

**DEVRY ACCT 555 Final Exam 100%**  
**Correct**

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1. (TCO B) An auditor was unable to obtain sufficient appropriate audit evidence concerning certain transactions due to an inadequacy in the entity's accounting records. The auditor would choose between issuing a(an): (Points : 5)

Question2. (TCO K) An auditor should consider which of the following when evaluating the ability of a company to continue as a going concern? (Points : 5)

Question3. (TCO A) An auditor's independence is considered impaired if the auditor has: (Points : 5)

Question4. (TCO H) Which of the following should be included as a written representation from management? (Points : 5)

Question 5. (TCO E) An auditor would most likely be concerned with internal controls that provide reasonable assurance about the: (Points : 5)

**Question 1. (TCO A) In performing an ATTEST Engagement A CPA would be required to do what as part of the engagement? (Points : 19)**

**2. (TCO B) When a CPA performs an Audit the Client is always looking to receive a "CLEAN OPINION" or an Unqualified Opinion. Explain what your client must do for a CPA to justify that Unqualified Opinion? (Points : 19)**

**3. (TCO C) – Based upon the below 4 situations – explain your position of "why" or "why not" the following circumstances would have violated the professions ethical standards when you are a practicing CPA?**

**4. (TCO D) Discuss five steps individual practicing auditors can take to minimize their legal liability. (Points : 19)**

**5. (TCO F) Sarbanes Oxley requires that per Section 404 that Internal Controls within a publicly held company are to be reviewed, evaluated and tested at year end to insure that adequate controls are in place. In addition to understanding the Internal Controls present within your client's company, the auditor must also evaluate whether these controls are in place, and implemented. How does an auditor evaluate these controls to see that they are working and in place?(Points : 19)**

**Question 1. (TCO E) What is COSO? Describe the 5 elements of COSO's Internal Control-Integrated Framework. Provide an example of each of those components and explain why they are important in providing "Reliable Financial Reporting" for a company. Please provide a complete answer for full points. (Points : 30)**

**2. (TCO G) Business risk must be assessed in performing an audit.**

(a) Define business risk in association with an audit and describe several sources of such risk.

(b) How does business risk relate to the performance of preliminary analytical procedures in an audit?

(c) There are four major areas in planning an audit engagement and there are subparts to each of the four major areas. Please identify the four major areas and the subparts that are associated with the major areas. (Points : 30)

**3. (TCO H) Audit Risk consists of inherent risk, control risk, and detection risk.**

**(a) Please completely define each of the above.**

**(b) Indicate whether each of the statements below is true or false and explain your position:**

**(1) The risk that material misstatement will not be prevented or detected on a timely basis by internal controls can be reduced to zero by having effective controls in place.**

**(2) Detection Risk is a function of the efficiency of an auditing procedure.**

**(3) Cash is more susceptible to theft than an inventory of coal because it has greater**

**inherent risk?**

**(4) The Inherent risk of the theft of an inventory of cellphones at a mall store is greater than the misappropriation of cash at a COSTCO Store? (Points : 30)**

**4. (TCO I) Accounts Receivable – For each of the following, please explain if an auditor’s review of the client’s sales cutoff would detect these problems:**

**(a) Would excessive goods returned for credit be detected by a sales cut-off test – why or why not?**

**(b) Would unrecorded sales discounts be detected by a sales cut-off test – why or why not?**

**(c) Lapping of year-end accounts receivable be detected by a sales cut-off test – why or why not?**

**(d) Inflated sales for the year – could it be detected by a sales-cut-off test – why or why not? (Points : 30)**

**5. (TCO J) One of the major problems in a computer system is that incompatible functions may be performed by the same individual. Identify from the below choices the control compensating for inadequate segregation of duties in a computer system. Explain why you have selected your response.**

**(a) Echo Checks**

**(b) A check digit system**

**(c) Computer-Generated hash totals**

**(d) A computer access log (Points : 30)**

**6. (TCO K) You are the Senior Auditor for WWZ Co. and you have completed the testing of all the accounts. However, prior to issuing your report, what are at least five other procedures or reviews that must be performed prior to issuing your report? Explain your responses(Points : 30)**