What is Audit Sampling?

Worksheet

Audit sampling means selecting and testing a representative subset of items from a population so the results can be projected, with a known level of risk, to the population as a whole.

$$Sample@,Rate = @frac{@text{Sample Size}}{@text{Population Size}} @$$

Questions

1. What does audit sampling allow an auditor to do?

A) Test 100% of every transaction
B) Draw a conclusion about a population by testing part of it
C) Avoid assessing risk
D) Replace substantive procedures entirely

2. BV = $1,800,000, RF = 3.0, TM = $90,000. What is the sample size?

A) 20
B) 60
C) 600
D) 6

3. Which sampling method quantifies sampling risk mathematically?

A) Haphazard sampling
B) Non-statistical sampling
C) Statistical sampling
D) Judgmental sampling

4. If tolerable misstatement decreases, what happens to the required sample size (all else equal)?

A) It decreases
B) It increases
C) It stays the same
D) It becomes zero

5. A population of accounts receivable has a book value of $3,000,000. Using a reliability factor of 3.0 and tolerable misstatement of $150,000, what is the sample size?

6. An auditor tests 80 sampled invoices and finds 2 errors, totaling $4,000 in overstatement. The sample covered $400,000 of the $2,000,000 population. What is the projected misstatement?

7. Tolerable misstatement is $80,000 and the reliability factor is 3.0 for a $2,400,000 population. Find the required sample size.

8. Define: What is audit sampling?

9. Define: What is sampling risk?

10. Define: What is monetary unit sampling (MUS)?

Answer Key

1. B) Draw a conclusion about a population by testing part of it - Sampling lets the auditor test a subset and project the results to the population.

2. B) 60 - n = (1,800,000 3.0) / 90,000 = 5,400,000 / 90,000 = 60.

3. C) Statistical sampling - Statistical sampling uses probability theory to measure and control sampling risk.

4. B) It increases - Sample size is inversely related to tolerable misstatement - less tolerance for error requires more testing.

5. n = (BV RF) / TM n = ($3,000,000 3.0) / $150,000 = $9,000,000 / $150,000 = 60 items

6. Sample proportion = $400,000 / $2,000,000 = 0.20 (20% of population) Projected misstatement = Sample misstatement / Sample proportion = $4,000 / 0.20 = $20,000

7. n = (BV RF) / TM n = ($2,400,000 3.0) / $80,000 = $7,200,000 / $80,000 = 90 items

8. Testing less than 100% of a population and projecting the results to draw a conclusion about the whole population.

9. The risk that the auditor's conclusion based on a sample differs from the conclusion if the entire population were tested.

10. A statistical technique where every individual dollar is a sampling unit, making larger balances more likely to be selected.