

ACCA Audit and Assurance (F8) Practice Exam (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

- 1. Which of the following is a key factor in auditing accounting estimates?**
 - A. Reasonableness of assumptions**
 - B. Management involvement**
 - C. Historical financial performance**
 - D. Computer processing methods**
- 2. What is a function of Computer-Assisted Audit Techniques (CAATs) in auditing?**
 - A. Provide legal advice during audits**
 - B. Help in the collection of overdue accounts**
 - C. Calculate payables days accurately**
 - D. Compile financial statements directly**
- 3. Which condition could lead to a client being deemed "High Risk"?**
 - A. Lack of unusual transactions**
 - B. Strong financial position**
 - C. Presence of significant related party transactions**
 - D. Stable management team**
- 4. Which of the following is a characteristic of audit evidence?**
 - A. Timeliness**
 - B. Relevance**
 - C. Reliability**
 - D. Appropriateness**
- 5. What does "reasonable assurance" imply in auditing?**
 - A. It guarantees correctness**
 - B. It ensures completeness of financial statements**
 - C. It provides assurance within a reasonable margin of error**
 - D. It is absolute assurance**

- 6. Which organization oversees international auditing standards?**
- A. International Accounting Standards Board (IASB)**
 - B. International Federation of Accountants (IFAC)**
 - C. Financial Accounting Standards Board (FASB)**
 - D. Global Accounting Alliance (GAA)**
- 7. Which statement accurately distinguishes between a provision and a contingency?**
- A. A provision is recorded in the current period while a contingency is never recognized**
 - B. A provision is a definite liability while a contingency is not**
 - C. A provision is optional while a contingency is mandatory**
 - D. A provision is an expense while a contingency is considered income**
- 8. Which component of Audit Risk reflects the likelihood of a material misstatement not being detected by internal controls?**
- A. Inherent Risk**
 - B. Control Risk**
 - C. Detection Risk**
 - D. Audit Risk**
- 9. What type of relationship exists in an assurance engagement?**
- A. Two-party relationship**
 - B. Multilayered contractual relationship**
 - C. Three-party relationship**
 - D. One-on-one relationship**
- 10. Which is NOT a type of analytical procedure?**
- A. Compare information of different periods**
 - B. Compare actual results to industry benchmarks**
 - C. Assess the effectiveness of internal control**
 - D. Compare anticipated revenue to actual revenue**

Answers

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

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Explanations

1. Which of the following is a key factor in auditing accounting estimates?

- A. Reasonableness of assumptions**
- B. Management involvement**
- C. Historical financial performance**
- D. Computer processing methods**

In auditing accounting estimates, the reasonableness of assumptions is crucial. This is because accounting estimates often rely on various assumptions made by management, which can significantly impact the financial statements. Auditors must evaluate whether these assumptions are valid and reasonable within the context of the business and its environment. This assessment includes analyzing the basis for the assumptions, including any relevant historical data, current market conditions, and industry trends. By focusing on the reasonableness of the assumptions, auditors can determine the reliability of the estimates and ultimately the integrity of the financial statements. While management involvement is also important when considering how estimates are developed, it does not directly assess the validity of the assumptions themselves. Similarly, historical financial performance provides context but does not inherently evaluate the reasonableness of current assumptions. Computer processing methods pertain more to the tools used in the accounting process rather than the assessment of estimates. Thus, the primary factor that enables auditors to gauge the accuracy of accounting estimates is indeed the reasonableness of the underlying assumptions.

2. What is a function of Computer-Assisted Audit Techniques (CAATs) in auditing?

- A. Provide legal advice during audits**
- B. Help in the collection of overdue accounts**
- C. Calculate payables days accurately**
- D. Compile financial statements directly**

In the context of auditing, Computer-Assisted Audit Techniques (CAATs) are tools and methodologies that leverage technology to assist auditors in gathering and analyzing data more efficiently and effectively. The function of CAATs includes various tasks, one of which is accurately calculating financial metrics, such as payables days. This calculation involves analyzing accounts payable data against relevant metrics like total purchases or costs, which are often derived from complex datasets. By using CAATs, auditors can streamline the process of achieving accurate calculations, identify anomalies, and assess the company's financial health more thoroughly. These techniques enable auditors to verify data quickly, facilitating more precise audit outcomes and enhancing the quality and reliability of the audit process. The other options do not align with the primary functions of CAATs. Legal advice, for instance, is typically outside the purview of auditing functions and relies on legal professionals. Collection of overdue accounts is a management or operational task rather than an auditing function. Lastly, while CAATs assist in analyzing financial data, they do not compile financial statements directly—this is usually the responsibility of the accounting department before the auditors review those statements.

3. Which condition could lead to a client being deemed "High Risk"?

- A. Lack of unusual transactions**
- B. Strong financial position**
- C. Presence of significant related party transactions**
- D. Stable management team**

A client can be deemed "High Risk" due to the presence of significant related party transactions because these transactions may obscure the true nature of a company's financial position. Related party transactions can introduce risks such as conflicts of interest, potential manipulation of financial results, and issues related to the arm's length principle. Because these transactions may not be conducted on normal commercial terms, they can lead to misstatements in the financial statements and increased susceptibility to fraud. Thus, auditors need to approach such clients with enhanced scrutiny and perform additional procedures to ensure that these transactions are appropriately disclosed and valued. The other options reflect situations that generally indicate lower risk. A lack of unusual transactions suggests stability and predictability in operations, which typically signals a lower risk environment for auditors. A strong financial position can indicate that a company is well-managed and less likely to encounter financial difficulties that could lead to misstatement. Similarly, a stable management team is often associated with consistency in corporate governance and strategy, which can mitigate risk factors that could affect financial reporting.

4. Which of the following is a characteristic of audit evidence?

- A. Timeliness**
- B. Relevance**
- C. Reliability**
- D. Appropriateness**

Appropriateness is a fundamental characteristic of audit evidence, referring to the quality of the evidence in terms of its relevance and reliability. It is essential for auditors to gather evidence that not only pertains to the specific audit objectives but also comes from credible sources. This ensures that the auditor can form reasonable conclusions based on the evidence collected. When audit evidence is deemed appropriate, it combines the attributes of being both relevant to the specific audit questions being addressed and reliable enough to support the auditor's findings. For example, evidence from a well-maintained internal control system is considered more appropriate compared to evidence from a poorly documented source. Timeliness, relevance, and reliability are also important characteristics of audit evidence; however, appropriateness encompasses the essential aspects of both relevance and reliability, making it the most comprehensive characteristic to refer to when determining the suitability of evidence for audit purposes.

5. What does "reasonable assurance" imply in auditing?

- A. It guarantees correctness
- B. It ensures completeness of financial statements
- C. It provides assurance within a reasonable margin of error**
- D. It is absolute assurance

In the context of auditing, "reasonable assurance" signifies that the auditor has conducted sufficient and appropriate audit procedures to obtain a level of confidence that the financial statements are free from material misstatement. This concept acknowledges that while the auditor aims to reduce risk to an acceptable level, it does not eliminate all risk. Thus, the assurance provided is within a reasonable margin of error, meaning that there is still a possibility that a material misstatement could exist, but it is deemed low enough that it does not significantly impact the reliability of the financial statements. The term contrasts with absolute assurance, which is unattainable in practice because it would require complete certainty regarding the accuracy of financial information. Instead, reasonable assurance is a balanced approach that reflects the inherent limitations of audits, including factors such as the use of judgment in evaluating evidence, the need for sampling, and the possibility of human error. This understanding is essential for both auditors and users of financial statements to appreciate the level of confidence provided through the audit process.

6. Which organization oversees international auditing standards?

- A. International Accounting Standards Board (IASB)
- B. International Federation of Accountants (IFAC)**
- C. Financial Accounting Standards Board (FASB)
- D. Global Accounting Alliance (GAA)

The International Federation of Accountants (IFAC) plays a crucial role in overseeing the development of international auditing standards through its affiliated body, the International Auditing and Assurance Standards Board (IAASB). IFAC brings together professional accountancy organizations from around the world to promote high-quality standards in the accounting profession, including those related to auditing. This cooperation helps to ensure that auditing standards are consistent and applicable internationally, facilitating transparency and reliability in the financial reporting process. In contrast, the International Accounting Standards Board (IASB) focuses on setting accounting standards, known as International Financial Reporting Standards (IFRS), rather than auditing standards specifically. The Financial Accounting Standards Board (FASB) primarily establishes accounting standards in the United States and does not oversee international standards. While the Global Accounting Alliance (GAA) aims to promote the interests of the accounting profession globally, it does not specifically oversee auditing standards. Thus, IFAC stands out as the correct answer, as it actively engages in the governance and development of international auditing practices.

7. Which statement accurately distinguishes between a provision and a contingency?
- A. A provision is recorded in the current period while a contingency is never recognized
 - B. A provision is a definite liability while a contingency is not**
 - C. A provision is optional while a contingency is mandatory
 - D. A provision is an expense while a contingency is considered income

The distinction between a provision and a contingency is crucial in financial reporting, particularly in the context of liabilities. A provision is recognized in the financial statements when an entity has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle that obligation. Additionally, the amount of the obligation can be reliably estimated. In contrast, a contingency arises from a past event but does not meet the criteria for recognition as a provision. It refers to a potential obligation that may occur depending on the outcome of a future event, like litigation or uncertain outcomes. As a result, contingencies are not recognized in the financial statements but are disclosed in the notes if the possibility of an outflow of resources is more than remote. Therefore, it is correct to state that a provision is a definite liability, as it is recognized and recorded in the accounts, reflecting a real obligation, while a contingency represents a potential liability that lacks the certainty necessary for recognition. This clear distinction helps entities manage their financial statements in accordance with applicable accounting standards.

8. Which component of Audit Risk reflects the likelihood of a material misstatement not being detected by internal controls?
- A. Inherent Risk
 - B. Control Risk**
 - C. Detection Risk
 - D. Audit Risk

Control Risk pertains to the likelihood that a material misstatement will occur in an assertion about a financial statement item and that it will not be prevented or detected by the entity's internal control system. This means that even with the existence of internal controls, there is an inherent possibility that these controls may fail to identify a material misstatement, thereby allowing an error or fraud to go unnoticed. Understanding control risk is crucial for auditors because it influences the nature, timing, and extent of the audit procedures necessary to gather sufficient appropriate evidence. High control risk indicates that the auditor may need to perform more substantive testing to mitigate the risk of material misstatement going undetected due to deficiencies in internal controls. Inherent risk, on the other hand, refers to the risk that material misstatement could occur in the absence of any internal controls, while detection risk is the risk that the auditor's substantive procedures will fail to detect a material misstatement that exists in an assertion. Audit risk encompasses the combination of inherent risk, control risk, and detection risk, essentially describing the overall risk an auditor faces in forming an opinion on the financial statements.

9. What type of relationship exists in an assurance engagement?

- A. Two-party relationship**
- B. Multilayered contractual relationship**
- C. Three-party relationship**
- D. One-on-one relationship**

In an assurance engagement, the nature of the relationship is characterized as a three-party relationship. This involves the practitioner (the auditor), the responsible party (the entity being audited), and the intended users of the report (which may include shareholders, regulators, or the public). The assurance provider delivers an opinion or report on a specific subject matter, which is the responsibility of the entity being assessed. This report is ultimately meant to serve the needs of the intended users who rely on it to make informed decisions. This triad of roles distinguishes assurance engagements from other types of professional services and emphasizes the importance of accountability, transparency, and trust in the financial reporting process. Understanding this three-party dynamic is crucial for grasping the scope and responsibilities entailed in assurance engagements, as it ensures that the interests of all parties—those who prepare the information, those who assess it, and those who use it—are adequately addressed.

10. Which is NOT a type of analytical procedure?

- A. Compare information of different periods**
- B. Compare actual results to industry benchmarks**
- C. Assess the effectiveness of internal control**
- D. Compare anticipated revenue to actual revenue**

Analytical procedures are techniques used in auditing that involve evaluating financial information by studying plausible relationships among both financial and non-financial data. They often help auditors identify any inconsistencies or unusual patterns that could indicate potential misstatements in the financial statements. The option that states the assessment of the effectiveness of internal control is indeed not considered an analytical procedure. This is because evaluating internal controls is more about understanding and testing the systems and processes in place within an organization rather than analyzing financial data relationships. Such assessments typically occur during a risk assessment phase and are focused on the design and operational effectiveness of controls, not on comparative analysis of numerical data. In contrast, comparing information across different periods, benchmarking actual results against industry standards, and analyzing variances between expected and actual revenues are all analytical procedures. Each of these methods involves looking for trends, correlations, or discrepancies that can provide insights into the financial health and operational performance of an organization. By using these techniques, auditors can gather evidence that aids in forming an opinion on the financial statements.

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://accaauditandassurance-f8.examzify.com>

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