I. **Multiple Choice Questions** (30%, 每題 3%)

1. On the basis of audit evidence gathered and evaluated, an auditor decides to increase assessed control risk from the originally planned. To achieve an audit risk level (AeAR) that is substantially the same as the planned audit risk level (AAR), the auditor would
   (A) decrease substantive testing.
   (B) decrease planned detection risk.
   (C) increase inherent risk.
   (D) increase materiality level.

2. An auditor discovers that a client’s accounts receivable turnover is substantially lower for the current year than for the prior year. This trend may indicate that
   (A) employees have stolen inventory just before the year-ended.
   (B) fictitious credit sales have been recorded during the year.
   (C) the client recently tightened its credit-granting policies.
   (D) an employee has been lapping receivables in both years.

3. For which following events would an auditor issue a report that omits any reference to consistency
   (A) a change in the method of accounting for inventories.
   (B) a change from an accounting principle that is not generally accepted to one that is generally accepted.
   (C) a change in the useful life used to calculate the provision for depreciation expense.
   (D) management’s lack of reasonable justification for a change in accounting principle.

4. An auditor most likely would analyze inventory turnover rates to obtain evidence concerning management’s assertions about
   (A) presentation and disclosure.
   (B) existence or occurrence.
   (C) rights and obligation.
   (D) valuation or allocation.

5. In determining whether the transactions have been recorded, the direction of the audit testing should be from the
   (A) General ledger balances.
   (B) Adjusted trial balance.
6. An auditor’s working papers serve mainly to
   (A) provide the principal support for the auditor’s report.
   (B) satisfy the auditor’s responsibilities concerning the Code of Professional Conduct.
   (C) monitor the effectiveness of the CPA firm’s equality control procedures.
   (D) document the level of independence maintained by the auditor.

7. When approached to perform an audit for first time, the CPA should make inquiries of the predecessor auditor. This is a necessary procedure because the predecessor auditor may be able to provide the successor with information that will assist the successor in determining whether
   (A) the engagement should be accepted.
   (B) in the predecessor’s opinion internal control of the company has been satisfactory.
   (C) The predecessor’s work should be used.
   (D) The company follows the policy of rating its auditors.

8. An auditor uses assessed control risk to
   (A) determine the acceptable level of detection risk for financial statements assertions.
   (B) evaluate the effectiveness of the entity’s internal controls.
   (C) identify transactions and account balances where inherent risk is at the maximum.
   (D) indicate whether materiality thresholds for planning and evaluation purpose are sufficiently high.

9. Once a CPA has determined that accounts receivable has increased as a result of slow collections in a “tight money” environment, the CPA would be likely to
   (A) increase the balance in the allowance for bad debt account.
   (B) review the going concern ramifications.
   (C) review the credit and collection policy.
   (D) expand tests of collectibility.

10. When using confirmation to provide evidence about the completeness assertion of accounts payable, the appropriate population most likely would be
    (A) vendor with whom the entity has previously done business.
    (B) amounts recorded in the accounts payable subsidiary ledger.
    (C) payee of checks drawn in the month after the year-end.
    (D) invoices filed in the entity’s open invoice file.
Questions and Problems

One assistant has been working in the revenue cycle area and has compiled a list of possible errors and fraud that may result in the misstatement of A Company’s financial statements, and a corresponding list of controls that, if properly designed and implemented, could assist in preventing or detecting the errors and fraud.

For each possible error and fraud numbered 1 through 10, select one internal control from the answer list below that, if properly designed and implemented, most likely could assist management in preventing or detecting the errors and fraud. (15%)

Possible Errors and Fraud

1. Invoices for goods sold are posted to incorrect customer accounts.
2. Invalid transactions granting credit for sales returns are recorded.
3. Invoices are sent to allies in a fraudulent scheme and sales are recorded for fictitious transactions.
4. Customers’ checks are credited to incorrect customer accounts.
5. Goods ordered by customers are shipped, but are not billed to anyone.
6. Goods shipped to customers do not agree with goods ordered by customers.
7. Invoices are sent for shipped goods, but are not recorded in the sales journal.
8. Invoices are sent for shipped goods and are recorded in the sales journal, but are not posted to any customer account.
9. Customers’ checks are properly credited to customer accounts and are properly deposited, but errors are made in recording receipts in the cash receipts journal.
10. Credit sales are made to individuals with unsatisfactory credit ratings.

Controls

A. Goods returned for credit are approved by the supervisor of the sales returned.
B. An employee, other than the bookkeeper, periodically prepares a bank reconciliation.
C. Shipping documents are compared with sales invoices when goods are shipped.
D. Monthly statements are mailed to all customers with outstanding balances.
E. Sales invoices are compared with the master price file.
F. Shipping clerks compare goods received from the warehouse with approved sales orders.
G. Daily sales summaries are compared with control totals of invoices.
H. Sales invoices are compared with shipping documents and approved customer orders before invoices are mailed.
I. Control amounts posted to the accounts receivable ledger are compared with control totals of invoices.
J. Customer orders are compared with an approved customer list.
Match seven of the terms (a-i) with the definitions provided below (1-7):

<table>
<thead>
<tr>
<th>a. Control environment</th>
<th>b. Control activities</th>
<th>c. Independent checks on performance</th>
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<tbody>
<tr>
<td>d. Internal control</td>
<td>e. Monitoring</td>
<td>f. Separation of duties</td>
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<tr>
<td>g. General authorization</td>
<td>h. Specific authorization</td>
<td>i. Risk assessment</td>
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</tbody>
</table>

1. Management’s ongoing and periodic assessment of the quality of internal control performance to determine that controls are operating as intended and modified when needed.
2. Company-wide policies for the approval of all transactions within stated limits.
3. The actions, policies, and procedures that reflect the overall attitudes of top management, directors, and owners of an entity about internal control and its importance to the entity.
4. Segregation of the following activities in an organization: custody of assets, accounting, authorization, and operational responsibility.
5. Management’s identification and analysis of risks relevant to the preparation of financial statements in accordance with generally accepted accounting principles.
6. Policies and procedures that help ensure necessary actions are taken to address risks in the achievement of the entity’s objectives.
7. A process designed to provide reasonable assurance regarding the achievement of management’s objectives in the following categories: (1) reliability of financial reporting, (2) effectiveness and efficiency of operations, and (3) compliance with applicable laws and regulations.

The following questions deal with the use of audit risk model. (18%)

1. Assume that the auditor is doing a first-year municipal audit of Rockwood City, Missouri, and concludes that the internal controls are not likely to be effective.
   (1) Explain why the auditor is likely to set both inherent and control risk at 100% for most segments.
   (2) Assuming (1), explain the relationship of acceptable audit risk to planned detection risk.
   (3) Assuming (1), explain the effect of planned detection risk on evidence accumulation compared with its effect if planned detection risk were larger.

2. Assume that the auditor is doing the third-year municipal audit of Rockwood City, Missouri, and concludes that the internal controls are effective and inherent risk is low.
   (1) Explain why the auditor is likely to set inherent and control risk for material segments at a higher level than, say, 40%, even when the two risks are low.
   (2) For the audit of fixed asset accounts, assume inherent and control risks of 50% each, and an acceptable audit risk of 5%. Calculate planned detection risk.
   (3) For (2), explain the effect of planned detection risk on evidence accumulation compared with its...
effect if planned detection risk were smaller.

3. Assume that the auditor is doing the fifth-year municipal audit of Rockwood City, Missouri, and concludes that acceptable audit risk can be set high and inherent and control risks should be set low.

(1) What circumstances would result in these conclusions?

(2) For the audit of repairs and maintenance, inherent and control risks are set at 20% each. Acceptable audit risk is 5%. Calculate planned detection risk.

(3) How much evidence should be accumulated in this situation?

四、審計人員執行財務報表查核應對受查事業有適當之瞭解，其所須瞭解的項目通常包括哪些？又所獲得的相關資訊，除有助於審計人員執行相關專業判斷外，尚有利於哪些工作的進行？請依中華民國第三十七號審計準則公報作答。（18％）

五、依審計準則第四十三號公報，查核人員為瞭解受查事業及其內控制，應考慮第三十一號『內部控制之考量』及第三十七號『對受查事業之瞭解』之規定，執行風險評估程序。查核人員為獲取用以辨認導因於舞弊之重大不實表達風險之資訊，應執行哪些風險評估之程序？（12％）