

AAT

AQ2016

External Auditing

EXAM KIT

This Exam Kit supports study for the following AAT qualifications:

AAT Professional Diploma in Accounting – Level 4

AAT Level 4 Diploma in Business Skills

AAT Professional Diploma in Accounting at SCQF Level 8

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Features in this exam kit

In addition to providing a wide ranging bank of real exam style questions, we have also included in this kit:

- unit-specific information and advice on exam technique
- our recommended approach to make your revision for this particular unit as effective as possible.

You will find a wealth of other resources to help you with your studies on the AAT website:

www.aat.org.uk/

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Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

UNIT-SPECIFIC INFORMATION

THE EXAM

FORMAT OF THE ASSESSMENT

The assessment will comprise twenty-three independent tasks. Students will be assessed by computer-based assessment.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

The learning outcomes for this unit are as follows:

	Learning outcome	Weighting
1	Demonstrate an understanding of the principles of auditing	5%
2	Demonstrate the importance of professional ethics	12%
3	Evaluate the audited entity's system of internal control	15%
4	Evaluate audit procedures for obtaining audit evidence	15%
5	Evaluate the planning process	33%
6	Evaluate audit procedures	20%
	Total	100%

Time allowed

2 hours

PASS MARK

The pass mark for all AAT CBAs is 70%.



Always keep your eye on the clock and make sure you attempt all questions!

DETAILED SYLLABUS

The detailed syllabus and study guide written by the AAT can be found at:

www.aat.org.uk/

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EXAM TECHNIQUE

- Do not skip any of the material in the syllabus.
- Read each question *very* carefully.
- Double-check your answer before committing yourself to it.
- Answer **every** question – if you do not know an answer to a multiple choice question or true/false question, you don't lose anything by guessing. Think carefully before you **guess**.
- If you are answering a multiple-choice question, **eliminate first those answers that you know are wrong**. Then choose the most appropriate answer from those that are left.
- **Don't panic** if you realise you've answered a question incorrectly. Getting one question wrong will not mean the difference between passing and failing.

Computer-based exams – tips

- Do not attempt a CBA until you have **completed all study material** relating to it.
- On the AAT website there is a CBA demonstration. It is **ESSENTIAL** that you attempt this before your real CBA. You will become familiar with how to move around the CBA screens and the way that questions are formatted, increasing your confidence and speed in the actual exam.
- Be sure you understand how to use the **software** before you start the exam. If in doubt, ask the assessment centre staff to explain it to you.
- Questions are **displayed on the screen** and answers are entered using keyboard and mouse. At the end of the exam, you are given a certificate showing the result you have achieved.
- In addition to the traditional multiple-choice question type, CBAs will also contain **other types of questions**, such as number entry questions, drag and drop, true/false, pick lists or drop down menus or hybrids of these.
- In some CBAs you will have to type in complete computations or written answers.
- You need to be sure you **know how to answer questions** of this type before you sit the exam, through practice.

Section 1

PRACTICE QUESTIONS

LEVEL OF ASSURANCE

- 1 Complete the statement below on the overall objectives of the external auditor in conducting an audit of financial statements by filling in the gaps:

The overall objectives of the external auditor are to obtain _____ assurance about whether the financial statements are free from _____ misstatement, whether due to fraud or error, thereby enabling the auditor to _____ on whether the financial statements are prepared in all material respects in accordance with _____.

Select from: absolute, all, an applicable financial reporting framework, express an opinion, International Standards on Auditing, material, provide a guarantee, reasonable.

- 2 Tick the appropriate box for each of the following statements:

- (a) Auditors aim to give absolute assurance over the accuracy of the financial statements.
- (b) An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

True	False

- 3 Identify the level of assurance provided by the following extract from an auditor's report:

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 20X4 and of its profit for the year then ended.

Reasonable assurance	Limited assurance

LEGAL AND REGULATORY ISSUES

- 4 Select whether the following statements are true or false in respect of professional scepticism.

- (a) The auditor must maintain professional scepticism throughout the duration of the audit.
- (b) The client must maintain their professional scepticism throughout the duration of the audit.

True	False

- 5 Select whether the following statements are true or false in respect of professional scepticism.

- (a) Professional scepticism refers to the auditor not believing anything the client says to them.
- (b) Professional scepticism refers to the questioning mind the auditor should maintain.

True	False

- 6 Complete the following statement on the respective responsibilities of the external auditor and management in conducting an audit of financial statements, by filling in the gaps using drag and drop.

It is the responsibility of the _____ to prepare the annual financial statements for the company and it is the responsibility of the _____ to report to _____ whether in their opinion the financial statements show a _____.

Select from: Company Accountant, Correct set of accounts, Directors, External Auditors, Finance Director, Internal Auditor, Shareholders, True and Fair view

- 7 Complete the following statement on the key attributes required of the external auditor.

The most important professional attribute of an auditor is their _____. This enables the auditor to _____ as to the truth and fairness of the financial statements to the shareholders and gives assurance as to the _____ of the auditor.

Select from: Independence, Objectivity, Inexperience, Reputation, Express an opinion, True and Fair view, Training needs, Experience.

8 Tick the appropriate box for each of the following statements:

- (a) The auditors are responsible for preparing the financial statements on which they report.
- (b) The amounts in the financial statements are stated precisely.
- (c) The external auditor provides reasonable assurance on the future viability of the audited entity.

True	False

9 Tick the appropriate box for each of the following statements:

- (a) The IAASB works to improve the uniformity of auditing practices exclusively in the UK.
- (b) The IAASB's standards contain basic principles and essential procedures together with related guidance in the form of explanatory and other material, including appendices.

True	False

10 Which one of the following statements best describes the role of the International Auditing and Assurance Board (IAASB)?

The IAASB is responsible for:

- A setting auditing standards which are compulsory throughout the world.
- B monitoring auditors to ensure that they comply with auditing standards.
- C investigating and disciplining auditors who fail to comply with auditing standards.
- D setting auditing standards which facilitate the convergence of national and international auditing standards.

11 Which one of the following statements best describes the authority of International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Board (IAASB)?

- A ISAs are best practice and can be followed by the auditor if they wish.
- B ISAs are standards that compete with local standards and the auditor can choose which to use.
- C ISAs are mandatory on all audits undertaken in the countries which have adopted ISAs unless the auditor has good reason for non-compliance.
- D ISAs must be followed at all times and take precedence over Company Law of an individual country.