c1

Student: ____

1. Auditing is the process of reviewing the financial information prepared by the management of the company.

True False

2. The relationship of the audit firm to the client can be described as the framework of an employer-employee relationship.

True False

3. Some of the services that fall under attestation standards are reports on: (1) descriptions of systems of internal controls, and (2) tax return preparation.

True False

4. For public companies, management typically prefers lower net income.

True False

5. Today's auditors play a crucial role in business and society.

True False

6. The Auditing Standards Board was formed in 1978 as an equal organization to the American Institute of Certified Public Accountants (AICPA).

True False

7. An important requirement of the auditing standards is that the auditor gather sufficient appropriate evidence to determine whether the financial statements have been prepared by competent individuals.

True False

8. An accounting cycle involves both balance sheet and income statement accounts and follows transactions through a process where it begins to its conclusion.

True False

9. The auditor structures the evidence process by considering the assertions made by a consultant in preparing the financial statements of the company.

True False

10. At the conclusion of the audit, the auditor issues an audit opinion to the SEC.

True False

11. The Securities Act of 1933 and the Securities Exchange Act of 1934 were designed to restore investor confidence in the capital markets.

True False

12. Which of the following is a characteristic of the person doing the assessment of the financial statements?

A.
B.
C.
D.

13. Which of the following is a characteristic of the person doing the assessment of the financial statements?

A.
B.
C.
D.

14. One of the characteristics of a principal-agent relationship is:

A.
B.
C.
D.

15. One of the characteristics of a principal-agent relationship is:

A.
B.
C.
D.

16. One of the characteristics of a principal-agent relationship is:

A.
B.
C.
D.

17. One of the differences between a corporate form of organization and partnership form is:

A.
B.
C.
D.

18. Which of the following best describes "attest" services?

A.
B.
C.
D.

19. The areas where management is more likely to misstate transactions are riskier for the auditor because

A.
B.
C.
D.

20. Which of the following will allow a company to report higher net income?

A.
B.
C.
D.

21. The principle reason(s) for public companies to misstate financial statements is to

A.
B.
C.
D.

22. Growth in revenue is an important factor for many companies. The desired outcome in many businesses is for revenue and possibly net income to increase at a rate at least equal to the prior year's increase. Which of the following best explains this desire?

A.
B.
C.
D.

23. Which of the following is **<u>not</u>** an important part of the audit process?

A.
B.
C.
D.

24. Which of the following is an accurate statement about the accounting profession?

A.
B.
C.
D.

25. Which of the following is not an example of auditors' strong bargaining position with management?

A.
B.
C.
D.

26. Which of the following is an incorrect statement about auditors' professional duties?

A.
B.
C.
D.

27. The three standard setting organizations that are involved in establishing auditing standards are

A.
B.
C.
D.

28. The Auditing Standards Board gets its authority to write auditing regulations from

A.
B.
C.
D.

29. The Preface to the Auditing Standards describes the fundamental principles that govern an audit. According to these principles, the purpose of an audit is

A.
B.
C.
D.

30. The audit opinion states whether the financial statements have been prepared in accordance with an applicable financial reporting framework. In other words, the opinion states whether

A.
B.
C.
D.

31. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

32. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

33. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

34. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

35. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

36. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

37. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

38. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

39. The auditor is unable to obtain absolute assurance that the financial statements are free from material misstatement because of inherent limitations, which arise from

A.
B.
C.
D.

40. The auditor is unable to obtain absolute assurance that the financial statements are free from material misstatement because of inherent limitations, which arise from

A.
B.
C.
D.

41. The auditor is unable to obtain absolute assurance that the financial statements are free from material misstatement because of inherent limitations, which arise from

A.
B.
C.
D.

42. The Auditing Standards Board

A.
B.
C.
D.

43. A practicing auditor uses the material contained in the auditing standards to determine all but which of the following?

A.
B.
C.
D.

44. The Public Companies Accounting Oversight Board (PCAOB) is

A.
B.
C.
D.

45. The Securities Exchange Commission (SEC) has oversight authority over the PCAOB. Which of the following is **not** within the SEC's oversight authority?

A.
B.
C.
D.

46. Before the creation of the PCAOB, the auditing standards of the Auditing Standards Board were used to audit all companies. Which statement best describes the PCAOB and auditing standards?

A.
B.
C.
D.

47. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

48. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

49. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

50. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

51. The PCAOB is required to

A.
B.
C.
D.

52. The PCAOB is required to

A.
B.
C.
D.

53. The PCAOB is required to

A.
B.
C.
D.

54. The PCAOB is required to

A.
B.
C.
D.

55. The International Auditing and Assurance Standards Board

A.
B.
C.
D.

56. An important requirement of the auditing standards is that the auditor

A.
B.
C.
D.

57. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

58. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

59. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

60. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

61. Management is responsible for

A.
B.
C.
D.

62. The auditor is responsible for

A.
B.
C.
D.

63. Which of the following is not a type of evidence gathered by the auditor?

A.
B.
C.
D.

64. Substantive tests of transactions are done to gather evidence on

A.
B.
C.
D.

65. Substantive tests of balances are performed to gather evidence on

A.
B.
C.
D.

66. Substantive tests answer the question

A.
B.
C.
D.

67. If the financial statements do not present fairly the financial condition of the firm in accordance with applicable financial reporting framework, the auditor should

A.
B.
C.
D.

68. Tests done by the auditor that are referred to as internal control tests determine whether

A.
B.
C.
D.

69. If the controls are not working, the auditor is most likely to

A.
B.
C.
D.

70. Which of the following statements describe an analytical procedure?

A.
B.
C.
D.

71. Which of the following statements describe an analytical procedure?

A.
B.
C.
D.

72. Which of the following statements describe an analytical procedure?

A.
B.
C.
D.

73. Which of the following statements is an analytical procedure?

A.
B.
C.
D.

74. Substantive tests of transactions are typically done on transactions

A.
B.
C.
D.

75. Substantive tests of balances are typically done on transactions

A.
B.
C.
D.

76. Tests of controls are typically done on transactions

A.
B.
C.
D.

77. Tests of controls for non public companies are typically done on transactions

A.
B.
C.
D.

78. In the gathering of evidence, several concepts are important. At the beginning of the audit, the auditor presents his credentials to the client as

A.
B.
C.
D.

79. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires the auditor

A.
B.
C.
D.

80. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires

A.
B.
C.
D.

81. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires

A.
B.
C.
D.

82. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires

A.
B.
C.
D.

83. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

84. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

85. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

86. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

87. The revenue business process would include procedures for

A.
B.
C.
D.

88. The revenue business process would include procedures for

A.
B.
C.
D.

89. The revenue business process would include procedures for

A.
B.
C.
D.

90. The revenue business process would include procedures for

A.
B.
C.
D.

91. The business process of selling a product considers evidence related to the transactions involving revenue and accounts receivable, including doubtful accounts and bad debt expense. We use the concept of business processes to structure the way we gather evidence. Which of the following would not be considered a business process?

A.
B.
C.
D.

92. When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

93. When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

94. When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

95. When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

96. The audit report is addressed to

A.
B.
C.
D.

97. Which of the following is considered a regulatory body of the accounting profession?

A.
B.
C.
D.

c1 Key

1. Auditing is the process of reviewing the financial information prepared by the management of the company.

TRUE

AACSB: Communications
AICPA BB: Industry
AICPA FN: Reporting
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #1

2. The relationship of the audit firm to the client can be described as the framework of an employer-employee relationship.

FALSE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #2

3. Some of the services that fall under attestation standards are reports on: (1) descriptions of systems of internal controls, and (2) tax return preparation.

FALSE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #3

4. For public companies, management typically prefers lower net income.

FALSE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #4

5. Today's auditors play a crucial role in business and society.

TRUE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #5

6. The Auditing Standards Board was formed in 1978 as an equal organization to the American Institute of Certified Public Accountants (AICPA).

FALSE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #6

7. An important requirement of the auditing standards is that the auditor gather sufficient appropriate evidence to determine whether the financial statements have been prepared by competent individuals.

FALSE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #7

8. An accounting cycle involves both balance sheet and income statement accounts and follows transactions through a process where it begins to its conclusion.

TRUE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #8

9. The auditor structures the evidence process by considering the assertions made by a consultant in preparing the financial statements of the company.

FALSE

AACSB: Communications

AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #9

10. At the conclusion of the audit, the auditor issues an audit opinion to the SEC.

FALSE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #10

11. The Securities Act of 1933 and the Securities Exchange Act of 1934 were designed to restore investor confidence in the capital markets.

TRUE

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #11

12. Which of the following is a characteristic of the person doing the assessment of the financial statements?

A.
B.
C.
D.

AACSB: Communications
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #12

13. Which of the following is a characteristic of the person doing the assessment of the financial statements?

A.
B.
C.
D.

AACSB: Communications
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Understand
Difficulty: Easy

Stuart - Chapter 01 #13

14. One of the characteristics of a principal-agent relationship is:

A.
B.
C.
D.

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #14

15. One of the characteristics of a principal-agent relationship is:

A.
B.
C.
D.

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #15

16. One of the characteristics of a principal-agent relationship is:

A.
B.
C.
D.

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #16

17. One of the differences between a corporate form of organization and partnership form is:

A.
B.
<u>C.</u>
D.

AACSB: Ethics
AICPA BB: Analytic
AICPA FN: Reporting
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #17

18. Which of the following best describes "attest" services?

A.
B.
<u>C.</u>
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Reporting
Bloom's: Apply
Difficulty: Easy
Stuart - Chapter 01 #18

19. The areas where management is more likely to misstate transactions are riskier for the auditor because

A.
B.
<u>C.</u>
D.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Risk Analysis
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #19

20. Which of the following will allow a company to report higher net income?

A.
<u>B.</u>
C.
D.

AACSB: Analytic

AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #20

21. The principle reason(s) for public companies to misstate financial statements is to

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Understand
Difficulty: Easy
Stuart - Chapter 01 #21

22. Growth in revenue is an important factor for many companies. The desired outcome in many businesses is for revenue and possibly net income to increase at a rate at least equal to the prior year's increase. Which of the following best explains this desire?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Risk Analysis
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #22

23. Which of the following is **not** an important part of the audit process?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #23

24. Which of the following is an accurate statement about the accounting profession?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #24

25. Which of the following is not an example of auditors' strong bargaining position with management?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Evaluate
Difficulty: Medium
Stuart - Chapter 01 #25

26. Which of the following is an incorrect statement about auditors' professional duties?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Risk Analysis
Bloom's: Evaluate
Difficulty: Hard
Stuart - Chapter 01 #26

27. The three standard setting organizations that are involved in establishing auditing standards are

A.
B.
C.
D.

AACSB: Analytic

AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #27

28. The Auditing Standards Board gets its authority to write auditing regulations from

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #28

29. The Preface to the Auditing Standards describes the fundamental principles that govern an audit. According to these principles, the purpose of an audit is

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #29

30. The audit opinion states whether the financial statements have been prepared in accordance with an applicable financial reporting framework. In other words, the opinion states whether

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Reporting
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #30

31. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

AACSB: Ethics
AICPA BB: Legal
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #31

32. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #32

33. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #33

34. Throughout the planning and performance of the audit, auditors are responsible for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking

AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #34

35. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #35

36. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #36

37. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #37

38. To obtain reasonable assurance, which is a high, but not absolute level of assurance, the auditor:

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #38

39. The auditor is unable to obtain absolute assurance that the financial statements are free from material misstatement because of inherent limitations, which arise from

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #39

40. The auditor is unable to obtain absolute assurance that the financial statements are free from material misstatement because of inherent limitations, which arise from

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #40

41. The auditor is unable to obtain absolute assurance that the financial statements are free from material misstatement because of inherent limitations, which arise from

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #41

42. The Auditing Standards Board

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #42

43. A practicing auditor uses the material contained in the auditing standards to determine all but which of the following?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Risk Analysis
Bloom's: Apply
Difficulty: Medium
Stuart - Chapter 01 #43

44. The Public Companies Accounting Oversight Board (PCAOB) is

A.
B.
<u>C.</u>
D.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #44

45. The Securities Exchange Commission (SEC) has oversight authority over the PCAOB. Which of the following is **<u>not</u>** within the SEC's oversight authority?

A.
B.
C.
<u>D.</u>

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #45

46. Before the creation of the PCAOB, the auditing standards of the Auditing Standards Board were used to audit all companies. Which statement best describes the PCAOB and auditing standards?

<u>A.</u>
B.
C.
D.

AACSB: Analytic
AICPA BB: Legal
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #46

47. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #47

48. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #48

49. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #49

50. Which of the following is correct about the PCAOB?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking

AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #50

51. The PCAOB is required to

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #51

52. The PCAOB is required to

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #52

53. The PCAOB is required to

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #53

54. The PCAOB is required to

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making

Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #54

55. The International Auditing and Assurance Standards Board

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #55

56. An important requirement of the auditing standards is that the auditor

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #56

57. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Analyze
Difficulty: Medium
Stuart - Chapter 01 #57

58. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Analyze
Difficulty: Medium
Stuart - Chapter 01 #58

59. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Analyze
Difficulty: Medium
Stuart - Chapter 01 #59

60. Which of the following would **not** be considered audit evidence?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Analyze
Difficulty: Medium
Stuart - Chapter 01 #60

61. Management is responsible for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember

Difficulty: Medium
Stuart - Chapter 01 #61

62. The auditor is responsible for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #62

63. Which of the following is not a type of evidence gathered by the auditor?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #63

64. Substantive tests of transactions are done to gather evidence on

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #64

65. Substantive tests of balances are performed to gather evidence on

A.
B.
C.
D.

AACSB: Analytic

AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #65

66. Substantive tests answer the question

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Risk Analysis
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #66

67. If the financial statements do not present fairly the financial condition of the firm in accordance with applicable financial reporting framework, the auditor should

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #67

68. Tests done by the auditor that are referred to as internal control tests determine whether

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Analytic
AICPA FN: Decision Making
Bloom's: Understand
Difficulty: Medium
Stuart - Chapter 01 #68

69. If the controls are not working, the auditor is most likely to

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #69

70. Which of the following statements describe an analytical procedure?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #70

71. Which of the following statements describe an analytical procedure?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #71

72. Which of the following statements describe an analytical procedure?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking

AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #72

73. Which of the following statements is an analytical procedure?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #73

74. Substantive tests of transactions are typically done on transactions

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #74

75. Substantive tests of balances are typically done on transactions

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #75

76. Tests of controls are typically done on transactions

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #76

77. Tests of controls for non public companies are typically done on transactions

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #77

78. In the gathering of evidence, several concepts are important. At the beginning of the audit, the auditor presents his credentials to the client as

A.
B.
C.
D.

AACSB: Communications
AICPA BB: Legal
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #78

79. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires the auditor

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #79

80. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #80

81. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #81

82. The auditor must gather evidence guided by the standard of due professional care. Due professional care requires

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #82

83. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #83

84. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #84

85. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #85

86. Professional skepticism is closely linked to due professional care. For an auditor to gather evidence with due professional care, he or she must perform the audit with an attitude of professional skepticism. Which of the following best describes professional skepticism?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #86

87. The revenue business process would include procedures for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #87

88. The revenue business process would include procedures for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #88

89. The revenue business process would include procedures for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #89

90. The revenue business process would include procedures for

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #90

91.

The business process of selling a product considers evidence related to the transactions involving revenue and accounts receivable, including doubtful accounts and bad debt expense. We use the concept of business processes to structure the way we gather evidence. Which of the following would not be considered a business process?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #91

92.

When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #92

93.

When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard

94. When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Hard
Stuart - Chapter 01 #94

95. When management presents the financial statements to the auditor, management makes several assertions about the financial statements. Which of the following is not one of these assertions?

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Bloom's: Remember
Difficulty: Medium
Stuart - Chapter 01 #95

96. The audit report is addressed to

A.
B.
C.
D.

AACSB: Analytic
AICPA BB: Legal
AICPA FN: Reporting
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #96

97. Which of the following is considered a regulatory body of the accounting profession?

A.
B.
<u>C.</u>
D.

AACSB: Analytic
AICPA BB: Legal
AICPA FN: Measurement
Bloom's: Remember
Difficulty: Easy
Stuart - Chapter 01 #97

c1 Summary