

The Institute of Chartered Accountants of Bangladesh
Assurance

Time allowed: 1.5 Hours

Full Marks: 100

[N.B. - This question paper consists of 50 short questions each worth equal mark]

1. Which of the following best describes the concept of assurance?

Assurance refers to

- a) An assurance firm's high level of satisfaction as to the reliability of an assertion being made by one party for the use of another party
 - b) An assurance firm's satisfaction as to the reliability of an assertion being made by one party for the use of another party
 - c) A user's satisfaction as to the reliability of an assertion being made by another party
 - d) An assurance firm's limited level of satisfaction as to the reliability of an assertion being made by one party for the use of another party.
2. Which of the following is the subject matter of an audit engagement?
- a) Business projections
 - b) Financial statements
 - c) IFRS and IAS
 - d) Internal control system
3. Which of the following are the relevant criteria for preparation of subject matter of an audit engagement?
- a) ISA
 - b) IAS
 - c) IFRS
 - d) (b) + (c)
4. Professional skepticism means
- (a) Believing everything
 - (b) Critical assessment of audit evidence
 - (c) Consider the management is unquestioned honest
 - (d) All of the above
5. What is the objective of an audit engagement?
- a) To certify the financial statements as correct
 - b) To check all transactions
 - c) To provide an audit opinion on financial statements
 - d) All of the above
6. Who needs to close the expectation gap?

- a) Management
 - b) Auditor
 - c) Board of Directors
 - d) All of the above
7. Which three of the following are purposes of a letter of engagement?
- a) Setting out the form of any report to be issued
 - b) Providing the constructive suggestions to management concerning improvements in internal control
 - c) Documenting and confirming acceptance of the appointment
 - d) Narrowing the expectation gap
8. Which of the followings will normally be contained within a letter of engagement?
- a) Responsibilities of the auditors
 - b) Responsibilities of the directors
 - c) The staff assigned to the engagement
 - d) The scope of the audit
9. Which of the following procedures might an auditor use in gaining an understanding of the entity?
- a) Inquiry
 - b) Recalculation
 - c) Analytical procedures
 - d) Reperformance of a control
 - e) Observation and inspection
10. Which of the following is the limitation of internal control?
- a) Internal controls are expensive
 - b) Human being can make mistake
 - c) Internal controls are generally designed to deal with routine transactions
 - d) All of the above
11. Which one of the following is a reason that organisations have effective system of control?
- a) Maximising the profitability
 - b) Maximising operating efficiency
 - c) Reducing time required for the statutory audit
 - d) Minimising audit risk

12. ISA 500 states that evidence must be sufficient and appropriate.

Which of the following statements is correct?

- a) Sufficiency is the measure of the quality or reliability of the audit evidence
- b) Appropriateness is the measure of the quantity of audit evidence
- c) Occurrence is the assertion of classes of Transactions & Presentation
- d) Cut off is an assertion of account balance

13. Which of the following is the assertion about classes of transactions and events?

- a) Occurrence
- b) Completeness
- c) Cut-off
- d) All of the above

14. Which of the following is normally designed to detect possible material monetary errors in the figures in the financial statements?

- a) Test of control
- b) Walk-through test
- c) Analytical procedure
- d) Observation of a procedure

15. A physical examination of an asset falls under the category of –

- a) Observation
- b) Inspection
- c) External confirmation
- d) Recalculation

16. Looking at a process or procedure being performed by others falls under the category of –

- a) Re-performance
- b) Inspection
- c) Observation
- d) Inquiry

17. Analytical procedures include:

- a) Ratio analysis
- b) Comparison of budget with actual
- c) Comparison of financial information and relevant non-financial Information
- d) All of the above

18. The individual items constituting a population means:

- a) Sampling units
- b) Sample
- c) Population
- d) None of the above

19. The auditor might use inappropriate procedures, or the auditor might misinterpret evidence and fail to recognize an error are reasons for
- a) Sampling Risk
 - b) Non-sampling risk
 - c) (a) + (b)
 - d) None of the above
20. Which sample selection involves selecting items using a constant interval between selections, the first interval having a random start?
- (a) Sequence or Block Selection
 - (b) Haphazard Selection
 - (c) Systematic Selection
 - (d) Random Selection
21. Under which method of sample selection, the auditor should be very careful not to be biased?
- a) Monetary Unit Sampling (MUS)
 - b) Sequence or Block Selection
 - c) Haphazard Selection
 - d) Systematic Selection
22. "The auditor may decide to send a new audit engagement letter or other written agreement each period to the audit client." Select the right option.
- (a) True
 - (b) False
23. "Prospective auditors should seek the prospective client's permission to contact the previous auditors." Select the right option.
- a) True
 - b) False
24. The general categories of business risk are of
- a) Two types
 - b) Three types
 - c) Four types
 - d) None of the above
25. Which of the following component of audit risk the auditor can control over?
- a) Inherent risk
 - b) Control risk
 - c) Detection risk
 - d) All of the above

26. Which one of the following procedures would give the most persuasive evidence that a control operated as assurance c providers had been advised?
- a) Inspection of the controls handbook
 - b) Inquiry of the staff operating the control
 - c) Observation of the staff operating the control
 - d) Reperformance of the control by audit staff
27. Which of the following is an example of sampling unit?
- a) Cheques listed on the deposit slip
 - b) Sales invoices
 - c) Receivables' balances
 - d) All of the above
28. Who normally writes management representation letter to whom?
- a) Auditor to the management
 - b) Management to the auditor
 - c) Auditor to the Board of Directors
 - d) None of the above
29. Which two of the following are purposes of a management representation letter?
- a) Acknowledgement by management of its responsibility for the preparation of the financial statements.
 - b) Provision of evidence in respect of material items where other evidence is available
 - c) Acknowledgement by management of its belief that the aggregate of uncorrected misstatements are immaterial to the financial statements
 - d) To provide details of proposed modifications to the audit report.
30. Which of the following is an example of intangible non-current assets?
- a) Land
 - b) Building
 - c) Development costs
 - d) Equipment
31. When net realizable value is likely to be less than cost?
- a) Fall in selling price
 - b) Physical deterioration
 - c) Obsolescence of products
 - d) All of the above
32. Under which method the customer is requested to give the balance or to confirm the accuracy of the balance shown or state in what respect he is in disagreement?
- a) Positive method
 - b) Negative method
 - c) (a) + (b)
 - d) None of the above

33. To whom customers are required to provide the confirmation of receivable balances?
- a) Management of the company
 - b) Auditor
 - c) Both a & b
 - d) None of the above
34. Which sources of information the auditor may use to test the misstatements in respect of inventory?
- a) Confirmations with third parties
 - b) Attendance at the annual inventory count
 - c) Purchase invoices for inventories
 - d) All of the above
35. Why does management perform bank Reconciliation?
- a) To confirm cash balance
 - b) To confirm bank balance
 - c) To confirm receivable balance
 - d) To confirm payable balance
36. To confirm the suppliers' balance, which method can be used by auditor?
- a) Positive method
 - b) Negative method
 - c) Both a & b
 - d) None of the above
37. Which of the following source is used by auditor for examination of long-term loan?
- a) Board minutes
 - b) Confirmation from supplier
 - c) Purchase invoice
 - d) Assets register
38. Why does customer disagree with receivable balance?
- a) Cut-off problems
 - b) Net off balances
 - c) Both a & b
 - d) None of the above
39. Analytical procedures are often carried out on payroll costs as there are strong relationships among
- a) Numbers of staff
 - b) Pay rates
 - c) Tax rates
 - d) All of the above

40. Which of the following factor indicates that a risk might be a significant risk?
- a) Risk of fraud
 - b) Unusual transaction
 - c) Transactions with related parties
 - d) All of the above
41. ABC Ltd. has an organizational structure which includes accounting, human resources, internal audit, and audit committee. Which department should not be involved in determining pay rises?
- a) Accounting
 - b) Human resources
 - c) Internal audit
 - d) Audit committee
42. Which one is not part of fundamental principles of Code of Conduct?
- a) Confidentiality
 - b) Independence
 - c) True and fair view
 - d) Due care
43. An audit team member having family at the client. What kind of threat it is?
- a) Familiarity
 - b) Self-interest
 - c) Advocacy
 - d) Intimidation
44. The financial statements of ABC Ltd have been prepared by XYZ firm, their audit firm. What kind of threat it is?
- a) Advocacy
 - b) Self-review
 - c) Self- interest
 - d) Management
45. ZYZ Ltd told to the audit firm that if they do not receive unqualified audit opinion for the year 2020, they may put the audit out to tender. What kind of threat it is?
- a) Self-review
 - b) Self-interest
 - c) Intimidation
 - d) Advocacy

46. Which of the following service would it be least appropriate for an audit firm to carry out for an audit?
- a) Preparation of tax computation
 - b) Provision of internal audit services
 - c) Preparation of a financial statements of a listed company
 - d) Provision for tax advice
47. What kind of threat will be raised from “Lowballing”?
- a) Self-review
 - b) Self-interest
 - c) Familiarity
 - d) Advocacy
48. What kind of threat will be raised from “Contingent fees”?
- a) Self-review
 - b) Self-interest
 - c) Familiarity
 - d) Advocacy
49. Which one of the following actions would not be recommended with regard to securing professional confidentiality?
- a) Keeping assurance file locked up
 - b) Carrying out audit work at client premises
 - c) Discussion client affairs on the telephone at a different client
 - d) Discussion client affairs in firm office
50. Rahman, who is audit senior on the in-progress audit of ABC Ltd., has recently placed his CV with a recruiting agent. He has had no feedback from the agent., with whom she has a meeting on coming Friday. The agency is currently carrying an advertisement for financial controller at ABC Ltd., but the advertisement does not give the company’s name. This represents:
- a) Intimidation threat
 - b) Self-interest
 - c) Management threat
 - d) No threat

<The end>