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.

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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!

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Questions

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1. What effect does using cash to reduce accounts payable have on a company's current ratio and quick ratio?

A. Decreased VS. Increased

B. Decreased VS. No Effect

C. Increased VS. Decreased

D. Increased VS. No Effect

2. 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

3. Which opinion type indicates that an auditor believes there is a material misstatement that is not pervasive?

A. Unmodified opinion.

B. Qualified opinion.

C. Adverse opinion.

D. Disclaimer of opinion.

4. A CPA can accept a separate engagement to audit a client's?

A. Schedule of accounts receivable.

B. Schedule of royalties.

C. Both accounts receivable and royalties.

D. Neither accounts receivable nor royalties.

5. Which condition would make an unmodified opinion inappropriate?

A. Year-end balances are not comparable

B. Statements are prepared on an income tax basis

C. Inability to obtain audited statements of a subsidiary

D. Deficiencies in internal control are noted

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6. For a CPA, acceptance of an engagement to prepare a report involves:

A. Assessing potential conflicts of interest.

B. Seeking approval from the previous CPA.

C. Confirming that sufficient information is available.

D. Documenting the consultation process thoroughly.

7. When must a group engagement partner assess a component auditor's work?

A. When financial statements are material to the consolidated totals.

B. Only if the group has a history with the component auditor.

C. If the group engagement partner decides to divide responsibility.

D. When planning the audit.

8. Why should a CPA consult with the continuing CPA when preparing a report on a specific transaction?

A. To ensure compliance with GAAP.

B. To avoid issuing an unmodified report.

C. To gather all relevant information for accurate reporting.

D. To enhance the CPA's credibility.

9. When forming an opinion on financial statements, which factor is least likely evaluated by the auditor?

A. Earnings forecasts by investors.

B. Terminology used in the financial statements.

C. Reasonableness of accounting estimates made by management.

D. Adequacy of disclosures in financial statements.

10. How should the auditor report when management refuses to revise inconsistent information?

A. Waive the inconsistency in the report

B. Seek legal counsel and withdraw from the engagement

C. Communicate the matter to those charged with governance

D. Issue an adverse opinion

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Answers

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

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Explanations

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1. What effect does using cash to reduce accounts payable have on a company's current ratio and quick ratio?

A. Decreased VS. Increased

B. Decreased VS. No Effect

C. Increased VS. Decreased

D. Increased VS. No Effect

When a company uses cash to reduce its accounts payable, it results in a decrease in both current assets and current liabilities, which has distinct effects on financial ratios such as the current ratio and quick ratio. Focusing first on the current ratio, which is calculated by dividing current assets by current liabilities, the use of cash reduces current assets because cash is a current asset. Simultaneously, it decreases current liabilities as accounts payable is also classified as a current liability. When both the numerator (current assets) and denominator (current liabilities) decrease, the overall effect on the current ratio can potentially be an increase, depending on the amounts involved. In this case, if the reduction in current liabilities proportionally exceeds the reduction in current assets, the current ratio would indeed increase. Now examining the quick ratio, which measures a company's ability to meet its short-term obligations with its most liquid assets and is calculated as (current assets - inventory) / current liabilities, cash reduction does not affect other liquid assets or inventory. Since both cash and accounts payable are adjusted, the quick ratio will decrease because cash is decreasing in the numerator while the liability in the denominator also decreases, leading to a scenario where the quick ratio will reflect a lower level when the quick assets are compared to

2. 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

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3. Which opinion type indicates that an auditor believes there is a material misstatement that is not pervasive?

A. Unmodified opinion.

B. Qualified opinion.

C. Adverse opinion.

D. Disclaimer of opinion.

A qualified opinion indicates that the auditor has identified a material misstatement in the financial statements, but it is not pervasive enough to warrant an adverse opinion. This type of opinion communicates to the users of the financial statements that, although there is a specific issue that may affect the financial statements, the rest of the information is fairly presented. In situations leading to a qualified opinion, the auditor will provide details about the nature of the misstatement and how it affects the financial statements in their report. This informs the users that while there is a concern, the overall integrity of the financial statements is still largely intact. An unmodified opinion suggests that the financial statements are free from material misstatement and present a true and fair view, which does not align with the presence of material misstatement. An adverse opinion would be issued if the misstatement was pervasive, indicating that the entire set of financial statements is materially misstated, which is not applicable in this case. Lastly, a disclaimer of opinion occurs when the auditor cannot obtain sufficient appropriate evidence to form an opinion and thus does not express an opinion at all, rather than indicating any misstatement's materiality.

4. A CPA can accept a separate engagement to audit a client's?

A. Schedule of accounts receivable.

B. Schedule of royalties.

C. Both accounts receivable and royalties.

D. Neither accounts receivable nor royalties.

A CPA can indeed accept a separate engagement to audit both a client's schedule of accounts receivable and a schedule of royalties. This is permissible because the auditing standards allow for certain specific engagements that do not require a full financial statement audit. When a CPA is engaged to audit specific schedules or financial data, such as accounts receivable or royalties, they are able to provide an examination of the assertions related to those particular areas. This can be of great value to a client who may seek to provide assurance on these components for various stakeholders, such as lenders or investors. By examining the schedules separately, the CPA can focus their attention and procedures on the relevant transactions and balances in those areas, giving a detailed viewpoint on accuracy, completeness, and presentation according to the applicable financial reporting framework. Therefore, accepting separate engagements for these specific items aligns with the CPA's ability to provide attestation services beyond just full audits of financial statements.

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5. Which condition would make an unmodified opinion inappropriate?

A. Year-end balances are not comparable

B. Statements are prepared on an income tax basis

C. Inability to obtain audited statements of a subsidiary

D. Deficiencies in internal control are noted

An unmodified opinion expresses that the financial statements present a true and fair view in accordance with the applicable financial reporting framework. For such an opinion to be deemed appropriate, the auditor must have sufficient appropriate audit evidence to conclude that the financial statements are free from material misstatements. In the case where there is an inability to obtain audited statements of a subsidiary, it represents a significant limitation on the audit evidence available to the auditor. Without access to this information, the auditor cannot adequately assess whether the subsidiary's financial information is correctly reflected in the consolidated financial statements. This limitation can lead to potential material misstatements going undetected, making it impossible to issue an unmodified opinion. Other conditions mentioned may not necessarily preclude an unmodified opinion. For instance, if year-end balances are not comparable, this could still be appropriately disclosed in the financial statements without affecting the overall opinion. Similarly, financial statements prepared on an income tax basis or noted deficiencies in internal control could still allow for an unmodified opinion, provided these issues are adequately addressed or disclosed. However, the inability to obtain necessary audit evidence from a subsidiary represents a fundamental barrier to forming an unmodified opinion.

6. For a CPA, acceptance of an engagement to prepare a report involves:

A. Assessing potential conflicts of interest.

B. Seeking approval from the previous CPA.

C. Confirming that sufficient information is available.

D. Documenting the consultation process thoroughly.

Acceptance of an engagement to prepare a report necessitates confirming that sufficient information is available. This step is critical because the CPA must ensure that they have access to all relevant data and documentation needed to perform the work effectively and to compile a report that is accurate, complete, and in compliance with applicable standards. Without adequate information, the CPA may be unable to form a reliable conclusion or issue a report that fulfills professional standards. The process of confirming sufficient information involves evaluating the client's records and the potential for obtaining additional necessary data, which is essential for conducting the engagement in a professional manner. This due diligence helps in establishing that the CPA can fulfill the engagement's objectives and maintain the quality of the service provided. In this context, while assessing potential conflicts of interest is crucial in ensuring ethical compliance, and documenting the consultation process is important for maintaining clear and transparent communication, those steps are more aligned with professional ethics and internal procedures rather than the foundational requirement of having sufficient information for the engagement itself. Seeking approval from the previous CPA is typically relevant when transitioning engagements but does not directly relate to the initial acceptance of the engagement to prepare a report.

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7. When must a group engagement partner assess a component auditor's work?

A. When financial statements are material to the consolidated totals.

B. Only if the group has a history with the component auditor.

C. If the group engagement partner decides to divide responsibility.

D. When planning the audit.

A group engagement partner must assess a component auditor's work when the financial statements are material to the consolidated totals. This situation arises due to the need for the group engagement partner to understand the potential impact that the component auditor's work may have on the overall financial statements of the entity. When a component's financial statements contribute significantly to the total balance of the consolidated financials, ensuring the integrity and reliability of that component's audit work is critical. In this context, the assessment involves evaluating whether the component auditor's work is sufficient and appropriate for reliance, which ensures the group audit opinion is based on solid evidence. This is rooted in the principles of sufficient and appropriate audit evidence as well as the inherent risks involved in the audit of distributed and often complex group entities. The group engagement partner must ensure that any significant risks or concerns identified by the component auditor are adequately addressed, safeguarding the accuracy of the consolidated financial statements. Although factors such as history with the component auditor, shared responsibilities, or the timing of the audit planning have roles in the audit process, they do not trigger the necessity of assessing the component auditor's work as directly as the materiality of the financial statements does.

8. Why should a CPA consult with the continuing CPA when preparing a report on a specific transaction?

A. To ensure compliance with GAAP.

B. To avoid issuing an unmodified report.

C. To gather all relevant information for accurate reporting.

D. To enhance the CPA's credibility.

Consulting with the continuing CPA when preparing a report on a specific transaction is crucial for gathering all relevant information for accurate reporting. This interaction allows the CPA to leverage the ongoing relationship that the continuing CPA has with the client, which often provides insights into the nuances of the client's transactions, operations, and internal controls. Capturing detailed and relevant information helps in forming a comprehensive understanding of the context under which the transaction occurred, leading to a more accurate and reliable report. This proactive approach in communication significantly reduces the risk of overlooking vital details that could affect the evaluation of the transaction. By ensuring that all relevant facts and circumstances are disclosed, the CPA better fulfills their responsibility to provide a fair and accurate representation of the financial statements. Moreover, this collaboration helps align the reporting process with applicable accounting standards and industry practices, promoting transparency and compliance, which are key in the auditing profession. Accurate reporting ultimately supports the integrity of the financial information presented to stakeholders.

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9. When forming an opinion on financial statements, which factor is least likely evaluated by the auditor?

A. Earnings forecasts by investors.

B. Terminology used in the financial statements.

C. Reasonableness of accounting estimates made by management.

D. Adequacy of disclosures in financial statements.

When formulating an opinion on financial statements, an auditor primarily focuses on the factual content and compliance of the financial statements with applicable accounting standards. Among the listed factors, earnings forecasts by investors do not directly pertain to the financial statements being audited. Instead, auditors assess the accuracy of the financial statements themselves, which includes evaluating management's accounting estimates for reasonableness, ensuring adequate disclosures are present, and reviewing the terminology for clarity and compliance with relevant standards. Earnings forecasts are subjective opinions held by investors about future performance and are not typically included in the financial statements of the entity. Therefore, while they may provide context for user analysis or future performance, they do not fall within the scope of what an auditor evaluates when forming an opinion on the financial statements.

10. How should the auditor report when management refuses to revise inconsistent information?

A. Waive the inconsistency in the report

B. Seek legal counsel and withdraw from the engagement

C. Communicate the matter to those charged with governance

D. Issue an adverse opinion

When management refuses to revise inconsistent information, the auditor should communicate the matter to those charged with governance. This is vital because those charged with governance, such as the board of directors or audit committee, have a responsibility to oversee the financial reporting process and may be unaware of the issues arising from the inconsistent information. Communication with those in governance ensures that they are informed of any significant disagreements or unresolved matters with management. This dialog fosters transparency and allows governance to take corrective measures if necessary. Effective governance can address potential misstatements before the financial statements are finalized, and also ensure that the integrity of the reporting process is maintained. While other options may appear viable in different contexts, communicating with governance is typically the most appropriate action regarding inconsistencies that management is unwilling to amend. This action aligns with the auditor's responsibility to enhance accountability in the financial reporting process, thereby supporting the overall integrity of the audit.

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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.

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

https://cpa-aud.examzify.com

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

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