ACCA AA Audit and Assurance

Mock exam: 15 questions in 27 minutes, with an answer key and explanations

How to use this mock

- Set a timer for **27 minutes** and answer every question without notes. Write your answers in the grid on the next page.
- Mark your answers using the answer key, then read the explanation for every question you got wrong or guessed.
- The questions cover every section of the syllabus, in proportion to the GoQualified question bank for AA.
- Prefer to sit it on screen? The **Exam Sim** on **goqualified.co.uk/aa/** times you, marks the paper and shows your weakest section.
- All questions are original GoQualified practice questions, not past exam questions.

Free from GoQualified. Questions start on page 3; the answer key and explanations follow them. Download the latest version from goqualified.co.uk/aa/.

Your answers

1 _____	**4** _____	**7** _____	**10** _____	**13** _____
2 _____	**5** _____	**8** _____	**11** _____	**14** _____
3 _____	**6** _____	**9** _____	**12** _____	**15** _____

Questions

Question 1

Which body is responsible for setting International Standards on Auditing (ISAs)?

A The International Auditing and Assurance Standards Board (IAASB)
B The Financial Reporting Council (FRC)
C The Association of Chartered Certified Accountants (ACCA)
D The International Accounting Standards Board (IASB)

Question 2

Which correctly describes the relationship between UK ISAs (issued by the FRC) and IAASB ISAs?

A UK ISAs are based on IAASB ISAs but may include additional UK-specific requirements; compliance with UK ISAs generally ensures compliance with the underlying IAASB ISAs
B UK ISAs and IAASB ISAs are identical in all respects
C UK ISAs replace IAASB ISAs entirely and are not related to them
D IAASB ISAs take precedence over UK ISAs in all circumstances

Question 3

An audit partner has been responsible for a listed client's audit for nine years. Which safeguard is most appropriate to address the familiarity threat?

A The partner should rotate off the engagement and be replaced by a different partner
B The partner should immediately resign from the firm
C The partner should disclose the long association in the audit report
D The client should be required to change audit firm immediately

Question 4

During planning, an auditor calculates: receivables days increased from 32 to 58; inventory days increased from 45 to 89; payables days decreased from 60 to 41. Which best describes the audit implications?

A All three movements are adverse, raising risks of receivables overstatement, inventory overstatement, payables understatement, and possible going concern issues
B The ratios indicate improved efficiency — no audit action required
C The ratios only indicate that the business has grown significantly during the year
D The deterioration in ratios confirms the financial statements are misstated

Question 5

Which correctly describes the respective responsibilities of management and external auditors for the prevention and detection of fraud under ISA 240?

A Both management and auditors share equal primary responsibility for preventing fraud
B The auditor has primary responsibility for preventing fraud; management is responsible for detection
C Management has primary responsibility for preventing and detecting fraud; the auditor's responsibility is to obtain reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error
D Neither management nor auditors are responsible for fraud — this is the role of the audit committee

Question 6

During an audit, the auditor discovers that the client's key internal control system for revenue contains a significant deficiency. How does this affect the audit strategy and plan?

A No effect — the audit strategy and plan are fixed at the start of the engagement
B The auditor should reduce substantive testing because the control deficiency confirms controls are unreliable
C The auditor should update the audit strategy to reflect increased control risk for revenue, and revise the audit plan to increase the extent of substantive testing on revenue
D The audit plan should be abandoned and replaced entirely with a new strategy

Question 7

A company has many portable non-current assets including laptops. Which control best addresses the risk of assets being removed without authorisation?

A Calculating depreciation charges at year end
B Recording all assets at historical cost in the financial statements
C Maintaining a non-current asset register with unique identification numbers tagged to each asset, and conducting periodic physical verification of assets against the register
D Allowing any employee to remove assets for home working without formal procedures

Question 8

Which factor would most support the need for an internal audit function?

A The company has fewer than ten employees and is owner-managed
B The company's external auditor is highly experienced in the industry
C The company is large, complex and geographically dispersed, with significant risks requiring ongoing monitoring beyond the scope of the external audit
D The company operates in a single, simple business segment with stable processes

Question 9

Which assertion relates to account balances at the period end and concerns whether assets, liabilities and equity interests actually exist?

A Completeness
B Rights and obligations
C Accuracy, valuation and allocation
D Existence

Question 10

An audit firm is considering using data analytics to analyse all journal entries in a client's general ledger to identify unusual entries. Which is a challenge associated with this approach?

A Data analytics cannot be used to test journal entries
B Using data analytics eliminates the need for professional judgement in evaluating unusual entries
C Data analytics always provides absolute assurance over journal entries
D The reliability of the analytics output depends on the completeness and accuracy of the data extracted from the client's systems — if data is incomplete or manipulated before extraction, the analysis may miss the very transactions it is designed to find

Question 11

Which correctly describes a challenge in auditing a small owner-managed entity?

A Small entities always have better internal controls than large entities
B The owner-manager may override controls or perform multiple functions that would otherwise be segregated, meaning the auditor may place less reliance on controls and perform more substantive testing
C Small entities are exempt from audit requirements in all jurisdictions
D Evidence is more reliable in small entities because transactions are simpler

Question 12

When using monetary unit sampling (MUS) to test accounts payable, which correctly describes how the sample is selected?

A A fixed number of individual invoices is selected regardless of their value
B Sampling units are individual monetary units, so larger balances have a proportionally higher probability of selection — high-value items are more likely to be included in the sample
C All items below a specified threshold are automatically excluded from the sample
D A random number of items is selected based on the auditor's judgement each year

Question 13

Management has determined that a material uncertainty exists regarding going concern and has included adequate disclosure of this uncertainty in the financial statements. Which type of audit opinion is appropriate?

A Adverse opinion, because the material uncertainty calls the financial statements into doubt
B Qualified opinion, because the going concern disclosure is a limitation on audit scope
C Unmodified opinion with a separate Material Uncertainty Related to Going Concern (MURGC) paragraph
D Modified opinion with an emphasis of matter paragraph

Question 14

Which is an appropriate procedure an auditor would perform as part of their overall review of the financial statements?

A Re-performing all audit tests from scratch to confirm earlier conclusions
B Reading the financial statements and considering whether they appear reasonable in the context of the understanding of the entity obtained during the audit, and checking that significant matters identified have been properly reflected
C Asking management to amend any disclosures the auditor finds verbose
D Issuing the audit report before completing the overall review to meet the client's deadline

Question 15

When an auditor issues a qualified audit opinion, how does this affect the auditor's report?

A The opinion paragraph is omitted entirely
B A Basis for Qualified Opinion section, placed immediately after the Opinion section, describes the matter giving rise to the modification; the opinion uses the phrase except for, followed by the effect on the financial statements
C The report is unchanged — only a letter to management is required
D The auditor's report is signed by a different partner to reflect the modification

Answer key

1 A	**4** A	**7** C	**10** D	**13** C
2 A	**5** C	**8** C	**11** B	**14** B
3 A	**6** C	**9** D	**12** B	**15** B

Score: count your correct answers out of 15. Then work through the explanations below.

Answers and explanations

Question 1: A The International Auditing and Assurance Standards Board (IAASB)

The IAASB is responsible for setting ISAs — option A. The FRC (option B) is the UK regulator and adopts ISAs for UK use but does not set them globally. ACCA (option C) requires members to comply with relevant standards but does not set them. The IASB (option D) sets IFRS accounting standards, not auditing standards.

Section A, Regulatory environment — IAASB · Ref A2a · aa007

Question 2: A UK ISAs are based on IAASB ISAs but may include additional UK-specific requirements; compliance with UK ISAs generally ensures compliance with the underlying IAASB ISAs

UK ISAs are based on IAASB ISAs with UK additions — option A. The FRC adopts IAASB ISAs and adds UK-specific requirements where needed to reflect the UK legal and regulatory environment. Compliance with UK ISAs generally ensures compliance with the underlying IAASB ISAs. Option B is incorrect — UK ISAs typically contain additional paragraphs. Option C is incorrect — UK ISAs are explicitly based on IAASB ISAs. Option D is incorrect — in the UK, UK ISAs have legal standing, not IAASB ISAs directly.

Section A, UK ISAs and IAASB ISAs · Ref A2g · aa013

Question 3: A The partner should rotate off the engagement and be replaced by a different partner

Partner rotation — option A — is the standard safeguard for familiarity threats from long association. Most governance codes require key audit partners to rotate off listed company audits after a specified period (commonly five to seven years), with a cooling-off period before they can return. Option B (resignation from firm) is disproportionate. Option C (disclosure only) does not reduce the threat. Option D (firm rotation) may be required in some jurisdictions but is not the primary safeguard for this specific threat.

Section A, Safeguards — familiarity threat · Ref A4c · aa024

Question 4: A All three movements are adverse, raising risks of receivables overstatement, inventory overstatement, payables understatement, and possible going concern issues

All three ratio movements are adverse with specific audit risk implications — option A. Receivables days increasing from 32 to 58 raises the risk that the allowance for irrecoverable debts is understated. Inventory days nearly doubling suggests possible slow-moving or obsolete inventory at risk of overstatement above NRV. Payables days falling despite other working capital deterioration may indicate completeness risks. Collectively these also raise liquidity and going concern concerns. Option B ignores these adverse movements. Option C is a possible but incomplete explanation. Option D goes too far — ratios indicate risk, not confirmed misstatement.

Section B, Key ratios in analytical procedures · Ref B4c · aa039

Question 5: C Management has primary responsibility for preventing and detecting fraud; the auditor's responsibility is to obtain reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error

Under ISA 240, management has primary responsibility for the prevention and detection of fraud through implementing appropriate controls — option C. The auditor's responsibility is not to prevent fraud but to plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. Option A incorrectly equalises responsibility. Option B reverses the responsibilities. Option D incorrectly assigns responsibility to the audit committee.

Section B, Auditor responsibilities for fraud · Ref B5b · aa041

Question 6: C The auditor should update the audit strategy to reflect increased control risk for revenue, and revise the audit plan to increase the extent of substantive testing on revenue

The audit strategy and plan are living documents — option C. When new information comes to light (such as a significant control deficiency), the auditor should reassess the risk of material misstatement and update both the strategy and plan. The control deficiency means the auditor cannot rely on the revenue control system, so they must increase substantive procedures to compensate. Option A incorrectly treats the strategy and plan as fixed. Option B incorrectly suggests reducing testing — a deficiency increases, not decreases, the need for substantive evidence. Option D is disproportionate.

Section B, Updating the audit strategy · Ref B6c · aa046

Question 7: C Maintaining a non-current asset register with unique identification numbers tagged to each asset, and conducting periodic physical verification of assets against the register

A non-current asset register with physical tags and regular verification is the most effective control — option C. The register provides a record of each asset's existence and location; physical verification confirms assets are still held; unique tags deter theft and enable assets to be traced. Together these address the key assertions of existence and completeness. Option A (depreciation) is an accounting procedure, not a safeguarding control. Option B (historical cost recording) is an accounting policy choice. Option D describes an absence of control.

Section C, Controls — non-current assets · Ref C3b · aa063

Question 8: C The company is large, complex and geographically dispersed, with significant risks requiring ongoing monitoring beyond the scope of the external audit

Size, complexity and geographic dispersion are the primary drivers for internal audit — option C. Large, complex organisations face greater risks and have more complex control environments. The external auditor provides annual assurance on financial statements but not continuous monitoring. An internal audit function can perform ongoing risk-based reviews that complement external audit. Option A (small, owner-managed) suggests internal audit is less necessary — the owner can directly oversee operations. Option B relates to external auditor quality, not need for internal audit. Option D (simple, stable) reduces the case for internal audit.

Section C, Factors for internal audit need · Ref C5a · aa067

Question 9: D Existence

Existence is the assertion that assets, liabilities and equity interests that are recorded actually exist at the period end — option D. Completeness (option A) is the converse — all transactions and balances that should be recorded have been. Accuracy, valuation and allocation (option C) concerns whether amounts are recorded at appropriate amounts. Rights and obligations (option B) concerns whether the entity holds the rights to assets and has the obligations for recorded liabilities.

Section D, Financial statement assertions — existence · Ref D1a · aa076

Question 10: D The reliability of the analytics output depends on the completeness and accuracy of the data extracted from the client's systems — if data is incomplete or manipulated before extraction, the analysis may miss the very transactions it is designed to find

Data quality is the primary challenge with data analytics — option D. If the auditor extracts data directly from the client's systems, the quality of the analysis depends on the integrity of those systems. Sophisticated fraudsters may manipulate the data before extraction or maintain shadow records. The auditor must consider: Is the data complete? Has it been extracted correctly? Could it have been manipulated? Option A is incorrect — data analytics is specifically designed for journal entry testing (a key procedure under ISA 240). Option C is incorrect — data analytics reduces but cannot eliminate risk. Option B is incorrect — professional judgement remains essential.

Section D, Challenges of automated tools · Ref D5c · aa107

Question 11: B The owner-manager may override controls or perform multiple functions that would otherwise be segregated, meaning the auditor may place less reliance on controls and perform more substantive testing

Owner-managed entities typically have limited segregation of duties — option B. The owner-manager often performs the roles of purchasing, approving, recording and signing cheques — roles that would be separated in larger organisations. While the owner's close involvement can be a mitigating factor, it also means the owner can override any control. The auditor typically responds by increasing substantive procedures. Option A is incorrect — small entities typically have weaker formal controls. Option C is incorrect — many small entities do require audit. Option D is incorrect — the absence of independent checking processes can reduce evidence reliability.

Section D, Evidence in smaller entities · Ref D2d · aa112

Question 12: B Sampling units are individual monetary units, so larger balances have a proportionally higher probability of selection — high-value items are more likely to be included in the sample

In monetary unit sampling, each £1 is a sampling unit — option B. Because every £1 has an equal chance of selection, larger balances contain more sampling units and are therefore more likely to be selected. This naturally directs audit effort towards larger, potentially more material items while still giving smaller items a chance of selection. Option A (fixed number) describes simple random sampling, not MUS. Option C is not MUS: excluding items below a threshold leaves part of the population untested, whereas stratification divides the population into sub-populations without discarding items. Option D (judgemental) is non-statistical sampling.

Section D, Monetary unit sampling · Ref D3c · aa114

Question 13: C Unmodified opinion with a separate Material Uncertainty Related to Going Concern (MURGC) paragraph

When going concern disclosure is adequate, the opinion is unmodified but includes a MURGC paragraph — option C. ISA 570 requires this specific paragraph when the going concern basis is appropriate and adequate disclosure is made. The paragraph draws attention to the uncertainty without modifying the opinion — it includes a clear statement that the opinion is NOT modified. Option A (adverse) would only be appropriate if the going concern basis was inappropriate. Option B (qualified) is not appropriate for a going concern matter where disclosure is adequate. Option D is incorrect — an emphasis of matter paragraph is not used for material uncertainties related to going concern; ISA 570 specifically requires the MURGC paragraph.

Section E, Reporting implications of going concern · Ref E2g · aa129

Question 14: B Reading the financial statements and considering whether they appear reasonable in the context of the understanding of the entity obtained during the audit, and checking that significant matters identified have been properly reflected

The overall review involves reading the financial statements and confirming consistency with audit findings — option B. This final analytical review asks: do the financial statements make sense? Are they consistent with the auditor's understanding? Have all significant audit matters been properly reflected? Have all required disclosures been made? Option A (re-performing all tests) would be disproportionate and impractical. Option C (amending disclosures) is management's role — the auditor evaluates whether disclosures are adequate. Option D (issuing before completion) would result in an audit report without the required procedures being completed.

Section E, Overall review procedures · Ref E4b · aa134

Question 15: B A Basis for Qualified Opinion section, placed immediately after the Opinion section, describes the matter giving rise to the modification; the opinion uses the phrase except for, followed by the effect on the financial statements

A modified opinion requires specific changes to the report structure (option B). Under ISA 705, when the opinion is qualified: (1) a Basis for Qualified Opinion section is included, describing the matter giving rise to the modification and quantifying the effect where practicable; (2) under ISA 700 (Revised) the Opinion section comes first, and the Basis for Qualified Opinion section follows immediately after it; (3) the opinion uses the language 'except for the effects of the matter described in the Basis for Qualified Opinion section, the financial statements give a true and fair view'. Option A is incorrect: the opinion is always present. Option C is incorrect: a letter to management does not replace the modification. Option D is incorrect: there is no requirement to change the signing partner.

Section E, Impact of modified opinion on auditor's report · Ref E5d · aa142