

AICPA Released Questions from the  
2023 Uniform CPA Exam  
- Released April 2023 -

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AUDITING & ATTESTATION



**2023 AICPA Released Questions for AUD**

*The Key gives the correct letter answer for each question.*

*Key: A*

*The numbering system indicates the AICPA Blueprint Representative Task and Skill Level for each question.*

*AUD.CSO.20190701: AUD.001.001.001*

*AUD.SSO.20190701: Remembering and Understanding:1*

**MULTIPLE CHOICE - MODERATE**

Which of the following items must an auditor return to the client even if the client is in arrears on fees related to the audit engagement?

- A. Confirmation received during the audit.
- B. Audit working papers prepared by the auditor during the audit.
- C. Client records prepared by the auditor during the audit.
- D. Client-prepared records used during the audit.

Item ID: 16115

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.002.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.001.001

Skill: Remembering and Understanding

According to the AICPA Code of Professional Conduct, which of the following is an individual or entity that is not considered to be a covered member?

- A. A partner who works in the same office as the lead attest engagement partner.
- B. The managing partner of the firm, who is located in a different office.
- C. A former senior auditor on the engagement, who currently works for a company that provides consulting services to the client.
- D. The firm, including the firm's employee benefit plan.

Item ID: 16349

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.002.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.001.001

Skill: Remembering and Understanding

Which of the following statements is correct regarding an auditor's documentation of the risk assessment during an audit of a nonissuer?

- A. The extent of documentation must be consistent among all audits.
- B. The auditor must document a complete understanding of the nonissuer's industry.
- C. The form and extent of the documentation should be influenced by the nature, size, and complexity of the entity and its internal control.
- D. The auditor's risk assessment should be documented separately from the auditor's documentation of the overall strategy and audit plan.

Item ID: 78757

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.004.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.005.000

Skill: Remembering and Understanding

Each of the following identifies one of the principal purposes of an auditor's communication with those charged with governance, except

- A. To provide an overview of the scope and timing of the audit.
- B. To report timely observations arising from the audit that are relevant to the responsibilities of those overseeing the financial reporting process.
- C. To obtain approval of the planned scope of the audit procedures.
- D. To obtain information relevant to the audit.

Item ID: 21049

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.005.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.006.001

Skill: Remembering and Understanding

Which of the following activities should an auditor perform to obtain sufficient knowledge of the information system as it relates to financial reporting?

- A. Understand the financial reporting process used to prepare financial statements, **excluding** significant accounting estimates.
- B. Understand the related electronic records and specific accounts involved in initiating, authorizing, recording, processing, and reporting transactions.
- C. Inquire of internal audit personnel as to the likelihood of material misstatements.
- D. Inquire of management about business risks to identify, analyze, and manage risks that affect the entity's objectives.

Item ID: 12845

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.003.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.003.003

Skill: Application

Which of the following circumstances would likely cause an auditor to assess that there is a high risk of material misstatement due to fraud?

- A. Employee access to systems and records is controlled by passwords.
- B. Transactions are recorded daily.
- C. Inventory is of significant magnitude.
- D. Management assumes the responsibility to make period-end adjustments that significantly affect final results.

Item ID: 23251

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.003.004

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.003.005

Skill: Remembering and Understanding

An auditor is considering relying on the effectiveness of controls that were last tested during the prior-year audit. Each of the following would likely prevent the auditor from relying on the prior-year's assessment of the operating effectiveness of controls, except

- A. Changes that cause data to be accumulated differently.
- B. Changes made to accounting system programs.
- C. Changes made to the client's control environment.
- D. Changes to the system that enable the creation of new reports.

Item ID: 19315

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.005.003

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.005.000

Skill: Application



When performing an audit of a government entity under generally accepted government auditing standards, an auditor

- A. Makes decisions to ensure that statements are **not** materially misstated.
- B. May use the information obtained in any way the auditor deems appropriate.
- C. Is primarily responsible to the Director of the Government Accountability Office.
- D. May use a specialist with required professional skills, if needed, at the auditor's discretion.

Item ID: 16035

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.007.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.006.000

Skill: Remembering and Understanding

Each of the following questions is appropriate to ask internal audit personnel, except:

- A. How did you communicate to employees your views on business practices and ethical behavior?
- B. Do you have knowledge of any fraud or suspected fraud affecting the entity?
- C. What procedures did you perform to identify or detect fraud during the year?
- D. Has management responded satisfactorily to any findings from the fraud-related procedures you performed?

Item ID: 23069

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.007.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.006.000

Skill: Application

Which of the following factors should prompt an auditor to seek a larger sample size for tests of details?

- A. Method of sampling.
- B. Number of items in the population to be tested.
- C. High assessed level of control risk and high assessed level of inherent risk.
- D. Larger measure of tolerable misstatement and low assessed level of control risk.

Item ID: 12625

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.003.000

Skill: Remembering and Understanding

An auditor finds a misstatement of \$300 in a selected sample that includes 20% of the recorded amount of inventory. What is the projected estimate of misstatement in the population?

- A. \$360
- B. \$540
- C. \$1,500
- D. \$1,800

Item ID: 11981

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.003.000

Skill: Application

In regard to an auditor's responsibility for professional skepticism, which of the following is an example of the best procedure to be performed to corroborate management's response to an auditor's inquiry?

- A. Making inquiries of the entity's internal auditors who report to management.
- B. Reviewing the general ledger to validate the amounts provided by management.
- C. Obtaining confirmation from a third-party source.
- D. Reviewing written internal correspondence that takes place among staff members within management.

Item ID: 15223

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.004.001

Skill: Application

Which of the following procedures would best contribute to developing a reasonable basis for an opinion about a client's cash balances?

- A. Counting petty cash directly.
- B. Sending a confirmation to the client's bank.
- C. Scanning the cash disbursements ledger.
- D. Vouching entries in the cash disbursements ledger.

Item ID: 12185

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.003.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.004.003

Skill: Application

During an audit, the auditor sent the client's attorney a letter of inquiry for any pending litigation or unasserted claims. The attorney returned the letter, indicating that the attorney would not respond to the inquiry. Under these circumstances the auditor most likely would

- A. Place increased reliance on information obtained from management.
- B. Obtain information concerning contingency guarantees from bank confirmations.
- C. Increase tests of controls concerning the related liability account.
- D. Consider the impact of a scope limitation.

Item ID: 11117

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.004.004

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.005.004

Skill: Application

Which of the following conditions most likely suggests that an auditor may have substantial doubt about an entity's ability to continue as a going concern?

- A. Cash flows from operations are negative.
- B. Assets are pledged for loan collateral.
- C. Significant related-party transactions exist.
- D. Implementation of updated manufacturing equipment is delayed.

Item ID: 11225

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.004.005

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.005.005

Skill: Remembering and Understanding



An accountant does not express a report of findings, an opinion, a conclusion, or any form of assurance on the financial statements of a nonissuer for which of the following engagements?

- A. Agreed-upon procedures.
- B. Review of financial statements.
- C. Compilation of financial statements.
- D. Examination of prospective financial information.

Item ID: 98126

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.004.003.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.004.003.002

Skill: Remembering and Understanding

If comparative information is presented in a nonissuer's financial statements and the audit client asks the auditor to express an opinion on all periods presented, then the auditor should first

- A. Consider whether the information included for the prior period contains sufficient detail to constitute a fair presentation in accordance with the applicable financial reporting framework.
- B. Request additional written representations from management identifying the substantive reasons that the entity wants to have an opinion including the prior-period information.
- C. Issue a separate audit report on the prior-period information with an appropriate expression of opinion.
- D. Consider including an additional paragraph in the audit report disclosing the request by management for the auditor to express an opinion including the prior-period information.

Item ID: 18999

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.004.005.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.004.005.001

Skill: Remembering and Understanding

For a nonissuer, which of the following procedures would an auditor most appropriately perform to provide an opinion on whether supplementary information presented with financial statements is fairly stated in relation to the financial statements?

- A. Evaluate the appropriateness, but **not** the completeness, of the supplementary information.
- B. Obtain verbal representations from management about any significant assumptions or interpretations underlying the measurement of the supplementary information.
- C. Obtain verbal representations from management stating that it acknowledges its responsibility for the presentation of the supplementary information.
- D. Inquire of management about the purpose of the supplementary information and the criteria used by management to prepare the information.

Item ID: 24289

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.004.005.004

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.004.005.004

Skill: Remembering and Understanding

**MULTIPLE CHOICE - HARD**

Which of the following is **least** likely to be a continuous activity that an auditor would be expected to perform throughout an audit engagement?

- A. Understanding the entity and its environment.
- B. Assessing risk of material misstatement.
- C. Considering client continuance.
- D. Inquiring as to the design of controls.

Item ID: 24597

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.001.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.003.001

Skill: Remembering and Understanding

On August 1, year 1, the former controller of a company becomes an audit manager with a public accounting firm. The new audit manager had been employed at the company for the past 10 years, resigned from the position on July 15, year 1, and completed disassociation from the company on September 1, year 1. According to the AICPA Code of Professional Conduct, in which, if any, of the following attest engagements involving the company could this manager participate without affecting the accounting firm's independence?

- A. Because of the former position as controller of the company, the new audit manager **cannot** participate directly in any attest engagements involving the company.
- B. A first-time audit for the public accounting firm, awarded October 15, year 1, of the comparative financial statements covering January 1, year 1, through December 31, year 1, and January 1, year 2, through December 31, year 2.
- C. A repeat audit for the public accounting firm, awarded on August 15, year 1, of financial statements covering August 1, year 1, through July 31, year 2.
- D. A first-time audit for the public accounting firm, awarded on September 15, year 1, of financial statements covering November 1, year 1, through October 31, year 2.

Item ID: 24121

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.002.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.001.001

Skill: Application

An auditor has a close personal friendship with the accounting manager of a local government. According to GAGAS, this relationship poses which type of threat to the auditor's independence?

- A. Bias.
- B. Familiarity.
- C. Self-interest.
- D. Undue influence.

Item ID: 76956

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.002.003

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.001.003

Skill: Remembering and Understanding

In a group audit of a nonissuer, which of the following matters should the group engagement team include in a communication to group management?

- A. Results of inquiries about the professional reputation and standing of each component auditor.
- B. Significant deficiencies in internal control identified in the audit.
- C. The auditor's conclusion that fraud does **not** exist in the financial statements.
- D. A listing of significant audit procedures to be performed by the component auditors.

Item ID: 19479

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.005.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.006.002

Skill: Remembering and Understanding

In establishing the overall audit strategy for an audit of a nonissuer, an auditor should

- A. Assess the risk of material misstatement and develop substantive procedures to mitigate the risk.
- B. Form a conclusion on compliance with independence requirements that apply to the audit engagement.
- C. Perform an internal control walkthrough of the nonissuer to determine the type of audit procedures required.
- D. Plan the timing of the audit and the nature of the communications required based on the engagement's reporting objectives.

Item ID: 86147

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.001.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.001.001

Skill: Remembering and Understanding



A wholesale company recognizes revenue when sales orders are filled. Which of the following controls would best prevent sales orders from being recorded more than once?

- A. An error message appears when a sales order number is used twice.
- B. A reconciliation between sales orders and shipments is performed.
- C. Management reviews sales order reports for duplicate sales.
- D. Changes to physical inventory are compared to sales orders.

Item ID: 10953

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.003.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.003.003

Skill: Application

In the integrated audit of an issuer, which of the following best states the use of substantive audit procedures in the audit of internal control over financial reporting and in the financial statement audit?

- A. Substantive auditing procedures are required in the audit of internal control, but **not** in the financial statement audit.
- B. Both audits require the performance of substantive auditing procedures.
- C. Substantive auditing procedures are required in the financial statement audit, but **not** in the audit of internal control.
- D. Neither audit requires the performance of substantive auditing procedures.

Item ID: 23623

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.005.003

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.004.001

Skill: Application

What is the auditor's primary purpose in performing a retrospective review of management's significant accounting estimates reflected in the prior-year financial statements of a nonissuer?

- A. To reevaluate professional judgments made by the auditor in the prior year.
- B. To indicate whether a bias by management existed.
- C. To indicate whether a significant deficiency existed.
- D. To indicate whether an adjustment should have been recorded.

Item ID: 16485

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.008.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.007.002

Skill: Remembering and Understanding

An auditor of a nonissuer is required to give special consideration to related party transactions because they

- A. Usually represent a significant source of revenue and expense for the two related entities.
- B. Could cause the financial statements to fail to achieve fair presentation.
- C. Are **not** usually conducted in the normal course of business.
- D. Are generally required to be accounted for on a basis different from the basis that would be appropriate if the entities were **not** related.

Item ID: 17967

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.008.003

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.007.003

Skill: Application

Management of a nonissuer engaged an actuary to calculate the year-end assets and liabilities balances of its employee pension plan. The actuary's report provided year-end balances that were consistent with the balances reported in the nonissuer's year-end balance sheet. In this situation, an auditor would most appropriately

- A. Evaluate the nature and level of expertise of the actuary.
- B. Recalculate the year-end pension plan assets and liabilities balances using original source data.
- C. Conclude that the pension plan assets and liabilities accounts are free from material misstatements.
- D. Prepare an agreement with the actuary detailing the nature, scope, and objective of the work performed.

Item ID: 509132

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.001.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.002.000

Skill: Application

In an audit of a nonissuer, the auditor plans to recalculate the nonissuer's year-end employee vacation accrual using a management-provided list of employees' salaries and banked vacation hours. In order to validate the completeness of the employees' information, the auditor would most appropriately

- A. Use the payroll system to validate a sample of employee salaries.
- B. Agree the number of employees included in the vacation-accrual calculation to the final payroll register.
- C. Review a list of employees who were terminated after year end to verify that they have been removed from the vacation-accrual calculation.
- D. Verify that the number of vacation hours accrued by each employee for each pay period complies with the corresponding policy from the human resources department.

Item ID: 509766

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.001.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.001.002

Skill: Application

When an auditor of a nonissuer uses statistical sampling techniques to perform a test of controls related to an assertion, factors that influence the sample size include

- A. The tolerable misstatement.
- B. The expected rate of deviation of the population to be tested.
- C. The nonissuer's assessment of the risk of material misstatement.
- D. The assurance obtained from other substantive procedures directed at the same assertion.

Item ID: 86419

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.003.000

Skill: Remembering and Understanding

If an auditor of a nonissuer is unable to apply a designed audit procedure to an item selected as part of a sample for a test of controls and **no** alternative procedures are possible, then the auditor should

- A. Treat the item as a deviation from the prescribed control.
- B. Treat the item as a misstatement.
- C. Perform the designed procedure on a replacement item.
- D. Revise the sample selection method to a more random selection method.

Item ID: 18127

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.002.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.003.000

Skill: Application



Each of the following is a qualitative factor that an auditor of a nonissuer may consider relevant when evaluating whether misstatements are material, **except**

- A. The risk of incorrect acceptance of a misstatement.
- B. The potential effect of the misstatement on the entity's compliance with a contractual agreement.
- C. The significance of the financial statement element affected by the misstatement.
- D. The masking effect of the misstatement on a change in earnings in the context of industry conditions.

Item ID: 23629

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.005.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.006.000

Skill: Application

An auditor completed an audit of a nonissuer's December 31, year 3, financial statements and dated the audit report as of March 13, year 4. On March 14, year 4, prior to the release of the audit report, an event occurred that required management to revise the year 3 financial statements and describe the event in a note. The auditor's report on the revised year 3 financial statements was newly dated as of April 11, year 4, and released on April 12, year 4. In this situation, the auditor has taken responsibility for all subsequent events that occurred from January 1, year 4, until

- A. March 13, year 4.
- B. March 14, year 4.
- C. April 11, year 4.
- D. April 12, year 4.

Item ID: 509142

Key: C

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.007.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.008.000

Skill: Application

An auditor of a nonissuer intends to reference the work of an auditor's external specialist in the audit report because the reference was relevant to understanding a modification to the auditor's opinion. In this case, the auditor should indicate in the report that

- A. The specialist was responsible for evaluating an item material to the financial statements.
- B. The reference to the auditor's external specialist does **not** reduce the auditor's responsibility for that opinion.
- C. The specialist had been employed by the client.
- D. The auditor planned and evaluated the adequacy of the specialist's work.

Item ID: 18623

Key: B

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.004.001.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.004.001.000

Skill: Remembering and Understanding

In which of the following circumstances may an auditor include an other-matter paragraph in an audit report of a nonissuer?

- A. A material weakness in internal control exists.
- B. The entity engaged in significant transactions with a related party during the year under audit and subsequent to year end.
- C. The audited financial statements include a material misstatement.
- D. The auditor has been engaged to report on an entity's financial statements prepared under U.S. GAAP and under IFRS.

Item ID: 19593

Key: D

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.004.001.002

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.004.001.000

Skill: Remembering and Understanding

When an auditor reports on compliance with contractual agreements in a separate report in connection with an audit of financial statements of a nonissuer, the report should include a

- A. Reference to specific covenants of the contractual agreements.
- B. Reference to the specific date on which sufficient documentation regarding compliance was obtained.
- C. Statement that the audit was directed primarily toward obtaining knowledge regarding compliance.
- D. Statement that **no** financial statement audit was performed.

Item ID: 20209

Key: A

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.004.004.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.004.004.000








Skill: Remembering and Understanding

## TASK BASED SIMULATIONS

## Item: 500140\_01

Scroll down to complete all parts of this task.

For each of the unrelated situations for an attest client, select from the option list provided the best possible explanation as to why a covered member's independence is or is not impaired under the AICPA Code of Professional Conduct. An option may be used once, more than once, or not at all.

Situation	Explanation
A covered member invested \$200,000 in a limited partnership that is not the covered member's client. The partnership used the proceeds to make various stock investments. Of this amount, \$3,000 was invested in the stock of the covered member's client.	Independence is impaired if the value of the financial interest is material to the covered member's net worth. 
A covered member owns 4% of the outstanding shares of a diversified mutual fund. One of the underlying investments in the mutual fund is the stock of one of the covered member's clients.	Independence is not impaired because the value of the financial interest is not material. 
A covered member's spouse owns 1% of the outstanding shares of the covered member's client.	Independence is impaired because there is a direct financial interest in the client. 
A covered member is a beneficiary in a trust that holds an 8% stock ownership interest in the covered member's client and guides the trust's investments.	Independence is impaired because there is a direct financial interest in the client. 
A covered member's cousin is a 30% general partner in a partnership that invested in 40% of the outstanding stock of the covered member's client.	Independence is not impaired because a direct or indirect financial ownership interest does not exist. 
A covered member owns 0.04% of the outstanding stock of the covered member's client. The value of this investment is not material to the covered member's net worth.	Independence is impaired because there is a direct financial interest in the client. 
A covered member is a 6% limited partner in a partnership that invested in a client of the covered member's firm.	Independence is impaired if the value of the financial interest is material to the covered member's net worth. 

-- Option List Details --

- Independence is impaired because there is a direct financial interest in the client.
- Independence is impaired if the value of the covered member's financial interest exceeds 10% of the value of the client's equity.
- Independence is impaired if the value of the financial interest is material to the covered member's net worth.
- Independence is not impaired because a direct or indirect financial ownership interest does not exist.
- Independence is not impaired because financial interest in a client is indirect.
- Independence is not impaired because the value of the financial interest is not material.
- Independence is not impaired if a close family member executes a nondisclosure affidavit.

END OF CONTENT -----  
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## ***Exhibits Information***

*There are no exhibits for this item.*

## *Blueprint Information*

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.001.002.001

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.001.001.001

Skill: Application



## Item: 500473\_01

During an audit of a nonissuer, an auditor plans to use a SOC Type 2 report of an external payroll processor as audit evidence that its controls are operating effectively. Which paragraph in the professional standards establishes the requirements for the user auditor to determine whether the report provides sufficient appropriate audit evidence about the effectiveness of the service organization's controls?

Enter your response in the answer fields below. Guidance on correctly structuring your response appears above and below the answer fields.

Type the paragraph here.

*Correctly formatted AU-C paragraphs are 1, 2, or 3 digits, preceded in some cases by an upper case letter.*

AU-C  §  402  .  17

**i** Some examples of correctly formatted AU-C responses are AU-C§123.45, AU-C§123.456, AU-C§123.A45, AU-C§123.A456, AU-C§1234.56, AU -C§1234.567

END OF CONTENT -----

### *Exhibits Information*

*There are no exhibits for this item.*

### *Blueprint Information*

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.003.003

Skill: Application

## Item: 500946\_01

### Scroll down to complete all parts of this task.

During the year 2 audit of Alpha Co., a shipping company, the auditor read an article in a trade publication that discussed the following industry issues:

*"... Since December of year 1, the shipping industry has experienced significant pricing challenges due to the rising price of fuel. Fuel suppliers to the shipping industry no longer grant the traditional level of discounts. Case in point, Ship Go Fuel Co. has refused to renew its contracts with all of its customers at old prices, forcing the companies to renegotiate. Shippers are reluctant to pass these costs on to customers because they may not remain competitive. More than ever, shippers have to rely on volume to maintain profit margins. Compounding this problem, the current state of the credit market makes it challenging for shippers to obtain financing for new vessels..."*

The auditor noted that Ship Go Fuel Co. is a major fuel supplier for Alpha Co.

As highlighted by the selected financial information in the exhibit above, Alpha's financial information does not appear to reflect the issues described in the quotation above.

The audit plan focuses on the increases in accounts receivable, deferred assets, and revenues, as well as the impact of fuel expenses.

For each of the independent situations below:

- In the Potential misstatement column, identify the financial impact of the situation.
- In the Audit procedure modification column, choose the audit procedure modification that should be performed to address the situation.

Situation	Potential misstatement	Audit procedure modification
For year 2, Alpha's gross accounts receivable balance increased at the same rate as sales.	Revenues are overstated.	Decrease the materiality threshold, thereby increasing the sample size for accounts receivable confirmations.
For year 2, Alpha's revenues and cost of sales increased at the same rate.	Cost of sales is understated.	Perform price and volume analytical procedures.
For year 2, Alpha's fuel costs did not increase, despite market conditions.	Earnings per share are overstated.	Review vendor contracts and fuel purchase invoices.

-- Option List Details --

Potential misstatement 1

- Allowance for doubtful accounts is understated.
- Expenses are overstated.
- Net accounts receivable are understated.
- Revenues are overstated.
- Revenues are understated.

Potential misstatement 2

- Cost of sales is overstated.
- Cost of sales is understated.
- Gross margin is understated.
- There is no effect on cost of sales.
- There is no effect on gross margin.

Potential misstatement 3

- Cash from operations is understated.
- Deferred assets are overstated.
- Earnings per share are overstated.
- Earnings per share are understated.
- Net income is understated.

Audit procedure modification 1

- Decrease the level of substantive testing for the allowance for doubtful accounts.

- Decrease the materiality threshold, thereby increasing the sample size for accounts receivable confirmations.
- Decrease the number of accounts receivable confirmations, and increase the focus on large account balances.
- Decrease the sample size for testing cash receipts subsequent to the balance sheet date.
- Increase analytical procedures performed on the allowance for doubtful accounts.

#### Audit procedure modification 2

- Decrease the sample size for substantive testing of sales cutoff.
- Increase the materiality threshold, thereby decreasing the sample size for accounts receivable confirmations.
- Interview the company's accounts payable manager to ascertain timeliness of payments.
- Perform price and volume analytical procedures.
- Select a sample of customer payments, and trace to the accounts receivable subsidiary ledger.

#### Audit procedure modification 3

- Increase the materiality threshold, thereby decreasing the sample size for fuel expenditure substantive testing.
- Inquire of the accounts payable manager as to the accuracy of the recording of fuel purchase invoices.
- Recalculate fuel expenditures using mid-year fuel rates.
- Review vendor contracts and fuel purchase invoices.
- Verify fuel consumption expectations with controller.

END OF CONTENT -----  
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## *Exhibits Information*

Exhibits included in this item

1. Financial Information

Exhibit 1: Financial Information

### Financial Information

<b>Financial Information</b>	<b>Year 2</b>	<b>Year 1</b>
Revenues	\$1,200,000	\$1,000,000
Cost of sales	780,000	650,000
Accounts receivable (gross)	180,000	150,000
Fixed assets	900,000	900,000
Deferred assets	290,000	240,000

## *Blueprint Information*

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.002.005.003

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.002.005.000

Skill: Analysis

Item: 501905\_01

Key 2

-- Option List Details --

Column C List

- Yes
- No

D2 List

- Balance per the operations checking account bank confirmation was not traced to the balance per the bank reconciliation.
- Balance per the operations checking account bank confirmation was traced to the balance per the bank reconciliation, with trivial differences.

- Balance per the savings account bank confirmation was not traced to the balance per the trial balance.
- Bank confirmation for the checking account was received directly from the bank.
- Bank confirmation for the savings account was received directly from the client.
- No issues were noted.

#### D3 List

- Deposits in transit in the operations checking account were immaterial and were not traced to the subsequent-period bank activity.
- Deposits in transit in the savings account were immaterial and were not traced to the subsequent-period bank activity.
- One deposit in transit did not clear on the operations checking account subsequent-period bank activity.
- One deposit in transit on the operations checking account bank reconciliation cleared for a different amount on the subsequent-period bank activity.
- No issues were noted.

#### D4 List

- One outstanding check did not clear in the operations checking account subsequent-period bank activity.
- One outstanding check on the operations checking account bank reconciliation cleared

for a different amount in the subsequent-period bank activity.

- Outstanding checks in the operations checking account were immaterial and were not traced to the subsequent-period bank activity.
- Outstanding checks in the special projects checking account were immaterial and were not traced to the subsequent-period bank activity.
- No issues were noted.

#### D5 List

- A significant check clearing the operations checking account immediately prior to the year end was not vouched to supporting documentation.
- A significant check clearing the operations checking account in the subsequent-period bank activity was not included in the outstanding check listing.
- A significant check clearing the operations checking account in the subsequent-period bank activity was not vouched to supporting documentation.
- Testing of significant and unusual transactions was not performed for the operations checking account subsequent-period bank activity.
- No issues were noted.

#### E2 List

- Have the bank resend the confirmation directly to the auditor.
- Investigate all differences noted between the operations checking account bank confirmation and the balance per the bank reconciliation.
- Obtain bank confirmation for the checking account directly from the client.
- Trace and agree the balance per the bank confirmations to the balances per the bank reconciliations.
- Trace and agree the balance per the bank confirmations to the balances per the trial balance.
- No additional audit testwork is required.



## E3 List

- Inquire with management regarding the difference noted with the deposit in transit.
- Inquire with the bank regarding the difference noted with the deposit in transit.
- Trace all deposits in transit at year end for the operations checking account reconciliation to the subsequent-period bank activity.
- Trace all deposits in transit at year end for the savings account reconciliation to a subsequent-period bank activity.
- No additional audit testwork is required.

## E4 List

- Obtain the subsequent-period bank activity for the operations checking account.
- Propose an adjustment to write off any outstanding checks that did not clear the operations checking account subsequent-period bank activity.
- Review the underlying documentation to determine whether the outstanding check is a valid reconciling item.
- Trace all outstanding checks at year end for the special projects checking account reconciliation to a subsequent-period bank activity.
- Trace all outstanding checks for January, year 5, for the operations checking account reconciliation to the next subsequent-period bank activity.
- No additional audit testwork is required.

## E5 List

- Obtain an explanation from management for significant items clearing on the operations checking account subsequent-period bank activity and that appear on the bank reconciliation.
- Obtain an explanation from management for significant items clearing on the operations checking account subsequent-period bank activity but that do not appear on the bank reconciliation.

- Obtain documentation directly from the bank for the significant items to corroborate the explanation provided by management.
- Record an adjustment for transactions clearing on the subsequent-period bank activity that were included as reconciling items on the operations checking account bank reconciliation.
- Record an adjustment for transactions clearing on the subsequent-period bank activity that were not included as reconciling items on the operations checking account bank reconciliation.
- No additional audit testwork is required.

END OF CONTENT -----  
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### Exhibits Information

#### Exhibits included in this item

1. Cash lead sheet (S.10)
2. Bank reconciliation (S.20)
3. Subsequent period bank activity (S.25)
4. Confirmation - checking accounts (S.30)
5. Confirmation - savings account (S.35)

## Exhibit 1: Cash lead sheet (S.10)

## Cash lead sheet (S.10)

Lott, Inc. December 31, year 4 Cash lead sheet						S.10
		PY	GL	Change		
Account Description	GL Account #	Year 3	Year 4	\$	%	
Operations Checking Account – Anytown National Bank	1000-100	146,000	138,500	(7,500)	(5.1)%	S.20
Special Projects Checking Account – Anytown National Bank	1000-200	48,000	50,000	2,000	4.2%	(1)/S.30
Savings Account – Sunny Mount Savings and Loan	1000-300	410,000	415,000	5,000	1.2%	(1)/S.35
<b>Total Cash</b>		<b>\$604,000</b>	<b>\$603,500</b>	<b>(\$500)</b>	<b>0.1%</b>	
		<i>f</i>	<i>f</i>			
<p>(1) Per January 7, year 5, discussion with G. Kim, the client's controller, the Special Projects Checking Account balance and the Savings Account balance agreed to their bank balances and had minimal activity for the year. Therefore, detailed reconciliations were not necessary and were not prepared.</p> <p><b>GL</b> - Traced and agreed to the general ledger at December 31, year 4  <b>PY</b> - Traced and agreed to the prior year  <b>f</b> - Foots</p>						

## Exhibit 2: Bank reconciliation (S.20)

## Bank reconciliation (S.20)

<b>Lott, Inc. - Operations checking account bank reconciliation</b>		<b>S.20</b>	
<b>December 31, Year 4</b>		<b>PBC</b>	
<b>BALANCE PER BANK STATEMENT</b>		<b>\$120,000 S.30</b>	
Interbank transfer		--	
Deposits in transit		67,000	
Outstanding checks		(48,500)	
<b>BALANCE PER THE GENERAL LEDGER</b>		<b>\$138,500 S.10</b>	
		<b>TB, f</b>	
<b>RECONCILING ITEMS DETAIL</b>			
Deposits in transit:			
<u>Date</u>	<u>Amount</u>		
12/28/year 4	\$25,000 a		
12/29/year 4	12,000 a		
12/29/year 4	30,000 a		
	\$67,000		
	f		
Outstanding checks:			
<u>Check #</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
94	ElecTric Co.	12/1/year 4	(\$18,000) a
99	J. Wa expense	12/5/year 4	(8,500)
101	Ace Furniture	12/12/year 4	(15,000) a
103	Insurance	12/18/year 4	(7,000) a
			(\$48,500)
			f
<b>Tickmarks:</b>			
a - traced from subsequent period bank activity without exception			
f - foots			
TB - agreed to trial balance			

## Exhibit 3: Subsequent period bank activity (S.25)

## Subsequent period bank activity (S.25)

Anytown National Bank							S.25
OPERATIONS CHECKING ACCOUNT - 58326785							
Today's beginning balance on 1/5/year 5:			\$70,050	End-of-day Available Balance:		\$41,450	
Show transactions from:		Last 5 Days	Date range:		1/1/year 5	1/5/year 5	
Date	Type	Description	Debit		Credit		Account balance
1/1/year 5							120,000
1/2/year 5	Check	No. 94	18,000	a			102,000
1/2/year 5	Check	No. 103	7,000	a			95,000
1/2/year 5	Deposit	Invoice 12577			25,000	a	120,000
1/2/year 5	Direct debit	D. Flores	50				119,950
1/2/year 5	Transfer	To savings account	20,000	b			99,950
1/2/year 5	Transfer	To savings account	15,000	b			84,950
1/2/year 5	Deposit	Invoice 000532			12,000	a	96,950
1/2/year 5	Direct debit	N. Chekov	50				96,900
1/2/year 5	Deposit	Invoice 642			30,000	a	126,900
1/2/year 5	Direct debit	Greensburg Machinery	47,000	(1)			79,900
1/3/year 5	Direct debit	Q. Park	50				79,850
1/3/year 5	Check	No. 101	15,000	a			64,850
1/3/year 5	Deposit	Counter deposit – A2574			3,400		68,250
1/3/year 5	Transfer	From special projects account			4,000		72,250

1/4/year 5	Check	No. 107	2,200				<b>70,050</b>
1/5/year 5	Deposit	474256			4,200		<b>74,250</b>
1/5/year 5	Check	No. 106	800				<b>73,450</b>
1/5/year 5	Check	No. 95	32,000				<b>41,450</b>

**Tickmarks:**

**(1) Per January 8, year 5, discussion with G. Kim, the client's controller, this payment relates to a deposit on a piece of new machinery. Per our examination of the supporting invoice for the new machinery, the deposit was recorded in the appropriate year.**

**a - Traced to bank reconciliation 5.20**

**b - Verified that transfer was recorded in savings account on January 2, year 5**

Exhibit 4: Confirmation - checking accounts (S.30)

Confirmation - checking accounts (S.30)

S.30

**[Audit Staff Note: Bank confirmation was received directly from the bank]**

<b>Client's Company Information</b>		<b>Requestor Information</b>		S.20 S.10
<b>Lott, Inc.</b> 825 Industrial Road Anytown, NJ 08056 United States	<b>Authorized Signer:</b> Ms. Grace Kim P: 974.555.1234 gkim@lott.com	<b>Pluto, CPAs</b> 23 First Avenue Anytown, NJ 08056 United States	<b>Lead Auditor:</b> Mr. Julio Santiago P: 974.555.3456 jsantiago@pluto.com	
<b>Responder Information</b>				
<b>Anytown National Bank</b> 101 Third Avenue Anytown, NJ 08056 United States		<b>Contact:</b> Mr. Jamie Reynolds P: 974.555.6587 jreynolds@anytownbank.com		
<b>Client's Account Information</b>				
<b>Type / Form</b>		<b>Account ID</b>	<b>Account Name</b>	
Financial / Asset		58326785	Operations Checking	
Financial / Asset		58326786	Special Projects Checking	
<b>Confirmation Request</b>				
<b>Account Name</b>	<b>As of Date</b>	<b>Balance (\$)</b>	<b>Interest rate</b>	
Operations Checking	12/31/year 4	120,000	0%	
Special Projects Checking	12/31/year 4	50,000	0%	
<i>G. Kim</i> [Customer's Authorized Signature]			<u>January 21, year 5</u> [Date]	

<b>Responder Statements</b>	
The information presented is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention except as noted.	
<i>J. Reynolds</i> [Financial Institution Authorized Signature] <u>Operations Manager</u> [Title]	<u>January 26, year 5</u> [Date]
<b>Questions / Comments</b>	
Not applicable.	

Exhibit 5: Confirmation - savings account (S.35)

Confirmation - savings account (S.35)

S.35

*Audit Staff note: Response received via email from G. Kim, Controller, Lott, Inc.*

STANDARD FORM TO CONFIRM ACCOUNT BALANCE INFORMATION WITH FINANCIAL INSTITUTIONS					
		CUSTOMER NAME: Lott, Inc.			
<b>Financial Institution's Name and Address</b>	Sunny Mount Savings and Loan 426 Third Avenue Anytown, NJ 08056	We have provided to our accountants the following information as of the close of business on <b>December 31, year 4</b> , regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided.			
<b>1. At the close of business on the date listed above, our records indicate the following deposit balance(s):</b>					
<b>Account Name</b>	<b>Account No.</b>	<b>Interest Rate</b>	<b>Balance</b>		
Savings Account	04742157	0.5%	\$415,000		
<b>2. We are directly liable to the financial institution for loans at the close of business on the date listed above as follows:</b>					
<b>Account No./Description</b>	<b>Balance</b>	<b>Date Due</b>	<b>Interest Rate</b>	<b>Date through which interest is paid</b>	<b>Description of collateral</b>
N/A					
<i>G. Kim</i> [Customer's Authorized Signature]			<b>January 21, year 5</b> [Date]		

S.10

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention, except as noted above.	
<i>M. Gonzalez</i> [Financial Institution Authorized Signature] <b>Account Manager</b> [Title]	<b>January 25, year 5</b> [Date]
<b>Please return this form directly to our accountants:</b>	
Mr. Julio Santiago P: 974.555.1010 jsantiago@pluto.com	



## *Blueprint Information*

Uniform CPA Examination Blueprints effective July 1, 2021: AUD.003.001.000

Uniform CPA Examination Blueprints effective January 1, 2024: AUD.003.002.000

Skill: Evaluation