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**Questions for Quiz 1, 2 and Final**

**Subject: Audit**

**Group(s): 1062, 1005**

1. What is an agency relationship? Please, analyze the motives of participants of such a relationship.
2. Please, explain why (external) audit service is needed? Describe the relationship between agency theory and audit necessity.
3. Please, explain the problems caused by the separation of ownership and control.
4. Please, explain conflict between owner`s (principal`s) and director`s (agent`s) interests.
5. Please, explain which of the participants of agency relationship (shareholder or director) is interested in opportunistic behavior? Why?
6. Distinguish positive and negative expression of audit opinion. Which evidence-gathering procedures can raise the level of assurance from limited to reasonable?
7. Please, define elements of assurance engagement. Who are the participants of three party relationship?
8. What is an assurance engagement? Please, distinguish limited and reasonable assurance.
9. Which evidence-gathering procedures are used in providing both limited and reasonable levels of assurance? Please, give an example of evidence-gathering procedure for reasonable assurance.
10. Please, give examples of other types of assurance engagement except an external audit. Who can be users of such type engagements report?
11. Please, identify at least three conditions related to why external auditor cannot give 100% assurance.
12. What is audit limitation? Please, give examples and analyze audit limitations.
13. Please, define what corporate governance is. What do the OECD Principles of Corporate Governance set out?
14. Please, define what corporate governance is and describe at least two principles of OECD Corporate Governance.
15. Please, explain the role of Audit Committee. What are advantages of having an Audit Committee within the organization?
16. Which five fundamental principles of professional ethics must ACCA members comply? Please, define professional competence and due care.
17. Which five fundamental principles of professional ethics must ACCA members comply? Please, define confidentiality.
18. Please, describe threats that ACCA members should identify and evaluate in order to compliance with the fundamental principles of professional ethics. Give an example of self-interest threat.
19. Please, describe threats that ACCA members should identify and evaluate in order to compliance with the fundamental principles of professional ethics. Give an example of self-review threat.
20. Please, describe threats that ACCA members should identify and evaluate in order to compliance with the fundamental principles of professional ethics. Give an example of advocacy threat.
21. Please, describe threats that ACCA members should identify and evaluate in order to compliance with the fundamental principles of professional ethics. Give an example of familiarity threat.
22. Please, describe threats that ACCA members should identify and evaluate in order to compliance with the fundamental principles of professional ethics. Give an example of intimidation threat.
23. Please, describe the categories of safeguard to offset the threats related to ethics.
24. Please, describe the stages of threat revealing and eliminating within conceptual and principles-based approach to ethics.
25. Please, compare the scope of engagement between internal and external audit and give an example of internal audit engagement.
26. Please, explain value for money audit. What is being examined within such an audit?
27. Please, explain aspects of internal audit activity related to effectiveness and adequacy of policies.
28. Please, distinguish gross risk and net risk. What does it mean when the level of inherent risk and net risk is the same?
29. Please, explain the differences between assurance and consulting services within an internal audit function?
30. Please, give an explanation of professional skepticism.
31. What is risk-based approach? Please, provide your understanding of risk-based approach within audit (both internal and external) planning stage.
32. Please, explain the differences between business risk and audit risk.
33. Please, describe three components of (external) audit risk.
34. Please, describe detection risk component of (external) audit risk. Which components of audit risk are dependent on the entity?
35. Please, describe inherent and control risk within audit risk model. Which of the components of audit risk are dependent on the auditor?
36. Please, describe audit risk model and explain each component within the model.
37. Please, describe audit risk formula and explain why the (external) auditor is not able to influence inherent risk.
38. Please, explain detection risk. Does detection risk depend on the auditor only? Why?
39. Please, describe detection risk. What is the difference between sampling and non-sampling risk?
40. Please, describe five components of internal control. What are advantages of understanding of internal control for the (external) auditor?
41. Please, explain relationship between internal control as a system or process and internal audit function. Which of the components of internal control are related to internal audit function?
42. Please, explain the entity`s risk assessment process as a component of internal control. What should (external) auditor do if such an assessment process does not exist?
43. Please, describe control activities as a component of internal control. Distinguish activities designed to prevent, detect and correct errors.
44. What is audit evidence? What are the requirements for the information obtained by the auditor as evidence?
45. What is the appropriateness of audit evidence? Please, explain reliability of evidence.
46. Which types of procedure does the auditor perform to obtain audit evidence? Describe each of three types of procedure.
47. What are substantive procedures? Please, distinguish tests of details and substantive analytical procedures.
48. What does audit sampling mean? Please, explain relationship between sampling size and sampling risk.
49. Which factors can affect sample size? What is systematic selection of the sample?
50. Please, describe four commonly used methods of selection of the sample. Explain all four methods.
51. What are management assertions? Please, describe three classifications of management assertions.
52. Please explain accuracy, completeness and cut off as assertions used by the auditor.
53. Please describe occurrence, valuation and existence as assertions used by the auditor.
54. Please describe cut off, allocation and valuation as assertions used by the auditor.
55. Please, describe each of three stages of inventory count during auditing.
56. Please, explain what are advantages of direct confirmation while auditing of receivables is being performed? In which situation direct confirmation may appear as not reliable evidence?
57. How can auditor make sure that follow-up procedures related to receivables control exist in the company`s practice? Why receivables follow-up procedures are important?
58. Is director of the audited company interested in opportunistic behavior regarding the assertions related to receivables? Why?
59. Please, describe four examples of procedures when auditing director`s emoluments. Who is being considered as a key management personnel in the organization?
60. In which time frames of the reporting stage can auditor become aware of a subsequent fact? Please, explain in which period of the reporting stage should subsequent events occur in order to issue additional publicly accessible report?
61. Please, describe five basic elements of the auditor`s report. Who is responsible for preparation of financial statement which is being audited by the external auditor?
62. Please, describe four types of audit opinion. In which situation adverse opinion is issued?
63. What is qualified opinion? Please, explain in which situation the auditor gives disclaimer of opinion.
64. What is unqualified opinion? Please, explain the difference between qualified and unqualified opinion.
65. What is the worst audit opinion among four existing types? Why?
66. Is external auditor responsible for preparation of financial statements? Explain the reason for that. If yes, please explain in which stage of audit (planning, field work or reporting) the auditor prepares financial statements.
67. In which of the four types of audit opinions does the auditor guarantee that there is no misstatement? And conversely, which of the four types of opinions actually implies the maximum level of misstatement? Why?
68. Please, compare two audit opinions: adverse opinion and disclaimer of opinion, and discuss which of these opinions is more risky from shareholder`s point of view.
69. Are financial statements with audit opinion always more reliable than non-audited? Why?
70. Assuming that agent and principal is the same person, is there need for external auditor`s opinion? Why?
71. Please, describe users of external auditor`s report and explain the purpose of auditor`s report use by each of the users described.
72. Please, describe relationship between evidence gathered during auditing and type of audit opinion. Can quality and quantity of evidence influence audit opinion? Why and how?
73. If the auditor gives an adverse opinion, does it mean that evidence gathered during auditing is insufficient and inappropriate? Please, give an explanation.
74. Analyzing agency relationship, please, explain if there is any positive aspect in getting adverse opinion from the auditor. Why?
75. Analyzing control aspect of all types of auditing in general, what can we say about audit activity - is this activity preventive, detective or corrective? Please, give an explanation.