Instructions:
2. Use the Scantron form to indicate your answers to the questions below.
3. Turn-in the Scantron sheet on the due date.
4. Open book, open note, online searches are all allowed.
5. **NOT** allowed – using other students, people or CPA exam review books.

**Suggestion:** If you plan to take the Auditing portion of the CPA Exam “soon,” take 10 – 15 minutes to review your notes and text, and then take the quiz **without** notes, etc. After that if you want to do research and change answers do so, but keep track of the original answers so you can assess your knowledge level for this topic.

Questions:
1. When an accountant compiles projected financial statements, the accountant’s report should include a separate paragraph that
   a. Explains the difference between a compilation and a review.
   b. Documents the assessment of the risk of material misstatement due to fraud.
   c. Expresses limited assurance that the actual results may be within the projected range.
   d. Describes the limitations on the projection’s usefulness.

2. Before applying principal substantive tests to an entity’s accounts receivable at an interim date, an auditor should
   a. Consider the likelihood of assessing the risk of incorrect rejection too low
   b. Project sampling risk at the maximum for tests covering the remaining period.
   c. Ascertain that accounts receivable are immaterial to the financial statements.
   d. Assess the difficulty in controlling the incremental audit risk.

3. A CPA is engaged to examine management’s assertion that the entity’s schedule of investment returns is presented in accordance with specific criteria. In performing this engagement, the CPA should comply with the provisions of
   a. Statements on Standards for Accounting and Review Services (SSARS)
   b. Statements on Auditing standards (SAS)
   c. Statements on Standards for Consulting Services (SSCS)
   d. Statements on Standards for Attestation Engagements (SSAE)
4. An accountant may accept an engagement to apply agreed-upon procedures to prospective financial statements provided the
   a. Provisions of Statements on Standards for Accounting and Review Services (SSARS) are followed.
   b. Accountant also examines the prospective financial statements
   c. Distribution of the report is restricted to the specified users.
   d. The accountant takes responsibility for the adequacy of the procedures performed.

5. Which of the following is a conceptual difference between the attestation standards and generally accepted auditing standards?
   a. The attestation standards provide a framework for the attest function beyond historical financial statements.
   b. The requirement that the practitioner be independent in mental attitude is omitted from the attestation standards.
   c. The attestation standards do not permit an attest engagement to be part of a business acquisition study or a feasibility study.
   d. None of the standards of field work in generally accepted auditing standards are included in the attestation standards.

6. Which of the following is not an attestation standard?
   a. Sufficient evidence shall be obtained to provide a reasonable basis for the conclusion that is expressed in the report.
   b. The report shall identify the subject matter or the assertion being reported on and state the character of the engagement.
   c. The work shall be adequately planned and assistants, if any, shall be properly supervised.
   d. A sufficient understanding of internal control shall be obtained to plan the engagement.

7. A CPA in public practice is required to comply with the provisions of the Statements on Standards for Attestation Engagements (SSAE) when

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<th>Testifying an expert witness in accounting and auditing matters given stipulated facts</th>
<th>Compiling a client’s financial projection that presents a hypothetical course of action</th>
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<tr>
<td>a. Yes</td>
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8. Which of the following professional services is considered an attest engagement?
   a. A consulting service engagement to provide computer advice to a client.
   b. An engagement to report on compliance with statutory requirements.
   c. An income tax engagement to prepare federal and state tax returns.
   d. The compilation of financial statements from a client’s accounting records.

9. In performing an attest engagement, a CPA typically
   a. Supplies litigation support services.
   b. Assesses control risk at a low level.
   c. Expresses a conclusion about a written assertion.
   d. Provides management consulting advice.

10. A financial forecast consists of prospective financial statements that present an entity’s expected financial position, results of operations, and cash flows. A forecast
    a. Is based on the most conservative estimates.
    b. Presents estimates given one or more hypothetical assumptions.
    c. Unlike a projection, may contain a range.
    d. Is abased on assumptions reflecting conditions expected to exist and courses of action expected to be taken.

11. Accepting an engagement to examine an entity’s financial projection most likely would be appropriate if the projection were to be distributed to
    a. All employees who work for the entity.
    b. Potential shareholders who request a prospectus or a registrations statement.
    c. A bank with which the entity is negotiating for a loan.
    d. All shareholders of record as of the report date.

12. When a practitioner examines a financial forecast that fails to disclose several significant assumptions sued t prepare the forecast, the practitioner should describe the assumptions in the practitioner’s report and express
    a. An “except for” qualified opinion.
    b. A “subject to” qualified opinion.
    c. An unqualified opinion with a separate explanatory paragraph.
    d. An adverse opinion.

13. When third-party use of prospective financial statements is expected, a practitioner may not accept an engagement to
    a. Perform a review.
    b. Perform a compilation.
    c. Perform an examination.
    d. Apply agreed-upon procedures.
14. Assurance services are best described as
   a. Services designed for the improvement of operations, resulting in better outcomes.
   b. Independent professional services that improve the quality of information, or its context, for decision makers.
   c. The assembly of financial statements based on assumptions of a responsible party.
   d. Services designed to express an opinion on historical financial statements based on the results of an audit.

15. The objective of a review of interim financial information of a public entity is to provide an accountant with a basis for reporting whether
   a. A reasonable basis exists for expressing an updated opinion regarding the financial statements that were previously audited.
   b. Material modification should be made to conform with generally accepted accounting principles.
   c. The financial statements are presented fairly in accordance with standards of interim reporting.
   d. The financial statements are presented fairly in accordance with generally accepted accounting principles.

16. Which of the following procedures ordinarily should be applied when an independent accountant conducts a review of interim financial information of a publicly held entity?
   a. Verify changes in key account balances.
   b. Read the minutes of the board of directors’ meetings.
   c. Inspect the open purchases order file.
   d. Perform cutoff tests for cash receipts and disbursements.

17. Comfort letters ordinarily are signed by the client’s
   a. Independent accountants.
   b. Underwriters of securities.
   c. Audit committee.
   d. Senior management.

18. When an accountant issues to an underwrite a comfort letter containing comments on data that have not been audited, the underwrite most likely will receive
   a. Positive assurance on supplementary disclosures.
   b. Negative assurance on capsule information.
   c. A disclaimer on prospective financial statements.
   d. A limited opinion of pro forma financial statements.
19. The Securities and Exchange Commission has authority to
   a. Prescribe specific auditing procedures to detect fraud concerning inventories
      and accounts receivable of companies engaged, in interstate commerce.
   b. Deny lack of privity as a defense in third-party actions for gross negligence
      against the auditors of public companies.
   c. Determine accounting principles for the purpose of financial reporting by
      companies offering securities to the public.
   d. Require a change of auditors of governmental entities after a given period of
      years as a means of ensuring auditor independence.

20. When audited financial statements are presented in a client’s document containing
    other information, the auditor must
   a. Perform inquiry and analytical procedures to ascertain whether the other
      information is reasonable.
   b. Add an explanatory paragraph to the auditor’s report without changing the
      opinion on the financial statements.
   c. Perform the appropriate substantive auditing procedures to corroborate the
      other information.
   d. Read the other information to determine that it is consistent with the audited
      financial statements.

21. If management declines to present supplementary information required by GAAP,
    the auditor should express
   a. An adverse opinion.
   b. A qualified opinion with an explanatory.
   c. An unqualified opinion.
   d. An unqualified opinion with an additional explanatory paragraph.

22. What is an auditor’s responsibility for supplementary information that is outside the
    basic financial statements but required by the FASB?
   a. The auditor has no responsibility for required supplementary information as long
      as it is outside the basic financial statements.
   b. The auditor’s only responsibility for required supplementary information is to
      determine that such information has not been omitted.
   c. The auditor should apply certain limited procedures to the required
      supplementary information and report deficiencies in, or omission of, such
      information.
   d. The auditor should apply tests of details of transactions and balances to the
      required supplementary information and report any material misstatements in
      such information.
23. If information accompanying the basic financial statements in an auditor-submitted document has been subjected to auditing procedures, the auditor may express an opinion that the accompanying information is fairly stated in
   a. Conformity with generally accepted accounting principles.
   b. All material respects in relation to the basic financial statements taken as a whole.
   c. Conformity with standards established by the AICPA.
   d. Accordance with generally accepted auditing standards.

24. An auditor may report on condensed financial statements that are derived from complete audited financial statements if the
   a. Auditor indicates whether the information in the condensed financial statements is fairly stated in all material respects.
   b. Condensed financial statements are presented in comparative form with the prior year’s condensed financial statements.
   c. Auditor describes the additional review procedures performed on the condensed financial statements.
   d. Condensed financial statements are distributed to directors.

25. In connection with a proposal to obtain a new audit client, an accountant in public practice is asked to prepare a report on the application of accounting principles to a specific transaction. The report should include a statement that
   a. The engagement was performed in accordance with Statements on Standards for Accounting and Review Services.
   b. Responsibility for the proper accounting treatment rests with the preparers of the financial statements.
   c. The evaluation of the application of accounting principles is hypothetical and may not be used for opinion-shopping.
   d. The guidance is provided for general use.

26. According to Statement on Standards for Attestation Engagements, Compliance Attestation,
   a. The field work and reporting but not the general attestation standards apply to this type of engagement.
   b. The practitioner may accept an engagement to perform an examination about the effectiveness of internal control over compliance only if the assertion is provided to the practitioner by the client.
   c. A compliance attestation engagement is intended to result in a legal determination of an entity’s compliance with specified requirements.
   d. The practitioner must accept responsibility for the entity’s compliance with the specified requirements.
27. What service(s) may a practitioner perform in a compliance attestation engagement?

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28. Mill, CPA, was engaged by a group of royalty recipients to apply agreed-upon procedures to financial data supplied by Modern Co. regarding Modern’s written assertion about its compliance with contractual requirements to pay royalties. Mill’s report on these agree-upon procedures should contain a(n)

a. Disclaimer of opinion about the fair presentation of Modern’s financial statements.
b. List of the procedures performed (or reference thereto) and Mill’s findings.
c. Opinion about the effectiveness of Modern’s internal control activities concerning royalty payments.
d. Acknowledgment that the sufficiency of the procedures is solely Mill’s responsibility.

29. Negative assurance may be expressed when a practitioner is requested to report agreed-upon procedures to specified

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30. A practitioner may accept an agreed-upon procedures engagement to calculate the rate of return on a specified investment and verify that the percentage agrees with the percentage in an identified schedule provided that

a. The practitioner’s report does not enumerate the procedures performed.
b. The practitioner accepts responsibility for the sufficiency of the procedures.
c. Use of the practitioner’s report is restricted.
d. The practitioner is also the entity’s continuing auditor.