AUDITING AND ATTESTATION- CERTIFIED PUBLIC ACCOUNTANT (CPA) PRACTICE EXAM - (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. What is a prerequisite for an auditor when auditing a single financial statement?

A. The auditor must review all financial statements for accuracy.

B. The auditor should assess the reliability of the presented information.

C. The auditor must require management to adjust irrelevant financial items.

D. The auditor should determine client-specific accounting policies.

2. What type of opinion is least likely to be rendered when an audit procedure cannot be completed?

A. Adverse opinion

B. Qualified opinion

C. Unmodified opinion

D. Disclaimer of opinion

3. What type of events may justify a departure from GAAP?

A. New legislation and conflicting practices

B. Evolution of a new business transaction and new legislation

C. Materiality and conflicting industry practices

D. No events justify a departure from GAAP

4. In a nonissuer audit, when should significant deficiencies be communicated to management?

A. Orally by the report release date

B. In writing, within 60 days of the report release

C. In writing, by the report release date

D. Orally, within 60 days of the report release

5. If an auditor qualifies their opinion due to inadequate disclosure, what must they modify?

A. Only the opinion paragraph

B. Only the auditor's responsibility paragraph

C. Both the opinion and the auditor's responsibility paragraph

D. Neither paragraph

6. When evaluating a statistical sample of 50 documents with 3 deviations, how should the auditor proceed if the tolerable rate is 7%?

A. Modify the assessed level of control risk based on sample results

B. Accept the sample results as evidence for the controlled risk level

C. Increase the sample size for more accurate results

D. Consult with the client regarding controls

7. If an auditor lacks sufficient evidence about the application of accounting principles from prior years, what action should they take?

A. Express a qualified opinion due to scope limitation

B. Refuse to be associated with the financial statements

C. Clearly state the financial statements are not comparable

D. Be unable to express an opinion on current operations

8. For which scenario would an auditor's report omit any reference to consistency?

A. A change in the method of accounting for inventories.

B. Management's lack of reasonable justification for a change in accounting principle.

C. A change in the useful life used to calculate the provision for depreciation expense.

D. A change from an accounting principle that is not generally accepted to one that is generally accepted.

9. What would most likely lead an auditor to issue a qualified opinion regarding pending litigation?

A. A lack of insurance coverage for potential losses.

B. No experience with litigation.

C. Inability to estimate the amount of loss.

D. Lack of sufficient evidence.

10. If the predecessor auditor's report was qualified, what should the successor auditor indicate about the predecessor's opinion?

A. The client should reissue the predecessor's report

B. Make no reference to the predecessor's opinion

C. Indicate the substantive reasons for the qualification

D. Issue an updated report without mentioning the predecessor

Answers

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

Explanations

1. What is a prerequisite for an auditor when auditing a single financial statement?

A. The auditor must review all financial statements for accuracy.

B. The auditor should assess the reliability of the presented information.

C. The auditor must require management to adjust irrelevant financial items.

D. The auditor should determine client-specific accounting policies.

When an auditor is tasked with auditing a single financial statement, it is essential for them to assess the reliability of the presented information. This step is crucial because the auditor needs to ensure that the financial statement is both accurate and free from material misstatements, whether caused by error or fraud. The reliability of the information involves evaluating the sources from which the data has been obtained, the processes used to compile the information, and the overall framework of the financial statement. This includes understanding the relevant accounting principles that apply to that specific financial statement and ensuring that the information presented is consistent, verifiable, and reflects true economic reality. In contrast, reviewing all financial statements for accuracy might be necessary for a comprehensive audit but isn't a prerequisite when focusing solely on one statement; therefore, it doesn't hold the same priority in this context. Similarly, requiring management to adjust irrelevant financial items and determining client-specific accounting policies are actions that may arise during the audit process but are not prerequisites for establishing the reliability of the data within that single financial statement. Thus, assessing the reliability of the presented information serves as a foundational step that directly impacts the auditor's ability to issue an opinion on that particular financial statement.

2. What type of opinion is least likely to be rendered when an audit procedure cannot be completed?

A. Adverse opinion

B. Qualified opinion

C. Unmodified opinion

D. Disclaimer of opinion

An unmodified opinion indicates that the financial statements present a true and fair view in accordance with the applicable financial reporting framework. This type of opinion is issued when the auditor has obtained sufficient and appropriate audit evidence to support the conclusion about the financial statements. If an audit procedure cannot be completed, it implies that the auditor might not have sufficient evidence to form a complete opinion. Therefore, an unmodified opinion is unlikely because this opinion requires a high level of assurance. In the context of an incomplete audit, a qualified opinion may be issued if the auditor has sufficient evidence for most areas but not entirely, indicating that the financial statements are fairly presented except for the effects of the matter. An adverse opinion suggests that the financial statements are materially misstated, which can also result from a complete inability to complete audit procedures. A disclaimer of opinion arises when the auditor is unable to obtain sufficient appropriate audit evidence and cannot express an opinion on the financial statements. Given these considerations, an unmodified opinion is the least likely type to be rendered when audit procedures are incomplete since it denotes a level of assurance that cannot be provided in such circumstances.

3. What type of events may justify a departure from GAAP?

A. New legislation and conflicting practices

B. Evolution of a new business transaction and new legislation

C. Materiality and conflicting industry practices

D. No events justify a departure from GAAP

A departure from Generally Accepted Accounting Principles (GAAP) is typically justified only under specific extraordinary circumstances. The correct choice relates to the evolution of new business transactions and the introduction of new legislation. When a new type of transaction arises that is not adequately covered by existing GAAP, accountants may find themselves faced with the need to report on these transactions in a way that fairly represents the financial position of the entity. For instance, innovations like digital currencies or new forms of revenue generation may not be directly addressed in current accounting standards. In such cases, it is essential for the financial statements to accurately reflect the entity's activities and comply with the underlying principles of financial reporting, which may lead to a departure from GAAP if no appropriate guidance exists. New legislation can also warrant a departure from GAAP as it may introduce requirements that differ from existing standards. For example, if legislation mandates a specific recognition or measurement approach that deviates from GAAP, accountants may need to adjust their practices to comply with the law while ensuring they disclose the nature of the departure from GAAP. The other choices do not encapsulate the complexity involved in justifying a departure from GAAP. Conflicting industry practices alone or materiality considerations might influence accounting choices, but they do not

4. In a nonissuer audit, when should significant deficiencies be communicated to management?

A. Orally by the report release date

B. In writing, within 60 days of the report release

C. In writing, by the report release date

D. Orally, within 60 days of the report release

In a nonissuer audit, significant deficiencies must be communicated to management in writing within 60 days of the report release date. This timing is crucial as it allows management to have a clear understanding of the deficiencies identified during the audit process while also providing them sufficient time to respond or take action based on the recommendations provided. The requirement for written communication serves to document the issues clearly and formally, which can be essential for follow-up purposes and ongoing organizational improvements. By providing this written communication within the established timeframe, auditors ensure that management is adequately informed and can prioritize addressing the deficiencies highlighted. This approach aligns with professional standards, emphasizing the importance of transparency and effective communication in the auditor-management relationship, particularly when it comes to matters of internal control that could impact financial reporting.

5. If an auditor qualifies their opinion due to inadequate disclosure, what must they modify?

A. Only the opinion paragraph

B. Only the auditor's responsibility paragraph

C. Both the opinion and the auditor's responsibility paragraph

D. Neither paragraph

When an auditor qualifies their opinion due to inadequate disclosure, it is essential to modify both the opinion paragraph and the auditor's responsibility paragraph in the audit report. The opinion paragraph must be adjusted to reflect the qualification, clearly stating that the financial statements are in accordance with the applicable financial reporting framework except for the omission of specific disclosures. This gives users of the financial statements a clear understanding of the limitation in the financial information being presented. The auditor's responsibility paragraph also requires modification because it is crucial to communicate the nature of the limitation in disclosures and how it impacts the audit. This paragraph should explicitly mention that the adequacy of disclosure was assessed as part of the audit process and that the modified opinion is related to insufficient disclosures. This comprehensive modification ensures that readers of the audit report are fully informed about the implications of inadequate disclosure on the audit and the financial statements as a whole.

6. When evaluating a statistical sample of 50 documents with 3 deviations, how should the auditor proceed if the tolerable rate is 7%?

A. Modify the assessed level of control risk based on sample results

B. Accept the sample results as evidence for the controlled risk level

C. Increase the sample size for more accurate results

D. Consult with the client regarding controls

In this scenario, the auditor is faced with 3 deviations out of a sample of 50 documents, which translates to a deviation rate of 6%. Given that the tolerable deviation rate is set at 7%, the sample results do not exceed the tolerable limit. Therefore, the next step for the auditor is to consult with the client regarding the internal control system that generated these deviations. This is a critical step because although the sample results fall within the tolerable rate, understanding the underlying reasons for the deviations helps assess potential risks and might call for improvements in the control processes. While the auditor could consider modifying the assessed level of control risk based on the sample results, engaging the client is important for a more comprehensive understanding of the control environment. The need to increase the sample size may arise if the deviations had been closer to or exceeded the tolerable rate, but since the tolerable rate is not exceeded in this instance, that action is not necessary at this time. Accepting the sample results outright without further consultation might overlook important insights about the client's controls that could influence the overall assessment of risk in future audits.

7. If an auditor lacks sufficient evidence about the application of accounting principles from prior years, what action should they take?

A. Express a qualified opinion due to scope limitation

B. Refuse to be associated with the financial statements

C. Clearly state the financial statements are not comparable

D. Be unable to express an opinion on current operations

When an auditor lacks sufficient evidence regarding the application of accounting principles from prior years, they face a significant challenge in forming an opinion on the financial statements. Current operations often rely on the understanding of the prior years' principles and the consistency of application across periods. Without adequate evidence about those prior applications, the auditor cannot assess whether the financial statements present a true and fair view of the current operations. This lack of information creates a situation where the auditor does not have an appropriate basis to form an opinion about the financial statements as a whole. Therefore, stating that they are unable to express an opinion on current operations is the appropriate course of action. This reflects the inherent uncertainty about how past practices might influence the current financial reporting. In contrast, the other options suggest actions that might not accurately reflect the situation the auditor is in. A qualified opinion due to scope limitation implies that there are specific issues that allow for limited reporting, which may not capture the comprehensive uncertainty regarding past accounting principles. Refusing to be associated with the financial statements suggests a stronger level of concern, perhaps indicating a fundamental issue with the integrity of the financial statements themselves rather than merely a lack of evidence. Clearly stating that the financial statements are not comparable might be valid but does not address the inability to

8. For which scenario would an auditor's report omit any reference to consistency?

A. A change in the method of accounting for inventories.

B. Management's lack of reasonable justification for a change in accounting principle.

C. A change in the useful life used to calculate the provision for depreciation expense.

D. A change from an accounting principle that is not generally accepted to one that is generally accepted.

An auditor's report may omit any reference to consistency in the scenario where there is a change in the useful life used to calculate the provision for depreciation expense. This is because a change in the useful life of an asset is considered a revision of accounting estimates rather than a change in accounting principle. Changes in accounting estimates are typically based on new information or developments, such as changes in market conditions or improvements in technology. Since these changes do not require adherence to the consistency concept (which applies to changes in accounting principles), the auditor does not need to comment on them in the report. The focus remains on ensuring that the changes are adequately disclosed and that they reflect the company's current circumstances rather than a shift in the accounting framework itself. In contrast, the other scenarios involve changes in accounting principles, which would necessitate a discussion of consistency because they impact the comparability of financial statements over time.

9. What would most likely lead an auditor to issue a qualified opinion regarding pending litigation?

A. A lack of insurance coverage for potential losses.

B. No experience with litigation.

C. Inability to estimate the amount of loss.

D. Lack of sufficient evidence.

The issuance of a qualified opinion hinges on the auditor's assessment of whether they have obtained sufficient appropriate evidence to support their audit opinion. In the context of pending litigation, if the auditor lacks sufficient evidence regarding the potential outcomes or financial impacts associated with the litigation, this uncertainty could lead them to conclude that the financial statements may not be fairly presented in accordance with the applicable financial reporting framework. When there is a lack of sufficient evidence, it implies that the auditor cannot reliably ascertain the likelihood of the loss or the amount that could potentially be incurred. This situation does not allow the auditor to form a complete opinion, hence leading to a qualification stating that it is unable to determine the nature of the contingent liability appropriately. In contrast, while a lack of insurance coverage could raise concerns about risk and financial exposure, it is not necessarily a reason for a qualified opinion from an audit perspective. The auditor could still adequately assess the potential impact of litigation with the right information. Similarly, no experience with litigation would not directly lead to a qualified opinion; rather, it may indicate a need for further consultation or research. Inability to estimate the amount of loss could indeed raise issues, however, if sufficient evidence about the nature of the litigation and its potential impact has been obtained. In

10. If the predecessor auditor's report was qualified, what should the successor auditor indicate about the predecessor's opinion?

A. The client should reissue the predecessor's report

B. Make no reference to the predecessor's opinion

C. Indicate the substantive reasons for the qualification

D. Issue an updated report without mentioning the predecessor

When a predecessor auditor's report is qualified, it indicates that there are specific issues that affect the reliability of the financial statements. In this case, the successor auditor has a responsibility to ensure transparency and properly inform users of the financial statements about the reasons behind the qualification. Indicating the substantive reasons for the qualification allows financial statement users to understand the nature of the concerns that led the predecessor auditor to issue a qualified opinion. This is vital for maintaining the integrity of the reporting process and ensuring that users are fully aware of potential risks or misstatements that could impact their decision-making. In this scenario, failing to mention the reasons for the predecessor's qualification could mislead users about the reliability of the financial statements. Simply making no reference or issuing an updated report without acknowledgment would not provide users with a complete understanding of the situation. Similarly, reissuing the predecessor's report might not clarify the issues at hand and could create confusion instead. Thus, the approach of detailing the substantive reasons for the qualification is essential for effective communication and upholding auditing standards.

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.

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