

Question 1 of 39

Each of the following questions is appropriate to ask internal audit personnel, **except**

- A. "How did you communicate to employees your views on business practices and ethical behavior?"
 - B. "Do you have knowledge of any fraud or suspected fraud affecting the entity?"
 - C. "What procedures did you perform to identify or detect fraud during the year?"
 - D. "Has management responded satisfactorily to any findings from the fraud-related procedures you performed?"
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Question 2 of 39

To determine whether purchase orders were correctly filled by a supplier, the internal auditor most likely would review a sample of

- A. Purchase requisitions.
 - B. Purchase invoices.
 - C. Receiving reports.
 - D. Sales invoices.
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Question 3 of 39

Which of the following statements is correct concerning internal control matters identified in a nonissuer financial statement audit?

- A. An auditor is required to search for internal control matters that require communication to client management.
 - B. All identified internal control matters are considered material weaknesses and must be communicated to the client's management.
 - C. All internal control matters must be communicated orally to those charged with governance.
 - D. An auditor may report, in writing, that no material weaknesses were noted during an audit.
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Question 4 of 39

Which of the following is **not** a component of internal control?

- A. Control environment.
 - B. Control activities.
 - C. Inherent risk.
 - D. Monitoring.
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Question 5 of 39

Which of the following controls should prevent an invoice for the purchase of merchandise from being paid twice?

- A. The check signer accounts for the numerical sequence of receiving reports used in support of each payment.
 - B. An individual independent of cash operations prepares a bank reconciliation.
 - C. The check signer reviews and cancels the voucher packets.
 - D. Two check signers are required for all checks over a specified amount.
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Question 6 of 39

A standard audit report on a nonissuer's financial statements would be inappropriate if it referred to

- A. The examination of evidence on a test basis.
 - B. The evaluation of the entity's accounting policies.
 - C. The evaluation of significant estimates made by management.
 - D. The assessment of sampling risk factors.
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Question 7 of 39

In a market in equilibrium, all of the following statements are correct **except**

- A. Quantity supplied equals quantity demanded.
 - B. There are no surpluses or shortages.
 - C. Effective price ceilings have lowered prices to protect the interests of consumers.
 - D. Price controls, if in place, are not binding (ie, they are ineffective).
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Question 8 of 39

An auditor would most likely test segregation of duties by

- A. Reperformance and tracing.
 - B. Observation and inquiry.
 - C. Inspection and vouching.
 - D. Confirmation and recomputation.
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Question 9 of 39

Which of the following system and organization controls (SOC) reports would a user auditor most likely request to gain an understanding of a service organization's internal controls related to the user's financial reporting when the auditor does **not** intend to rely on those controls?

- A. SOC 1 Type 1.
 - B. SOC 1 Type 2.
 - C. SOC 2 Type 1.
 - D. SOC 2 Type 2.
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Question 10 of 39

An accountant may compile a nonissuer's financial statements that omit all the disclosures required by GAAP only if the omission is

Clearly indicated in the accountant's report *Not undertaken with the intention to mislead*

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|----|-----|-----|
| A. | Yes | Yes |
| B. | Yes | No |
| C. | No | Yes |
| D. | No | No |
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Question 11 of 39

A CPA firm is located in Miami with branches in Boston and San Francisco. The Miami firm audits a corporation also located in Miami. According to the AICPA independence rules, who would **not** be considered a "covered member" associated with the Miami office audit?

- A. An attest partner primarily practicing in the Boston office.
 - B. An attest partner in the Miami office who does not work on the Miami client audit.
 - C. The CPA firm's employee benefit plan.
 - D. A tax manager in the Miami office who does 15 hours of tax work for the Miami client each year.
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Question 12 of 39

Which of the following is a critical success factor in data mining a large data store?

- A. An accurate uniform resource locator (URL).
 - B. Effective search engines.
 - C. Image processing systems.
 - D. Pattern recognition.
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Question 13 of 39

An audit partner has audited a company for several years and has always found the company's internal controls to be exceptionally strong. In the current engagement, a subordinate pointed out that inquiries with client personnel indicated design flaws in several newly implemented key controls. The partner nonetheless instructed the subordinate to set control risk as low, as in previous audits. The partner's judgment has most likely been affected by which of the following?

- A. Availability bias.
 - B. Survivorship bias.
 - C. Confirmation bias.
 - D. Automation bias.
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