Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

SKU: 9781260247954-TEST-BANK

Principles of Auditing and Other Assurance Services 22nd Edition by Whittington

Answers are located in the second half of this document.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Although independent audits of today place more emphasis on sampling than did the audits of the 19th century, in increasing circumstances, changes in information technology are again making possible audits of aspects of all transactions in large populations.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-05 Describe how the credibility of the accounting profession was affected by
Accessibility : Screen Reader Compatible
Gradable : automatic

2) The American Institute of Certified Public Accountants creates the CPA Exam, while individual states issue CPA certificates and permits CPAs to practice.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

3) The GAO is limited by statute to performing only compliance audits.

- ◎ true
- ◎ false

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Topic : Financial Statement Audits
Difficulty : 1 Easy
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

4) The SEC does *not* pass on the merits of the securities that are registered with the agency.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

5) The American Institute of Certified Public Accountants has the primary authority to establish accounting standards.

◎ true
◎ false

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

6) When a CPA firm enrolls in the AICPA Peer Review Program, it agrees to comply with the AICPA's Quality Control Standards and to have a peer review of its accounting and auditing practice every seven years.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

7) Despite the high cost, virtually all small companies have their financial statements audited by a CPA firm, so they can obtain a loan.

- ◎ true
- ◎ false

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

8) Senior auditors in CPA firms may be responsible for planning and coordinating audits on smaller engagements.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Topic : The Public Accounting Profession
Difficulty : 1 Easy
Learning Objective : 01-08 Describe how public accounting firms are typically organized and the respo
Accessibility : Screen Reader Compatible
Gradable : automatic

9) The Sarbanes-Oxley Act requires that auditors of certain publicly traded companies in the United States perform an integrated audit that includes providing assurance on both the financial statements and on compliance with laws and regulations.

◎ true
◎ false

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

10) Auditing is frequently only a small part of the practice of local CPA firms.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : The Public Accounting Profession
Learning Objective : 01-08 Describe how public accounting firms are typically organized and the respo
Accessibility : Screen Reader Compatible
Gradable : automatic

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

11) A summary of findings rather than assurance is most likely to be included in a(n):

A) Agreed-upon procedures report.
B) Compilation report.
C) Audit report.
D) Review report.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : automatic

12) The Statements on Auditing Standards have been issued by the:

A) Auditing Standards Board.
B) Financial Accounting Standards Board.
C) Securities and Exchange Commission.
D) Federal Bureau of Investigation.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

13) The risk that a company's financial statements will materially depart from generally accepted accounting principles is referred to as:

A) Business Risk.
B) Information Risk.
C) Detection Risk.
D) Document Risk.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-04 Explain why audits are demanded by society.
Topic : Financial Statement Audits
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

14) Historically, which of the following has the AICPA been **most** concerned with providing?

A) Auditing standards.
B) Professional guidance for regulating financial markets.
C) Internal auditing standards.
D) Staff support to Congress.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

15) The organization charged with protecting investors and the public by requiring full disclosure of financial information by companies offering securities to the public is the:

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

A) Auditing Standards Board.
B) Financial Accounting Standards Board.
C) Government Accounting Standards Boards.
D) Securities and Exchange Commission.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

16) An engagement in which a CPA firm arranges for a critical review of its practices by another CPA firm is referred to as a(n):

A) Peer Review Engagement.
B) Quality Control Engagement.
C) Quality Assurance Engagement.
D) Attestation Engagement.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

17) The sequentially-numbered pronouncements issued by the Auditing Standards Board over a period of years are known as:

A) Auditing Statements of Position (ASPs).
B) Accounting Series Releases (ASRs).
C) Statements on Auditing Standards (SASs).
D) Statements on Auditing Principles (SAPs).

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

18) Government Accountability Office (GAO):

A) is primarily concerned with rapid processing of all accounts payable incurred by the federal government.
B) responsibilities include audits of government agencies.
C) is an organization of professional accountants whose primary interest is in the effectiveness of presidential expenditures.
D) is primarily concerned with budgets and forecasts approved by the PCAOB.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Topic : Financial Statement Audits
Difficulty : 1 Easy
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

19) The risk associated with survivability and profitability is referred to as:

A) Information risk.
B) Inherent risk.
C) Relative risk.
D) Business risk.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-04 Explain why audits are demanded by society.
Topic : Financial Statement Audits
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

20) The risk that a company will *not* be able to meet its obligations when they become due is an aspect of:

A) Information risk.
B) Inherent risk.
C) Relative risk.
D) Business risk.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Learning Objective : 01-04 Explain why audits are demanded by society.
Topic : Financial Statement Audits
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Gradable : automatic

21) Which of the following attributes is more essential for an auditor than of management?

A) Integrity.
B) Competence.
C) Independence.
D) Keeping informed on current professional developments.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Describe the nature of assurance services.
Topic : What Are Assurance Services?
Accessibility : Screen Reader Compatible
Gradable : automatic

22) The attest function:

A) Is an essential part of every engagement by the CPA, whether performing auditing, tax work, or other services.
B) Includes the preparation of a report of the CPA's findings.
C) Requires a consideration of internal control.
D) Requires a complete review of all transactions during the period under examination.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : automatic

23) Attestation risk is limited to a low level in which of the following engagement(s)?

A) Both examinations and reviews.
B) Examinations, but not reviews.
C) Reviews, but not examinations.
D) Neither examinations nor reviews.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : automatic

24) When compared to an audit performed prior to 1900, an audit today:

A) Is more likely to use sampling in more areas.
B) Is less likely to include consideration of the effectiveness of internal control.
C) Has bank loan officers as the primary financial statement user group.
D) Includes a more detailed examination of all individual transactions.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Bloom's : Understand
Topic : Attest Engagements
Learning Objective : 01-03 Describe the nature of financial statement audits.
Accessibility : Screen Reader Compatible
Gradable : automatic

25) Which of the following series of pronouncements are issued by the Securities and Exchange Commission?

A) Auditing Registrar Releases.
B) Form S-1.
C) Accounting and Auditing Enforcement Releases.
D) Statements of Position.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

26) Which of the following is *not* correct relating to the Sarbanes-Oxley Act?

A) It toughens penalties for corporate fraud.
B) It restricts the types of consulting CPAs may perform for audit clients.
C) It maintains identical requirements for large and small public companies.
D) It eliminates a significant portion of the AICPA's system of self-regulation.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-05 Describe how the credibility of the accounting profession was affected by
Accessibility : Screen Reader Compatible
Gradable : automatic

27) An operational audit differs in many ways from an audit of financial statements. Which of the following is the best example of one of these differences?

A) The usual audit of financial statements covers the four basic statements, whereas the operational audit is usually limited to either the balance sheet or the income statement.
B) Operational audits are more subjective and often involve evaluating efficiency and effectiveness of operations.
C) Operational audits do not ordinarily result in the preparation of a report.
D) The operational audit deals with pre-tax income.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

28) The review of a company's financial statements by a CPA firm:

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

A) Is substantially less in scope of procedures than an audit.
B) Requires detailed analysis of the major accounts.
C) Is of similar scope as an audit and adds similar credibility to the statements.
D) Culminates in issuance of a report expressing the CPA's opinion as to the fairness of the statements.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : automatic

29) Which statement is correct with respect to continuing professional education (CPE) requirements of CPAs?

A) Only CPAs in public practice are required to meet such requirements.
B) Only CPAs in public practice or business are required to meet such requirements.
C) State laws require CPAs to participate in continuing education programs as a condition for license renewal.
D) Participation in continuing professional education is voluntary of all CPAs.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

30) The FDIC Improvement Act requires that management of large financial institutions engage auditors to attest to assertions by management about the effectiveness of the institution's internal controls over:

A) Broker and dealer relationships.
B) Financial reporting.
C) Effectiveness of operations.
D) Efficiency of operations.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-04 Explain why audits are demanded by society.
Topic : Financial Statement Audits
Accessibility : Screen Reader Compatible
Gradable : automatic

31) Passage of the Sarbanes-Oxley Act led to the establishment of the:

A) Auditing Standards Board.
B) Public Company Accounting Oversight Board.
C) Public Accountancy Review Board.
D) Securities and Exchange Commission.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-05 Describe how the credibility of the accounting profession was affected by
Accessibility : Screen Reader Compatible
Gradable : automatic

32) Which of the following professionals has primary responsibility for the performance of an audit?

A) The managing partner of the firm.
B) The senior assigned to the engagement.
C) The manager assigned to the engagement.
D) The partner in charge of the engagement.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : The Public Accounting Profession
Learning Objective : 01-08 Describe how public accounting firms are typically organized and the respo
Accessibility : Screen Reader Compatible
Gradable : automatic

33) Which of the following types of services is generally provided only by CPA firms?

A) Tax audits.
B) Financial statement audits.
C) Compliance audits.
D) Operational audits.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : automatic

34) The right to practice as a CPA is given by which of the following organizations?

A) State Boards of Accountancy.
B) The AICPA.
C) The SEC.
D) The General Accounting Office.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

35) Which of the following terms best describes the audit of a taxpayer's tax return by an IRS auditor?

A) Operational audit.
B) Internal audit.
C) Compliance audit.
D) Government audit.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

36) Inquiries and analytical procedures ordinarily form the basis for which type of engagement?

A) Agreed-upon procedures.
B) Audit.
C) Examination.
D) Review.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : automatic

37) Which of the following best describes the reason why independent auditors report on financial statements?

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

A) A management fraud may exist and it is more likely to be detected by independent auditors.

B) An audit provides credibility to the financial statements.

C) A misstatement of account balances may exist and is generally corrected as the result of the independent auditors' work.

D) Poorly designed internal control may be in existence.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Bloom's : Understand
Topic : Attest Engagements
Learning Objective : 01-03 Describe the nature of financial statement audits.
Accessibility : Screen Reader Compatible
Gradable : automatic

38) Financial accounting standards for cities are developed primarily by the:

A) FASB.
B) IFAC.
C) GASB.
D) SEC.

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Decision Making
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

39) Operational auditing is primarily oriented toward:

A) Future improvements to accomplish the goals of management.
B) The accuracy of data reflected in management's financial records.
C) The verification that a company's financial statements are fairly presented.
D) Past protection provided by existing internal control.

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Decision Making
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

40) A typical objective of an operational audit is for the auditor to:

A) Determine whether the financial statements fairly present the entity's operations.
B) Evaluate the feasibility of attaining the entity's operational objectives.
C) Make recommendations for improving performance.
D) Report on the entity's relative success in attaining profit maximization.

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Decision Making
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

41) An integrated audit performed under the Sarbanes-Oxley Act requires that auditors provide opinions on:

	Financial Statements	Law Compliance
A.	Yes	Yes
B.	Yes	No
C.	No	Yes
D.	No	No

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

42) In United States v. Arthur Young, the Supreme Court of the United States described the auditor's role as requiring independence, complete fidelity to the public trust and to serve as a(n):

A) Objective observer.
B) Public watchdog.
C) Independent detective.
D) Inspector with high morals.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-04 Explain why audits are demanded by society.
Topic : Financial Statement Audits
AACSB : Ethics
Accessibility : Screen Reader Compatible
Gradable : automatic

43) International Standards on Auditing are issued by:

A) International Standards Board.
B) International Auditing and Assurance Standards Board.
C) Public Company Accounting Oversight Board.
D) International Auditing Education Standards Board.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Accessibility : Screen Reader Compatible
Gradable : automatic

44) In cases of a publicly traded company audit in the United States, when International Standards on Auditing (ISAs) conflict with the PCAOB, standards, which of the following is correct?

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

A) The ISA is applicable.
B) The PCAOB standard is applicable.
C) The substance of the conflict should be analyzed, and the ISA or PCAOB treatment that seems more appropriate is applicable.
D) Both sets of standards have equal applicability.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Bloom's : Apply
Accessibility : Screen Reader Compatible
Gradable : automatic

45) An audit of the financial statements of a company is referred to as a(n):

A) Financial audit.
B) Compliance audit.
C) Operational audit.
D) Integrated financial audit.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Topic : Financial Statement Audits
Difficulty : 1 Easy
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

46) An act passed by Congress aimed at promoting financial stability improving accountability and transparency in the financial system:

A) Better governance Act.
B) Dodd-Frank Act.
C) Public Company Accounting Oversight Board Act.
D) Sarbanes-Oxley Act.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-05 Describe how the credibility of the accounting profession was affected by
Accessibility : Screen Reader Compatible
Gradable : automatic

47) The financial statements of a United States public company are most likely to follow:

A) Generally accepted accounting principles.
B) International Standards of Auditing.
C) Public Company Accounting Oversight Board Principles.
D) Quality control standards.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : automatic

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

48) The global organization of accounting professional bodies is called:

A) International Auditing and Assurance Standards Board.
B) International Ethics standard Board for Accountants.
C) International Federation of Accountants.
D) International Accountants Standards Setters.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

49) Which of the following is correct concerning the Sarbanes-Oxley Act?

A) Effective January 1, 2003, it eliminated the Auditing Standards Board.
B) It applies to all audits conducted in the United States.
C) It prohibits providing any consulting services for an audit client.
D) It requires all accounting firms that audit SEC registrants to register with the Public Company Accounting Oversight Board.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

50) An "audit committee" of a publicly held company ordinarily should be made up of:

A) Major stakeholders, including management and representatives of equity interests.
B) The audit partner, the chief financial officers, the legal counsel, and at least one outsider.
C) Representatives from the client's management.
D) Members of the board of directors who are not officers or employees.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

51) Attest engagements always have:

A) A written subject title.
B) An examination report.
C) Reasonable assurance.
D) Subject matter.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

52) What type of audit is most likely to be involved by bank examiners employed by the Federal Deposit Insurance Corporation?

A) Financial.
B) Compliance.
C) Operational.
D) Integral.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Topic : Financial Statement Audits
Difficulty : 1 Easy
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : automatic

53) For auditing matters relating to a public company an auditor is most likely to use standards issued by the:

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

A) Auditing Standards Board.
B) Financial Accounting Standards Board.
C) Federal Trade Commission.
D) Public Company Accounting Oversight Board.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

54) Which of the following is the American Institute of Certified public Accountants *least* involved with?

A) Contributing to the profession's self-regulation.
B) Promulgating auditing standards for nonpublic companies.
C) Promulgating auditing standards for public companies.
D) Promoting continuing professional education.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Difficulty : 2 Medium
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Bloom's : Understand
Accessibility : Screen Reader Compatible
Gradable : automatic

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

55) Accountants are regulated by a variety of organizations. Match the statements with the most directly related organization:

- Accounting and Review Services Committee.
- American Institute of Certified Public Accountants.
- Auditing Standards Board.
- Federal Accounting Standards Advisory Board.
- Financial Accounting Standards Board.
- General Accounting Office.
- Government Accounting Standards Board.
- Public Company Accounting Oversight Board.
- Securities and Exchange Commission.
- State Boards of Accountancy.

Organizations may be used once, more than once, or not at all.

Statements	Organizations
A. Develops accounting standards for public and nonpublic companies.	
B. Develops accounting standards for the U.S. Government.	
C. Improves standards of financial accounting for state and local government entities.	
D. Issues auditing standards for public companies.	
E. Issues CPA certificates.	
F. Prepares the CPA exam.	

Organizations: American Institute of Certified Public Accountants, Federal Accounting Standards Advisory Board, Financial Accounting Standards Board, Government Accounting Standards Board, Public Company Accounting Oversight Board, State Boards of Accountancy.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Topic : Financial Statement Audits
Learning Objective : 01-07 Explain the regulatory process for auditors of public companies and audito
Topic : The Public Accounting Profession
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Accessibility : Screen Reader Compatible
Gradable : manual

56) The Sarbanes-Oxley Act of 2002 made significant reforms for public companies and their auditors.
a. Describe the events that led up to the passage of the Act.
b. Describe the major changes made by the Act.

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Decision Making
Topic : Financial Statement Audits
Learning Objective : 01-06 Contrast the various types of audits and types of auditors.
Learning Objective : 01-05 Describe how the credibility of the accounting profession was affected by
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
Bloom's : Understand
Difficulty : 3 Hard
Accessibility : Screen Reader Compatible
Gradable : manual

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

57) Many people confuse the responsibilities of the independent auditors and the client's management with respect to audited financial statements.
a. Describe management's responsibility regarding audited financial statements.
b. Describe the independent auditors' responsibility regarding audited financial statements.
c. Evaluate the following statement: "If the auditors disagree with management regarding an accounting principle used in the financial statements, the auditors should express their views in the notes to the financial statements."

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-02 Identify assurance services that involve attestation.
Topic : The Attest Function
Accessibility : Screen Reader Compatible
Gradable : manual

58) An investor is considering investing in one of two companies. The companies have very similar reported financial position and results of operations. However, only one of the companies has its financial statements audited.
a. Describe what creates the demand for an audit in this situation. Include a discussion of how audited financial statements facilitate this investment transaction, and the effect of the audit on business risk and information risk.
b. Identify the potential consequences to the company of not having its financial statements audited.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Principles of Auditing and Other Assurance Services 22nd Edition by Whittington

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Industry
AICPA : FN Decision Making
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-04 Explain why audits are demanded by society.
Topic : Financial Statement Audits
Accessibility : Screen Reader Compatible
Gradable : manual

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Principles of Auditing and Other Assurance Services 22nd Edition by Whittington
Answer Key

Test name: 001

1) TRUE
2) TRUE
3) FALSE
4) TRUE
5) FALSE
6) FALSE
7) FALSE
8) TRUE
9) FALSE
10) TRUE
11) A
12) A
13) B
14) A
15) D
16) A
17) C
18) B
19) D
20) D
21) C
22) B
23) B
24) A
25) C

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

26) C
27) B
28) A
29) C
30) B
31) B
32) D
33) B
34) A
35) C
36) D
37) B
38) C
39) A
40) C
41) B
42) B
43) B
44) B
45) A
46) B
47) A
48) C
49) D
50) D
51) D
52) B
53) D
54) C
55)

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

Statements	Organizations
A. Develops accounting standards for public and nonpublic companies.	Financial Accounting Standards Board.
B. Develops accounting standards for the U.S. Government.	Federal Accounting Standards Advisory Board.
C. Improves standards of financial accounting for state and local government entities.	Government Accounting Standards Board.
D. Issues auditing standards for public companies.	Public Company Accounting Oversight Board.
E. Issues CPA certificates.	State Boards of Accountancy.
F. Prepares the CPA exam.	American Institute of Certified Public Accountants.

56)a. The events leading up to the passage of the Sarbanes-Oxley Act include:

● A large number of misstatements of financial statements, many of which resulted from fraudulent financial reporting. Notably including WorldCom and Enron.

● The conviction of the Big 5 accounting firm of Arthur Andersen on charges of destroying evidence.

b. The major reforms made the Act include:

● Tougher penalties for fraud.

● Restrictions on the types of consulting services that may be provided by auditors to their public audit clients.

● The creation of the Public Company Accounting Oversight Board to establish auditing standards and oversee accounting firms that audit public companies.

● Requirements for management to make an assertion about the effectiveness of internal control.

● Requirements for auditors of public companies to audit and report on internal control.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank

57)a. Management has primary responsibility for the fairness of the financial statements and internal control.

b. The auditors are responsible for performing an independent audit of the financial statements and issuing a report on them in accordance with generally accepted auditing standards.

c. The statement if false. The notes to the financial statements should contain only representations of management. The auditors should express their reservations in their report.

58)a. Audits add credibility to the financial statements of the company. The individual can invest in the company knowing that there is a low probability that the financial statements depart materially from generally accepted accounting principles. Audited financial statements facilitate this transaction by reducing risk related to the investment. Specifically, audits reduce information risk-the risk that information used to make the investment decision is misstated-related to the financial statements. Audited financial statements do not directly affect business risk, which is the risk that the company will not be able to meet its financial obligations.

b. The potential consequences of not having an audit are:

● If the investor is particularly risk averse, he or she may not invest in the company at all.

● If the investor decides to invest in the company, he or she will not be willing to pay as high a price because the investor will want to be compensated for the additional risk that is involved in relying upon unaudited financial statements.

Principles of Auditing and Other Assurance Services 22nd edition Whittington Test Bank