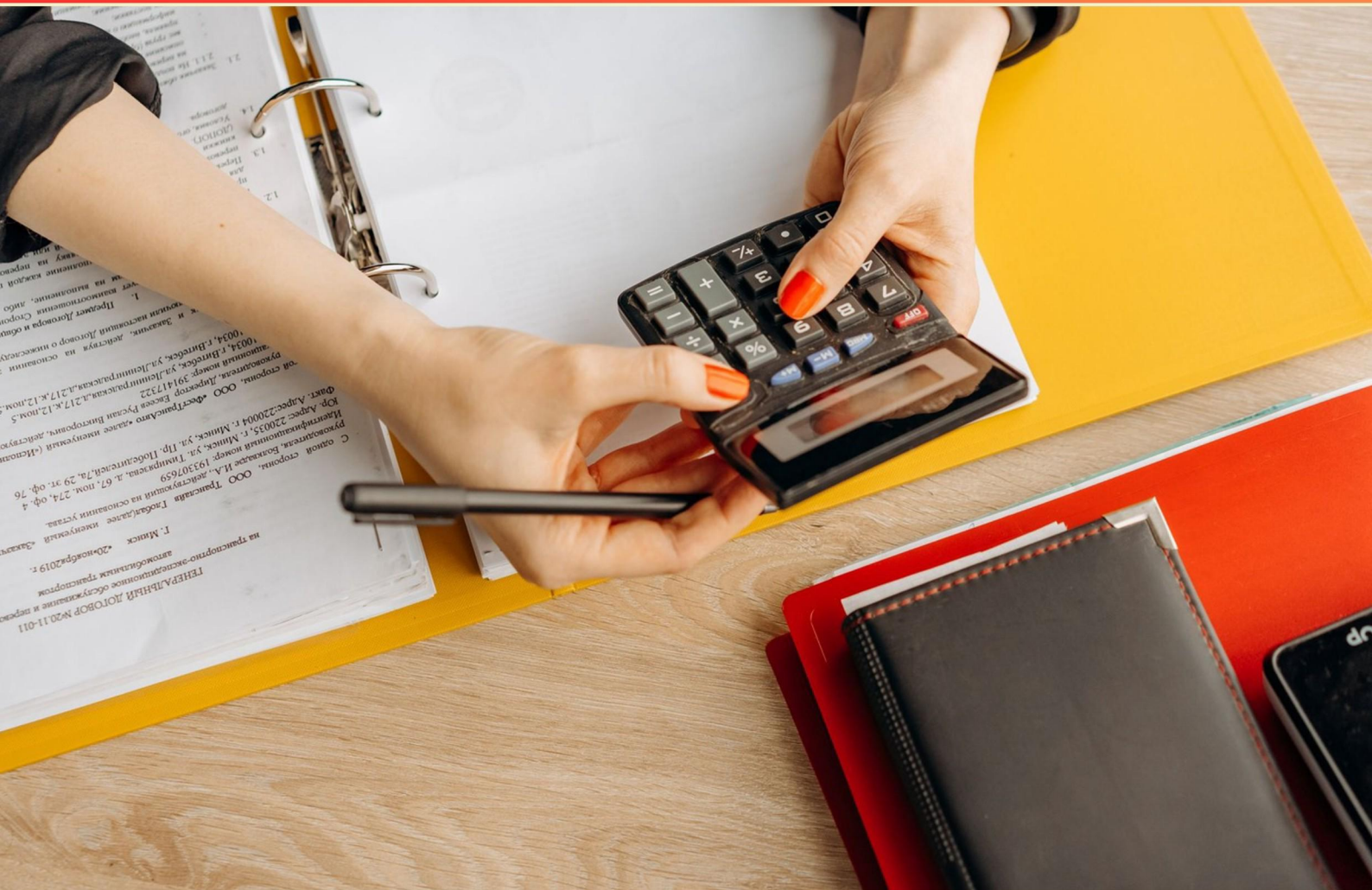


# ACCA AUDIT AND ASSURANCE (F8) PRACTICE EXAM (SAMPLE)

## STUDY GUIDE



*Prepare with structure. Pass with confidence*



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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. How many components are identified in Internal Controls?**

- A. Three
- B. Four
- C. Five
- D. Six

**2. What method can be used for inventory valuation?**

- A. Last In First Out (LIFO)
- B. Net Realizable Value (NRV)
- C. Standard costing method
- D. All of the above

**3. Which sales invoices should not be included in the profit and loss statement?**

- A. When goods are sold at a discount
- B. When goods are dispatched before inventory count
- C. When goods are dispatched after the inventory count
- D. When goods are returned

**4. Which of the following describes an important aspect of inventory valuation?**

- A. Approval of supplier agreements
- B. Costing must be correct
- C. Examination of stock conditions
- D. Documentation of discounts claimed

**5. What should the final review of financial statements ensure?**

- A. That they are consistent with industry trends
- B. That they reflect management's wishes
- C. That they are reasonable and consistent with evidence
- D. That they are presented in a visually appealing manner

- 6. When are internal controls typically tested during the audit process?**
- A. During the final audit
  - B. On the interim audit
  - C. At the beginning of the audit
  - D. After the audit report
- 7. What is one of the objectives of Audit Documentation?**
- A. To provide a record of all internal communications
  - B. To ensure accountability
  - C. To summarize the financial statements
  - D. To identify potential fraud risks
- 8. Which procedure is commonly done after the cash count?**
- A. Update the external auditors on findings
  - B. Gather certificates of cash in hand
  - C. Reconcile cash with budget reports
  - D. Initiate a training program for staff
- 9. Why is understanding the entity and its controls crucial in the audit process?**
- A. It helps auditors create marketing strategies
  - B. It allows for improved risk assessments
  - C. It assists in reading financial statements
  - D. It reduces the overall cost of the audit
- 10. In the audit testing of WIP, which of the following elements is important to assess?**
- A. Actual sales volumes
  - B. Standard costs breakdown
  - C. Employee productivity metrics
  - D. Market demand fluctuations



## **Answers**

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

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## **Explanations**

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## 1. How many components are identified in Internal Controls?

- A. Three
- B. Four
- C. Five**
- D. Six

Internal controls are essential elements that organizations implement to ensure the integrity of financial reporting, compliance with laws and regulations, and the efficiency of operations. The framework most commonly referenced for internal controls is the COSO framework, which identifies five components. These components are: 1. **Control Environment**: This reflects the overall attitude, awareness, and actions of management and those charged with governance concerning the importance of internal controls and their role in the organization. 2. **Risk Assessment**: This involves identifying and analyzing relevant risks to the achievement of objectives, which allows management to determine how those risks should be managed. 3. **Control Activities**: These are the specific actions and procedures established to ensure that management directives are carried out. Control activities can include authorizations, verifications, reconciliations, and performance reviews. 4. **Information and Communication**: This component emphasizes the need for proper communication of information throughout the organization, ensuring that all employees understand their roles in the internal control framework and can report significant information. 5. **Monitoring Activities**: Continuous or periodic assessments of the internal control system are necessary to ensure its effectiveness. This can involve regular audits, performance reviews, or other mechanisms to assess the system's performance and address any deficiencies. Since

## 2. What method can be used for inventory valuation?

- A. Last In First Out (LIFO)
- B. Net Realizable Value (NRV)
- C. Standard costing method
- D. All of the above**

The method of inventory valuation encompasses several approaches, all of which are valid for determining the cost of inventory in financial reporting. Last In First Out (LIFO) is a method where the most recently purchased or produced items are considered sold first. This can lead to different profit outcomes depending on the cost of goods purchased over time, especially in an inflationary environment. Net Realizable Value (NRV) is based on estimating the selling price of inventory minus any expected costs to complete and sell. This method is particularly significant as it ensures that the inventory is valued at the lower of cost or market, providing a conservative approach to asset valuation. Standard costing method involves assigning expected costs to inventory based on predetermined standards. This is particularly useful in manufacturing environments as it simplifies inventory management and provides cost control and variance analysis. Each of these methods has its own relevance and utility depending on the circumstances of the business, inventory type, and accounting policies adopted. Therefore, the recognition of all these methods as valid options highlights the flexibility and diversity in inventory valuation practices.

**3. Which sales invoices should not be included in the profit and loss statement?**

- A. When goods are sold at a discount
- B. When goods are dispatched before inventory count
- C. When goods are dispatched after the inventory count**
- D. When goods are returned

*The correct answer pertains to the timing of revenue recognition in relation to the conditions of inventory count. When goods are dispatched after the inventory count, they have not yet been sold in the accounting period and, therefore, should not be included in the profit and loss statement for that period. Revenue is typically recognized when the risks and rewards of ownership have transferred to the buyer, which usually happens when goods are dispatched, not after. In contrast, sales invoices for goods sold at a discount are still valid transactions that contribute to revenue, despite the price reduction. Similarly, invoices for goods dispatched before an inventory count are included because the goods have been shipped out, despite the timing of the inventory count. Lastly, even when goods are returned, there is an adjustment to sales figures in the profit and loss statement; thus, these transactions are usually reflected in adjusting entries rather than being excluded entirely. Understanding when to recognize revenue in relation to the shipping and inventory counting process is crucial in accurate financial reporting and ensuring compliance with accounting standards.*

**4. Which of the following describes an important aspect of inventory valuation?**

- A. Approval of supplier agreements
- B. Costing must be correct**
- C. Examination of stock conditions
- D. Documentation of discounts claimed

*An important aspect of inventory valuation is that costing must be correct. Accurate costing is fundamental to determining the value of inventory on hand and subsequently the cost of goods sold (COGS). This affects the financial statements significantly, as improper costing can lead to misstated profits, taxes, and overall financial position. The correct application of valuation techniques—such as FIFO (First-In, First-Out), LIFO (Last-In, First-Out), or weighted average cost—ensures that the inventory value reported on the balance sheet reflects the actual costs incurred to obtain or produce that inventory. This accuracy is crucial not only for compliance with accounting standards but also for providing stakeholders with reliable financial information. While aspects such as approval of supplier agreements, examination of stock conditions, and documentation of discounts claimed may play roles in inventory management and accounting, they do not directly pertain to the fundamental principle of ensuring that the costing used in financial reporting is accurate.*

## 5. What should the final review of financial statements ensure?

- A. That they are consistent with industry trends
- B. That they reflect management's wishes
- C. That they are reasonable and consistent with evidence**
- D. That they are presented in a visually appealing manner

*The final review of financial statements plays a crucial role in ensuring the integrity and reliability of the information presented to stakeholders. The focus on ensuring that the financial statements are reasonable and consistent with evidence is paramount. This means that the figures presented within the statements align with the underlying financial data and supporting documentation obtained during the audit process. In this context, ensuring reasonableness also involves verifying that the accounting policies have been applied consistently and that there are no significant discrepancies or anomalies that would raise questions about the accuracy of the financial reporting. This review acts as a safeguard, confirming that the statements not only adhere to applicable accounting standards but also present an accurate picture of the company's financial performance and position based on the audit evidence collected. While considering other aspects, such as consistency with industry trends or management preferences, could be relevant in specific contexts, they do not carry the same weight in the context of a thorough audit review. Therefore, the emphasis on reliability and consistency with substantiated evidence is what fundamentally validates the financial statements in a robust audit process.*

## 6. When are internal controls typically tested during the audit process?

- A. During the final audit
- B. On the interim audit**
- C. At the beginning of the audit
- D. After the audit report

*Internal controls are typically tested on the interim audit to gather sufficient evidence about the effectiveness of these controls before the year-end financial statements are finalized. The interim audit occurs between the planning phase and the final audit, allowing auditors to assess the internal control environment and determine if they can rely on those controls in their substantive testing. Testing internal controls during this phase enables auditors to identify any weaknesses or deficiencies early in the audit process. Should issues arise, the auditors have the opportunity to communicate them to management, allowing for timely corrections before finalizing the year-end audit. This proactive approach can enhance the efficiency of the overall audit process and can lead to a more streamlined final audit, as any adjustments that need to be made can be addressed during the interim period. Testing controls after the audit report is issued would not be appropriate, as the auditor's assessment of internal controls should support the findings reported in the audit. Additionally, while testing can occur at the beginning of the audit process, it is during the interim audit that auditors most commonly conduct such testing to form an opinion on the controls before concluding their necessary substantive procedures.*

## 7. What is one of the objectives of Audit Documentation?

- A. To provide a record of all internal communications
- B. To ensure accountability**
- C. To summarize the financial statements
- D. To identify potential fraud risks

One of the key objectives of audit documentation is to ensure accountability. This is because audit documentation serves as evidence that the audit was conducted in accordance with relevant auditing standards and regulations. It provides a comprehensive record of the procedures performed, the audit findings, and the rationale for the conclusions reached. This accountability aspect is crucial as it allows for the audit work to be reviewed and evaluated by supervisors, regulators, or other stakeholders. It also strengthens the reliability of the audit conclusions, enhancing the trust stakeholders place in the audit process and the resultant financial statements. In essence, effective audit documentation helps to establish a clear chain of evidence that demonstrates the auditor's diligence and adherence to professional standards, thereby holding the auditor accountable for their work.

## 8. Which procedure is commonly done after the cash count?

- A. Update the external auditors on findings
- B. Gather certificates of cash in hand**
- C. Reconcile cash with budget reports
- D. Initiate a training program for staff

The appropriate procedure following a cash count typically involves gathering certificates of cash in hand. This process aims to obtain formal documentation that verifies the amount of cash physically present and supports the accuracy of the cash count. Certificates serve as an affirmation from the relevant authority managing the cash, providing a reliable audit trail which is essential in financial reporting and for internal controls. In an audit context, confirming the figures through supporting documentation, such as certificates or other evidence, ensures that the cash count aligns with the financial records and facilitates any necessary adjustments or reconciliations. This step is crucial in maintaining the integrity of the financial statements and is standard practice to uphold accuracy and compliance within financial operations.

## 9. Why is understanding the entity and its controls crucial in the audit process?

- A. It helps auditors create marketing strategies
- B. It allows for improved risk assessments**
- C. It assists in reading financial statements
- D. It reduces the overall cost of the audit

Understanding the entity and its controls is crucial in the audit process because it allows auditors to conduct improved risk assessments. Grasping the nature of the client's operations, industry, regulatory environment, and internal controls enables auditors to identify areas that may be susceptible to material misstatement. Through this understanding, auditors can tailor their audit procedures to address specific risks more effectively, thus ensuring a more efficient and targeted audit approach. Additionally, a deep comprehension of the entity's controls helps auditors to evaluate whether those controls are operating effectively. This evaluation is significant in determining the level of reliance that can be placed on the internal control system. Consequently, effective risk assessments lead to a more focused audit strategy that can enhance the quality of the audit and contribute to a better understanding of the entity's financial health.

**10. In the audit testing of WIP, which of the following elements is important to assess?**

- A. Actual sales volumes
- B. Standard costs breakdown**
- C. Employee productivity metrics
- D. Market demand fluctuations

*In the audit testing of Work in Progress (WIP), assessing the standard costs breakdown is crucial because it provides insight into how costs are allocated and managed throughout the production process. Standard costs are predetermined costs that serve as benchmarks for measuring performance. By examining the breakdown of these costs, auditors can evaluate whether the costs align with expected standards, identify any variances, and ensure that the inventory valuation reflects accurate production costs. Understanding the standard costs associated with WIP allows auditors to confirm that the inventory on the balance sheet is recorded fairly and accurately, which is essential for generating reliable financial statements. Additionally, deviations from standard costs may indicate inefficiencies, misstatements, or potential issues in the production process that need further investigation. While elements such as actual sales volumes, employee productivity metrics, and market demand fluctuations are important for overall business performance, they do not directly impact the accuracy of WIP valuation in the same way that a detailed analysis of standard costs does.*

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## 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](mailto: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!

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