

AAT L4 Practice Test Questions and Answers

1. Inherent risk is:

- A) The risk that the auditor's procedures fail to detect a misstatement
- B) The risk that internal controls fail to prevent or detect a misstatement
- C) The susceptibility of a balance or transaction to material misstatement, assuming no related controls
- D) The overall risk that the auditor issues an inappropriate opinion

2. Budget slack refers to:

- A) Time wasted during the budget preparation process
- B) Deliberately understating revenue or overstating costs to make targets easier to achieve
- C) The difference between fixed and flexible budget figures
- D) The contingency reserve built into the capital budget

3. An employee's P60 is used to:

- A) Report benefits in kind to HMRC
- B) Provide a year-end summary of total pay and tax deducted under PAYE, required by the employee for self-assessment
- C) Register a new employee with HMRC
- D) Report the employee's leaving details to HMRC

4. Working capital is defined as:

- A) Long-term assets minus long-term liabilities
- B) Current assets minus current liabilities
- C) Total equity minus total debt
- D) Non-current assets minus non-current liabilities

Answers: 1-C 2-B 3-B 4-B

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