial statement error	Ratio (Increase, decrease, or no change)		
	Inventory Turnover	Gross Margin %	Accounts Receivable Turnover
Company recorded fictitious sales in amounts equal to existing sales.			
Company engaged in channel stuffing by shipping product and recording sales before the product was ordered by customers.			
Company included fictitious inventory quantities.			

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