

AAT Level 4 External Auditing (ETAU) Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Agreement of the fixed asset register NBV to the NBV in financial statements enables what?**
 - A. The fixed asset register to be used as the NBV figure in the financial statements**
 - B. The fixed asset register to prove the existence of all assets**
 - C. The fixed asset register to determine depreciation method**
 - D. The fixed asset register to replace cash confirmations**

- 2. Which item is explicitly included in the client's inventory count instructions?**
 - A. Two independent counters**
 - B. Inventory marked when counted**
 - C. Count sheets**
 - D. Supervision**

- 3. In a modified audit report with an unmodified opinion, which element might be included to draw attention to a significant matter?**
 - A. An emphasis of matter paragraph**
 - B. A separate adverse opinion paragraph**
 - C. A disclaimer of opinion**
 - D. A positive assurance paragraph**

- 4. What must be provided as part of financial statements?**
 - A. Audited financial statements.**
 - B. Unaudited statements.**
 - C. Tax computations.**
 - D. Management letter.**

- 5. During fixed asset testing, why is reviewing expense accounts for capital items performed?**
 - A. To identify expenditures that should be capitalised**
 - B. To identify misstatements in revenue**
 - C. To verify cash discounts**
 - D. To calculate depreciation**

- 6. Which measure directly supports staff awareness of policy?**
- A. Disciplinary procedures for failing to comply with company policy.**
 - B. Train staff.**
 - C. Communicate policy to staff.**
 - D. Monitor procedures to ensure compliance.**
- 7. What does 'fair' mean in accounting context?**
- A. Free from discrimination and bias, and complies with accounting standards.**
 - B. Always unbiased and perfect.**
 - C. Free from taxation issues.**
 - D. Freely chosen by management.**
- 8. Haphazard sampling is characterized by:**
- A. Random selection**
 - B. Structured approach**
 - C. Auditor judgment without a formal system**
 - D. Systematic pattern**
- 9. Bank reconciliation window dressing refers to which practice?**
- A. Postings that make the bank position more favourable**
 - B. Adjustments for non-cash items**
 - C. Unrecorded transactions**
 - D. Early settlement of liabilities**
- 10. Adjusting events provide evidence of conditions that exist at year-end.**
- A. True**
 - B. False**
 - C. They may also indicate conditions after year-end**
 - D. They are only recognized for tax purposes**

Answers

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1. A
2. A
3. A
4. A
5. A
6. C
7. A
8. C
9. A
10. A

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Explanations

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1. Agreement of the fixed asset register NBV to the NBV in financial statements enables what?

A. The fixed asset register to be used as the NBV figure in the financial statements

B. The fixed asset register to prove the existence of all assets

C. The fixed asset register to determine depreciation method

D. The fixed asset register to replace cash confirmations

Agreeing the net book value between the fixed asset register and the financial statements confirms that the asset records are valued correctly and aligned with what is shown in the financial statements. The net book value is the asset's cost minus accumulated depreciation, so when the register's NBV matches the NBV in the FS, it indicates depreciation has been calculated and applied consistently, and additions or disposals have been recorded properly. This consistency means the fixed asset register can be used as the source for the NBV figure in the financial statements, supporting the reliability of the stated asset values. Note that confirming existence, choosing depreciation methods, or replacing cash confirmations require separate procedures.

2. Which item is explicitly included in the client's inventory count instructions?

A. Two independent counters

B. Inventory marked when counted

C. Count sheets

D. Supervision

The key idea here is ensuring independence in the physical inventory count to improve accuracy. Requiring two independent counters is explicit proof that the client wants the count to be performed by more than one person without influence from each other, providing an immediate cross-check and reducing the risk of errors or bias. This setup helps the auditor obtain reliable evidence because discrepancies can be spotted and resolved on the spot, and it supports the integrity of the count data. While marking items as counted, using count sheets, or supervising the count are common elements of inventory procedures, they are not necessarily stated as explicit counting instructions in every client's protocol. The emphasis in the instruction is on having two counters working separately to ensure an independent count.

3. In a modified audit report with an unmodified opinion, which element might be included to draw attention to a significant matter?

- A. An emphasis of matter paragraph**
- B. A separate adverse opinion paragraph**
- C. A disclaimer of opinion**
- D. A positive assurance paragraph**

An emphasis of matter paragraph is used when there is a matter disclosed in the financial statements that is so important for users to understand that the auditor wants to draw attention to it, but it does not change the auditor's opinion. In a report that otherwise expresses an unmodified opinion, this paragraph sits after the opinion and explains the matter, which might be things like a significant going-concern issue or a large, unusual disclosure that the auditors believe users should be aware of. The opinion remains unmodified because the financial statements, taken as a whole, are still presented fairly. The other options would signal a change in the overall opinion or are not standard reporting elements. An adverse opinion paragraph would accompany a modified opinion, not an unmodified one. A disclaimer of opinion denotes insufficient evidence to form any opinion. A "positive assurance paragraph" isn't a recognized component of standard audit reporting.

4. What must be provided as part of financial statements?

- A. Audited financial statements.**
- B. Unaudited statements.**
- C. Tax computations.**
- D. Management letter.**

Auditing provides independent assurance that the financial statements are credible for external users. When financial statements are audited, an auditor examines the records and controls and issues an opinion on whether the statements fairly present the entity's financial position and performance, free from material misstatement. This independent verification is why audited financial statements are the standard requirement for external reporting—the information is more reliable for investors, lenders, and regulators. Unaudited statements, while they may be prepared for internal use or for smaller private entities, do not carry the same level of assurance and are not typically considered complete external financial statements. Tax computations are separate from the financial statements themselves, used for tax purposes, and a management letter is a separate communication to management about internal controls, not part of the financial statements.

5. During fixed asset testing, why is reviewing expense accounts for capital items performed?

- A. To identify expenditures that should be capitalised**
- B. To identify misstatements in revenue**
- C. To verify cash discounts**
- D. To calculate depreciation**

The key idea is ensuring costs are recorded in the right place—capitalized as fixed assets when they create or extend the asset’s life, rather than expensed as current period costs. By reviewing expense accounts for items that could be capital expenditures, you can spot costs that meet the organization’s capitalization policy but have been charged to expenses. This helps keep the fixed asset register accurate and ensures depreciation later reflects the true asset base. The other options aren’t the focus here. It isn’t about misstatements in revenue, nor about checking cash discounts, and depreciation calculation relies on having correctly capitalized assets in the first place rather than driving the capitalization decision itself.

6. Which measure directly supports staff awareness of policy?

- A. Disciplinary procedures for failing to comply with company policy.**
- B. Train staff.**
- C. Communicate policy to staff.**
- D. Monitor procedures to ensure compliance.**

Directly creating staff awareness comes from putting the policy in front of them and making sure they know what it requires, why it exists, and where to find it. Communicating the policy to staff does exactly that: it informs, clarifies, and makes the policy visible so everyone understands its existence and purpose. Training staff, while valuable for understanding how to apply the policy, builds on that awareness and goes into how to implement it in practice. The other measures focus on enforcement or checking compliance after the fact rather than ensuring staff are aware of the policy from the outset.

7. What does 'fair' mean in accounting context?

- A. Free from discrimination and bias, and complies with accounting standards.**
- B. Always unbiased and perfect.**
- C. Free from taxation issues.**
- D. Freely chosen by management.**

In accounting, “fair” means presenting information in a way that faithfully represents the entity’s financial position, performance, and cash flows, in accordance with the applicable financial reporting framework. It implies the statements are free from material misstatement and bias, and that the accounting policies and disclosures comply with the standards so users can rely on them and compare them with other entities. It doesn’t promise perfection or absence of all issues, and it isn’t about management choosing policies arbitrarily or about taxation issues. Therefore, the concept that best describes fair is being free from bias and ensuring compliance with accounting standards.

8. Haphazard sampling is characterized by:

- A. Random selection
- B. Structured approach
- C. Auditor judgment without a formal system**
- D. Systematic pattern

Haphazard sampling means the auditor selects items without a planned procedure, relying mainly on personal judgment rather than a formal, structured method. It isn't based on randomness, a predefined plan, or a systematic pattern. In practice, items might be chosen as they are encountered or based on convenience, without a sampling frame or justification for the sample size. This is why the description best fits auditor judgment without a formal system. Choosing items at random would involve a defined probability method, so that isn't haphazard. A structured approach implies a documented plan, and a systematic pattern follows a consistent, repeatable method.

9. Bank reconciliation window dressing refers to which practice?

- A. Postings that make the bank position more favourable**
- B. Adjustments for non-cash items
- C. Unrecorded transactions
- D. Early settlement of liabilities

Window dressing in bank reconciliation is about actions taken at the reporting date to present a stronger cash position than really exists. It involves postings that artificially boost the amount shown as cash at bank or reduce the apparent overdraft, making liquidity look better to readers of the financial statements. For example, management might adjust entries so that receipts appear to have cleared or so that outstanding items are understated, thereby producing a more favourable bank balance on the reconciliation. This aligns with the idea of postings that make the bank position more favourable. Adjustments for non-cash items affect the income statement rather than the cash balance. Unrecorded transactions may indicate incomplete records rather than deliberate enhancement of the bank view. Early settlement of liabilities changes cash outflow timing, but it does not purposefully improve the bank balance in the reconciliation.

10. Adjusting events provide evidence of conditions that exist at year-end.

- A. True**
- B. False
- C. They may also indicate conditions after year-end
- D. They are only recognized for tax purposes

Adjusting events are events after the reporting period that provide evidence about conditions that existed at the end of the reporting period. Because they reveal information about what was already in place at year-end, they require changes to the financial statements for that year. That's why the statement is true: adjusting events confirm conditions that existed when the year ended, and the related amounts should be recognized or disclosed accordingly. If an event after year-end stems from conditions that developed after the period, it would be treated as a non-adjusting event and usually disclosed rather than adjusting the year-end numbers.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://aatlvl4etau.examzify.com>

We wish you the very best on your exam journey. You've got this!

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