Part 1: Multiple Choice CPA Exam-Type Questions (40 points)

The questions for this part of the exam are based on the information included in the notes (and as added by the instructor) and the discussions in class based on readings and other assignments. Preparation for this part should be driven by knowing the concepts and how they can be applied.

PART 2: Audit of McDonald’s Franchise Management Process (40 Points)

Setup (Verbatim to Exam)
For this portion of the exam, assume that you are a senior accountant for an international accounting firm located in Chicago, Illinois. Your firm has just been selected by McDonald’s to be its new auditors. You are charged with some aspects of general planning and conducting the audit of the franchise management business process. To accomplish these tasks, you have several issues that you need to address. The following questions will help you in better understanding your tasks at hand. Keep in mind that as your senior manager, I will evaluate your responses based on their accuracy, structure, understandability, and persuasiveness. Because of the time pressure involved, I will not be as strict about writing style. You are welcome to use the handout provided in class, which should be turned in at the conclusion of the exam.

Handout
This exam is based on applying the concepts in class to an actual company. On April 4, you will be provided with a handout of information about McDonald’s Franchise Management process. This information is for information purposes only. During the exam, you are allowed to use your handout to help answer questions. You are allowed to mark symbols, highlight, and underline on the handout. You are NOT allowed to write any words or acronyms on the handout. The handout must be submitted with the exam and will be reviewed for adherence to this policy. Please note that this exam is NOT a test of your understanding of the handout. The exam is testing your understanding of the concepts covered in class. The use of an actual company helps you when studying the concepts and helps me understand better the extent to which you know the material.
Format of Part 2 of Exam
This portion of the exam consists of seven questions, some of which contain multiple parts, across three topics. The questions and weight correspond to coverage in class. None of the questions strictly are objective. You will be required to recall and define a few concepts during the exam, but you will mostly be applying the concepts to scenarios involving McDonald’s and its Franchise Management process.

The title of the topics, their weightings, and suggested areas for review are as follows:

- **Planning and Supervision (9 points)**
  - Components of a Business Process Template, Including Objectives, Transactions, Risks, and Controls

- **Understanding an Entity, Including Internal Control (21 points)**
  - Identifying Risks and Controls
  - Plotting Process Risks and Controls on a Risk Matrix
  - Utilizing Residual Risk Plots in Making Appropriate Decisions on Whether and How to Test Controls and the Extent of Performing Substantive Tests on Accounts Impacted by Residual Risks

- **Substantive Testing (10 points)**
  - Identifying Accounts Impacted by Process Transactions
  - Designing Substantive Analytical Procedures
  - Designing Tests of Balances