

Time: One Hour

Max. Marks: 50

Instructions

Solve any 25 questions from Q.1 to Q.30

Solve any 25 questions from Q.31 to Q.60

1 Auditing refers to

- (A)Preparation and checking of account (B)Examination of accounts of business units only (C)Examination of accounts of professional accountants (D)Checking of vouchers

2 Main object of auditing is

- (A)Detection of errors (B)To find out whether P&L a/c & B/S show true and fair state affairs (C)Detection of frauds (D)Detection and prevention of frauds and errors

3 Concurrent audit is a part of

- (A)Internal check system (B)Continuous audit (C)Internal audit system (D)None

4 An auditor who accepts an audit but does not possess the industry expertise of the business entity should

- (A)engage experts (B)obtain knowledge of matters that relate to the nature of entity's business (C)inform management about it (D)take help of other auditors

5 An employee cannot be an auditor of the company because _____.

- (A)he cannot find his own mistakes (B)a person cannot audit his own account (C)it is prohibited by company law (D)he may give bias and subjective views

6 Errors of omission are

- (A)Technical errors (B>Error of principle (C)Compensating errors (D)None of the above

7 A sale of Rs. 50,000 to A was entered as a sale to B. This is an example of

- (A)Error of omission (B)Error of commission (C)Compensating error (D)Error of principle

8 _____ is a written plan containing details with regard to the conduct of a particular audit

- (A)Audit Note book (B)Audit programme (C)Audit files (D)None of the above

9 The performance of tests of control is documented in

- (A)audit programme (B)flow charts (C)working papers (D)any of the above

10 Audit of banks is an example of

- (A)Statutory audit (B)Balance sheet audit (C)Concurrent audit (D)All of the above

11 A fixed audit programme is also called a _____ programme

- (A)Tailor made (B)Man made (C)Auditor made (D)None of the above

12 Which of the following error will affect the trial balance

- (A)Error of partial omission (B)Error of principles (C)Error of complete omission (D)Compensatory errors

13 Auditing begins where-----ends.

- (A)Selling (B)Inventory valuation (C)Accounting (D)Purchase

14 Internal auditor is appointed by _____.

- (A)The Management (B)The Shareholders (C)The Government (D)The Statutory Body

15 Audit note book

- (A)Contains all details of work carried out (B)Cannot be defense for auditor (C)It is a record but not useful in formulating audit programme (D)All of these

16 Scope of financial audit is

- (A)Financial information (B)Non-financial information (C)Both (a) and (b) (D)None of these

17 The object of internal check is to

- (A)Control wastage of resources (B)Prevent errors and frauds (C)Verify the cash receipts and payments (D)Facilitate quick decision by the management

18 Effective internal check system reduces

- (A)The liability of auditor (B)Work of auditor (C)Both work as well as auditor (D)Responsibilities of an auditor

19 Internal check is a part of

- (A)Internal audit (B)Internal accounting (C)External audit (D)Internal control

20 Internal check is carried on by

- (A)Special staff (B)Internal auditor (C)Accountant (D)None of the above

21 Which of the following is not an inherent limitation of internal control system?

- (A)Management override (B)Collusion among employees (C)Inefficiency of internal auditor (D)Abuse of authority

22 Internal check is suitable for

- (A)Larger concerns (B)Smaller concerns (C)Petty shop- keepers (D)None of the above

23 To test whether sales have been recorded, the auditor should draw a sample from a file of

- (A)purchase orders (B)sales orders (C)sales invoices (D)bill of loading

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- 24 The work of one clerk is automatically check by another clerk is called _____.
- (A)internal control (B)internal check (C)internal audit (D)interim audit
- 25 Purchase of machinery is a _____.
- (A)revenue receipt (B)capital receipt (C)capital expenditure (D)revenue expenditure
- 26 The purpose of internal audit is to evaluate the
- (A)Internal control system (B)Internal audit system (C)Internal check system (D)All of the above
- 27 Which of the following is most crucial to a purchase department?
- (A)Reducing the cost of acquisition (B)Selecting supplies (C)Authorizing the acquisition of goods (D)Assuring the quality of goods
- 28 The goals of business can be achieved if there is proper
- (A)Internal control (B)Internal check (C)Internal audit (D)All of the above
- 29 The management can review progress through
- (A)Internal check (B)Internal control (C)Internal audit (D)External audit
- 30 Vouching implies
- (A)Inspection of receipts (B)Examination of vouchers to check authenticity of records (C)Surprise checking of accounting records (D)Examining the various assets
- 31 Payment for goods purchased should be vouched with the help of
- (A)Creditors statement (B)Correspondence with suppliers (C)Cash memos (D)Ledger accounts
- 32 Investment should be vouched with the help of
- (A)Commission book (B)Brokers book (C)Sales deeds (D)Minute book
- 33 Voucher relates to _____.
- (A)Cash receipt & payments, credit transactions (B)Cash payment only (C)Credit transactions only (D)Cash receipt only
- 34 Verification refers to
- (A)Examination of journal and ledger (B)Examination of vouchers related to assets (C)Examining the physical existence and valuation of assets (D)Calculation of value of assets
- 35 Which of the following statements is correct?
- (A)Valuation is a part of verification (B)Verification is a part of valuation (C)Valuation has nothing to do with verification (D)Auditor is a valuer
- 36 Stock should be valued at
- (A)Cost (B)Market price (C)Cost price or market price whichever is lower (D)Cost less depreciation
- 37 Which of the following assets is least likely to be subjected to lien?
- (A)Freehold land (B)Plant and machinery (C)Leasehold property (D)Motor vehicles
- 38 Analytical procedures are least likely to be use in the audit of –
- (A)cash balance (B)investments (C)bills receivables (D)debtors
- 39 Valuation means
- (A)Calculating value of assets (B)Checking the value of assets (C)Checking the physical existence of assets (D)Examining the authenticity of assets
- 40 “ Auditor is not valuer” was stated in
- (A)Kingston Cotton Mills case (B)London & General Bank case (C)Lee . V . Neuchatel Co. Ltd case (D)London oil Storage Co. case
- 41 Depreciation is _____.
- (A)the decrease in the value of an asset (B)the increase in the value of an asset (C)an appreciation to the company (D)a credit to shareholders
- 42 Fixed assets are valued at
- (A)Cost (B)Market price (C)Cost price or market price whichever is less (D)Cost less depreciation
- 43 Outstanding expenses should be verified with the help of
- (A)Cash book (B)Balance book (C)Journal proper (D)None of the above
- 44 Normally, a company auditor is appointed by the
- (A)Central Government (B)Shareholders (C)Board of Directors (D)Company Law board
- 45 Remuneration of a company auditor is fixed by the
- (A)Shareholders (B)Board of Directors (C)Central Government (D)Appointing authority
- 46 A company auditor, in general has to submit his report to
- (A)Shareholders (B)Board of Directors (C)Central Government (D)C & A – G
- 47 Auditor should be dutiful like a
- (A)A watch dog (B)A blood hound (C)A detective (D)An insurer
- 48 The board of directors shall appoint first auditor of a company
- (A)With in one month of completion of capital subscription state of the company (B)With in one month of the promotion of the company (C)With in one month of the commencement of the business of the company (D)With in one month of incorporation of the company
- 49 Who out of the following cannot be appointed as a statutory auditor of the company?

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- (A) Erstwhile director (B) Internal auditor (C) Relative of a director (D) Only (b) and (c)
- 50 Section 226 contains provision as regards
(A) First appointment of auditors (B) Subsequent appointment of auditors (C) Qualification's and disqualifications of auditors (D) All of the above
- 51 The auditor draws appropriate conclusions by -----, which he conveys through the audit report.
(A) Examining books of account (B) Examining documents (C) Examining statements (D) Examining the various statements and accounts
- 52 Auditor report is addressed to the members of the company and is considered at the ----- of the company.
(A) Board Meeting (BM) (B) Annual General Meeting (AGM) (C) Extraordinary General Meeting (EGM) (D) All of the above
- 53 Audit reports should be so drafted that they remain simple and intelligible to
(A) Readers (B) Directors (C) Employees (D) A common man
- 54 The auditor report should be explicit so as to provide greater information and protection to the interest of ----- and others.
(A) Board of Directors (B) Employees (C) Shareholders (D) Debtors and Creditors
- 55 An auditor's report must have appropriate title, such as
(A) Auditor's opinions (B) Auditor's observations (C) Auditor's comments (D) Auditor's Report
- 56 When computer programme or files can be accessed from terminals, access can be limited to authorized individuals by__
(A) appointing a librarian (B) controlling passwords (C) appointing EDP auditor (D) Both (a) and (b)
- 57 General controls will be ineffective when EDP department
(A) Participates in computer software acquisition decisions (B) Design Documentation for computerized operations. (C) Originate changes in master files. (D) Provide physical security for programme files
- 58 Which of the following activities would most likely be performed by EDP department?
(A) Authorizing transactions (B) Parity checks (C) Distributing output (D) Correction of transactional errors
- 59 The completeness of "wages" figure can be tested by comparing the number of time cards to be processed with transaction on wages sheet. This type of control technique is called
(A) check total (B) control total (C) occurrence correction (D) check digit
- 60 An auditor is least likely to use computer software to
(A) Access client data files (B) Assess control risk (C) Performing analytical procedures (D) None of the above