1. (PUBLISHER)
An accountant has prepared unaudited financial statements of a publicly held company. Which of the following circumstances will not require modification of the report?
   a. Performing certain audit procedures in addition to reading the financial statements.
   b. Inadequate disclosure discovered in the financial statements.
   c. The accountant’s lack of independence.
   d. Nonconformity of the financial statements with GAAP.

2. (PUBLISHER)
A CPA has been hired to compile the unaudited financial statements of a nonpublic firm. The accountant’s compilation report will include a statement that
   a. A compilation has been performed in accordance with GAAS.
   b. The financial statements have been restricted to internal use only.
   c. Describes the limited procedures that were performed.
   d. The accountant does not express any form of assurance on the financial statements.

3. (PUBLISHER)
During a compilation engagement, an accountant is requested by a nonpublic client to perform auditing procedures with regard to an account balance. The accountant
   a. May not do so unless the engagement is upgraded to an audit.
   b. Must express an audit opinion on the audited accounts.
   c. May perform the procedures and still issue a compilation report but should not disclose the auditing procedures in the report.
   d. Must issue a compilation report with a separate explanatory paragraph describing the auditing procedures.

4. (PUBLISHER)
In a review engagement, the accountant should establish an understanding with the entity, preferably in writing, regarding the services to be performed. The understanding should include all of the following except a
   a. Description of the nature and limitations of the services to be performed.
   b. Description of the report the accountant expects to render.
   c. Provision that the engagement cannot be relied upon to disclose errors, fraud, or illegal acts.
   d. Provision that any errors, fraud, or illegal acts that come to the accountant’s attention need not be reported.

5. (PUBLISHER)
The procedures ordinarily performed during a review of a nonpublic entity’s financial statements include
   a. Assessing control risk.
   b. Inquiring of responsible persons about subsequent events.
   d. Evaluating the responses to inquiries by gathering corroborative evidential matter.

6. (PUBLISHER)
Occasionally, an accountant in a review engagement of a private company may feel that even modification of the standard report is not adequate to indicate the deficiencies in the financial statements taken as a whole. If this is the case, the accountant should
   a. Withdraw from the engagement.
   b. Issue a standard compilation report instead of a review report.
   c. Express an adverse opinion.
   d. Express a qualified opinion.
7. (PUBLISHER)
During an audit of a nonpublic entity, the CPA is asked by the client to change the audit to a review. The CPA
a. May grant the request if the audit is no longer needed by the client.
b. Must issue an adverse opinion on the financial statements.
c. Should withdraw from the engagement.
d. Should refuse the request and continue with the audit.

8. (PUBLISHER)
When a continuing accountant has reviewed the prior-period statements and compiled the current-period statements, (s)he should
a. Update the report on the prior-period statements as of the date of the current report.
b. Reissue the report on the prior-period statements as of the date of the original report.
c. Update the report on the prior-period statements as of the date of the original report.
d. Reissue the report on the prior-period statements as of the date of the current report.

9. (CPA, adapted)
When an independent CPA assists in preparing the financial statements of a publicly held entity, but has not audited or reviewed them, the CPA should issue a disclaimer of opinion. The CPA has no responsibility to apply any procedures beyond
a. Ascertaining whether the financial statements are in conformity with generally accepted accounting principles.
b. Determining whether management has elected to omit substantially all required disclosures.
c. Documenting that internal control is not being relied on.
d. Reading the financial statements for obvious material misstatements.

10. (CPA, adapted)
A CPA is required to comply with the provisions of Statements on Standards for Accounting and Review Services (SSARS) when

<table>
<thead>
<tr>
<th>Processing Financial Data for Clients of Other CPA Firms</th>
<th>Consulting on Accounting Matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

11. (Publisher)
Statements on Standards for Accounting and Review Services (SSARS) define the compilation and review of financial statements of a nonpublic entity and provide guidance concerning the standards and procedures applicable to such engagements. For the purposes of SSARS, which of the following is a nonpublic entity?

a. One whose securities trade on a stock exchange or over the counter, including securities quoted only regionally or locally.
b. One that makes a filing with a regulatory agency in preparation for a sale of any class of securities to the public.
c. A subsidiary, corporate joint venture, or other entity controlled by a public entity.
d. None of the answers are correct.

12. (CPA, adapted)
Which of the following representations does an accountant make implicitly when issuing the standard report for the compilation of a nonpublic entity's financial statements?

a. The accountant is independent with respect to the entity.
b. The financial statements have not been audited.
c. A compilation consists principally of inquiries and analytical procedures.
d. The accountant does not express any assurance on the financial statements.
13. *(Publisher)*
The accountant's knowledge of the accounting principles and practices of the client's industry should enable him/her to compile appropriate financial statements. Also, the accountant should understand the nature of the entity's business, its accounting records, the qualifications of its personnel, the accounting basis of the financial statements, and their content. To acquire such knowledge, the accountant does not normally
- a. Consult Audit and Accounting Guides.
- b. Read industry publications and consult textbooks and periodicals.
- c. Obtain an understanding of internal control and assess control risk.
- d. Make inquiries of the entity's personnel.

14. *(CPA, adapted)*
Which of the following should not be included in an accountant's standard report based upon the compilation of an entity's financial statements?
- a. A statement that a compilation is limited to presenting in the form of financial statements information that is the representation of management.
- b. A statement that the compilation was performed in accordance with Statements on Standards for Accounting and Review Services.
- c. A statement that the accountant has not audited or reviewed the statements.
- d. A statement that the accountant does not express an opinion but provides only limited assurance on the statements.

15. *(CPA, adapted)*
In performing a compilation of financial statements of a nonpublic entity, the accountant decides that modification of the standard report is not adequate to indicate deficiencies in the financial statements taken as a whole, and the client is not willing to correct the deficiencies. The accountant should therefore
- a. Perform a review of the financial statements.
- b. Issue a special report.
- c. Withdraw from the engagement.
- d. Express an adverse audit opinion.

16. *(CPA, adapted)*
When an accountant compiles a nonpublic entity’s financial statements that omit substantially all disclosures required by generally accepted accounting principles, the accountant should indicate in the compilation report that the financial statements are
- a. Restricted for internal use only by the entity’s management.
- b. Not to be given to financial institutions for the purpose of obtaining credit.
- c. Compiled in conformity with a comprehensive basis of accounting other than generally accepted accounting principles.
- d. Not designed for those who are uninformed about the omitted disclosures.

17. *(CPA, adapted)*
When unaudited financial statements of a nonpublic entity are presented in comparative form with audited financial statements in the subsequent year, the unaudited financial statements should be clearly marked to indicate their status, and
- I. The report on the unaudited financial statements should be reissued.
- II. The report on the audited financial statements should include a separate paragraph describing the responsibility assumed for the unaudited financial statements.
- a. I only.
- b. II only.
- c. Both I and II.
- d. Either I or II.
18. (CPA, adapted)
Which of the following procedures is an accountant least likely to perform during an engagement to review the financial statements of a nonpublic entity?

a. Observing the safeguards over access to and use of assets and records.
b. Comparing the financial statements with anticipated results in budgets and forecasts.
c. Inquiring of management about actions taken at the board of directors’ meetings.
d. Studying the relationships of financial statement elements expected to conform to predictable patterns.

19. (CPA, adapted)
Which of the following inquiry or analytical procedures ordinarily is performed in an engagement to review a nonpublic entity's financial statements?

a. Analytical procedures designed to test the accounting records by obtaining corroborating evidential matter.
b. Inquiries concerning the entity's procedures for recording and summarizing transactions.
c. Analytical procedures designed to test management's assertions regarding continued existence.
d. Inquiries of the entity's attorney concerning contingent liabilities.

20. (Publisher)
Appendix A of AR 100 lists 77 questions that may be appropriate to address to management in a review engagement. Which of the following is true concerning this list?

a. The list is intended to be a checklist or program so that all appropriate questions will be addressed.
b. The questions are all-inclusive and should be applied in every engagement.
c. It may be necessary to make several inquiries to answer one question.
d. The questions cover only general management procedures rather than specific account balances.

21. (CPA, adapted)
Baker, CPA, was engaged to review the financial statements of Hall Company, a nonpublic entity. Evidence came to Baker's attention that indicated substantial doubt as to Hall's ability to continue as a going concern. The principal conditions and events that caused the substantial doubt have been fully disclosed in the notes to Hall's financial statements. Baker

a. Is not required to modify the accountant's review report.
b. Is not permitted to modify the accountant's review report.
c. Should issue an accountant's compilation report instead of a review report.
d. Should express a qualified opinion in the accountant's review report.

22. (CPA, adapted)
Each page of a nonpublic entity's financial statements reviewed by an accountant should include the following reference:

b. Reviewed, No Accountant's Assurance Expressed.
c. See Accompanying Accountant's Footnotes.
d. Reviewed, No Material Modifications Required.

23. (CPA, adapted)
An accountant has been asked to issue a review report on the balance sheet of a nonpublic company but not to report on the other basic financial statements. The accountant may not do so

a. Because compliance with this request would result in a violation of the ethical standards of the profession.
b. Because compliance with this request would result in an incomplete review.
c. If the review of the balance sheet discloses material departures from GAAP.
d. If the scope of the inquiry and analytical procedures has been restricted.
24. (CPA, adapted)
An accountant who had begun an audit of the financial statements of a nonpublic entity was asked to change the
engagement to a review because of a restriction on the scope of the audit. Given reasonable justification for the
change, the accountant's review report should refer to the

<table>
<thead>
<tr>
<th>Scope Limitation</th>
<th>Original</th>
</tr>
</thead>
<tbody>
<tr>
<td>That Caused the</td>
<td>Engagement That</td>
</tr>
<tr>
<td>Changed Engagement</td>
<td>Was Agreed To</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
a. Yes             | No          |
b. No              | Yes         |
c. No              | No          |
d. Yes             | Yes         |

25. (CPA, adapted)
When an accountant performs more than one level of service (for example, a compilation and a review, or a
compilation and an audit) concerning the financial statements of a nonpublic entity, the accountant ordinarily should
issue the report that is appropriate for
a. The lowest level of service rendered.
b. The highest level of service rendered.
c. A compilation engagement.
d. A review engagement.

26. (Publisher)
A continuing accountant is one who has been engaged to audit, review, or compile and report on the financial
statements of the current period and one or more consecutive periods immediately prior to the current period. A
continuing accountant who performs the same or a higher level of service with respect to the financial statements of
the current period should
a. Update his/her report on the financial statements of a prior period.
b. Disclaim any assurance on the prior periods’ statements.
c. Reissue the report on the financial statements of a prior period.
d. Express an adverse opinion with respect to the prior period’s financial statements.

27. (Publisher)
AR 400, Communications between Predecessor and Successor Accountants, provides guidance regarding
compilations and reviews. A successor accountant
a. Must communicate with the predecessor before accepting the engagement.
b. Must not communicate with the predecessor. Communication would be a breach of confidentiality.
c. Need not communicate with a predecessor but may decide to do so.
d. Must communicate but not until after accepting the engagement.

28. (CPA, adapted)
Clark, CPA, compiled and properly reported on the financial statements of Green Co., a nonpublic entity, for the year
ended March 31, 1996. These statements omitted substantially all disclosures required by GAAP. Green asked
Clark to compile the statements for the year ended March 31, 1997, and to include all GAAP disclosures for the 1997
statements only, but otherwise present both years’ statements in comparative form. Clark may
a. Not report on the comparative financial statements because the 1996 statements are not comparable with the
   1997 statements that include the GAAP disclosures.
b. Report on the comparative financial statements provided the 1996 statements have no obvious material
   misstatements.
c. Report on the comparative financial statements provided an explanatory paragraph is added to Clark’s report
   on the comparative financial statements.

29. (CPA, adapted)
Which of the following procedures is usually the first step in reviewing the financial statements of a nonpublic entity?
a. Make preliminary judgments about risk and materiality to determine the scope and nature of the procedures to
   be performed
b. Obtain a general understanding of the entity’s organization, its operating characteristics, and its products or
   services
c. Assess the risk of material misstatement arising from fraudulent financial reporting and the misappropriation of
   assets
d. Perform a preliminary assessment of the operating efficiency of the entity’s internal control activities
30. (CPA, adapted)
An accountant's standard report issued after compiling the financial statements of a nonpublic entity should state that
a. I am not aware of any material modifications that should be made to the accompanying financial statements.
b. A compilation consists principally of inquiries of company personnel and analytical procedures.
c. A compilation is limited to presenting in the form of financial statements information that is the representation of management.
d. A compilation is substantially less in scope than an audit in accordance with GAAS, the objective of which is the expression of an opinion.

31. Which of the following would be used on a review engagement?
   a. Examination of board minutes
   b. Confirmation of cash and accounts receivable
   c. Comparison of current-year to prior-year account balances
   d. Recalculation of depreciation expense