



Advanced Audit and Assurance – Module 1 Quiz

Here are some easy questions just to test you have understood the main points within this module.

Questions

Question 1

Which of the following are standards issued by the International Auditing and Assurance Standards Board?

Item I International Accounting Standards

Item II International Standards on Quality Control

Item III International Standards on Related Services

Item IV Code of Ethics for Professional Accountants

- A I and II only.
- B II and III only.
- C III and IV only.
- D II, III and IV only.

Question 2

Which of the following standards are legally enforceable in Australia?

Item I ASA

Item II ASQC 1

Item III ISRE 2400

Item IV ISRE 2410

- A I and II only.
- B II and III only.
- C I, II and IV only.
- D I, III and IV only.



Advanced Audit and Assurance – Module 1 Quiz

Question 3

Which of the following statements relating to the different types of assurance engagements is correct?

- A An auditor provides reasonable assurance for review engagement.
- B The auditor's risk for a limited assurance engagement is lower than a reasonable assurance engagement.
- C A difference between a reasonable and limited assurance engagement is the form in which the opinion is expressed.
- D The evidence gathering procedures are less extensive for a reasonable assurance engagement when compared to a limited assurance engagement.

Question 4

Which one of the following standards would be most appropriate to use where an auditor is required by audit client to perform a review?

- A ISRE 2400.
- B ASRE 2400.
- C ASRE 2410.
- D ASRE 2415.

Question 5

Which of the following is an engagement covered by ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information?

- A Tax consulting engagements.
- B Performing agreed upon procedures.
- C Compilation of financial information.
- D Providing an opinion on a prospectus.



Advanced Audit and Assurance – Module 1 Quiz

Question 6

Which one of the following is an example of an attestation engagement?

- A An opinion by a practitioner on an integrated report prepared by management.
- B A report by the internal auditor referring to the outcome of the tests they performed.
- C An opinion provided by management related to the effectiveness of internal controls that they evaluated.
- D A report prepared by an assurer in relation to the accuracy of non-financial data that the assurer measured.

Question 7

Which of the following is *not* an example of a characteristic of suitable criteria?

- A Reliability.
- B Neutrality.
- C Comparability.
- D Understandability.

Question 8

Which of the following combinations *best* represent the components of assurance engagement risk?

Item I Control risk

Item II Business risk

Item III Inherent risk

Item IV Detection risk

- A II and III only.
- B III and IV only.
- C I, II and IV only.
- D I, III and IV only.



Advanced Audit and Assurance – Module 1 Quiz

Case scenario for Questions 9 and 10.

PhantomTick is the newly appointed auditor of the Zam Ltd. The CFO of Zam Ltd is the audit partner's brother-in-law and was instrumental in convincing the audit committee to award the audit contract to PhantomTick.

The audit committee is adamant that they did not choose PhantomTick based on the CFO's relationship with the audit partner. The audit committee have justified their choice of PhantomTick over other audit firms by saying that PhantomTick not only promised to limit their audit fee to a maximum of 10 per cent of previous years fee, but the firm also promised a positive opinion.

Question 9

With regard to the justification by the audit committee, which of the following fundamental principles is *most* at risk of being breached?

- A Professional competence and due care.
- B Confidentiality and professional behaviour.
- C Professional competence and due care and professional behaviour.
- D Integrity, objectivity, confidentiality and professional competence and due care.

Question 10

Which of the following is the most likely threat arising from the audit partner's relationship with the CFO?

- A Advocacy.
- B Familiarity.
- C Self-review.
- D Self-interest.



Advanced Audit and Assurance – Module 1 Quiz

Solutions

Question 1: Correct answer is B

Explanation

- Option A This is incorrect as International Accounting Standards are issued by the International Accounting Standards Board (IASB).
- Option B The Code of Ethics for Professional Accountants (Item II) is issued by the IESBA and the International Accounting Standards (Item iv) are issued by the IASB. All other standards listed (i.e. Items I and III) are issued by the IAASB.
- B is correct as International Standards on Quality Control (ISQC 1) and International Standards on Related Services (ISRS) are issued by the IAASB.
- Option C This is incorrect as the Code of Ethics for Professional Accountants is issued by the International Ethics Standards Board for Accountants (IESBA).
- Option D This is incorrect as it includes the Code of Ethics for Professional Accountants which is not a standards issued by the IAASB.

Question 2: Correct answer is C

Explanation

- Option A This is incorrect as it excludes ISRE 2410 which is legally enforceable.
- Option B This is incorrect as excludes ASA which is legally enforceable. Further, it includes ISRE 2400. ASA 101 classifies ISRE 2400 as 'Auditing and Assurance Standards for other purposes.' Unlike 'Auditing Standards', these are not enforceable by law.
- Option C This is correct as the Australian Standards on Auditing (ASA), Australian Standards on Quality Control (ASQC 1) and the International Standards on Review Engagements (ISRE 2410) are classified as 'Auditing Standards' and are thus legally enforceable.
- Option D This is incorrect as it includes ISRE 2400 which is not enforceable by law.



Advanced Audit and Assurance – Module 1 Quiz

Question 3: Correct answer is C

Explanation

- Option A This is incorrect as a review engagement provides limited assurance and not reasonable assurance.
- Option B This is incorrect as the level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement because of differences in the nature, timing or extent of evidence that is collected.
- Option C This is correct as reasonable assurance provides a positive form of expression while limited assurance provides a negative form of expression.
- Option D This is incorrect as the evidence-gathering procedures are much more limited for a limited assurance engagement compared with a reasonable assurance engagement.

Question 4: Correct answer is C

Explanation

- Option A This is incorrect as ISRE 2400 applies where the practitioner is not the auditor of the entity and the practitioner undertakes an engagement to review the financial statements.
- Option B This is incorrect as ASRE 2400 is the Australia equivalent to ISRE 2400. Thus this standard also applies where the practitioner is not the auditor of the entity and the practitioner undertakes an engagement to review the financial statements.
- Option C This is correct as ASRE 2415 requires the use of ASRE 2410 where the auditor previously conducted the audit and has gained an understanding of the entity and its environment.
- Option D This is incorrect as ASRE 2415 states the choice of standards (ASRE 2400 or ASRE 2410) to be applied to conduct the review under the new Corporations Act. ASRE 2415 is not the actual standard that would be used when performing the review engagement.

Question 5: Correct answer is D

Explanation

- Option A This is incorrect as tax consulting is not an assurance engagement. In other words, no opinion is provided. This is covered by the Standards on Related Services.
- Option B This is incorrect as agreed-upon procedures are not assurance engagements. In other words, no opinion is provided. This is covered by the Standards on Related Services.
- Option C This is incorrect as compilation of financial information is not an assurance engagement. In other words, no opinion is provided. This is covered by the Standards on Related Services.
- Option D This is correct as providing an opinion refers to an assurance engagement. A prospectus included non-financial information and thus, an assurance on this would be covered by ISAE 3000.



Advanced Audit and Assurance – Module 1 Quiz

Question 6: Correct answer is A

Explanation

- Option A This is correct as the integrated report is prepared by management which would require management to measure the information against the suitable criteria as per the specific framework used. The report would be seen as assertions by management relating to the accuracy and completeness. The practitioner then provides an opinion on these assertions.
- Option B This is incorrect as the internal auditor was responsible for performing the tests and then reporting on the results of the same tests. Thus, they have directly reported on the measurement and evaluation that they have performed themselves.
- Option C This is incorrect as management evaluated the effectiveness of internal controls and then reported on it. They have thus directly reported on the results of their own evaluation.
- Option D This is incorrect as the assurer measured the non-financial data and they reported on it. The assurer thus directly reported on the accuracy that was measured by him.

Question 7: Correct answer is C

Explanation

- Option A This is incorrect as it is one of the examples listed in para. 36 of the International Framework.
- Option B This is incorrect as it is one of the examples listed in para. 36 of the International Framework.
- Option C This is correct as it is not an example listed in para. 36 of the International Framework.
- Option D This is incorrect as it is one of the examples listed in para. 36 of the International Framework.

Question 8: Correct answer is D

Explanation

- Option A This is incorrect as it includes business risk which is not one of the components of assurance engagement risk.
- Option B This is incorrect as it omits control risk which is a component of assurance engagement risk.
- Option C This is incorrect as it includes business risk which is not one of the components and it excludes inherent risk which is a component of assurance engagement risk.
- Option D This is correct as the components of assurance engagement risk are inherent risk, control risk and detection risk.



Advanced Audit and Assurance – Module 1 Quiz

Question 9: Correct answer is C

Explanation

- Option A This is incorrect as this option excludes professional behaviour which is at risk.
- Option B This is incorrect as confidentiality is not at risk given the information provided in the scenario. The audit firm is not likely to disclose confidential information based on the promises they made to the audit committee.
- Option C This is correct as the promise by PhantomTick to limit their audit fee to a maximum of 10 per cent would most likely indicate a lower investment of time by the firm to complete the audit. This in turn is would prevent the auditors from performing the level of detailed testing that is required to obtain sufficient appropriate audit evidence. Accordingly, this self-restriction would impair the audit firm's ability to exercise professional competence and due care. Further, the promise to provide a positive opinion before even completing the audit is unprofessional. This is a breach of professional behaviour.
- Option D This is incorrect as it excludes professional behaviour which is most at risk. Further, the option includes confidentiality which is not at risk.

Question 10: Correct answer is B

Explanation

- Option A This is incorrect as the relationship between the audit partner and the CFO does not require the audit firm to promote the client to the extent that objectivity is compromised.
- Option B This is correct as the CFO is the audit partner's brother-in-law. Thus the audit partner has a close relationship with the client and may become sympathetic to their interests. The audit partner may not apply sufficient professional scepticism and may not want to ask difficult questions and portray the CFO in poor light.
- Option C This is incorrect as the relationship does not give rise to a situation where the audit partner needs to re-evaluate or assess his own work or previous judgments made by him or the audit team.
- Option D This is incorrect as the relationship with the CFO does not result in financial or other interests for the audit partner.