Revision Test Tuesday 16062020

1. Select the correct alternative to complete the following sentence.

Before a person can sign off annual financial statements as an external auditor, he/she has to be registered with the …….

A Independent Regulatory Board of Auditors (IRBA).

B South African Institute of Chartered accountants (SAICA).

C Institute of Internal Auditors (IIA).

D Chartered Institute of Management Accountants (CIMA).

2. When capturing an invoice for accounting purposes, the date plays an important role when considering financial statement assertions. Which assertion is date related?

A Occurrence. B Classification.

C Cut-off. D Valuation and allocation.

3. Which one of the following alternatives does not apply to the definition of internal control from a business perspective?

A Internal control is not the sole responsibility of management.

B Internal control is not fool-proof.

C Internal control is not static.

D Internal control is not a process.

4. The control environment as a component of internal control refers to the control consciousness of an entity. Select the correct alternative that best illustrates a control environment activity.

A Focusing on integrity and ethical values.

B Making use of accounting programmes to contribute towards valid, accurate and complete capturing of transactions.

C Responding to risk though appropriate control activities.

D Implementing segregation of duties as a policy development requirement.

5. You have a business of selling Mask to the mines as a sole proprietor, With Corvid 19 you woke up with high demand of the mask & now you are considering all the advantages and disadvantages of opening a company.
Select the statement that would be considered as a disadvantage of opening a company as a type of business.

A Transfer of ownership is relatively easy
B It is subject to many legal requirements

C There are few legal requirements for setting up as a sole proprietor.

D It is adaptable for small, medium and large entities

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6. Choose the correct alternative to complete the following sentence: An advantage of a company is that …

A it is subject to many legal requirements;

B it is relatively easy to establish and to operate;

C shareholders are not personally responsible for the entity's debts;

D each shareholder is entitled to an equal share of the profits.

7. Which one of the following alternatives is not a legally recognised form of business? (

A Sole proprietor.

B Partnership.

C Stokvels.

D Company.

8. Which one of the following alternatives does not relate to sustainability as part of good governance?

A Listening to the concerns raised by shareholders.

B Caring for nature by going green.

C Improving the social environment through innovation.

D Excessive management bonuses.

9. Which one of the following is not a control activity?

A Isolation of responsibilities. B Approval and authorisation.

C Segregation of duties. D Identifying and assessing risks.

10. Which one of the following statements is correct?

A A private company that has a public interest score of more that 350 is not subject to an audit.

B A private company that has a public interest score of at least 100 and that had its annual financial statements for that year compiled internally does not have to be audited.

C A private company that has a public interest score of more than 350 is subject to an independent review.

D A private company that has a public interest score of more than 350 is subject to an audit.

11. Procedures and records to deal with transactions e.g recording, processing belongs to **which** component of internal control.

A Control environment

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B Risk assessment process

C Information System

D Control Activities

12. Which one of the following alternatives best defines tests of controls?

A Audit procedures designed to detect material misstatements at assertion level.

B A process of dividing a population into sub-populations, which have similar characteristics.

C A process to appraise the quality of work performed and conclusions reached by others.

D Audit procedures designed to evaluate the operating effectiveness of controls in preventing, detecting and correcting material misstatements at assertion level.

13. Which one of the following activities is not the responsibility of the management of an entity in relation to accounting and auditing?

A Maintaining appropriate accounting systems.

B Planning and conducting the external audit.

C Designing and implementing adequate internal controls.

D Preparing the financial statements in compliance with an applicable financial reporting framework.

14. Select the correct alternative when completing the following sentence regarding assertions. On an invoice, the name of the business who bought the goods is useful when testing … of a transaction.

A occurrence

B cut-off

C accuracy

D classification

15. Select the correct alternative. A company whose main purpose is to buy and sell diamonds is has a high exposure to …

A control risk; B detection risk;

C inherent risk; D no risk.

16. You wish to set up a company to manufacture and sell snacks at taxi ranks. You are of the opinion that the company will become profitable and will need to expand the operations in the near future. Select an advantage of a company as a business type.

A Companies are relatively easy to set up in terms of the Companies Act.

B Companies allow you to have a maximum of 20 shareholders.

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C The life of the business is perpetual which means that you can change shareholders.

D All the debts of the company are each shareholders responsibility.

17. One of the principles of corporate governance is that the board of directors should provide effective leadership based on ethical values and standards. Select the alternative that is not an example of ethical values and standards of governance.

A The board should disclose information in a manner that enables stakeholders to make informed analysis of the company's performance.

B When making a decision, board should ensure that it gives fair consideration to the interests of all stakeholders.

C The board should be able to justify its decisions and actions to all stakeholders.

D The board is required to ensure that there is an effective risk based internal audit.

18. Select the correct alternative to complete the sentence. The term leadership is characterised by …

A ethical values and moral duties that find expression in the concept of Ubuntu;

B the ability to be able to plan, organise, direct and control daily business activities;

C the ability to successfully enforce inclusivity, innovation and social transformation;

D meeting deadlines and budget targets set by top management.

19. Internal controls have certain inherent limitations. Select the statement that is an inherent limitation of internal control.

A All forms of human errors like carelessness, distraction and misunderstanding of instructions will be picked up by an effective system of internal controls.

B Internal controls are mainly directed at non-routine transactions.

C Management are responsible for implementing internal controls and therefore they cannot override controls implemented by them.

D The normal requirement where the cost of implementing an internal control has to exceed the benefit to be derived from the control.

20. The internal audit function has a need and role to fulfil in terms of good corporate governance. Select the correct internal audit principle in terms of the code of governance principles for the internal audit function.

A The internal auditor is required to follow a risk-based approach as opposed to a compliance based approach during the planning of an audit.

B If the internal auditor provides the audit committee with an overview regarding the effectiveness of the company's system of internal control and risk management, then a

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written assessment is unnecessary.

C The major function of the external auditor is to oversee the internal audit function.

D The internal audit function cannot be strategically positioned to achieve its objectives because they are employed by the company.

21. An entity's public interest score must be calculated to determine whether or not its annual financial statements are subject to an external audit. Which one of the following alternatives is not a factor in the calculation of a company's public interest score?

A The entity's turnover.

B The average number of employees employed by the entity.

C The entity's BEE score.

D The entity's third party liability at year-end.

22. Select the most appropriate alternative. Audited annual financial statements provides the user of those statements with …

A absolute assurance as to correctness of the statements;

B acceptance of the statements but with limited assurance;

C reasonable assurance as to the fairness of the statements as a whole;

D no assurance because not all the transactions can be tested.

23. Select the most appropriate alternative. Before a person can sign off annual financial statements as an external auditor, he/she has to be registered with:

A The Independent Regulatory Board of Auditors (IRBA).

B The South African Institute of Chartered Accountants (SAICA).

C The Institute of Internal Auditors (IIA).

D The Institute of Certified Management Accountants (CIMA).

24. Assertions are divided into 2 categories, namely transactions, balances combined with presentation and disclosure. Which assertion applies to all 2 of the above categories?

A Occurrence. B Cut-off.

C Existence. D Completeness

25. Which one of the following alternatives best describes the primary difference between the audit terms substantive procedures and tests of controls?

A There is no difference between the two terms.

B Tests of controls are performed on accounting systems and the related internal controls. Substantive procedures are performed to provide evidence to support the financial statement assertions.

C Tests of controls are performed to provide evidence to support the financial statement

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assertions. Substantive procedures are performed on accounting systems and the related control activities.

D Tests of controls are performed only by the internal auditor while substantive procedures are only performed by the external auditor.

26. Audit risk has three components. Which one of the following is not a component of audit risk?

A Inherent risk.

B Tests of controls.

C Control risk.

D Detection risk.

27. During the planning of the audit, the auditor responds to risks that may lead to material misstatements of the financial statements. Select one of the following actions that the auditor will not follow when responding to identified risks.

A Assign more experienced staff with special skills to the audit.

B Adjust the nature timing and extent of audit procedures.

C Not disclose the matter to the audit team because of confidentiality reasons.

D Incorporate elements of unpredictability when designing audit procedures.

28. Indicate the most correct alternative to complete the following sentence: Internal control is a process designed to ..... regarding the achievement of the organisational objectives?

A evaluate inherent risk

B evaluate control risk

C provide reasonable assurance

D evaluate detection risk

29. Indicate the most correct alternative to complete the following sentence. ..... of audit evidence relates to the quantity of audit evidence.

A Reliability B Appropriateness

C Sufficiency D Relevance

30. Choose the correct alternative to complete the following sentence. Materiality can best be defined as .....

A the reliance on the effectiveness of audit procedures;

B the risk that a material misstatement could occur in an assertion;

C the risk that an auditor may express an inappropriate audit opinion;

D an omission or misstatement that could influence the economic decisions of users

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taken based on the financial statements.

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