

Chapter 1 - Auditing: Integral to the Economy

1. The need for assurance services arises because the interests of the users of information may be different from that of the interests of those responsible for providing information.

- a. True
- b. False

ANSWER: True

2. A financial statement audit is a systematic process of objectively obtaining and evaluating evidence.

- a. True
- b. False

ANSWER: True

3. Auditors should conduct their work with an attitude of professional skepticism.

- a. True
- b. False

ANSWER: True

4. A bank using Milton Company's financial statements to determine the creditworthiness of a potential loan to Milton is a good example of the need for unbiased reporting.

- a. True
- b. False

ANSWER: True

5. An integrated audit requires the auditor to assess the effectiveness of internal controls.

- a. True
- b. False

ANSWER: True

6. In all states, a CPA must have completed at least 150 hours of college semester hours to receive their license.

- a. True
- b. False

ANSWER: False

7. The Center for Audit Quality was started by the International Federation of Accountants.

- a. True
- b. False

ANSWER: False

8. The Center for Audit Quality has the primary authority to set auditing standards.

- a. True
- b. False

ANSWER: False

Chapter 1 - Auditing: Integral to the Economy

9. In an audit, management is considered the “client”.

- a. True
- b. False

ANSWER: False

10. Auditing is the process of attesting to assertions about economic actions and events.

- a. True
- b. False

ANSWER: True

11. Auditing is the process of verifying the accuracy of the financial statements.

- a. True
- b. False

ANSWER: False

12. Management may have incentive to bias financial information, but the various users of the statements are not likely to have conflicting interests in the financial information.

- a. True
- b. False

ANSWER: False

13. Auditing exists because users need unbiased information on which to assess management performance and make economic decisions.

- a. True
- b. False

ANSWER: True

14. A free market can only exist if there is sharing of perfectly reliable information.

- a. True
- b. False

ANSWER: False

15. Users rely on the auditors' independent assessment of financial statement presentation because few users have direct knowledge of the company's operations.

- a. True
- b. False

ANSWER: True

16. The PCAOB is a public board, appointed by Congress, to provide oversight of the firms that audit public companies registered with the SEC.

- a. True
- b. False

Chapter 1 - Auditing: Integral to the Economy

ANSWER: False

17. If the auditor has no reservations about management's financial statements then the auditor will issue a qualified opinion.

- a. True
- b. False

ANSWER: False

18. Independence is often referred to as the cornerstone of the auditing profession.

- a. True
- b. False

ANSWER: True

19. Audits of publicly traded companies must be performed by multinational accounting firms.

- a. True
- b. False

ANSWER: False

20. Auditors generally need quantitative and mathematical skillsets more than they need communication and leadership skills.

- a. True
- b. False

ANSWER: False

21. The overall objective of an audit is to obtain assurance whether the financial statements are free of misstatement.

- a. True
- b. False

ANSWER: False

22. Bondholders are one of the users of financial statements.

- a. True
- b. False

ANSWER: True

23. A key responsibility of the internal audit function is to provide assurance on the reliability of financial reporting to external stakeholders of a company.

- a. True
- b. False

ANSWER: False

24. The Public Company Accounting Oversight Board provides the criteria against which the auditor measures

Chapter 1 - Auditing: Integral to the Economy

the fairness of financial statement presentation.

- a. True
- b. False

ANSWER: False

25. The FASB is responsible for creating International Financial Reporting Standards.

- a. True
- b. False

ANSWER: False

26. External auditors frequently serve on the audit committees of their clients.

- a. True
- b. False

ANSWER: False

27. CPA certificates for auditors are issued by state boards of accountancy.

- a. True
- b. False

ANSWER: True

28. Internal controls are the responsibility of management.

- a. True
- b. False

ANSWER: True

29. The court system acts as a deterrent to quality controls for the auditing profession.

- a. True
- b. False

ANSWER: False

30. The SEC is the governmental body with the oversight responsibility for the efficient operation of capital markets in the United States.

- a. True
- b. False

ANSWER: True

31. Audit firm culture is one of the primary drivers of audit quality.

- a. True
- b. False

ANSWER: True

Chapter 1 - Auditing: Integral to the Economy

32. Effective audit processes, by themselves, are sufficient to achieve audit quality.

- a. True
- b. False

ANSWER: False

33. Only the Big 4 audit firms can conduct audits of private companies in the United States.

- a. True
- b. False

ANSWER: False

34. The American Institute of CPAs sets auditing standards for non-publicly traded companies.

- a. True
- b. False

ANSWER: True

35. Though often relying on the FASB, the SEC has authority to establish GAAP for publicly traded companies.

- a. True
- b. False

ANSWER: True

36. The SEC has authority to establish GAAP for all business enterprises.

- a. True
- b. False

ANSWER: False

37. The Public Company Accounting Oversight Board was established by the AICPA in response to Securities laws.

- a. True
- b. False

ANSWER: False

38. The Center for Audit Quality is responsible for the oversight of the peer review process for registered audit firms.

- a. True
- b. False

ANSWER: False

39. The SEC provides annual reports to the PCAOB.

- a. True
- b. False

ANSWER: False

Chapter 1 - Auditing: Integral to the Economy

40. The AICPA has a peer review program that reviews and evaluates the portions of an audit firm's accounting and audit practice that are not inspected by the PCAOB.

- a. True
- b. False

ANSWER: True

41. A quality audit is one performed "in accordance with generally accepted auditing standards (GAAS) to provide reasonable assurance that the audited financial statements and related disclosures are presented in accordance with generally accepted accounting principles (GAAP) and (2) are not materially misstated whether due to errors or fraud."

- a. True
- b. False

ANSWER: True

42. The Sarbanes-Oxley Act sought to improve audit quality by removing the auditor independence requirements.

- a. True
- b. False

ANSWER: False

43. The SEC and PCAOB independence rules for auditors are identical..

- a. True
- b. False

ANSWER: False

44. Audit quality is driven, in part, by the audit firm's culture.

- a. True
- b. False

ANSWER: True

45. Audit staff performing audit work must be appropriately supervised by partners and managers.

- a. True
- b. False

ANSWER: True

46. Which the following is not a reason for a public company to receive an audit?

- a. Potential bias in providing information.
- b. Closeness between a user and the organization.
- c. Complexity of the processing systems.
- d. Remoteness between a user and the organization.

ANSWER: b

Chapter 1 - Auditing: Integral to the Economy

47. What is the term used to describe a systematic process of objectively obtaining evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users?

- a. Internal audit.
- b. Financial statement audit.
- c. External audit.
- d. Program audit

ANSWER:

b

48. An Integrated Audit Report provides opinion(s) on which of the following?

- a. The financial statements.
- b. Internal controls.
- c. Both financial statements and internal controls.
- d. Neither financial statements or internal controls.

ANSWER:

c

49. Which one of the following organizations is recognized for providing guidance on a framework for internal control ?

- a. AICPA.
- b. PCAOB.
- c. IAASB.
- d. COSO..

ANSWER:

d

50. Which phase of the audit opinion formulation process is most commonly thought of as auditing by the general public?

- a. Performing risk assessment.
- b. Obtaining evidence about internal controls.
- c. Obtaining substantive evidence about accounts.
- d. Making reporting decisions..

ANSWER:

c

51. Which one of the following is not a primary driver of audit quality?

- a. Skills and personal qualities of audit staff.
- b. Reasonable audit fees.
- c. Effective audit processes..
- d. Audit firm culture.

ANSWER:

b

52. Who are the users of the financial statements?

- a. Management.

Chapter 1 - Auditing: Integral to the Economy

- b. Auditors.
- c. Taxing Authorities.
- d. Both A and C.

ANSWER:

d

53. Which one of the following is a factor that creates a need for an independent auditor's assessment of the financial statement presentation?

- a. Complexity of transactions affecting the financial statements.
- b. Lack of criteria on which to base information.
- c. Remoteness of the user from the organization.
- d. Both A and C.
- e. Both A and B.

ANSWER:

d

54. What can users of the audit report reasonably expect from the audited financial statements?

- a. The financial statements are complete and contain many of the important financial disclosures.
- b. The financial statements are presented fairly according to the substance of GAAP.
- c. The financial statements are free from all errors.
- d. All of the above.
- e. None of the above.

ANSWER:

b

55. Which one of the following is **not** a management expectation for independent auditors?

- a. An outside source of expertise on accounting matters.
- b. Individuals who perform tests and draw conclusions on assertions.
- c. A participant in management decision making.
- d. A provider of a written communication.

ANSWER:

c

56. According to the FRC which of the following attributes contributes to the reliability and usefulness of audit reporting?

- a. The audit methodology is well structured.
- b. Quality technical support is available when auditors require guidance.
- c. Auditors appropriately conclude as to the truth and fairness of the financial statements.
- d. The audit work is effectively reviewed.

ANSWER:

c

57. To conduct an audit, what must an auditor do?

- a. Comply with relevant ethical standards.
- b. Exercise perfect judgment.

Chapter 1 - Auditing: Integral to the Economy

- c. Obtain sufficient appropriate evidence to provide absolute assurance.
- d. All of the above.

ANSWER:

a

58. An “integrated audit” expresses an opinion on which of the following?

- a. The company’s internal controls.
- b. The company’s financial statements.
- c. The company’s compliance with its rules and policies.
- d. Both A and B.

ANSWER:

d

59. What is the first phase in an audit?

- a. Client acceptance or client continuance.
- b. Understanding the client.
- c. Understanding internal controls.
- d. Testing of account balances.

ANSWER:

a

60. How is the audit report referred to when the auditor has no reservations about management’s financial statements?

- a. An unqualified report.
- b. A qualified report.
- c. An adverse report.
- d. An integrated report.

ANSWER:

a

61. Why is auditing important in a free market society?

- a. The public requires auditors to function as divisions of regulatory bodies.
- b. Auditors detect all errors and fraud perpetrated by company employees.
- c. It provides reliable information upon which to judge economic performance.
- d. The auditor is an amiable insurance policy for investors.
- e. All of the above are true.

ANSWER:

c

62. Which of the following procedures do third-party users of the audit report not expect the auditor to perform?

- a. Evaluate measurements and disclosures made by management.
- b. Provide a biased evaluation of the financial statements.
- c. Determine whether financial statements are presented in accordance with GAAP.
- d. Gather sufficient appropriate evidence to support their opinion.

ANSWER:

b

Chapter 1 - Auditing: Integral to the Economy

63. What must audit firms do to perform financial statement audits for public companies?

- a. Register with the American Institute of Certified Public Accountants.
- b. Register with the Institute of Internal Auditors.
- c. Register with the U.S. General Accounting Office.
- d. Register with the Public Company Accounting Oversight Board.

ANSWER:

d

64. What must an auditor do in an audit?

- a. Consider how the economic activity is portrayed in the financial statements.
- b. Force management to make operational decisions that will improve the company's financial performance.
- c. Disregard independence in order to find the underlying truth of the evidence.
- d. Establish new criteria by which financial statements may be compared.

ANSWER:

a

65. What document communicates the conclusions of the financial statement audit?

- a. The financial statement.
- b. Written management assertion.
- c. The audit report.
- d. None of the above.

ANSWER:

c

66. Which of the following is a driver of audit quality?

- a. Audit firm culture.
- b. Engagement team skills and attributes.
- c. Factors outside control of auditors.
- d. Investor requirements.
- e. A, B, and C only.

ANSWER:

e

67. In the United States, what is the most common criteria against which the auditor measures the fairness of financial statement presentation?

- a. Auditing standards.
- b. Generally accepted accounting principles.
- c. Generally accepted accounting standards.
- d. Governmental accounting principles.

ANSWER:

b

68. What is the management of a company is responsible for?

- a. Hiring the auditor.

Chapter 1 - Auditing: Integral to the Economy

- b. Preparing the financial statements.
- c. The audit workpapers.
- d. Ensuring auditor independence.

ANSWER:

b

69. Which one of the following is not an example of a typical review program?

- a. Interoffice reviews.
- b. Engagement quality review.
- c. Peer reviews.
- d. Self reviews.

ANSWER:

d

70. Which term describes the type of threat which occurs when top management threatens to replace the audit firm because of a disagreement over an accounting issue?

- a. Management participation threat.
- b. Undue influence threat.
- c. Adverse interest threat.
- d. Financial self-interest threat.

ANSWER:

b

71. Who is responsible for internal controls within an organization?

- a. The internal auditor.
- b. The external auditor.
- c. Management.
- d. The PCAOB.

ANSWER:

c

72. According to the AICPA, which of the following is not a safeguard to the auditing profession?

- a. Education.
- b. Professional standards.
- c. External reviews.
- d. Legislation concerning competency requirements.

ANSWER:

d

73. Which of the following groups is not typically considered to be a user of the audited financial statements?

- a. Management.
- b. Vendors.
- c. Retired Employees.
- d. Competitors.

ANSWER:

d

Chapter 1 - Auditing: Integral to the Economy

74. What is the audit committee of the board of directors of a company responsible for?

- a. Hiring the auditor.
- b. Preparing the financial statements.
- c. The audit workpapers.
- d. Obtaining evidence.

ANSWER:

a

75. Which of the following is typically an attribute of a smaller audit firm?

- a. The type of work is primarily external audits.
- b. The firm has multiple teams that work on the audit of a single entity and then disband.
- c. The firm has multiple teams that overlap across engagements.
- d. The firm has a relatively higher level of staff turnover.

ANSWER:

c

76. The scope of the work to be done by the auditor on the audit is described in which document?

- a. Contract letter..
- b. Management letter..
- c. Representation letter.
- d. Engagement letter..

ANSWER:

d

77. Which governing board performs quality reviews on registered audit firms that audit public companies?

- a. PCAOB.
- b. GAO.
- c. AICPA.
- d. FASB.

ANSWER:

a

78. Congress authorized which of the following organizations to establish generally accepted accounting principles?

- a. SEC.
- b. APB.
- c. AICPA.
- d. FASB.

ANSWER:

a

79. Which of the following does the public expect of auditors?

- a. Understand and enforce principles that best portray the spirit of FASB concepts.
- b. Be neutral to preparers and users of financial information.
- c. Recognize that the investing public is the primary user of audit services.

Chapter 1 - Auditing: Integral to the Economy

- d. Take responsibility for the discovery of fraud.
- e. All of the above are expectations of the public.

ANSWER:

e

80. Who licenses CPAs?

- a. The PCAOB.
- b. The AICPA.
- c. The State Boards of Accountancy.
- d. The SEC.

ANSWER:

c

81. According to the Financial Reporting Council (FRC), when is the culture of an audit firm likely to provide a positive contribution to audit quality?

- a. When the leadership of the audit firm ensures partners and other staff have sufficient time and resources to deal with difficult issues as they arise.
- b. When the leadership of the audit firm ensures robust systems for client acceptance and continuation based on the likelihood of increased audit fees.
- c. When the leadership of the audit firm creates an environment where achieving efficiency is valued, invested in and rewarded.
- d. When the leadership of the audit firm ensures financial considerations drive actions.

ANSWER:

a

82. What is the primary role of the court system for the auditing profession?

- a. To act as a quality-control mechanism.
- b. To provide guidance on unclear legislation.
- c. To punish audit firms that issue the wrong audit report.
- d. To express opinions on the fairness of accounting principles.

ANSWER:

a

83. Which organization issued the *Internal Control, Integrated Framework* which serves as the primary criterion for evaluating the quality of a company's internal control system?

- a. PCAOB.
- b. COSO.
- c. AICPA.
- d. GAO.

ANSWER:

b

84. Which of the following is not part of the systematic process called auditing?

- a. Communicating results of the audit to users.
- b. Procuring and evaluating evidence.
- c. Providing important managerial decisions for a client.

Chapter 1 - Auditing: Integral to the Economy

- d. Comparing evidence regarding assertions to certain established criteria.

ANSWER:

c

85. As it relates to an audit, which of following statement about professional skepticism is true?

- a. Professional skepticism is not taken into consideration.
- b. Professional skepticism relates only to the nature of procedures performed.
- c. Professional skepticism is an attitude.
- d. Professional skepticism is determined based upon the importance to a user of the financial statements.

ANSWER:

c

86. Which of the following items should an auditor communicate to an audit committee?

- a. Any meaningful threats to auditor objectivity.
- b. The scope of the audit.
- c. The qualitative aspects of the entity's accounting and reporting and potential ways of improving financial reporting.
- d. All of the above.

ANSWER:

d

87. Which organization is responsible for setting International Standards on Auditing?

- a. IASB
- b. IFRS
- c. IAASB
- d. AICPA

ANSWER:

c

88. The Center for Audit Quality is dedicated to enhancing investor confidence in what?

- a. The financial markets.
- b. Management.
- c. Auditors.
- d. Both B and C.
- e. All of the above.

ANSWER:

a

89. Which of the following is not a goal of auditor independence?

- a. To achieve consistent auditor regulation.
- b. To foster high quality audits.
- c. To promote investor confidence in the financial statements.
- d. To minimize the possibility that external factors will influence auditor's judgements.

ANSWER:

a

Chapter 1 - Auditing: Integral to the Economy

90. What is the primary objective of the independent auditor's report on financial statements?

- To report on all instances of fraud.
- To assist the board in evaluating management's effectiveness.
- To attest to the credit-worthiness of the client..
- To give credibility to management's prepared financial statements.

ANSWER:

d

91. Attributes of Auditors

Discuss the three or more attributes that an auditors possess in order to maintain credibility. Explain the importance of these attributes to the audit.

- ANSWER:
- Subject Matter Knowledge - The assurance provider must be an expert in the area of service provided. Expertise in a complex body of knowledge sets the assurance professional apart from others.
 - Independence - The assurance provider must be unbiased, free from conflict of interest, objective and independent of the company receiving assurance services. This allows the professional to remain neutral and free from influence by parties with a vested interest in the outcome of assurance services.
 - Agreed Upon Criteria - Clear criteria must be available for the assurance provider to measure objectives and results against. In a financial statement assurance engagement, the criteria are represented by Generally Accepted Accounting Principles.
 - Process Expertise - Evidence is obtained and evaluated during the course of an assurance engagement. Professionals providing these services must be able to draw accurate conclusions based upon the results of testing competent, sufficient evidence obtained.

92. Users of financial statements

Identify at least three types of users of financial statements. Describe their primary use of the financial statements and how the misstatement of those statements might injure the user.

- ANSWER: Users of audited financial statements may include:
- Management may utilize the audit report to determine whether the financial statements are presented in accordance with GAAP, whether the firm is availing itself of appropriate internal controls, and as a means of evaluating employee performance. Misstatement of the financial statements would cause the client to make erroneous decisions about financial position, internal controls and employee rewards and punishments.
 - A financial institution that is asked to make a loan uses the financial statement to judge the credit worthiness of the borrower. Misstatements in the financial statements lead to errors in lending that jeopardize the assets of the bank and depositors.
 - A vendor who is asked to grant credit uses the statements and faces injury in a manner similar to the financial institution.
 - A third-party stockholder uses the financial statements to determine if the investment will provide the returns consistent with the needs of the investor. Misstatements of the financial statements will lead to different results or possible loss of the investment.
 - Others: Potential stockholders, taxing authorities, regulatory agencies, labor unions, employees, bondholders, court system, retirement plans, or retired employees

Chapter 1 - Auditing: Integral to the Economy

93. Overview of Financial Statement Audit

Define auditing and discuss how its components fit into an overview of a financial statement audit.

ANSWER: Financial statement auditing has been defined as a “systematic process of actively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.”

94. Professional and regulatory organizations

Identify at least four professional or regulatory organizations. Explain how and why they assist and/or monitor the audit and assurance profession.

ANSWER: **PCAOB** is the primary governing regulatory body of auditors of public company financial statements. It was established by the Congress as a result of the Sarbanes-Oxley Act of 2002. It sets auditing standards for audits of public companies, requires registration of audit firms auditing public companies and performs quality reviews of registered firms.

AICPA With the establishment of the PCAOB, the role of the AICPA has diminished. Membership in the organization is voluntary. The AICPA establishes standards for other attestation services, accounting and review services, consulting and tax services. It organizes continuing education programs and administers the Uniform CPA Examination.

State Boards of Accountancy license CPAs and are charged with regulating the profession at the state level.

SEC has been granted authority to establish GAAP for publicly traded companies. Its primary mission is to protect the investing public; it has oversight of the PCAOB.

The **GAO** is responsible for setting forth auditing standards for governmental agencies.

The **IIA** is a voluntary organization that administers the Certified Internal Auditor program and issues standards for the practice of internal audit.

95. Audit Quality

What are three drivers of audit quality according to the Financial Reporting Council (FRC)’s “The Audit Quality Framework”?

ANSWER: There are five primary drivers of audit quality, including (1) audit firm culture, (2) the skills and personal qualities of audit partners and staff, (3) the effectiveness of the audit process, (4) the reliability and usefulness of audit reporting, and (5) factors outside the control of auditors that affect audit quality.

96. The Need for Audited Financial Statements

Why do financial statement users need independent assurance about information provided by management?

ANSWER: The need for independent assurance arises from several factors:

- * Potential bias —Management has incentives to bias financial information in order to convey a better impression of the financial data than real circumstances might merit. For example, management’s compensation may be tied to profitability or stock price, so managers may be tempted to “bend” GAAP to make the organization’s performance look better.

- * Remoteness —An organization and the users of its financial information are often remote from each other, both in terms of geographic distance and the extent of information available to the both parties. Most users cannot interview management, tour a company’s plant, or review its financial

Chapter 1 - Auditing: Integral to the Economy

records firsthand; instead, they must rely on financial statements to communicate the results of management's performance. This can tempt management to keep information from users or bend GAAP so the organization looks better.

*Complexity —Transactions, information, and processing systems are often very complex, so it can be difficult to determine their proper presentation. This provides an opportunity for management to deceive users.

* Consequences —During the past decade, many financial statement users —pension funds, private investors, venture capitalists, and banks —lost billions of dollars because financial information had become unreliable. As an example, the factors leading up to, and the consequences of, unreliable

information can be seen in the sub-prime mortgage crisis in the United States. Many borrowers did not provide correct information on their loan applications and lenders sometimes did not perform adequate due diligence in making lending decisions. Consequently, various financial statement users and others suffered significant losses. When financial information is not reliable, investors and other users lose a significant source of information that they need to make decisions that have important consequences.

97. Regulatory and professional bodies

Write the full name of the following regulatory and professional acronyms and describe the function of each entity:

PCAOB

AICPA

SEC

IIA

FASB

ANSWER: **PCAOB** is the primary governing regulatory body of auditors of public company financial statements. It was established by the Congress as a result of the Sarbanes-Oxley Act of 2002. It sets auditing standards for audits of public companies, requires registration of audit firms auditing public companies and performs quality reviews of registered firms. The PCAOB is overseen by the SEC.

AICPA With the establishment of the PCAOB, the role of the AICPA has diminished. Membership in the organization is voluntary. The AICPA establishes standards for other attestation services, accounting and review services, consulting and tax services. It organizes continuing education programs and administers the Uniform CPA Examination.

Securities and Exchange Commission Congress established the SEC to regulate the capital market system and establish GAAP for publicly traded companies. The SEC delegated the standard setting authority to the FASB but reviews and suggests standards when necessary. The SEC oversees the responsibilities of the PCAOB.

Institute of Internal Auditors The IIA issues standards and interpretations of standards for internal auditing. It also administers the Uniform CIA Examination and the certified internal auditor program to establish the benchmark measure of competence for the internal auditing profession.

Financial Accounting Standards Board The FASB is charged with issuing authoritative accounting pronouncements.

Chapter 1 - Auditing: Integral to the Economy

98. Requirements of auditors in public accounting

Recent landscape changes in accounting and auditing developed from corporate fraud and, arguably, auditor failure. In order to continually lead and adapt to the dynamics of regulation, principles based accounting practices and auditing standards, what types of skills and traits are auditors required to possess?

ANSWER: In addition to integrity, ethics and independence, auditors must possess an inherent ability to understand the client. This pertains not only to the manner in which the company operates, but the industry in which the client participates. The auditor must be able to use sound professional judgment and skepticism to perceive issues and propose solutions. An auditor must understand the environment in which a client does business. The surrounding economic, cultural and political aspects of a company are all vital to the auditor's understanding of risks. An auditor must be able to interpret a complex body of knowledge, apply audit procedures and measure assertions against the criteria of generally accepted accounting principles. Risks must be adequately considered for the audit and the client so that the audit firm may reduce exposure in the marketplace. Information technology used by clients must also be understood by the auditor so that internal control, prevention and detection of misstatements and the audit trail might be assessed. Similarly, the auditor must use software to perform an audit efficiently and adequately.

99. Impact of Sarbanes-Oxley

What are four ways that Sarbanes-Oxley impacted the auditing profession?

ANSWER:

- Increased auditor independence
- Enhanced the role and importance of the audit committee
- Required reporting on internal control over financial reporting
- Provided oversight of the external auditing profession by the Public Company Accounting Oversight Board (PCAOB)

100. Audit Quality

What is audit quality?

ANSWER: A definition published by the GAO (2003) states that a quality audit is one performed “in accordance with generally accepted auditing standards (GAAS) to provide reasonable assurance that the audited financial statements and related disclosures are presented in accordance with generally accepted accounting principles GAAP and (2) are not materially misstated whether due to errors or fraud. ”