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ACC210

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1. Â Why can the auditor not give absolute assurance?

--->> Not 100% of the transactions in the year are tested

B. The Auditor is not qualified enough to understand all of the transactions.

Management will always lie to the auditor and cover up errors

Not all of the balances are tested during the audit

2. Izu is the audit partner in the Audit of Young Shall Grow Co. an international retail firm listed on a major stock exchange. He has been audit partner for 3 years and is concerned about the familiarity threat that comes from auditing the same firm for too long. Which of the following would apply to Joe:

He should immediately stand down as the auditor of Young Shall Grow Co. as there is a requirement to rotate the audit partner every 3 years.

He can remain the audit partner for another 4 years as there is a requirement to rotate the audit partner every 7 years.

--->> He can remain the audit partner for another 2 years as there is a requirement to rotate the audit partner every 5 years.

He can remain audit partner indefinitely as rotation of the audit partner is only required when auditing an unlisted company.

3. A number of checks and controls exercised in a business to ensure its efficient working is known as

Internal check

--->> Internal control

Internal audit

External control

4. Â Which of the following would you associate with a Limited Assurance Engagement?

A report containing positive assurance from the Auditor

A high level of assurance

--->> A report containing negative assurance from the Auditor

A large amount of detailed testing and large sample sizes

5. If the banking process should be carried out with one member of staff counting the cash and another banking it what is this control called?

Authorisation

Segregation of Duties.

--->> separation

Delegation of duty

6. Ibiam Co. has a wages control account which is reconciled each month. How can the auditor test this control?

For a sample of the reconciliations in the year, re-perform the calculation to ensure accuracy.

sample for reconciliation of calculation

--->> Review the reconciliations file to verify that the reconciliations were carried out each month in the year to be audited.

Observe the clerk carrying out the next reconciliation whilst atn the client premises.

7. Keneth Dike Co. has high value inventory which is stored in a secure location. How can the auditor test whether this control is being carried out?

--->> Observe the location and inspect the security procedures to ensure they are adequate.

observe locations and procedures

For a sample of invoices ensure that the ndelivery address matches that of the secure location.

For a sample of invoices, ensure that the orders are only made for goods that are not in stock.

8. If the banking process should be carried out with one member of staff counting the cash and another banking it what is this control called?

Authorisation

--->> Segregation of Duties.

separation

Delegation of duty

9. How does Internal Audit properly carry out its function?

They discuss matters with the external nauditor and ask for their advice.

--->> They carry out assignments and report their findings to the AuditCommittee.

They ask the Audit Committee to carry out assignments and review the work ofthe AuditCommittee.

They carry out assignments setn by the CEO and report to them only

10. An auditor can be removed from their position as Auditor by:

A vote by the majority of the board of directors

The International Federation of Accountants only

--->> A vote by a majority of the shareholders

A decision made by the CEO and Chairman of the company