

Advancer accountancy -2

Subject: Auditing

Multiple Choice Questions:

1) Audit Note Book contains: -----

- (A) Various dates of reference.
- (B) Details of work done.
- (C) Notes regarding item requiring clarification, explanations, etc.
- (D) All of the above.

Ans. : (D) All of the above.

2) Which of the following has a broader scope?

- (A) Internal Control.
- (B) Internal Audit.
- (C) Internal Checking.
- (D) None of the above.

Ans. : (D) None of the above.

3) An internal auditor is :

- (A) Temporary Employee.
- (B) Permanent Employee.

(C) Daily Wager.

(D) None of the above.

Ans.: (B) Permanent Employee.

4) The main object of vouching is :

(A) To prepare trial balance.

(B) Conduct routine checking.

(C) Verify authenticity & authority of transactions.

(D) Checking of vouchers

Ans.: (D) Checking of vouchers

5) Valuation is the base of:

(A) Verification.

(B) Marketing.

(C) Internal checking.

(D) Vouching.

Ans. : (A) Verification.

6) The first auditor or auditors are appointed by :

(A) Central Government.

(B) Company Law Board.

(C) Board of Directors.

(D) Shareholders.

Ans. : (C) Board of Directors.

7) A number of checks & controls exercised in a business to ensure its efficient working is known as :

(A) Internal check.

(B) Internal control.

(C) Internal audit.

(D) Interim check.

Ans. : (A) Internal check

8) Voucher relates to :

(A) Cash receipt.

(B) Cash payment.

(C) Credit transactions.

(D) All the above.

Ans. : (D) All the above.

9) Internal check is meant for :

(A) Prevention of frauds.

(B) Detection of frauds.

(C) Helping audit in depth.

(D) Detection of errors.

Ans. : (C) Helping audit in depth.

10) Internal auditor is appointed by :

(A) The management.

(B) The shareholders.

(C) The government.

(D) The statutory body.

Ans. : (A) The management.

11) Auditing begins where ----- ends.

(A) Selling.

(B) Inventory valuation.

(C) Accounting.

(D) Purchases.

12) A good audit report must at least meet one of the following qualifications:

(A) It should offer constructive and timely suggestions to the management.

(B) It should not point out mistakes.

(C) It should not be based on factual information.

(D) It should not be based on balance sheet.

Ans. : (A) It should offer constructive and timely suggestions to the management.

13) The work of one clerk is automatically check by another clerk is called :

(A) Internal control.

(B) Internal check.

(C) Internal audit.

(D) None of the above.

Ans.: (B) Internal check.

14) The owners of the company are called:

(A) Debenture holders.

(B) Debtors.

(C) Shareholders.

(D) None of the above.

Ans. : (C) Shareholders.

15) Verification is :

(A) The art of recording the business transactions.

(B) An examination of the books of accounts.

(C) The act of establishing the accuracy of entries in the books of accounts.

Ans. : (C) The act of establishing the accuracy of entries in the books of accounts.

16) The main object of investigation is :

(A) To discover errors and frauds.

(B) To prevent errors and frauds.

(C) To verify statements.

(D) All the above.

Ans. :(D) All the above.

17) Internal controls and internal check are :

(A) One and the same.

(B) Different.

(C) Internal control includes internal check.

(D) None of the above.

Ans. : (C) Internal control includes internal check.

18) An auditor is like a :

(A) Watchman.

(B) Foolish dog.

(C) Mad dog.

(D) Watch dog.

Ans. : . (D) Watch dog.

19) Special audit is necessary for:

(A) Inefficient concern.

(B) Processing concern.

(C) Trading concern.

(D) Manufacturing concern.

Ans.: (A) Inefficient concern.

20) The company's auditor is expected to give:

(A) His expert opinion about the accounts.

(B) A factual position about the accounts.

(C) A critical review of the accounts.

(D) Financial assistance.

Ans.: (B) A factual position about the accounts.

21) Auditors of a joint stock company are appointed by :

(A) Directors of the company.

(B) Annual general meeting.

(C) Election at the annual general meeting.

(D) Debenture holders.

Ans.: (C) Election at the annual general meeting.

22) A company auditor can be removed by :

(A) Board of directors.

(B) Managing director.

(C) Any director.

(D) General Meeting.

Ans. : (D) General Meeting.

23) A vacancy caused by resignation of an auditor is filled by :

(A) Board of directors.

(B) Managing director.

(C) General meeting.

(D) Central government.

Ans. : (C) General meeting

24) Audit in depth means :

(A) Audit of each and every item.

(B) Intensive audit of each and every item.

(C) Intensive audit of few items.

(D) Audit of a few selected items.

Ans. : (B) Intensive audit of each and every item.

25) Concurrent audit is a part of :

(A) Internal check system.

(B) Continuous audit.

(C) Internal audit system.

(D) Final audit.

Ans. (C) Internal audit system.

26) Audit in depth is synonymous for:

(A) Complete audit.

(B) Completed audit.

(C) Final audit.

(D) Detailed audit.

Ans. : (D) Detailed audit.

27) Balance sheet audit included verification of :

(A) Assets.

(B) Liabilities.

(C) Income & expenditure accounts where appropriate.

(D) All of the above.

Ans. : (D) All of the above.

28) Which of the following statements is not true about continuous audit?

(A) It is conducted at regular interval.

(B) It may be carried out on daily basis.

(C) It is needed when the organization has a good internal control system.

(D) It is expensive.

Ans. : (C) It is needed when the organization has a good internal control system.

29) Which of the following is not a fact of EPA ?

(A) Economic audit.

(B) Efficiency audit.

(C) Expenditure audit.

(D) Effectiveness audit.

Ans.: (C) Expenditure audit.

30) Balance sheet does not include :

(A) Verification of assets & liabilities.

(B) Vouching of income & expense accounts related to assets and liabilities.

(C) Examination of adjusting and auditing & closing entries.

(D) Routine checks.

Ans.: (D) Routine checks.

31) When issuing unqualified opinion the auditor who evaluates the audit findings should be satisfied that the :

(A) Amount of known misstatement is documented in working papers.

(B) Estimates of the total likely misstatement are less than materiality level.

(C) Estimated of the total likely misstatement is more than materiality level.

(D) Estimates of the total likely misstatement cannot be made.

Ans. : (B) Estimates of the total likely misstatement are less than materiality level.

32) Under check system principle of _____ is followed.

(A) Division of labour

(B) Division of work

(C) Principle of scalar chain

(D) Accountancy

.ANS : (A) Division of labour

33) This kind of audit is generally conducted between two annual audits.

(A) Internal audit

(B) Interim audit

(C) Final audit

(D) Continuous audit

Ans. : (B) Interim audit.

34) Before the work of audit is commenced, the auditor plans out the whole of audit work is known as –

(A) Audit plan

- (B) Audit note
- (C) Audit risk
- (D) Audit program

Ans. : (D) Audit program.

35) Internal auditor is appointed by –

- (A) The management
- (B) The shareholders
- (C) The government
- (D) statutory body

Ans. : (A) The management.

36) The audit that is made compulsory under the statute is called –

- (A) Statuary audit
- (B) Partial audit
- (C) Complete audit
- (D) Continues audit

Ans. : (A) Statuary audit.

37) Who among the following can be appointed as the auditor of company?

- (A) A partner or the director of the company
- (B) A person of unsound mind

(C) Mr. 'Y' who owes Rs.500 to company

(D) Mr. 'Z' who holds the 'CA' Certificate

Ans. : Mr. 'Z' who holds the 'CA' Certificate.

38) ___ is documentary evidence by which the accuracy in the books of accounts may be proved.

(A) Cheque

(B) Receipt

(C) Voucher

(D) Statement

Ans. : (C) Voucher.

39) 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.

Ans. : (B) Error of commission.

40) In comparison to the independent auditor an internal auditor is more likely to be concerned with –

(A) Cost accountancy system

(B) Internal control system

(C) Legal compliance

D) Accounting system

Ans. : (B) Internal control system.

41) The audit program is prepared by –

(A) The auditor

(B) The client

(C) The audit assistants

(D) Auditor & his assistants

Ans. : (D) Auditor & his assistants.

42) Interim audit refers to –

(A) Examination of accounts continuously

(B) Examination of accounts intermittently

(C) Audit work to find out & check interim profits of a company

(D) Carrying on audit for bonus purposes at the end of year

Ans. : (C) Audit work to find out & check interim profits of a company .

43) A company auditor should see that the dividend is paid –

(A) After charging depreciation

(B) Without charging depreciation

(C) Out of capital

(D) None of the above.

Ans. : (A) After charging depreciation.

44) Errors of omission are –

(A) Technical errors

(B) Error of principle

(C) Compensating error

(D) none of these

Ans.: (A) Technical errors.

45) 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

Ans. : (B) Examination of vouchers to check authenticity of records.

46) Undervaluation of stock is –

(A) Technical error

(B) Compensatory error

(C) Error of principle

(D) none of these

Ans. : (C) Error of principle.

47) Verification refers to –

(A) Examination of journal & ledger

(B) Examination of vouchers related to assets

(C) Examining the physical existence & valuation of assets

(D) Calculation of valuation of assets

Ans. : (C) Examining the physical existence & valuation of assets.

48) Valuation of fixed assets is based on the concept –

(A) Going concern

(B) Money measurement

(C) Dual aspect

(D) Cost concept.

Ans. : (A) Going concern.

49) “Auditor is not valuer.” This statement was stated in –

(A) Kingston Cotton Mill Case (B) London & General Bank Case

(C) Lee VS Neuchatel Co. LTD Case (D) London Oil Storage Co.LTDCase

Ans. :(A)Kingston Cotton Mill Case.

50) Floating assets are valued at –

- (A) Cost
- (B) Market price
- (C) Cost price or market price whichever is less
- (D) Cost less than depreciation

Ans. : (C) Cost price or market price whichever is less.

51) Outstanding expenses should be verified with the help of –

- (A) Cashbook
- (B) Balance book
- (C) Journal proper
- (D)None of above.

Ans. : (C) Journal proper

52) First auditor of the company is appointed by the –

- (A) Shareholders
- (B) Central government

(C) Company law board

(D) Board of directors

Ans. :(D) Board of directors.

53) The vacancy caused by resignation at a auditor is filled by –

(A) Board of directors

(B) At the general meeting of shareholders

(C) By the central government

(D) By the company law board

Ans. : (B) At the general meeting of shareholders

54) A special auditor is appointed by the –

(A) Shareholders

(B) Board of directors

(C) Central government

(D) CAG

Ans. : (C) Central government.

55) A remuneration of a company auditor is fixed by the –

(A) Shareholders

(B) Board of directors

(C) Central Government

(D) Appointing authority

Ans. : (D) Appointing authority.

56) Internal auditor has to submit report to –

(A) Shareholders

(B) Government

(C) Company law board

(D) none of above

Ans. : D) none of above.

57) Auditor in general is –

(A) Employee of the company

(B) Agent of the company

(C) Agent of the shareholders

(D) None of the above

Ans. : (C) Agent of the shareholders.

58) Shares issued for consideration other than cash should be vouched with help of –

(A) Directors minutes book

(B) Shareholders minute's book

(C) Contract with the party concerned

(D) Cash book

Ans. : (C) Contract with the party concerned.

59) The term Standard Auditing Practices refers –

(A) Auditing techniques adopted by auditor for collecting & vouching evidences

(B) Test checking

(C) Standards of auditing

(D) True & fair view

Ans. : (A) Auditing techniques adopted by auditor for collecting & vouching evidences.

60) AAS refers to –

(A) Audit evidence

(B) Audit Planning

(C) Risk assessments & Internal control

(D) Knowledge of business

Ans. :(D) Knowledge of business.

61) The panel of Auditors of cooperative society is maintained by –

(A) Chartered Accountant

(B) Central Government

(C) Registrar

(D) Shareholders

Ans. : (C) Registrar.

62) Banking Regulation Act was passed in the year–

(A) 1912

(B) 1949

(C) 1956

(D) 1955.

Ans. : (B) 1949.

63) Which of the following statements is not correct regarding removal of first auditor before expiry of the term?

(A) He is removed at general meeting

(B) Shareholders are authorized to do so

(C) The approval of central government is required for such removal

(D) The provision for such removal is contained in Section 224 (7)

Ans. : (C) The approval of central government is required for such removal

64) Retiring auditor does not have right to –

(A) Make written representations

(B) Get his representation circulated

- (C) Be heard at the meeting
- (D) Speak as member of company

Ans. :(A) Make written representations

65) According to Section ____ Special Audit is conducted at the central government

- (A) Section 233(A)
- (B) Section 233(B)
- (C) Section 242(A)
- (D) Section 242(B)

Ans. : (C) Section 242(A).

66) Audit of Banks is an example of –

- (A) Statutory Audit
- (B) Balance Sheet Audit
- (C) Concurrent Audit
- (D) All of above

Ans. : (D) All of above.

67) Auditor of a _____ company does not have right to visit foreign branches of company.

- (A) Unlimited Company
- (B) Manufacturing Company

- (C) Banking Company
- (D) Non-Profit making company

Ans. : (B) Manufacturing Company.

68) Cost Audit under Section 233(B) of The Company Act is _____

- (A) Voluntary
- (B) Compulsory
- (C) Advisable.
- (D) Avoidable

Ans. : (C) Avoidable.

69) Internal Auditing Standards are issued by the –

- (A) International Accounting Standard Board
- (B) Financial Accounting Standard Board
- (C) International Audit & Assurance Standard Board
- (D) Auditing Practices Board

Ans. : (C) International Audit & Assurance Standard Board

70) Which of the following is not a duty of an auditor?

- (A) Duty to report company's banker
- (B) Duty to report to the members
- (C) Duty to sign the audit report

(D) Duty to report on any violation of law

Ans. : (A) Duty to report company's banker.

71) The main object of vouching is :

(A) To prepare trial balance.

(B) Conduct routine checking.

(C) Verify authenticity & authority of transactions.

(D) Checking of vouchers.

Ans. : (C) Verify authenticity & authority of transactions

72) Valuation is the basis of :

(A) Verification.

(B) Marketing.

(C) Internal checking.

(D) Vouching.

Ans. : (A) Verification

73) The first auditor or auditors are appointed by :

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Ans.: (C) Board Of Directors

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- (A) Cash receipt.
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Ans. : All of the above.

75) Internal auditor is appointed by :

- (A) The management.
- (B) The shareholders.
- (C) The government.
- (D) The statutory body.

Ans. : (A) The management

76) Auditing begins where ----- ends.

- (A) Selling.
- (B) Inventory valuation.
- (C) Accounting.
- (D) Purchases.

Ans. : (C) Accounting

77) The work of one clerk is automatically check by another clerk is called :

- (A) Internal control.
- (B) Internal check.
- (C) Internal audit.
- (D) None of the above.

Ans. : (B) Internal Check

78) The owners of the company are called:

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(D) General Meeting.

Ans. : (D) General Meeting

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- (A) The auditor (B) The client (C) The audit assistants (D) Auditor & his assistants

Ans. : (D) Auditor & his assistants.

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- (A) Examination of accounts continuously
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Ans. : (C) Audit work to find out & check interim profits of a company .

91) A company auditor should see that the dividend is paid –

- (A) After charging depreciation
- (B) Without charging depreciation
- (C) Out of capital
- (D) None of the above.

Ans. : (A) After charging depreciation.

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- (A) Technical errors
- (B) Error of principle
- (C) Compensating error
- (D) None of these

Ans.: (A) Technical errors.

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- (D) None of above.

Ans. : (C) Journal proper

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- (A) Shareholders
- (B) Central government
- (C) Company law board
- (D) Board of directors

Ans. : (D) Board of directors.

101) The vacancy caused by resignation of an auditor is filled by –

- (A) Board of directors
- (B) At the general meeting of shareholders
- (C) By the central government
- (D) By the company law board

Ans. : (B) At the general meeting of shareholders

102) A special auditor is appointed by the –

- (A) Shareholders
- (B) Board of directors
- (C) Central government
- (D) CAG

Ans. : (C) Central government.

103) A remuneration of a company auditor is fixed by the –

- (A) Shareholders

- (B) Board of directors
- (C) Central Government
- (D) Appointing authority

Ans. : (D) Appointing authority.

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- (A) Shareholders
- (B) Government
- (C) Company law board
- (D) None of above

Ans. : D) none of above.

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- (B) Agent of the company
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(A) Auditing techniques adopted by auditor for collecting & vouching evidences

(B) Test checking

(C) Standards of auditing

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Ans. : (A) Auditing techniques adopted by auditor for collecting & vouching evidences.

108) AAS refers to –

(A) Audit evidence

(B) Audit Planning

(C) Risk assessments & Internal control

(D) Knowledge of business

Ans. : (D) Knowledge of business .

109) The panel of Auditors of cooperative society is maintained by –

(A) Chartered Accountant

(B) Central Government

(C) Registrar

(D) Shareholders

Ans. : (C) Registrar.