

# Test Bank For

Auditing & Assurance Services, 8th Edition By Timothy Louwers, Penelope Bagley, Allen Blay, Jerry Strawser, Jay Thibodeau and David Sinason

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**Chapter 1-12** Answers are at the End of Each Chapter

## **Chapter 1**

Student name: \_\_\_\_\_

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.**

- 1) The audit objective that all transactions and accounts that should be presented in the financial statements are in fact included is related to which of the PCAOB assertions?
  - A) Existence.
  - B) Rights and obligations.
  - C) Completeness.
  - D) Valuation.
  
- 2) Cutoff tests designed to detect purchases made before the end of the year that have been recorded in the subsequent year provide assurance about management's assertion of:
  - A) presentation and disclosure.
  - B) completeness.
  - C) rights and obligations.
  - D) existence.
  
- 3) During an audit of an entity's stockholders' equity accounts, the auditor determines whether there are restrictions on retained earnings resulting from loans, agreements, or state law. This audit procedure most likely is intended to verify management's assertion of:

- A) existence or occurrence.
- B) completeness.
- C) valuation or allocation.
- D) presentation and disclosure.

4) The confirmation of an account payable balance selected from the general ledger provides primary evidence regarding which management assertion?

- A) Completeness.
- B) Valuation.
- C) Allocation.
- D) Existence.

5) What type of evidence would provide the highest level of assurance in an attestation engagement?

- A) Evidence secured solely from within the entity.
- B) Evidence obtained from independent sources.
- C) Evidence obtained indirectly.
- D) Evidence obtained from multiple internal inquiries.

6) Which of the following management assertions is an auditor most likely testing if the audit objective states that all inventory on hand is reflected in the ending inventory balance?

- A) The entity has rights to the inventory.

- B) Inventory is properly valued.
- C) Inventory is properly presented in the financial statements.
- D) Inventory is complete.

7) An auditor traces the serial numbers on equipment to a nonissuer's sub-ledger. Which of the following management assertions is supported by this test?

- A) Valuation and allocation.
- B) Completeness.
- C) Rights and obligations.
- D) Presentation and disclosure.

8) An auditor has substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time because of negative cash flows and working capital deficiencies. Under these circumstances, the auditor would be most concerned about the:

- A) control environment factors that affect the organizational structure.
- B) correlation of detection risk and inherent risk.
- C) effectiveness of the entity's internal control activities.
- D) possible effects on the entity's financial statements.

9) Which of the following types of audit evidence provides the **least** assurance of reliability?

- A) Receivable confirmations received from the client's customers.
- B) Prenumbered receiving reports completed by the client's employees.

- C) Prior months' bank statements obtained from the client.
- D) Municipal property tax bills prepared in the client's name.

**10)** Which of the following is a management assertion regarding account balances at the period end?

- A) Transactions and events that have been recorded have occurred and pertain to the entity.
- B) Transactions and events have been recorded in the proper accounts.
- C) The entity holds or controls the rights to assets, and liabilities are obligations of the entity.
- D) Amounts and other data related to the transactions and events have been recorded appropriately.

**11)** A practitioner is engaged to express an opinion on management's assertion that the square footage of a warehouse offered for sale is 150,000 square feet. The practitioner should refer to which of the following sources for professional guidance?

- A) *Statement of Auditing Standards.*
- B) *Statements on Standards for Attestation Engagements.*
- C) *Statements on Standards for Accounting and Review Services.*
- D) *Statements on Standards for Consulting Services.*

**12)** In auditing the long-term debt account, an auditor's procedures most likely would focus primarily on management's assertion of: