Question 2

D. Selecting a sample of vouchers and agreeing them to the purchases journal. This is because the cut-off assertion for accounts payable refers to whether all liabilities have been recorded as of the balance sheet date. By selecting a sample of vouchers and agreeing them to the purchases journal, the auditor can verify that all liabilities have been recorded in the correct period.

Question 3

D. Audit is classified as internal & external based on the type of information audited. Audits can be classified as either internal or external, but the type of information audited is not the determining factor. Internal audits are conducted by employees of the organization being audited, while external audits are conducted by independent auditors.

Question 8

B. Maintaining adequate internal control system. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP). The auditor is not responsible for maintaining the client's internal control system.

Question 9

B. Interest income. The five classes of transactions included in the sales and collection cycle are:

- Sales
- Sales returns and allowances
- Cash receipts
- Bad debt expense
- Write-off of uncollectible accounts

Interest income is not a part of the sales and collection cycle because it is not a transaction that directly affects sales or cash receipts.

Question 20

C. Careful design of audit procedures. Non-sampling risk is the risk that the auditor's conclusion will be incorrect even though the audit procedures were properly applied. Careful design of audit procedures can help to reduce non-sampling risk by ensuring that the procedures are effective in achieving the audit objectives.

Other methods that can help to reduce non-sampling risk include:

- Using a knowledgeable and experienced audit team
- Applying professional skepticism
- Documenting the audit procedures
- Obtaining sufficient audit evidence

Question 31

C. Existence or occurrence. The auditor tests the entity's policy of obtaining credit approval before shipping goods to customers to support the management assertion of existence or occurrence. This is because the policy is designed to ensure that the entity only ships goods to customers who have the ability to pay for them. If the policy is not followed, then there is a risk that the entity will ship goods to customers who will not be able to pay for them, which could result in a loss for the entity.

Question 35

B. Client contributory negligence. Client contributory negligence is a legal principle that states that a plaintiff's own negligence contributed to their own damages. In the context of auditing, this means that if a client's negligence contributed to the auditor's errors, the auditor's liability may be reduced or eliminated.

Question 48

A. The auditor needs to test alternative controls to achieve the objective. Because the objective is to examine whether shipping documents are properly billed. Testing alternative controls would not achieve this objective. For example, if the auditor were to test the control that requires shipping documents to be approved by a manager, this would not tell the auditor whether the shipping documents are actually being billed.

Question 71

D. Confirmation of all major accounts. Confirmation of all major accounts is not performed as a part of planning an audit engagement. This is because confirmation is a substantive procedure, and substantive procedures are performed after the audit plan has been developed.

Question 96

D. Compare depreciation expense divided by gross equipment cost with previous years. Analytical procedures are used to assess the likelihood of material misstatements in the financial statements. One common analytical procedure is to compare depreciation expense divided by gross equipment cost with previous years. This is because depreciation expense is expected to be relatively stable over time, so any significant changes in the ratio could indicate a material misstatement.

Question 99

A. Demonstrate acceptance of responsibility to the interests of those served by the profession. A code of conduct for professionals is established to demonstrate that the professionals accept responsibility to the interests of those served by the profession. This means that the professionals will act in the best interests of their clients and the public, and that they will comply with the ethical standards of the profession.