



Retired Task-Based Simulation from the AUD Section of the Uniform CPA Examination

Introduction:

Below is a retired Task-Based Simulation (TBS) from the AUD section of the Uniform CPA Examination. The analysis-level TBS described below includes all exhibits available to candidates and includes all options, answers, and rationales prepared by AICPA CPA Examination staff. The estimated time to complete a TBS is 20-30 minutes.

Blueprint reference	AUD Area III, Group A, Topic 3
Representative task	Perform procedures using outputs (e.g., reports, visualizations) from audit data analytic techniques to determine relationships, trends, or notable items in the data and identify the appropriate audit response.
Skill	Analysis

EXHIBITS

 [Planning Meeting Memo](#)

 [Sales and Days Sales in Accounts Receivable](#)

 [Sales and Travel Expenses by Salesperson](#)

  close all exhibits

Scroll down to complete all parts of these tasks.

Bounce, LLP is engaged to audit the financial statements of Midnight, Inc., a nonissuer, as of and for the year ended December 31, year 6. Midnight is a distributor of semiconductors.

Bounce is performing substantive procedures using audit data analytics to test Midnight's sales and accounts receivable balances and to analyze travel expense reimbursements to its sales team.

Bounce obtained data populations from management related to sales and accounts receivable including all transactions for the years ended December 31, year 5, and December 31, year 6. Bounce also obtained the travel expense reimbursement data population including all transactions for year 6. The auditor tested the completeness of the sales data population without exception.

Task 1:

The auditor is testing the completeness of the accounts receivable and travel expense reimbursement data populations obtained from management prior to performing the audit data analytic procedures. Review the *Planning Meeting Memo* exhibit above and select the most appropriate audit procedure to test the completeness of each data population listed below.

	A	B
1	Data population	Audit procedure
2	Accounts receivable	
3	Travel expense reimbursement	

Task 1 Option list (B2)

Select an option below

- ☐ Compare the sales transactions in the accounts receivable data population to the sales transactions in the sales data population obtained from management.
- ☐ Perform a cutoff test by selecting the last five transactions from the year 6 accounts receivable data population and obtain supporting documentation.
- ☐ Perform a rollforward of the accounts receivable general ledger balance from December 31, year 5, to December 31, year 6, using the transactions in the accounts receivable data population and compare to the general ledger account balance as of December 31, year 6.
- ☐ Perform a walkthrough of relevant internal controls related to cash receipts and ensure appropriate segregation of duties.
- ☐ Send positive confirmations for individually significant balances in the accounts receivable data population to verify the balances directly with the customer.

RESET

[CANCEL](#)

ACCEPT

Task 1 Option list (B3)

Select an option below

- ☐ Agree the total amount of year 6 expense reimbursements in the travel expense reimbursement data population to the total amount of year 6 travel expense reimbursements in the year 6 general ledger.
- ☐ Compare the total number of travel expense reimbursements in the data population for year 6 to the total number of travel expense reimbursements in year 5.
- ☐ Perform a walkthrough of the travel expense reimbursement process to gain an understanding of the design and implementation of relevant internal controls in the process.
- ☐ Select a sample of year 6 travel expense reimbursements from the data population and request supporting documentation.
- ☐ Send positive confirmations to a sample of employees to verify the travel expense reimbursement amount directly with the employee.

RESET

[CANCEL](#)

ACCEPT

Task 2:

The auditor tested the completeness of the sales and accounts receivable data populations without exception and prepared the *Sales and Days Sales in Accounts Receivable (DSAR) by Customer* visualizations in the exhibit above. For each risk identified in the table below, select the outlier customer and the reason that best supports the selection of that customer. Options may be used once, more than once, or not at all.

	A	B	C
1	Risk	Customer	Reason
2	Outstanding invoices might not be collectible.		
3	Sales to this customer might be fraudulent.		

Task 2 Option list (Column B)

Select an option below

☐ Accordian, Inc.
☐ Brown, LLC
☐ Cube Co.
☐ Pine Co.
☐ Torch, Inc.

RESET

CANCEL

ACCEPT

Task 2 Option list (Column C)

Select an option below

☐ DSAR decreased significantly from January 1, year 6, to December 31, year 6.
☐ DSAR increased significantly from January 1, year 6, to December 31, year 6.
☐ Sales decreased significantly from January 1, year 6, to December 31, year 6.
☐ Sales increased significantly from January 1, year 6, to December 31, year 6.
☐ Sales increased significantly during the fourth quarter of years 5 and 6.
☐ Sales were consistently above DSAR for years 5 and 6.
☐ Sales were consistently below DSAR for years 5 and 6.
☐ There is a significant gap between sales and DSAR.

RESET

CANCEL

ACCEPT

Task 3:

The auditor tested the completeness of the travel expense reimbursement data population without exception and prepared the *Sales and Travel Expenses by Salesperson* visualizations in the exhibit above. For the risk identified in the table below, select the outlier salesperson and the reason that best supports the selection of that individual.

	A	B	C
1	Risk	Salesperson	Reason
2	Expense reimbursements to this salesperson might be fraudulent.		

Which audit procedure would be most appropriate to test travel expense reimbursements for the salesperson identified above to determine if they were valid?

	A
1	Audit procedure
2	

Task 3 Option list (B2)

Select an option below

☐ Baker

☐ Grant

☐ Howell

☐ Pack

RESET

CANCEL

ACCEPT

Task 3 Option list (C2)

Select an option below

☐ Sales and travel expense reimbursements ceased during year 6.

☐ Sales and travel expense reimbursements decreased during year 6.

☐ Sales and travel expense reimbursements increased during year 6.

☐ Sales and travel expense reimbursements had a direct relationship from quarter to quarter during year 6.

☐ Sales and travel expense reimbursements had an inverse relationship from quarter to quarter during year 6.

RESET

[CANCEL](#)

ACCEPT

Task 3 Option list (A2) Audit procedure

Select an option below

☐ Apply audit data analytic techniques to the cash disbursements register to identify payments to the salesperson that were recorded in the travel expense reimbursement account, and determine if those payments were properly approved.

☐ Apply audit data analytic techniques to the general ledger detail for the travel expense reimbursement account to identify the salesperson's reimbursements and trace the identified expense reimbursement reports to the corresponding disbursements.

☐ Obtain a list of travel expense reimbursements and perform a Benford's Law analysis of the travel expense reimbursement amounts.

☐ Obtain a list of travel expense reimbursements to the salesperson and agree to the journal entries in the general ledger.

☐ Obtain a sample of the salesperson's travel expense reimbursement reports and inspect the supporting documentation to determine if the expenses were appropriate.

RESET

[CANCEL](#)

ACCEPT

Exhibits:

Planning Meeting Memo



Midnight, Inc.
Planning meeting memo
December 31, year 6

The engagement team documented the following items discussed during the planning meeting with the controller for the year 6 audit:

Industry trends

Historically, demand for semiconductors has been consistent throughout the year; during year 6, however, the semiconductor industry experienced a downturn, causing sales for Midnight to decrease.

Sales and accounts receivable

Midnight invoices customers when an order is shipped. All invoices are assigned a sequential invoice number by the accounting system when an invoice is generated. Each individual sale is associated with the salesperson who made the sale; customers are not exclusively associated with a specific salesperson.

All invoices have a 30-day payment term. Historically, customers have adhered to the payment term within a range of +/- 15 days.

Compensation and travel expense reimbursements

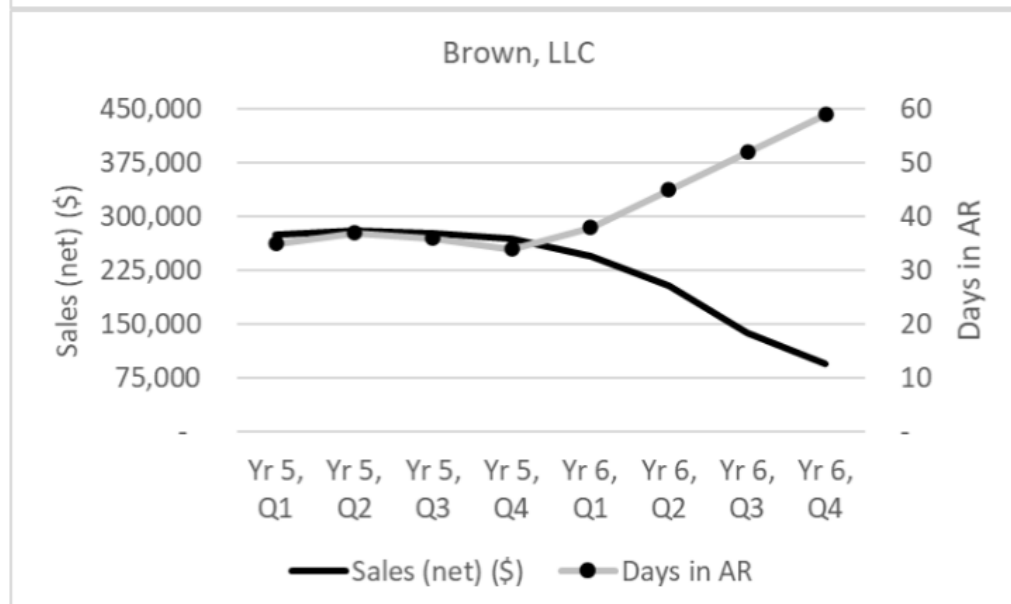
Management and the sales team receive bonuses at year end if key performance indicators based on total net sales are achieved.

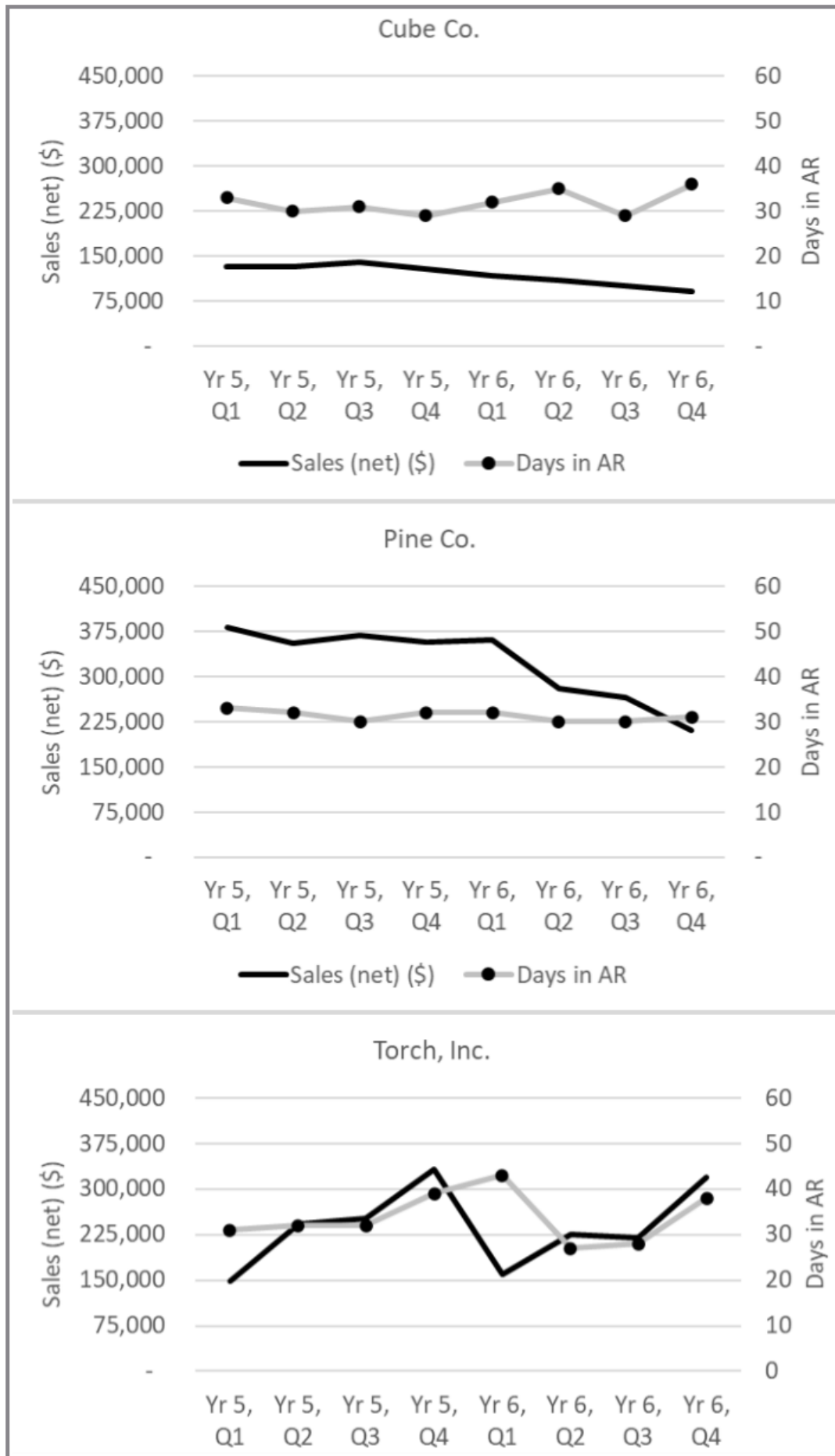
Midnight's sales team regularly travels to customers with multiple locations across the United States in order to generate sales. A salesperson might travel to and sell to any of Midnight's customers anywhere in the United States. Historically, travel expenses have a direct correlation to sales dollars for each salesperson.

Travel expense reimbursements for the sales team are processed through accounts payable. On a monthly basis, sales employees are required to submit expense reports, supporting documentation (receipts, invoices, etc.), and the relevant customer numbers to the sales manager for review and approval.

Sales and Days Sales in Accounts Receivable (DSAR) by Customer

Sales and Days Sales in Accounts Receivable (DSAR) by Customer





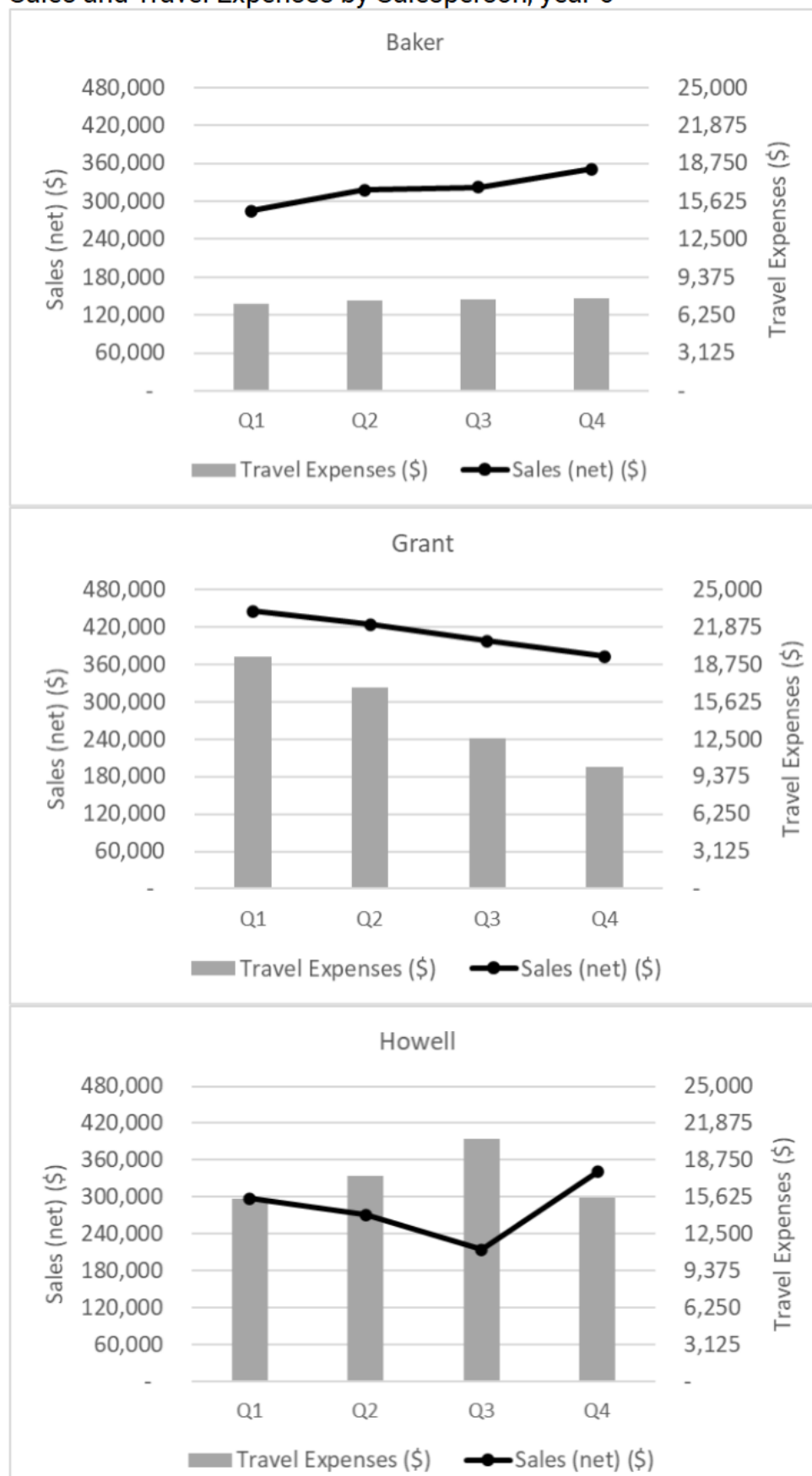
Sales (net) (\$)

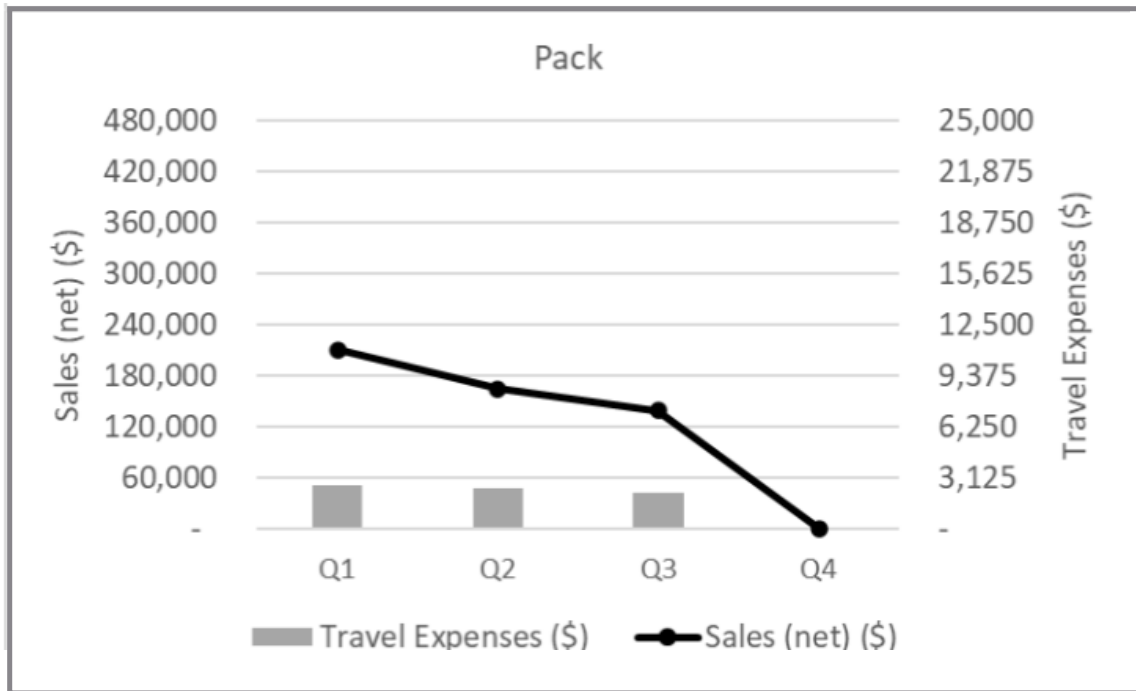
Customer	Year 5, Q1	Year 5, Q2	Year 5, Q3	Year 5, Q4	Year 6, Q1	Year 6, Q2	Year 6, Q3	Year 6, Q4
Accordion, Inc.	398,000	400,000	385,000	381,000	359,000	355,000	351,000	348,000
Brown, LLC	275,000	280,000	277,000	269,000	245,000	204,000	138,000	95,000
Cube Co.	133,000	132,000	140,000	129,000	118,000	109,000	100,000	92,000
Pine Co.	382,000	356,000	369,000	358,000	360,000	280,000	265,000	210,000
Torch, Inc.	148,000	243,000	252,000	333,000	159,000	226,000	219,000	319,000

Days Sales in Accounts Receivable

Customer	Year 5, Q1	Year 5, Q2	Year 5, Q3	Year 5, Q4	Year 6, Q1	Year 6, Q2	Year 6, Q3	Year 6, Q4
Accordion, Inc.	28	34	29	30	30	29	29	27
Brown, LLC	35	37	36	34	38	45	52	59
Cube Co.	33	30	31	29	32	35	29	36
Pine Co.	33	32	30	32	32	30	30	31
Torch, Inc.	31	32	32	39	43	27	28	38

Sales and Travel Expenses by Salesperson, year 6





Travel Expenses (\$)

Salesperson	Q1	Q2	Q3	Q4
Baker	7,200	7,400	7,500	7,600
Grant	19,400	16,800	12,600	10,200
Howell	15,500	17,400	20,500	15,600
Pack	2,700	2,500	2,200	-

Sales (net) (\$)

Salesperson	Q1	Q2	Q3	Q4
Baker	284,820	317,980	321,900	351,120
Grant	446,240	422,640	397,010	372,400
Howell	298,160	270,020	214,600	340,480
Pack	211,780	163,360	139,490	-

Completed task

EXHIBITS

 [Planning Meeting Memo](#)

 [Sales and Days Sales in Accounts Receivable](#)

 [Sales and Travel Expenses by Salesperson](#)

 close all exhibits

Scroll down to complete all parts of these tasks.

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Task 1:

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	A	B
1	Data population	Audit procedure
2	Accounts receivable	Perform a rollforward of the accounts receivable general ledger balance from December 31, year 5, to December 31, year 6, using the transactions in the accounts receivable data population and compare to the general ledger account balance as of December 31, year 6. 
3	Travel expense reimbursement	Agree the total amount of year 6 expense reimbursements in the travel expense reimbursement data population to the total amount of year 6 travel expense reimbursements in the year 6 general ledger. 

Cell	Task 1 Options, Answer, and Rationales
B2	Compare the sales transactions in the accounts receivable data population to the sales transactions in the sales data population obtained from management. <i>Incorrect. Comparing the sales transactions in the accounts receivable data population to the sales transactions in the sales data population is a procedure that is incomplete in its scope and does not provide sufficient evidence. It is not an effective procedure for testing the completeness of a data population because neither population provides information on payments received against the invoices.</i>

	• Perform a cutoff test by selecting the last five transactions from the year 6 accounts receivable data population and obtain supporting documentation. <i>Incorrect. Performing cutoff testing is an effective procedure for verifying the accounting period that transactions were recorded; however, it is not an effective procedure for testing the completeness of a data population.</i> • Perform a rollforward of the accounts receivable general ledger balance from December 31, year 5, to December 31, year 6, using the transactions in the accounts receivable data population and compare to the general ledger account balance as of December 31, year 6. <i>Correct. Using the information about accounts receivable from the Planning Meeting Memo exhibit, customers are invoiced when orders are shipped and all invoices have 30-day payment terms. The task states that the accounts receivable data population obtained includes all transactions for year 6. In order to test for the completeness of the accounts receivable data population, the auditor should perform a rollforward of the accounts receivable general ledger from year 5 to year 6, using the transactions from the accounts receivable data population. If the data population obtained is complete, then the December 31, year 6, balance calculated by the rollforward will equal the December 31, year 6, balance recorded in the general ledger. If any transactions were missing, the recalculated balance would not equal the ending balance in the general ledger.</i> • Perform a walkthrough of relevant internal controls related to cash receipts and ensure appropriate segregation of duties. <i>Incorrect. Performing a walkthrough is an important procedure for obtaining an understanding of controls and testing the design of those controls; however, it is not an effective procedure for testing the completeness of a data population.</i> • Send positive confirmations for individually significant balances in the accounts receivable data population to verify the balances directly with the customer. <i>Incorrect. Sending confirmations to customers is an effective procedure for testing the existence of accounts receivable balances; however, it is not an effective procedure for testing the completeness of a data population.</i> References: AU-C 500.08b; AU-C 500.A40
B3	• Agree the total amount of year 6 expense reimbursements in the travel expense reimbursement data population to the total amount of year 6 travel expense reimbursements in the year 6 general ledger. <i>Correct. Using the information about travel expense reimbursements from the Planning Meeting Memo exhibit, travel expense reimbursements are processed through accounts payable. The task states that the expense reimbursement data population includes all transactions for year 6. In order to ensure that the travel expense reimbursement data population is complete, the auditor should agree the total amount of year 6 expense from the data population to the year 6 amount recorded in the general ledger.</i>

	- Compare the total number of travel expense reimbursements in the data population for year 6 to the total number of travel expense reimbursements in year 5. <i>Incorrect. Comparing the total number of travel expense reimbursements in the data population to the total number of travel expense reimbursements in year 5 will provide information about the change in the volume of expense reimbursement transactions; however, it is not an effective procedure for testing the completeness of a data population.</i> - Perform a walkthrough of the travel expense reimbursement process to gain an understanding of the design and implementation of relevant internal controls in the process. <i>Incorrect. Performing a walkthrough is an important procedure for obtaining an understanding of controls and testing the design of those controls; however, it is not an effective procedure for testing the completeness of a data population.</i> - Select a sample of year 6 travel expense reimbursements from the data population and request supporting documentation. <i>Incorrect. Selecting a sample of transactions and obtaining the supporting documentation is an effective test of details; however, it is not an effective procedure for testing the completeness of a data population.</i> - Send positive confirmations to a sample of employees to verify the travel expense reimbursement amount directly with the employee. <i>Incorrect. Sending confirmations is an effective procedure for testing the existence of an amount or balance; however, it is not an effective procedure for testing the completeness of a data population.</i> References: AU-C 500.08b; AU-C 500.A40
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Task 2:

The auditor tested the completeness of the sales and accounts receivable data populations without exception and prepared the *Sales and Days Sales in Accounts Receivable (DSAR) by Customer* visualizations in the exhibit above. For each risk identified in the table below, select the outlier customer and the reason that best supports the selection of that customer. Options may be used once, more than once, or not at all.

	A	B	C
1	Risk	Customer	Reason
2	Outstanding invoices might not be collectible.	Brown, LLC 	DSAR increased significantly from January 1, year 6, to December 31, year 6. 
3	Sales to this customer might be fraudulent.	Torch, Inc. 	Sales increased significantly during the fourth quarter of years 5 and 6. 

Cell	Task 2 Options, Answer, and Rationales	Cell	Task 2 Options, Answer, and Rationales
B2	• Accordion, Inc. <i>Incorrect. Accordion's DSAR in the Sales and DSAR by Customer exhibit ranges between 27 days and 34 days, which is consistent with the 30-day payment term within a range of +/-15 days, as specified in the Planning Meeting Memo exhibit.</i> • Brown, LLC Correct. Brown's DSAR in the Sales and DSAR by Customer exhibit increased in Q3 and Q4 of year 6 to 52 days and 59 days, respectively, which exceeds the 30-day payment term within a range of +/-15 days, as specified in the Planning Meeting Memo exhibit. An increase in DSAR beyond what the company has experienced historically is an indicator that outstanding invoices might not be collectible. • Cube Co. <i>Incorrect. Cube's DSAR in the Sales and DSAR by Customer exhibit ranges between 29 days and 36 days, which is consistent with the 30-day payment term within a range of +/-15 days, as specified in the Planning Meeting Memo exhibit.</i> • Pine Co. <i>Incorrect. Pine's DSAR in the Sales and DSAR by Customer exhibit ranges between 30 days and 33 days, which is consistent with the 30-day payment term within a range of</i>	C2	• DSAR decreased significantly from January 1, year 6, to December 31, year 6. <i>Incorrect. A decrease in DSAR indicates that customers are paying outstanding invoices faster.</i> • DSAR increased significantly from January 1, year 6, to December 31, year 6. Correct. An increase in DSAR is an indicator that outstanding invoices might not be collectible. • Sales decreased significantly from January 1, year 6, to December 31, year 6. <i>Incorrect. A change in sales alone is not an indicator that outstanding invoices might not be collectible.</i> • Sales increased significantly from January 1, year 6, to December 31, year 6. <i>Incorrect. A change in sales alone is not an indicator that outstanding invoices might not be collectible.</i> • Sales increased significantly during the fourth quarter of years 5 and 6. <i>Incorrect. A change in sales alone is not an indicator that outstanding invoices might not be collectible.</i> • Sales were consistently above DSAR for years 5 and 6. <i>Incorrect. The relative placement of the sales line and the DSAR line on the visualization is not relevant to considerations related to the collectibility of outstanding invoices. If DSAR is increasing, this is an indicator that outstanding invoices might not be collectible regardless of whether sales are increasing or decreasing.</i> • Sales were consistently below DSAR for years 5 and 6.

	<i>+/-15 days, as specified in the Planning Meeting Memo exhibit.</i> • Torch, Inc. <i>Incorrect. Torch's DSAR in the Sales and DSAR by Customer exhibit ranges between 27 days and 43 days, which is consistent with the 30-day payment term within a range of +/-15 days, as specified in the Planning Meeting Memo exhibit.</i> References: AU-C 500.A35–.A38; AU-C 520.07		<i>Incorrect. The relative placement of the sales line and the DSAR line on the visualization is not relevant to considerations related to the collectibility of outstanding invoices. If DSAR is increasing, this is an indicator that outstanding invoices might not be collectible regardless of whether sales are increasing or decreasing.</i> • There is a significant gap between sales and DSAR. <i>Incorrect. The relative placement of the sales line and the DSAR line on the visualization is not relevant to considerations related to the collectibility of outstanding invoices. If DSAR is increasing, this is an indicator that outstanding invoices might not be collectible regardless of whether sales are increasing or decreasing.</i> References: AU-C 500.A35–.A38; AU-C 520.07
B3	• Accordion, Inc. <i>Incorrect. Accordion's sales in the Sales and DSAR by Customer exhibit decreased during year 6 from \$359,000 to \$348,000. The decrease is consistent with the information presented in the Planning Meeting Memo exhibit, which indicates that the industry experienced a downturn in year 6 and sales have decreased. Additionally, decreasing sales to a customer is not an indicator that sales to that customer might be fraudulent.</i> • Brown, LLC <i>Incorrect. Brown's sales in the Sales and DSAR by Customer exhibit decreased during year 6 from \$245,000 to \$95,000. The decrease is consistent with the information presented in the</i>	C3	• DSAR decreased significantly from January 1, year 6, to December 31, year 6. <i>Incorrect. A decrease in DSAR indicates that customers are paying outstanding invoices faster and is not an indicator that sales to a customer might be fraudulent.</i> • DSAR increased significantly from January 1, year 6, to December 31, year 6. <i>Incorrect. Although an increase in DSAR can be an indicator that sales to a customer might be fraudulent, the only customer with a DSAR that exceeds the 30-day payment term within a range of +/-15 days, as specified in the Planning Meeting Memo exhibit, is Brown, who also had a decrease in sales. A decrease in sales is not an indicator that sales to a customer might be fraudulent.</i> • Sales decreased significantly from January 1, year 6, to December 31, year 6.

	<i>Planning Meeting Memo exhibit, which indicates that the industry experienced a downturn in year 6 and sales have decreased. Additionally, decreasing sales to a customer is not an indicator that sales to that customer might be fraudulent.</i> ● Cube Co. <i>Incorrect. Cube's sales in the Sales and DSAR by Customer exhibit decreased during year 6 from \$118,000 to \$92,000. The decrease is consistent with the information presented in the Planning Meeting Memo exhibit, which indicates that the industry experienced a downturn in year 6 and sales have decreased. Additionally, decreasing sales to a customer is not an indicator that sales to that customer might be fraudulent.</i> ● Pine Co. <i>Incorrect. Pine's sales in the Sales and DSAR by Customer exhibit decreased during year 6 from \$360,000 to \$210,000. The decrease is consistent with the information presented in the Planning Meeting Memo exhibit, which indicates that the industry experienced a downturn in year 6 and sales have decreased. Additionally, decreasing sales to a customer is not an indicator that sales to that customer might be fraudulent.</i> ● Torch, Inc. Correct. Torch's sales in the Sales and DSAR by Customer exhibit increased significantly in Q4 of year 5 (from \$252,000 to \$333,000) and Q4 of year 6	<i>Incorrect. A decrease in sales is not an indicator that sales to a customer might be fraudulent.</i> ● Sales increased significantly from January 1, year 6, to December 31, year 6. <i>Incorrect. Although an increase in sales is a possible indicator that sales to a customer might be fraudulent because it is inconsistent with the industry trends indicated in the Planning Meeting Memo exhibit, the only customer to have a sales increase in year 6 is Torch. Torch's sales not only increased during year 6, but were volatile over the two-year period shown. In each year presented, Torch had the most significant sales increase in Q4, not throughout the entire year.</i> ● Sales increased significantly during the fourth quarter of years 5 and 6. Correct. The significant increase in sales is inconsistent with the information presented in the Planning Meeting Memo exhibit, which indicates that the industry experienced a downturn in year 6 and sales have decreased. The Planning Meeting Memo exhibit also indicates that management and sales teams are incentivized and receive bonuses at year end if key performance indicators, which are based on total net sales, are met. The upward trend at year end might indicate that sales are being recorded in earlier periods inappropriately because salesperson bonuses are tied to this key performance indicator. ● Sales were consistently above DSAR for years 5 and 6. <i>Incorrect. The relative placement of the sales line and the DSAR line on the visualization is not relevant to considerations related to sales to a customer that might be fraudulent. If sales and DSAR are increasing, this is an indicator that sales to a customer might be fraudulent.</i>
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Sales were consistently below DSAR for years 5 and 6.

Sales were consistently below DSAR for years 5 and 6. (from \$219,000 to \$319,000). The significant increase is inconsistent with the information presented in the Planning Meeting Memo exhibit, which indicates that the industry experienced a downturn in year 6 and sales have decreased. The Planning Meeting Memo exhibit also indicates that management and sales teams are incentivized and receive bonuses at year end if key performance indicators, which are based on total net sales, are met. The upward trend at year end might indicate that sales are being recorded in earlier periods inappropriately, as salesperson bonuses are tied to this key performance indicator. References: AU-C 500.A35–.A38; AU-C 520.07	<i>Incorrect. The relative placement of the sales line and the DSAR line on the visualization is not relevant to considerations related to sales to a customer that may be fraudulent. If sales and DSAR are increasing, this is an indicator that sales to a customer might be fraudulent.</i> There is a significant gap between sales and DSAR. <i>Incorrect. The relative placement of the sales line and the DSAR line on the visualization is not necessarily relevant to considerations related to sales to a customer that might be fraudulent. If sales and DSAR are increasing, this is an indicator that sales to a customer might be fraudulent.</i> References: AU-C 500.A35–.A38; AU-C 520.07
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Task 3:

The auditor tested the completeness of the travel expense reimbursement data population without exception and prepared the *Sales and Travel Expenses by Salesperson* visualizations in the exhibit above. For the risk identified in the table below, select the outlier salesperson and the reason that best supports the selection of that individual.

	A	B	C
1	Risk	Salesperson	Reason
2	Expense reimbursements to this salesperson might be fraudulent.	Howell	Sales and travel expense reimbursements had an inverse relationship from quarter to quarter during year 6.

Cell	Task 3 Options, Answer, and Rationales	Cell	Task 3 Options, Answer, and Rationales
B2	Baker <i>Incorrect. Baker’s sales and travel expenses in the Sales and Travel Expenses by Salesperson exhibit increased quarter over quarter. This is consistent with</i>	C2	Sales and travel expense reimbursements ceased during year 6. <i>Incorrect. Sales and travel expense reimbursements ceased only for one salesperson (Pack) in year 6. The most</i>

the information presented in the Planning Meeting Memo exhibit, which indicates that travel expenses and sales have a direct relationship. - Grant <i>Incorrect. Grant's sales and travel expenses in the Sales and Travel Expenses by Salesperson exhibit decreased. This is consistent with the information presented in the Planning Meeting Memo exhibit, which indicates that travel expenses and sales have a direct relationship.</i> - Howell Correct. Howell's sales and travel expenses in the Sales and Travel Expenses by Salesperson exhibit are inversely related (travel expenses increased in Q2 and Q3 of year 6, when sales decreased, and travel expenses decreased in Q4 of year 6, when sales increased). This is inconsistent with the information presented in the Planning Meeting Memo exhibit, which indicates that travel expenses and sales have a direct relationship. This inconsistency is an indicator that the travel expense reimbursements might be fraudulent. - Pack <i>Incorrect. Pack's sales and travel expenses in the Sales and Travel Expenses by Salesperson exhibit decreased. This is consistent with the information presented in the Planning Meeting Memo exhibit, which indicates that travel expenses and sales have a direct relationship.</i> References: AU-C 500.A35–A38; AU-C 520.07	likely explanation for this is that Pack left the company or is no longer doing sales. It is not a fraud indicator. - Sales and travel expense reimbursements decreased during year 6. <i>Incorrect. This describes a direct relationship between sales and travel expenses, which is consistent with the information presented in the Planning Meeting Memo exhibit.</i> - Sales and travel expense reimbursements increased during year 6. <i>Incorrect. This describes a direct relationship between sales and travel expenses, which is consistent with the information presented in the Planning Meeting Memo exhibit.</i> - Sales and travel expense reimbursements had a direct relationship from quarter to quarter during year 6. <i>Incorrect. This describes a direct relationship between sales and travel expenses, which is consistent with the information presented in the Planning Meeting Memo exhibit.</i> - Sales and travel expense reimbursements had an inverse relationship from quarter to quarter during year 6. Correct. This describes an inverse relationship between sales and travel expenses, which is inconsistent with the information presented in the Planning Meeting Memo exhibit. This inconsistency is an indicator that the expense reimbursements might be fraudulent. References: AU-C 500.A35–.A38; AU-C 520.07
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Which audit procedure would be most appropriate to test travel expense reimbursements for the salesperson identified above to determine if they were valid?

	A
1	Audit procedure
2	Obtain a sample of the salesperson's travel expense reimbursement reports and inspect the supporting documentation to determine if the expenses were appropriate.

Cell	Task 3 Options, Answer, and Rationales
A2	- Apply audit data analytic techniques to the cash disbursements register to identify payments to the salesperson that were recorded in the travel expense reimbursement account, and determine if those payments were properly approved. <i>Incorrect. Testing the approval of a cash disbursement only provides evidence of authorization for that cash disbursement. It does not provide any audit evidence that the travel expenses submitted for reimbursement are valid.</i> - Apply audit data analytic techniques to the general ledger detail for the travel expense reimbursement account to identify the salesperson's reimbursements and trace the identified expense reimbursement reports to the corresponding disbursements. <i>Incorrect. This procedure traces the travel expense reimbursement report amount to the actual cash disbursement. It does not provide any audit evidence that the travel expenses submitted for reimbursement are valid.</i> - Obtain a list of travel expense reimbursements and perform a Benford's Law analysis of the travel expense reimbursement amounts. <i>Incorrect. A Benford's Law analysis provides information on the relative frequency distribution for leading digits of numbers in a dataset. While this can be used to detect fraud, it does not provide any audit evidence that the travel expenses submitted for reimbursement are valid.</i> - Obtain a list of travel expense reimbursements to the salesperson and agree to the journal entries in the general ledger. <i>Incorrect. Agreeing the travel expense reimbursement amount to the journal entry ensures that the transaction was recorded; however, it does not provide any audit evidence that the travel expenses submitted for reimbursement are valid.</i> Obtain a sample of the salesperson's travel expense reimbursement reports and inspect the supporting documentation to determine if the expenses were appropriate. Correct. Reviewing a sample of the salesperson's travel expense reimbursement reports and inspecting the supporting documentation to ensure that it is proper would provide the best evidence regarding the validity of the expenses. References: AU-C 500.09; AU-C 500.A51



Examinations Team
American Institute of CPAs
100 Princeton South, Suite 200
Ewing, NJ 08628

888.777.7077 | aicpa.org

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