Auditing and Assurance Services 8th edition Louwers Test Bank

SKU: 9781260369205-TEST-BANK

Auditing and Assurance Services 8th Edition by Louwers Ch01

Correct answers are located in the second half of this document.

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.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

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.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

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.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

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

Auditing and Assurance Services 8th edition Louwers Test Bank

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

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

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.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
Source : AICPA
Difficulty : 3 Hard
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

Auditing and Assurance Services 8th edition Louwers Test Bank

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.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Source : AICPA
Difficulty : 3 Hard
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

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.

Auditing and Assurance Services 8th edition Louwers Test Bank

Auditing and Assurance Services 8th Edition by Louwers Ch01

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Source : AICPA
Difficulty : 3 Hard
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

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.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Source : AICPA
Difficulty : 3 Hard
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

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

Auditing and Assurance Services 8th edition Louwers Test Bank

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.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Source : AICPA
Difficulty : 3 Hard
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

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.

Auditing and Assurance Services 8th edition Louwers Test Bank

Auditing and Assurance Services 8th Edition by Louwers Ch01

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Source : AICPA
Difficulty : 3 Hard
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

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.*

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
Source : AICPA
Difficulty : 3 Hard
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

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

Auditing and Assurance Services 8th edition Louwers Test Bank

A) existence.
B) completeness.
C) allocation.
D) rights and obligations.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

13) An auditor selected items for test counts from the client's warehouse during the physical inventory observation. The auditor then traced these test counts into the detailed inventory listing that ultimately agreed to the financial statements. This procedure most likely provided evidence concerning management's assertion of:

A) completeness.
B) valuation.
C) presentation and disclosure.
D) existence.
E) rights and obligations.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

14) An auditor selected items from the client's detailed inventory listing (that agreed to the financial statements). During the physical inventory observation, the auditor then found each item selected and counted the number of units on hand. Assuming that the amount on hand was the same as the amount in the client's detailed inventory listing, this procedure most likely would provide evidence concerning management's assertion of:

A) completeness.
B) valuation.
C) presentation and disclosure.
D) existence.
E) rights and obligations.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

Auditing and Assurance Services 8th edition Louwers Test Bank

15) According to PCAOB Auditing Standard No. 2201 (*AS 2201*), the auditor should identify significant accounts and disclosures and their relevant assertions. Which of the following financial statement assertions is*not* explicitly identified in*AS 2201*?

A) Completeness.
B) Valuation or allocation.
C) Accuracy.
D) Existence or occurrence.
E) All of these are assertions identified in *AS 2201*.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

16) When testing the completeness assertion for a liability account, an auditor ordinarily works from the:

A) financial statements to the potentially unrecorded items.
B) potentially unrecorded items to the financial statements.
C) accounting records to the supporting evidence.
D) trial balance to the subsidiary ledger.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

17) If an auditor is performing procedures related to the information that is contained in the client's pension footnote, he/she is most likely to obtain evidence concerning management's assertion about:

A) rights and obligations.
B) existence.
C) valuation.
D) presentation and disclosure.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

18) Which of the following questions would be**inappropriate** for an auditor to ask a client when exhibiting an appropriate level of professional skepticism while completing an audit procedure related to the internal control system?

Auditing and Assurance Services 8th edition Louwers Test Bank

A) What can go wrong in this process?
B) Which of your employees is a fraudster?
C) What else is important to know about this process?
D) What happens when a key employee goes on vacation?

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-04 Define professional skepticism and explain its key characteristics.
Topic : Professional Skepticism
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

19) To be proficient as an auditor, a person must *first* be able to accomplish which of these tasks in a decision-making process?

A) Identify audit evidence relevant to the verification of assertions management makes in its unaudited financial statements and notes.
B) Formulate evidence-gathering procedures (audit plan) designed to obtain sufficient, competent evidence about assertions management makes in financial statements and notes.
C) Recognize the financial assertions made in management's financial statements and footnotes.
D) Evaluate the evidence produced by the performance of procedures and decide whether management's assertions conform to generally accepted accounting principles and reality.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 3 Hard
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

20) Which of the following is an underlying condition that in part creates the demand by users for reliable information?

A) Economic transactions that are numerous and complex.
B) Decisions that are time-sensitive.
C) Users separated from accounting records by distance and time.
D) Financial decisions that are important to investors and users.
E) All of the these choices are correct.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-01 Define information risk and explain how the financial statement auditing p
Topic : User Demand for Reliable Information
AICPA : BB Industry
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

21) Which of the following is *not* included in the American Accounting Association (AAA) definition of auditing?

Auditing and Assurance Services 8th edition Louwers Test Bank

A) Potential conflict of interest.
B) Systematic process.
C) Assertions about economic actions.
D) Established criteria.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

22) What is the term used to identify the risk that the client's financial statements may be materially false and misleading?

A) Business risk.
B) Information risk.
C) Client risk.
D) Risk assessment.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
Learning Objective : 01-01 Define information risk and explain how the financial statement auditing p
Topic : User Demand for Reliable Information
AICPA : FN Risk Analysis
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

Auditing and Assurance Services 8th edition Louwers Test Bank

23) Which of the following is*not* a recommendation usually made following the completion of an operational audit?

A) Economic and efficient use of resources.
B) Effective achievement of business objectives.
C) Attesting to the fairness of the financial statements.
D) Compliance with company policies.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
Learning Objective : 01-06 Describe the audits and auditors in governmental, internal, and operationa
Topic : Other Kinds of Engagements and Information Professionals
AACSB : Communication
AICPA : FN Reporting
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

24) In order to be considered as external auditors with respect to government agencies, GAO auditors must be:

A) organizationally independent.
B) empowered as the accounting and auditing agency by the U.S. Congress.
C) funded by the federal government.
D) guided by standards similar to GAAS.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-06 Describe the audits and auditors in governmental, internal, and operationa
Topic : Other Kinds of Engagements and Information Professionals
AACSB : Ethics
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

25) Which of the following is the essential purpose of the audit function?

A) Detection of fraud.
B) Examination of individual transactions to certify as to their validity.
C) Determination of whether the client's financial statement assertions are fairly stated.
D) Assurance of the consistent application of correct accounting procedures.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AICPA : FN Reporting
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

26) The audit objective that all the transactions and accounts presented in the financial statements represent real assets, liabilities, revenues, and expenses is related most closely to which of the PCAOB assertions?

Auditing and Assurance Services 8th edition Louwers Test Bank

A) Existence or occurrence.
B) Rights and obligations.
C) Completeness.
D) Presentation and disclosure.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

27) The audit objective that all transactions are recorded in the proper period is related most closely to which of the Audit Standards Board (ASB) transaction assertions?

A) Occurrence.
B) Completeness.
C) Cutoff.
D) Accuracy.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

Auditing and Assurance Services 8th edition Louwers Test Bank

28) The audit objective that all transactions are recorded in the proper account is related most closely to which one of the ASB transaction assertions?

A) Occurrence.
B) Completeness.
C) Accuracy.
D) Classification.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

29) The audit objective that all balances include items owned by the client is related most closely to which one of the ASB balance assertions?

A) Existence.
B) Rights and obligations.
C) Completeness.
D) Valuation.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

30) The audit objective that all balances include all items that should be recorded in that account is related most closely to which one of the ASB balance assertions?

A) Existence.
B) Rights and obligations.
C) Completeness.
D) Valuation.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

31) The audit objective that footnotes in the financial statements should be clear and expressed such that the information is easily conveyed to the readers of the financial statements is related most closely with which of the ASB presentation and disclosure assertions?

Auditing and Assurance Services 8th edition Louwers Test Bank

A) Occurrence.
B) Rights and obligations.
C) Comprehensibility.
D) Understandability.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

32) The engineering department at Omni Company built a piece of equipment in the company's own shop for use in the company's operations. The auditor reviewed all work orders that were capitalized as part of the equipment costs. Which of the following is the ASB transaction assertion most closely related to the auditor's testing?

A) Occurrence.
B) Completeness.
C) Accuracy.
D) Classification.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
AICPA : BB Legal
AICPA : FN Research
Difficulty : 3 Hard
Bloom's : Understand
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

33) The engineering department at Omni Company built a piece of equipment in the company's own shop for use in the company's operations. When looking at the ending balance for the fixed asset account the auditor examined all work orders, purchased materials, labor cost reports, and applied overhead that were capitalized as part of the equipment costs. Which of the following is the ASB balance assertion most closely related to the auditor's testing?

A) Existence.
B) Completeness.
C) Rights and obligations.
D) Valuation.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
AICPA : BB Legal
AICPA : FN Research
Difficulty : 3 Hard
Bloom's : Understand
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

34) Which of the following best describes the primary role and responsibility of independent external auditor?

Auditing and Assurance Services 8th edition Louwers Test Bank

A) Produce a company's annual financial statements and notes.

B) Express an opinion on the fairness of a company's annual financial statements and footnotes.

C) Provide business consulting advice to audit clients.

D) Obtain an understanding of the client's internal control structure and give management a report about control problems and deficiencies.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

35) Which of the following best describes the main reason independent auditors report on management's financial statements?

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

B) The management that prepares the statements and the persons who use the statements may have conflicting interests.

C) Misstated account balances may be corrected as the result of the independent audit work.

D) The management that prepares the statements may have a poorly designed system of internal control.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Understand
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

36) The auditor's judgment concerning the overall fairness of the presentation of financial position, results of operations, and cash flows is applied within the framework of:

A) quality control.
B) generally accepted auditing standards, which include the concept of materiality.
C) the auditor's evaluation of the audited company's internal control.
D) the applicable financial reporting framework (i.e., GAAP in the United States).

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

37) Assurance services involve all of the following,*except*:

Auditing and Assurance Services 8th edition Louwers Test Bank

A) relevance as well as the reliability of information.
B) nonfinancial information as well as traditional financial statements.
C) providing absolute rather than reasonable assurance.
D) electronic databases as well as printed reports.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AICPA : BB Industry
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

38) Because of the risk of material misstatement, an audit of financial statements in accordance with generally accepted auditing standards should be planned and performed with an attitude of:

A) objective judgment.
B) independent integrity.
C) professional skepticism.
D) impartial conservatism.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
Difficulty : 2 Medium
Source : AICPA
Learning Objective : 01-04 Define professional skepticism and explain its key characteristics.
Topic : Professional Skepticism
AICPA : FN Risk Analysis
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

39) Which of the following best describes assurance services?

A) Independent professional services that report on the client's financial statements.
B) Independent professional services that improve the quality of information for decision makers.
C) Independent professional services that report on specific written management assertions.
D) Independent professional services that improve the operations of the client.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AICPA : BB Industry
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

40) Which of the following is*not* a PCAOB assertion about inventory related to presentation and disclosure?

Auditing and Assurance Services 8th edition Louwers Test Bank

A) Inventory is properly classified as a current asset on the balance sheet.
B) Inventory is properly stated at its cost on the balance sheet.
C) Major inventory categories and their valuation bases are adequately disclosed in notes.
D) All of these are PCAOB presentation and disclosure assertions about inventory.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Bloom's : Understand
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

41) Which of the following is*not* an ASB assertion about inventory related to presentation and disclosure?

A) Inventory is properly classified as a current asset on the balance sheet.
B) Inventory is properly stated at cost on the balance sheet.
C) Major inventory categories and their valuation bases are adequately disclosed in notes.
D) All of these are ASB presentation and disclosure assertions about inventory.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Bloom's : Understand
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

Auditing and Assurance Services 8th edition Louwers Test Bank

42) In performing an attestation engagement, a CPA typically:

A) supplies litigation support services.
B) assesses control risk at a low level.
C) expresses a conclusion on an assertion about some type of subject matter.
D) provides management consulting advice.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
Source : AICPA
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

43) An attestation engagement is one in which a CPA is engaged to:

A) issue, or does issue, a report on subject matter or an assertion about the subject matter that is the responsibility of another party.
B) provide tax advice or prepare a tax return based on financial information the CPA has not audited or reviewed.
C) testify as an expert witness in accounting, auditing or tax matters, given certain stipulated facts.
D) assemble prospective financial statements based on the assumptions of the entity's management without expressing any assurance.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
Source : AICPA
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

44) The underlying conditions that create demand by users for reliable information include all of the following,*except*:

A) transactions are numerous and complex.
B) users lack professional skepticism.
C) users are separated from accounting records by distance and time.
D) financial decisions are important to investors and users.
E) decisions are time-sensitive.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-01 Define information risk and explain how the financial statement auditing p
Topic : User Demand for Reliable Information
AICPA : BB Industry
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

45) Cutoff tests designed to detect credit sales made before the end of the year that have been recorded in the subsequent year provide assurance about the PCAOB assertion of:

Auditing and Assurance Services 8th edition Louwers Test Bank

A) presentation.
B) completeness.
C) rights.
D) existence.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Source : AICPA
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

46) Inquiries of warehouse personnel concerning possible obsolete or slow moving inventory items provide assurance about the PCAOB assertion of:

A) completeness.
B) existence.
C) presentation.
D) valuation.
E) rights and obligations.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Source : AICPA
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

47) Inquiries of warehouse personnel concerning possible obsolete or slow moving inventory items provide assurance about the ASB balance assertion of:

A) completeness.
B) existence.
C) presentation.
D) valuation.
E) rights and obligations.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Difficulty : 2 Medium
Source : AICPA
AACSB : Analytical Thinking
Gradable : automatic
Accessibility : Screen Reader Compatible

48) The probability that the information circulated by a company will be false or misleading is referred to as:

Auditing and Assurance Services 8th edition Louwers Test Bank

A) business risk.
B) information risk.
C) assurance risk.
D) audit risk.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : BB Legal
Difficulty : 2 Medium
Learning Objective : 01-01 Define information risk and explain how the financial statement auditing p
Topic : User Demand for Reliable Information
AICPA : FN Risk Analysis
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

49) The Sarbanes-Oxley Act of 2002 requires that the key company officials *certify* the financial statements. Certification means that the company CEO and CFO must sign a statement indicating:

A) they have read the financial statements.
B) they are not aware of any false or misleading statements (or any key omitted disclosures).
C) they believe that the financial statements present an accurate picture of the company's financial condition.
D) All of the these choices are correct.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-05 Describe the organization of public accounting firms and identify the vari
Topic : Public Accounting
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

50) The process of a CPA obtaining a certificate and license in a state other than the state in which the CPA's certificate was originally obtained is referred to as:

A) substantial equivalency.
B) quid pro quo.
C) relicensing.
D) re-examination.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-07 List and explain the requirements for becoming a certified public accounta
Topic : Become a Professional and Get Certified!
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

51) The risk an entity will fail to meet its objectives is referred to as:

Auditing and Assurance Services 8th edition Louwers Test Bank

A) business risk.
B) information risk.
C) assurance risk.
D) audit risk.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
Learning Objective : 01-01 Define information risk and explain how the financial statement auditing p
Topic : User Demand for Reliable Information
AICPA : FN Risk Analysis
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

52) The four basic requirements for becoming a CPA in most states are:

A) education, the CPA Examination, experience, and substantial equivalency.
B) the CPA Examination, experience, continuing professional education, and a state certificate.
C) continuing professional education, the CPA Examination, experience, and an AICPA certificate.
D) education, the CPA Examination, experience, and a state certificate.

Auditing and Assurance Services 8th edition Louwers Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-07 List and explain the requirements for becoming a certified public accounta
Topic : Become a Professional and Get Certified!
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

53) The study of business operations for the purpose of making recommendations about the efficient use of resources, effective achievement of business objectives, and compliance with company policies is referred to as

A) environmental auditing.
B) financial auditing.
C) compliance auditing.
D) operational auditing.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-06 Describe the audits and auditors in governmental, internal, and operationa
Topic : Other Kinds of Engagements and Information Professionals
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

54) The accounting, auditing, and investigating agency of the U.S. Congress, headed by the U.S. Comptroller General, is known as

Auditing and Assurance Services 8th edition Louwers Test Bank

A) the Federal Bureau of Investigation (FBI).
B) the U.S. General Accountability Office (GAO).
C) the Internal Revenue Service (IRS).
D) the United States Legislative Auditors (USLA).

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Research
Learning Objective : 01-06 Describe the audits and auditors in governmental, internal, and operationa
Topic : Other Kinds of Engagements and Information Professionals
AACSB : Analytical Thinking
Source : Original
Gradable : automatic
Accessibility : Screen Reader Compatible

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

55) What are the differences between the American Accounting Association and AICPA definitions and objectives of auditing?

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AICPA : BB Industry
Bloom's : Understand
AACSB : Analytical Thinking
Source : Original
Accessibility : Screen Reader Compatible
Gradable : manual

Auditing and Assurance Services 8th edition Louwers Test Bank

56) What is operational auditing and by whom is it performed?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
AICPA : FN Research
Difficulty : 2 Medium
AICPA : BB Industry
Learning Objective : 01-06 Describe the audits and auditors in governmental, internal, and operationa
Topic : Other Kinds of Engagements and Information Professionals
AACSB : Analytical Thinking
Source : Original
Accessibility : Screen Reader Compatible
Gradable : manual

57) What is information risk? What is business risk?

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : FN Research
Learning Objective : 01-01 Define information risk and explain how the financial statement auditing p
Topic : User Demand for Reliable Information
AICPA : BB Industry
AACSB : Analytical Thinking
Source : Original
Accessibility : Screen Reader Compatible
Gradable : manual

Auditing and Assurance Services 8th edition Louwers Test Bank

58) What are the four basic requirements for becoming a CPA?

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Remember
AICPA : FN Research
AICPA : BB Industry
Learning Objective : 01-07 List and explain the requirements for becoming a certified public accounta
Topic : Become a Professional and Get Certified!
AACSB : Analytical Thinking
Source : Original
Accessibility : Screen Reader Compatible
Gradable : manual

59) Define assurance, attestation, and auditing in the context of "lending credibility."

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Research
Difficulty : 2 Medium
Learning Objective : 01-02 Define and contrast financial statement auditing, attestation, and assuran
Topic : Auditing, Attestation, and Assurance Services
AICPA : BB Industry
Bloom's : Understand
AACSB : Analytical Thinking
Source : Original
Accessibility : Screen Reader Compatible
Gradable : manual

Auditing and Assurance Services 8th edition Louwers Test Bank

60) Which of the PCAOB assertions (A-E) are best verified by the following audit procedures (1-4)?

A.Existence or occurrence
B.Rights and obligations
C.Valuation or allocation
D.Completeness
E.Presentation and disclosure

___ 1. Confirming inventory held on consignment by the client with independent third party.
___ 2. Consulting the Wall Street Journal for year-end prices of securities held by the client.
___ 3. Physically examine all major property and equipment additions.
___ 4. Review the aged trial balance for significant past due accounts.

Question Details
Source : Original
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
AICPA : BB Legal
AICPA : FN Research
Bloom's : Understand
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Gradable : manual

Auditing and Assurance Services 8th edition Louwers Test Bank

Auditing and Assurance Services 8th Edition by Louwers Ch01

61) ABC Company had a major sale to XYZ Company. This sale accounted for 20% of the revenue of ABC Company. The auditors performed the audit procedures listed 1-3. For each audit procedure select the ASB transaction assertion that is most likely being tested.

A.Occurrence
B.Completeness
C.Cutoff
D.Accuracy
E.Classification

___ 1. The auditor reviewed the shipping documents to check the date that product was shipped to XYZ Company.
___ 2. The auditor reviewed the shipping documents to ensure that all product included in the sales revenue to XYZ had been shipped.
___ 3. The auditor reviewed the invoice sent to XYZ Company to ensure that XYZ had been properly billed.

Question Details
Source : Original
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
AICPA : BB Legal
AICPA : FN Research
Bloom's : Understand
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Gradable : manual

Auditing and Assurance Services 8th edition Louwers Test Bank

62) Auditors are auditing the warehouse of Huge Lots Corporation. The auditors performed the audit procedures listed 1-5. For each audit procedure select the ASB balance assertion that is most likely being tested.

A.Existence
B.Rights and obligations
C.Completeness
D.Accuracy
E.Valuation

___ 1. The auditors walked through the warehouse looking for obsolete inventory.
___ 2. The auditors compared invoices received from suppliers with the cost of inventory listed in the inventory accounts.
___ 3. The auditors reviewed purchase orders to determine if any inventory was on consignment.
___ 4. The auditors reviewed vendor invoices to determine if freight costs, taxes, tariffs or other costs had been included in inventory costs.
___ 5. The auditors selected items from the inventory and reviewed inventory records to ensure these items were included in those records.

Question Details
Source : Original
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
AICPA : BB Legal
AICPA : FN Research
Bloom's : Understand
Learning Objective : 01-03 Describe and define the assertions that management makes about the recogni
Topic : Management's Financial Statement Assertions
Gradable : manual

Auditing and Assurance Services 8th edition Louwers Test Bank

Auditing and Assurance Services 8th Edition by Louwers Ch01
Answer Key

Test name: 001

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

Auditing and Assurance Services 8th edition Louwers Test Bank

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

Auditing and Assurance Services 8th edition Louwers Test Bank

55)The AAA definition is broad and general enough to encompass independent, internal, and governmental auditing. The AICPA has not defined auditing but its statement on objectives of financial audits restricts auditing to independent CPA's audit of the traditional financial statements and their footnotes. The AICPA SAS also offers guides to report on internal control, letters to underwriters, and special reports.
56)Operational auditing is the evaluation of business operations for various purposes. Operational auditing includes: (1) testing for compliance with laws and regulations and company policies and procedures, (2) evaluating the effectiveness of operations in achieving goals and objectives, and (3) evaluating the efficiency and economy of operations. Operational audits are normally performed by internal auditors. However, operational audits also may be conducted by independent CPA firms as part of their management advisory services.
57)Information risk is the risk that financial statements will be materially false or misleading. Business risk is the risk an entity will fail to meet its objectives.
58) Education, the CPA Examination, experience, and a state certificate.

59)Assurance is the "lending of credibility" to information. Attestation is the "lending of credibility" to assertions made by a third party. Auditing is the "lending of credibility" to financial statements.
60) 1. B, 2. C, 3. A, 4. C

61) 1. C, 2. B, 3. D

62) 1. E, 2. D, 3. B, 4. E, 5. C

Auditing and Assurance Services 8th edition Louwers Test Bank