

## Q5

What four circumstances are required for a standard unmodified opinion audit report to be issued?

Answer:

1. All statements—balance sheet, income statement, statement of changes in stockholder's equity, and statement of cash flows—are included in the financial statements.
2. Sufficient appropriate evidence has been accumulated, and the auditor has conducted the engagement in a manner that enables him or her to that the audit was performed in accordance with auditing standards.
3. The financial statements are presented fairly in all material respects in accordance with U.S. generally accepted accounting principles or other appropriate accounting framework. This also means that the adequate disclosures have been included in the footnotes and other parts of the financial statements.
4. There are no circumstances requiring the addition of an emphasis-of-matter paragraph or modification of the wording or auditor's opinion in the report.

## Q12

How do the eight parts of a standard unmodified opinion audit report for nonpublic companies differ from those found in a qualified opinion report?

- Answer:
1. Report title: Same
  2. Audit report address: Same
  3. Introductory paragraph: Same
  4. Management's responsibility: Same
  5. Auditor's responsibility: The last sentence be modified as "We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion."
  6. Opinion paragraph: In the qualified report, the auditor must use "except for..."
  7. Signature and Address of CPA firm: Same
  8. Audit report date: Same

### MC 20

Which is not a required element of a standard unmodified opinion audit report issued in accordance with AICPA auditing standards?

Answer: (4) The signature of the engagement partner

The date of the CPA's opinion on the financial statements of the client should be the date of the

Answer: (1) Completion of all important audit procedures.

If a principle auditor decides to refer in his or her audit report to the audit of another auditor, he or she is required to disclose the

Answer: (4) portion of the financial statement audited by the other auditor.

### MC 21

An entity changed from the straight-line method to the declining-balance method of depreciation for all newly acquired assets. This change has no material effect on the current year's financial statements but is reasonably certain to have a substantial effect in later years. If the change is disclosed in the notes to the financial statements, the auditor should issue a report with a(n)

Answer: (1) unmodified opinion

When the financial statements are fairly stated but the auditor concludes there is substantial doubt whether the client can continue in existence, the auditor should issue a(n)

Answer: (4) unmodified opinion with an explanatory paragraph.

The auditor's report contains the following: "We did not audit the financial statements of EZ, Inc., a wholly owned subsidiary, which statements reflect total assets and revenues constituting 27 percent, and 29 percent, respectively, of the consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for EZ, Inc., is based solely on the report of the other auditors." These sentences

Answer: (2) indicate a division of responsibility

### MC 22

As compared to an unmodified opinion, an opinion qualified due to a material departure from generally accepted accounting principles would

Answer: (2) indicate that, except for the problem noted, the financial statements are presented fairly.

An auditor who qualified an opinion because of an insufficiency of audit evidence should refer to the scope limitation in the

Answer: (2) opinion paragraph

An adverse opinion and a disclaimer of opinion

Answer: (4) indicate situations in which there are material departures from the standards.