|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **7) If results from the auditor's tests of controls induce the auditor to change the assessed level of control risk for inventory from 0.2 to 0.4, and audit risk and inherent risk remain constant, what is the effect on the acceptable level of detection risk?**

|  | A. Detection risk does not change because audit risk and inherent risk do not change. |
| --- | --- |
|  | B. Detection risk increases from 0.3 to 0.6. |
|  | C. Detection risk decreases from 0.4 to 0.2. |
|  | D. A change in detection risk may not be calculated because audit risk and inherent risk values are not given. |
|  |  |

 |
| **8) The risk that the auditor may provide an inappropriate opinion based on their review of materially misstated financial statements is referred to as**

|  | A. business risk. |
| --- | --- |
|  | B. detection risk. |
|  | C. information risk.  |
|  | D. audit risk. |
|  |  |

 |
| **9) Which is NOT required by SAS No. 99, Consideration of Fraud in a Financial Statement Audit?**

|  | A. Conduct inquiries of the audit committee as to their views about the risks of fraud and their knowledge of any fraud or suspected fraud. |
| --- | --- |
|  | B. Conduct a discussion by the audit team of the risks of material misstatement due to fraud. |
|  | C. Conduct the audit with professional skepticism, which includes an attitude that assumes balances are incorrect until verified by the auditor.  |
|  | D. Conduct a continuing assessment of the risks of material misstatement due to fraud throughout the audit. |

 |