

## B COM SEMESTER IV

### AUDITING

#### Multiple Choice Questions

1. Which of the following is not a kind of audit?
  - A. Statutory and private.
  - B. Government and continuous audit.
  - C. Interim audit.
  - D. None of these
2. This kind of audit is conducted generally between two annual audits.
  - A. Internal audit.
  - B. Interim audit.
  - C. Final audit.
  - D. Continuous audit.
3. Voucher relates to \_\_\_\_\_.
  - A. Cash receipt.
  - B. Cash payment.
  - C. Credit transactions
  - D. All of the above.
4. Auditing begins where \_\_\_\_\_ ends.
  - A. Selling.
  - B. Inventory valuation.
  - C. Accounting.
  - D. Purchases.
5. In the case of a company in which not less than \_\_\_\_\_% of the subscribed share capital is held whether singly or in combination by certain special institutions and bodies, the appointment or re-appointment of auditors shall be made at each annual general meeting by a special resolution.
  - a. 25%
  - b. 30%
  - c. 20%
  - d. 15%
6. Which of the following persons is qualified to be a company auditor?
  - a) An employee of the company
  - b) A body corporate
  - c) A person who is indebted to the company for an amount exceeding Rs. 1000
  - d) A practicing-chartered accountant
7. When the auditor is an employee of the organization being audited, the audit is classified as \_\_\_\_\_.
  - a. Internal
  - b. External
  - c. Compliance
  - d. Both A&B
8. A company auditor can be removed before expiry of his term by
  - a) Shareholders

- b) Board of Directors
  - c) Central Government
  - d) State Government
9. If there is capital loss, the auditor should
- a) Not allow payment of dividend
  - b) Allow payment of dividends
  - c) Allow payment of dividends after making such losses good
  - d) None of the above
10. Auditor should see that amount received for premium on issue of shares should be shown in \_\_\_\_\_
- a) Subscribed capital
  - b) Capital Reserve Account
  - c) Share Premium account
  - d) Paid- up capital account
11. Sec.143 of Companies Act 20913 deals with \_\_\_\_\_
- a) Powers and rights of an auditor
  - b) Removal of an auditor
  - c) Appointment of an auditor
  - d) Remuneration of an auditor
12. Internal auditor is appointed by \_\_\_\_\_
- a) Management
  - b) Shareholders
  - c) Government
  - d) Statutory body
13. Share premium account should be shown in the Balance sheet under
- a) Paid-up capital
  - b) Subscribed capital
  - c) Reserves & surplus
  - d) Reserved capital
14. \_\_\_\_\_ is the medium through which an auditor expresses his opinion on the state of affairs of the client's business.
- a) Audit report
  - b) Audit certificate
  - c) Audit programme
  - d) Audit planning
15. \_\_\_\_\_ is the specific guidelines and directions for efficient and effective completion of the audit work on timely and daily basis, so as to minimise audit risk.
- a) Audit planning
  - b) Audit report
  - c) Audit programme
  - d) Audit certificate
16. \_\_\_\_\_ is a method of organising the accounting system of a business concern or a factory by which the duties of various clerks are arranged in such a way that the work of one person is automatically checked by another.

- a) Internal control
  - b) Internal check
  - c) Internal audit
  - d) All of the above
17. Internal check is a part of
- a) Internal audit
  - b) Internal accounting
  - c) External audit
  - d) Internal control
18. Civil liability of an auditor implies liability for
- a) Misappropriation of cash
  - b) Misappropriation of goods
  - c) Fraud
  - d) Mifeseance
19. If an auditor is not appointed at annual general meeting, he is appointed by the
- a) The Central Government
  - b) Board of Directors
  - c) Shareholders
  - d) Company Law board
20. The audit that is made compulsory under statute is called \_\_\_\_\_
- a) Statutory audit
  - b) Partial audit
  - c) Complete audit
  - d) Continuous audit
21. Audit means \_\_\_\_\_.
- a) Recording business transactions
  - b) Preparing final accounts
  - c) Examination of books, accounts or vouchers
  - d) Decision making
22. When a transaction has not been recorded in the books of account either wholly or partially such errors are called \_\_\_\_\_.
- a) Error of commission
  - b) Error of omission
  - c) Compensating error
  - d) None of the above
23. The liabilities of an auditor can be \_\_\_\_\_.
- a) Civil
  - b) Criminal
  - c) Civil & Criminal
  - d) Financial
24. Duties of an auditor is \_\_\_\_\_.
- a) Statutory duties imposed by the Companies Act
  - b) Duties imposed by legal or court decisions
  - c) Duties arising out of professional etiquette

- d) All of the above
25. Internal auditor of a company must be \_\_\_\_\_.
- a) Cost accountant
  - b) Chartered accountant
  - c) ICWA
  - d) Need not possess any professional qualification
26. Sec.139 (7) provides that in the case of a Government Company or any other company owned or controlled by the Central Government, or by any State Government, the first auditor shall be appointed by \_\_\_\_\_
- a) Comptroller and Auditor-General of India
  - b) Central Government
  - c) State Government
  - d) None of the above
27. Objectives of internal audit includes \_\_\_\_\_.
- a) Proper control
  - b) Perfect accounting system
  - c) Asset protection
  - d) All of the above
28. Internal control includes \_\_\_\_\_.
- a) Internal audit
  - b) Internal check
  - c) Both internal audit and internal check
  - d) Internal check and external audit
29. \_\_\_\_\_ is the examination of all documentary evidence which are available to support the authenticity of transactions entered in the client's records.
- a) Accounting
  - b) Vouching
  - c) Internal check
  - d) None of the above
30. Sec.140 of the Companies Act 2013 deals with \_\_\_\_\_.
- a) Removal of an auditor
  - b) Appointment of an auditor
  - c) Remuneration of an auditor
  - d) None of the above
31. Management audit otherwise called as \_\_\_\_\_.
- a) Financial audit
  - b) Efficiency audit
  - c) Cost audit
  - d) Cash audit
32. Audit done by the employees of the business undertaking is called \_\_\_\_\_.
- a) Final audit
  - b) Internal audit
  - c) Company audit
  - d) Statutory audit

33. Which of the following is not a kind of audit?
- Statutory and private audit
  - Government and continuous audit
  - Final, Interim, management audit
  - None of the above
34. Effective internal check system reduces
- The liability of auditor
  - Work of auditor
  - Responsibilities of an auditor
  - None of the above
35. Misappropriation of goods may be checked by
- Proper supervision over stock
  - Checking of employees
  - Punishment of employees
  - None of the above
36. Auditor has no lien on
- Audit note book
  - Audit working papers
  - Books of accounts of clients
  - All of the above
37. Accounting standards are prepared by
- SEBI
  - RBI
  - ASB
  - ITA
38. Cost auditor submits reports to the:
- Shareholder
  - Board of directors
  - Employees
  - Creditors
39. Bonus shares are issued to \_\_\_\_\_.
- New members
  - Existing share holders
  - Employees
  - None of the above
40. Window dressing implies
- Checking wastages
  - Under valuation of assets
  - Over valuation of assets
  - None of the above
41. Internal check is suitable for \_\_\_\_\_.
- Larger concerns
  - Smaller concerns
  - Petty-shop keepers

- d) None of the above
- 42. Final audit implies
  - a) Finally checking of accounts to reveal frauds
  - b) Audit for submitting report immediately at the end of the year
  - c) Audit of banking companies
  - d) Audit of accounts at the end of the year
- 43. Remuneration of an internal auditor is fixed by \_\_\_\_\_
  - a) Management
  - b) Shareholders
  - c) Government
  - d) Statutory body
- 44. The objective of the audit planning is \_\_\_\_\_
  - a) To give appropriate attention to all important areas of audit
  - b) To identify potential problems
  - c) To coordinate work with other auditors and experts
  - d) All of the above
- 45. Audit papers are the property of \_\_\_\_\_
  - a) Client
  - b) Auditor
  - c) Both the client and the auditor
  - d) The audit committee
- 46. The term "Audit" originated from the Latin word
  - a) Audire
  - b) Adhere
  - c) Adihere
  - d) None of the above
- 47. Sole proprietary concerns are \_\_\_\_\_ to get their financial statements audited by independent financial auditors.
  - a) Legally required
  - b) Not legally required
  - c) Ethically required
  - d) Not ethically required
- 48. The performance audit may be initiated by the organisation or by \_\_\_\_\_
  - a) Government
  - b) Employees & Management
  - c) Shareholders
  - d) External interested parties
- 49. Balance sheet audit is also known as
  - a) Continues audit
  - b) Annual audit
  - c) Internal audit
  - d) Financial audit
- 50. \_\_\_\_\_ lays out the strategies to be followed to conduct an audit.
  - a) An action plan
  - b) An audit plan
  - c) An audit programme

- d) All of the above
51. Auditor should determine the \_\_\_\_\_ and the timing of the audit report.
- a) Nature
  - b) Actual
  - c) Nature & actual
  - d) Form
52. \_\_\_\_\_ followed by the enterprise affect the audit plan.
- a) Accounting policies
  - b) Audit policies
  - c) Accounting and Audit policies
  - d) Management policies
53. While framing an audit plan auditor should ascertain his \_\_\_\_\_ cast by various legislations on him.
- a) Limitations
  - b) Duties and obligations
  - c) Rights and powers
  - d) Term of appointment & responsibilities
54. An audit programme is a set of \_\_\_\_\_ which are to be followed for proper execution of audit.
- a) Rules
  - b) Policies
  - c) Instructions
  - d) Actions
55. Audit programme provides instructions to the audit staff and reduces scope for
- a) Understanding
  - b) Misunderstanding
  - c) Negligence
  - d) Liabilities
56. Audit programme helps in fixing the \_\_\_\_\_ for the work done among the audit staff as work done may be traced back to the individual staff members.
- a) Remuneration
  - b) Liabilities
  - c) Negligence
  - d) Responsibility
57. On completion of an audit \_\_\_\_\_ serves the purpose of audit record which may be useful for future reference.
- a) Audit programme
  - b) Audit working papers
  - c) Audit plan
  - d) Audit notes
58. Audit programme is prepared by \_\_\_\_\_
- a) The auditor
  - b) The client
  - c) The audit assistant
  - d) The auditor and his audit assistants

59. The auditor has to obtain \_\_\_\_\_ to substantiate his opinion on the financial statements.
- Internal evidence
  - External evidence
  - Internal and external evidence
  - Sufficient and appropriate evidence
60. The quality of information generated by the audited organization is directly related to the strength of the organization's \_\_\_\_\_
- Internal check
  - Internal control
  - Internal audit
  - All of the above
61. \_\_\_\_\_ are the documents prepared or obtained by the auditors in connection with the audit.
- Audit notes
  - Audit working papers
  - Audit report
  - All of the above
62. Working papers helps in proper \_\_\_\_\_ of audit.
- Planning
  - Performance
  - Planning and performance
  - Execution
63. The Auditors Working Papers are divided into two parts
- Permanent audit file and current audit file
  - Permanent audit file and temporary audit file
  - temporary audit file and current audit file
  - current audit file and transitory audit file
64. On appointment of subsequent auditors, the company must give intimation within 7 days of such appointment to \_\_\_\_\_
- The board of directors
  - The registrar of companies
  - The auditor so appointed
  - The central government
65. In case the Board of Directors fails to appoint the first auditors within one month of its incorporation the \_\_\_\_\_ may appoint the first auditors.
- Chairman of the company
  - Managing directors
  - Members of the company in general meeting
  - Central government
66. Examples of casual vacancy are vacancy arising due to \_\_\_\_\_
- Resignation of the auditor
  - Death of the auditor
  - Disqualification of the auditor
  - All of the above



67. If no auditors are appointed or re-appointed at the annual general meeting, the \_\_\_\_\_ may appoint a person to fill the vacancy.
- Board of directors
  - Company in general meeting
  - Central Government
  - Comptroller and Auditor General of India (C&AG)
68. Failure to give notice regarding filling of casual vacancy to the Central government is an offence punishable with fine, who of the following are the persons on whom such fine can be imposed.
- Directors
  - Company
  - Every officer of the company
  - Company or every officer of the company
69. A statutory auditor ----- also as internal auditor of the company.
- Can act
  - Cannot act
  - Though can act but ethically should not act
  - None of the above
70. A person shall not be qualified to be appointed as an auditor of the company if he is in the employment of \_\_\_\_\_
- An officer of the company
  - An employee of the company
  - Both (a) and (b)
  - None of the above
71. In case of insolvency or unsound mind, a person will automatically be disqualified for appointment as an auditor, because
- He is not a person of repute
  - He cannot take decision properly
  - He is not wealthy
  - He ceases to be a member of ICAI
72. The auditors have the right to attend
- Board meeting
  - Annual general meeting
  - Extraordinary general meeting
  - Any general meeting
73. The retiring auditor does not have a right to \_\_\_\_\_
- To make written representation
  - Get his representation circulated
  - Be heard at the meeting
  - Speak as a member of the company
74. In comparison to the independent auditor, an internal auditor is more likely to be concerned with \_\_\_\_\_
- Cost accounting system
  - Internal control system
  - Legal compliance
  - Accounting system

75. Whether the management can restrict the scope of work of an external auditor?
- Yes
  - No
  - In some cases
  - If shareholders permit
76. It is the duty of the auditor to \_\_\_\_\_ to the members of the company on the Accounts examined by him.
- Give suggestions
  - Comment
  - Refer certain points
  - Make a report
77. Auditor's report is the expert's opinion expressed by the auditor as to the fairness of \_\_\_\_\_
- Financial position
  - General position
  - Financial statements
  - Balance sheet and profit and loss account
78. Auditor report is addressed to the members of the company and is considered at the \_\_\_\_\_ of the company.
- Board Meeting (BM)
  - Annual General Meeting (AGM)
  - Extraordinary General Meeting (EGM)
  - All of the above
79. Due to lack of audit evidence, auditor issues a \_\_\_\_\_
- Qualified opinion
  - Unqualified opinion
  - Adverse opinion
  - Disclaimer of opinion
80. When auditor does not have any objection regarding the information under audit then he issues an \_\_\_\_\_
- Qualified opinion
  - Adverse opinion
  - Unqualified opinion
  - Negative opinion
81. Auditor has to report to \_\_\_\_\_
- Management
  - Owners
  - Government
  - Appointing Authority
82. The auditor must have a thorough understanding of the entity, the client's business strategies, processes, and measurement indicators for critical success. This analysis helps the auditor to.
- Decide if they want to accept the engagement
  - Identify risks associated with the client's strategy that could affect the financial statements
  - Assess the level of materiality that is appropriate for the audit

- d) Identify the potential for fraud in the financial reporting process
83. Which of the following are performed as risk assessment procedures?
- a) Observation
  - b) Inquiry
  - c) Analytical Review
  - d) All of these
84. Proper segregation of duties reduces the opportunities in which a person would both
- a) Establish controls and executes them
  - b) Records cash receipts and cash payments
  - c) Perpetuate errors and frauds and conceals them
  - d) Record the transaction in journal and ledger
85. Misstatements may result from\_\_\_\_\_.
- a) An inaccuracy in gathering or processing data from which financial statements are prepared
  - b) An omission of an amount or disclosure
  - c) An incorrect accounting estimates
  - d) All of above
86. Misstatements can arise from\_\_\_\_\_.
- a) Error
  - b) Fraud
  - c) Both (a) and (b)
  - d) None of the above
87. Sufficient audit evidence is a measurement of \_\_\_\_\_
- a) Quality of audit evidence
  - b) Quantity of audit evidence
  - c) Both of (a) and (b)
  - d) None of these
88. Depending upon nature audit evidence can be classified as \_\_\_\_\_
- a) Visual evidence
  - b) Oral evidence
  - c) Documentary evidence
  - d) All of these
89. Depending upon source audit evidence can be classified as
- a) Internal audit evidence
  - b) External audit evidence
  - c) Both (a) and (b)
  - d) None of the above
90. Which of the following is not internal audit evidence?
- a) Bank Reconciliation Statement
  - b) Bank Statement
  - c) Copy of Sales Invoice
  - d) Voucher
91. Which of the following is not external audit evidence?
- a) Bank Statements
  - b) Purchase Invoice
  - c) External Confirmation

- d) Salary Sheet
- 92. Techniques to obtain audit evidence are
  - a) Inspection
  - b) Recalculation
  - c) External confirmation
  - d) All of these
- 93. The reliability of audit evidence is influenced by its
  - a) Source
  - b) Nature
  - c) Circumstances
  - d) All of the above
- 94. Which of the following item is not suitable for test checking?
  - a) Purchase transactions
  - b) Sale transactions
  - c) Balance Sheet items
  - d) All of above
- 95. A related party transaction may have the following features
  - a) A person or entity under common control
  - b) Owners who are close family members
  - c) Common key management
  - d) All of the above
- 96. The books of account etc. of the company shall be kept at the \_\_\_\_\_ of the company.
  - a) Corporate office
  - b) Branch office
  - c) Registered office
  - d) Head office
- 97. Every company shall preserve in good order the books of account together with the relevant vouchers. The time period of preservation shall be not less than \_\_\_\_\_ financial years immediately preceding the relevant financial year.
  - a) 7
  - b) 5
  - c) 8
  - d) 9
- 98. If the financial statements do not comply with the accounting standards, the company shall disclose in its financial statements.
  - a) The deviation from the accounting standards
  - b) The reasons for such deviation, and
  - c) The financial effects, if any, arising out of such deviation
  - d) All of these
- 99. The auditor's report shall be attached to \_\_\_\_\_
  - a) Annual report
  - b) Board report
  - c) Cost audit report, if any
  - d) Every financial statement
- 100. Propriety audit refers to

- b) Verification of accounts
  - c) Examination accounts of propriety concerns
  - d) Enquiry against justification and necessity of expenses
  - e) Audit of Govt. companies
101. Joint audit implies
- a) Audit of two concerns together
  - b) Audit of joint stock companies
  - c) Audit of joint sector companies
  - d) Audit by two firms of C.A
102. Systems audit implies
- a) Systematic examination of accounts
  - b) Audit undertaken to improve auditing systems
  - c) Enquiring accounting and control systems
  - d) Checking the performance of management
103. Internal check is carried on by
- a) Special staff
  - b) Internal auditor
  - c) Accountant
  - d) None of the above
104. Errors of omission are
- a) Technical errors
  - b) Error of principle
  - c) Compensating errors
  - d) None of the above
105. Payment for goods purchased should be vouched with the help of
- a) Creditors statement
  - b) Correspondence with suppliers
  - c) Cash memos
  - d) Ledger accounts
106. Investment should be vouched with the help of
- a) Commission book
  - b) Brokers book
  - c) Sales deeds
  - d) Minute book
107. Object of verification of assets
- a) Physical verification of assets
  - b) Checking value of assets
  - c) Examining the authority of their acquisition
  - d) All of the above
108. "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

109. Book debts should be verified with the help of
- Balance sheet
  - Amount received from Debtors
  - Debtors schedule
  - Certificate from the management
110. A special auditor is appointed by the
- Shareholders
  - Board of Directors
  - Central Government
  - C & A — G
111. A company auditor can be removed before expiry of his term by
- Shareholders
  - Board of Directors
  - Central Government
  - State Government
112. An auditor of Government company has to submit his report to the
- Shareholders
  - Central Government
  - C & A — G
  - Ministry concerned
113. While checking allotment of shares the auditor should see that it is made within
- 100 days of issue of prospectus
  - 120 days of issue of prospectus
  - 150 days of issue of prospectus
  - 80 days of issue of prospectus
114. A company can issue Redeemable Preference shares, if authorized by
- Memorandum of association
  - Articles of association
  - Companies Act, 1956
  - None of the above
115. Premium received on issue of shares, later forfeited, should be transferred to
- Capital reserve
  - Shares forfeited Account
  - Capital Account
  - None of the above
116. Special resolution means \_\_\_\_\_
- 1/3 majority
  - 2/3 majority
  - U2 majority
117. Auditor is an \_\_\_\_\_ of a shareholder
- Owner
  - Agent

- c) Employer
  - d) None of the above
118. \_\_\_\_\_ audit is forward looking -
- a) Financial
  - b) Cost
  - c) Tax
  - d) Final
119. The meeting held by the company with in a period of not less than one month and not more than 6 months is called \_\_\_\_\_
- a) Statutory
  - b) Annual
  - c) General
  - d) None of the above
120. \_\_\_\_\_ audit is not a statutory requirement
- a) Management
  - b) Financial
  - c) Tax Audit
  - d) All of the above
121. Which among the following is not a function of the auditor?
- a) Checking errors and frauds
  - b) Vouching with original documents
  - c) Preparing final Accounts
  - d) Both a&b
122. The scope of auditing does not cover.
- a) Vouching
  - b) Checking arithmetical accuracy
  - Ledger posting
123. Which among the following is an example of intangible asset?
- a) Goodwill
  - b) Patents
  - c) All of these
  - d) None of the above
124. Investigation is required when
- a) Fraud is suspected in business
  - b) On acquisition of running business
  - c) All of them
125. Preliminary expenses not written off are treated as
- a) Fixed assets
  - b) Intangible assets
  - c) Fictitious assets
  - d) None of the above
126. A fixed audit programme is also called a \_\_\_\_\_ programme
- a) Tailor made
  - b) Man made

- c) Auditor made
  - d) Skeleton
127. A progressive audit programme is also called a \_\_\_\_\_ programme
- a) Tailor made
  - b) Man made
  - c) Auditor made
  - d) Skeleton
128. Current audit file consists of \_\_\_\_\_
- a) Matters of future importance
  - b) Matters relations to post years
  - c) Matters relating to the year of audit
129. Test checking is done when there is an effective system of \_\_\_\_\_
- a) Internal control
  - b) Internal audit
  - c) Internal check
  - d) External audit
130. Partial auditing is usually done by
- a) Sole trading concern
  - b) Joint stock company
  - c) Govt. department
131. Balance remaining in the forfeited Account after reissue is transferred to \_\_\_\_\_ account
- a) General reserve
  - b) Capital reserve
  - c) Premium account
132. Criminal liability of an auditor implies liability for
- a) Misstatement in prospectus
  - b) Failure to assist investigation
  - c) Failure to assist prosecution of guilty officers
  - d) All of the above
133. Statutory liabilities of an auditor include \_\_\_\_\_
- a) Liability under Companies Act 2013
  - b) Liability under the Indian Penal Code
  - c) Both a&b
  - d) None of the above
134. Powers and rights of an auditor include \_\_\_\_\_
- a) Right of access to the books of account
  - b) Right to obtain information and explanation from officers
  - c) Right to attend general meeting
  - d) All of the above
135. \_\_\_\_\_ assets are those which may or may not materialise as assets in the future.
- a) Tangible assets
  - b) Intangible assets



- c) Contingent assets
  - d) None of the above
136. Copy right should be revalued at the date of the \_\_\_\_\_.
- a) Balance sheet
  - b) Audit report
  - c) Internal check
  - d) None of the above
137. \_\_\_\_\_ assets are those assets which have no value but represent only expenditure or loss
- a) Wasting assets
  - b) Fictitious assets
  - c) Intangible assets
  - d) Circulating assets
138. \_\_\_\_\_ is the value which would be realised if a particular asset is sold when it has become out of date or unserviceable.
- a) Replacement value
  - b) Scrap value
  - c) Market value
  - d) Book value
139. Vouching is done \_\_\_\_\_.
- a) End of the year
  - b) Throughout the year
  - c) Beginning of the year
  - d) None of the above
140. The auditing standards consist of \_\_\_\_\_.
- a) Basic postulates
  - b) General standards
  - c) Field standards
  - d) All of the above
141. \_\_\_\_\_ audit is the process of evaluating a firm's various operating society. proced res, code of conduct, and other factors to determine its effect on the
- a) Cost audit
  - b) Performance audit
  - c) Social audit
  - d) Tax audit
142. \_\_\_\_\_ is an audit based on ownership
- a) Financial audit
  - b) Secretarial audit
  - c) Trust audit
  - d) None of the above
143. \_\_\_\_\_ is a method of obtaining audit evidence.
- a) Observation
  - b) Inspection
  - c) Computation

- d) All of the above
144. \_\_\_\_\_determine whether the layout satisfies certain rules specified by the fabrication team
- a) Logical Equivalence Checking
  - b) Design Rule Check
  - c) Layout Versus Schematic
  - d) None of the above
145. \_\_\_\_\_is a type of voucher.
- a) Template voucher
  - b) Adjustment voucher
  - c) Reversal voucher
  - d) All of the above
146. \_\_\_\_\_is a method of valuing the assts on the basis of purchase price of the assets.
- a) Base stock method
  - b) Market value method
  - c) Cost method
  - d) None of the above
147. What are the techniques of verification?
- a) Inspection
  - b) Observation
  - c) Confirmation
  - d) All of the above
148. If the statutory time limit of\_\_\_\_\_years is over, the money being in Unclaimed Dividend Account is transferred to the Central Government with details of shareholders who have not claimed the dividend.
- a) 3
  - b) 4
  - c) 1
  - d) 7
149. Total fixed deposits should not exceed\_\_\_\_\_% of paid up share capital and free reserves.
- a) 20
  - b) 25
  - c) 15
  - d) 10
150. Fixed deposits received along with accrued and due interest would be shown under \_
- a) Unsecured loans
  - b) Secured loans
  - c) Doubtful debts
  - d) None of the above

151. An auditor of a company has a right to be indemnified, out of the assets of the company, for any liability incurred by him in defending himself against any civil or criminal proceedings by the company, provided the judgment is in his favour.
- True
  - False
152. Government have established the \_\_\_\_\_, a specialized, multi-disciplinary organization to deal with cases of corporate fraud.
- Fraud Investigation Office (FIO)
  - Serious Frauds Investigation Office (SFIO)
  - Corporate Frauds Investigation Office (CFIO)
  - None of the above
153. Where the investigation is to be done on behalf of a limited company desiring to buy another established concern, the investigator will be required to examine \_\_\_\_\_.
- Corporate security
  - Goodwill
  - Human resources
  - None of the above
154. An audit conducted throughout the year or at the regular intervals of time is known as \_\_\_\_\_.
- Continuous audit
  - Internal audit
  - Statutory audit
  - External audit
155. \_\_\_\_\_ is a risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated.
- Assurance Engagement Risk
  - Assurance Relevance Risk
  - Assurance judgment Risk
  - None of the above
156. \_\_\_\_\_ refer to specific accounting controls relating to particular transactions and data in each computer-based application system.
- General controls
  - Application controls
  - System control
  - None of the above
157. The time spent by each worker should be correctly recorded in the \_\_\_\_\_.
- Attendance card
  - Time record book
  - Time recording clock
  - None of the above
158. Objective of internal check with regard to wages is \_\_\_\_\_.
- To avoid inclusion of dummy workers in the list of workers
  - To avoid errors in the wage sheet

- c) To ensure the correctness of time cards and piece work cards
  - d) All of the above
159. In big organizations, generally \_\_\_\_\_ employed to push sales and to collect debt.
- a) Travelling agents
  - b) Marketing executive
  - c) Salesman
  - d) None of the above
160. Cash sales can be done through \_\_\_\_\_
- a) Sales at the counter
  - b) Sales by travelling agents
  - c) Postal sales
  - d) All of the above
161. Payment for wages should be vouched with the help of
- a) Piece work statement
  - b) Wage sheets
  - c) Minute book
  - d) Bank pass book
162. 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
163. Valuation of Fixed Assets is based on the concept
- a) Going concern
  - b) Conservation
  - c) Money measurement
  - d) Dual aspect
164. Outstanding expenses should be verified with the help of
- a) Cash book
  - b) Balance book
  - c) Journal proper
  - d) None of the above
165. Investments in hand should be verified with the help of \_\_\_\_\_
- a) Schedule of investments
  - b) Balance sheet
  - c) Inspection of securities
  - d) Certificate from the bank
166. Application money should not be withdrawn unless
- a) Allotment is made
  - b) Cash book has been prepared
  - c) Certificate to commence business obtained
  - d) Certificate of incorporation obtained
167. Divisible profit should not include

- a) Interest on capital
  - b) Capital
  - c) Depreciation
  - d) None of the above
168. The prime importance of investigation on behalf of an individual or firm intending to purchase an existing business is to
- a) Ascertain value of asset
  - b) Ascertain the earning capacity of the concern
  - c) Estimation of value of good will
  - d) Extend of liabilities
169. Auditor finds that there is change in the method of valuation of stock whether he should
- a) Allow
  - b) Disallow it
170. The duties of internal auditor are prescribed by
- a) Companies act
  - b) Company law board
  - c) Management
171. Method of physical verification includes\_\_\_\_\_.
- a) Layout versus schematic
  - b) Design rule check
  - c) Logical equivalence checking
  - d) All of the above
172. Shareholders minute book should be vouched for
- a) Payment to vendors
  - b) Payment to promoters
  - c) Issue of bonus shares
173. Floating assets are valued at
- a) Cost
  - b) Market price
  - c) Cost price or market price whichever is less
  - d) Cost less depreciation
174. A continuous audit is specially needed for
- a) Any trading concerns
  - b) Smaller concerns
  - c) Banking companies
  - d) Any manufacturing companies
175. Falsification of accounts is undertaken by
- a) Auditors
  - b) Clerks
  - c) Accountants
  - d) Responsible officials
176. Auditor should be dutiful like a
- a) A watch dog

- b) A blood hound
  - c) A detective
  - d) An insurer
177. For checking that allotment of shares has been properly made, an auditor should refer to\_\_\_\_\_.
- a) Cash Book
  - b) Shares Ledger
  - c) Directors minutes book
  - d) Shareholders minutes Book
178. Auditor should see that amount received for premium on issue of shares should be shown in
- a) Subscribed capital
  - b) Capital Reserve Account
  - c) Share Premium account
  - d) Paid- up capital account
179. Divisible profit should not include
- a) Interest on capital
  - b) Capital
  - c) Depreciation
  - d) None of the above
180. Capital profits
- a) Can be paid by way of dividends
  - b) Cannot paid by way of dividends
  - c) Can be paid by way of dividend under certain conditions
  - d) None of the above
181. Investigation of books of accounts and records is:
- a) Not legally compulsory
  - b) Compulsory
  - c) Compulsory as per companies act
  - d) Compulsory as Income Tax Act
182. Investigation is carries on behalf of
- a) Manager
  - b) Employee
  - c) Client
  - d) On behalf of owner and third parties
183. Charging excessive provision for depreciation results in
- a) Less profit
  - b) More profit
  - c) No change in profit
  - d) No change in loss
184. An invitation to the public to subscribe the shares of the company is called\_\_\_\_\_.
- a) Memorandum of association
  - b) Articles of association
  - c) Prospectus

- d) Certificate of incorporation
185. Auditing around the computer is also known as \_\_\_\_\_
- a) Black box approach
  - b) Blue box approach
  - c) Green box approach
  - d) Red box approach
186. Manipulation of accounts is done by \_\_\_\_\_
- a) Responsible & senior officers
  - b) Owners
  - c) Directors of the business
  - d) All of the above
187. The term \_\_\_\_\_ implies an examination of accounts and rewards for some special purpose.
- a) Investigation
  - b) Internal check
  - c) Audit programme
  - d) None of the above
188. Essentials of good audit report includes \_\_\_\_\_
- a) Simplicity
  - b) Clarity
  - c) Firmness
  - d) All of the above
189. \_\_\_\_\_ are the assets which may arise on the happening of an uncertain event.
- a) Fixed assets
  - b) Intangible assets
  - c) Contingent assets
  - d) Wasting assets
190. Unless a contingent liability is quite negligible, its existence should be disclosed by an appropriate note in the \_\_\_\_\_
- a) Audit report
  - b) Balance sheet
  - c) Audit working note
  - d) None of the above
191. Investment may be classified as \_\_\_\_\_
- a) Investment in Govt. securities
  - b) Investment in shares
  - c) Investment in immovable property
  - d) All of the above
192. The auditor has a right to \_\_\_\_\_
- a) Take legal & technical advice
  - b) Sign the audit report
  - c) Receive remuneration
  - d) All of the above
193. Compensating errors are also known as \_\_\_\_\_

- a) Offsetting error
  - b) Error of commission
  - c) Error of duplication
  - d) Error of principle
194. \_\_\_\_\_ is the cash purchase related voucher.
- a) Cash bill
  - b) Cash memo
  - c) \Goods inward book
  - d) All of the above
195. The value or the reputation of the firm is represented in the form of\_\_\_\_\_.
- a) Patent
  - b) Goodwill
  - c) Fictitious assets
  - d) None of the above
196. \_\_\_\_\_ is a systematic process of obtaining and objectively evaluating the evidence relating to performance of an organisation as reflected in the environment statement.
- a) Efficiency audit
  - b) Environmental audit
  - c) Occasional audit
  - d) Cost audit
197. \_\_\_\_\_ committee acts as a liaison between the auditors of the company and its board of directors.
- a) Audit committee
  - b) Internal check committee
  - c) Internal control committee
  - d) None of the above
198. \_\_\_\_\_ contains information pertaining to financial history, memorandum of association, articles of association of a company.
- a) Permanent audit file
  - b) Current audit file
  - c) Test audit file
  - d) None of the above
199. The auditor gives a \_\_\_\_\_ report when he is unable to give an opinion on the financial statement taken as a whole, but he believes that he can express an opinion on certain items in the statements.
- a) Adverse report
  - b) Qualified report
  - c) Piecemeal report
  - d) Clean report
200. Approach to computer auditing is known as\_\_\_\_\_.
- a) Auditing around the computers
  - b) Auditing with the computers
  - c) Internet auditing
  - d) Electronic auditing



201. \_\_\_\_\_ is a systematic examination of the books and records or a business
- [A] Auditing
  - [B] Vouching
  - [C] Verification
  - [D] Checking
202. Which of the following is not a kind of audit?
- [A] Statutory and private audit.
  - [B] Government and continuous audit.
  - [C] Continuous, final, Interim, Cash, Cost and Management audit.
  - [D] None of these.
203. Instruction of audit issued by controller and auditor general of India \_\_\_\_\_.
- [A] statutory audit.
  - [B] final audit.
  - [C] management audit.
  - [D] government audit.
204. This kind of audit is conducted generally between two annual audit \_\_\_\_.
- [A] internal audit.
  - [B] interim audit.
  - [C] final audit.
  - [D] continuous audit.
205. Before the work of audit is commenced, the auditor plans out the whole of audit work is called \_\_\_\_.
- [A] Audit plan.
  - [B] Audit note.
  - [C] Audit risk.
  - [D] Audit programme.
206. Voucher relates to \_\_\_\_.
- [A] cash receipt.
  - [B] cash payment.
  - [C] credit transactions.
  - [D] all the above.
207. Internal auditor is appointed by \_\_\_\_.
- [A] the management.
  - [B] the shareholders
  - [C] the government.
  - [D] he statutory body.
208. Auditing begins where \_\_ ends.
- [A] Selling
  - [B] inventory valuation
  - [C] Accounting
  - [D] Purchases

209. For which of the following, Audit is optional?  
[A] Trusts  
[B] Joint stock companies.  
[C] Proprietorship concern.  
[D] None of the above
210. The audit that is made compulsory under statute is called \_\_\_\_\_.  
[A] Statutory audit.  
[B] Partial audit.  
[C] Complete audit.  
[D] Continuous audit.
211. Who among the following can be appointed as auditor of a company?  
[A] A partner or a director of the company.  
[B] A person of unsound mind.  
[C] Mr. Y who owes Rs. 500 to the company.  
[D] Mr. Z the holder of C.A certificate.
212. Confirmation of the court is necessary for \_\_\_\_\_.  
[A] increasing the share capital.  
[B] reduction of share capital.  
[C] conversion of shares into stock.  
[D] issue of new shares.
213. Audit means \_\_\_\_\_.  
[A] recording business transactions.  
[B] preparing the final accounts.  
[C] examination of books, accounts, vouchers etc.  
[D] preparing final accounts.
214. Auditor shall report on the accounts examined by him \_\_\_\_\_.  
[A] to the shareholders.  
[B] to the court.  
[C] to the bank.  
[D] to the general public.
215. Sale of land is a \_\_\_\_\_.  
[A] revenue receipt.  
[B] capital receipt.  
[C] capital expenditure.  
[D] revenue expenditure
216. Secret reserve can be created by \_\_\_\_\_.  
[A] public limited company only  
[B] banking and financial companies only.  
[C] private limited company only.  
[D] All of the above.

217. When a transaction has not been recorded in the books of account either wholly or partially such errors are called as \_\_\_\_.
- [A] Error of commission
  - [B] Error of omission.
  - [C] Compensating error.
  - [D] Error of principle.
218. Verification of the value of assets, liabilities, the balance of reserves, provision and the amount of profit earned or loss suffered a firm is called \_\_\_\_.
- [A] Continuous audit.
  - [B] Balance sheet audit.
  - [C] Interim audit.
  - [D] Partial audit.
219. Vouching of the balances of all incomes and expenses account is known as vouching of \_\_\_\_.
- [A] Personal ledger.
  - [B] Impersonal ledger.
  - [C] Cash
  - [D] Sales
220. Preliminary expenses are the best example for \_\_\_\_.
- [A] fictitious asset.
  - [B] intangible asset.
  - [C] wasting asset.
  - [D] floating asset.
221. Periodical audit is also called as \_\_\_\_.
- [A] Final audit.
  - [B] Interim audit.
  - [C] Balance sheet audit.
  - [D] Income statement audit.
222. The auditor of a government company shall be appointed by \_\_\_\_.
- [A] the government company itself.
  - [B] the central government.
  - [C] the share holders.
  - [D] the debenture holders.
223. The main object of the audit of the cash book may be \_\_\_\_.
- [A] to verify the assets and liabilities.
  - [B] to know that all receipts and payments have been properly recorded.
  - [C] to check the internal control system in business.
  - [D] to check the bank balance.
224. One of the audit procedures to check the issue of share capital of the newly formed company is \_\_\_\_.
- [A] the memorandum of association and articles of association.
  - [B] the share transfer register.
  - [C] the issue of debenture.
  - [D] none of the above.

225. 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.
226. The owners of the company are called \_\_\_\_.
- [A] Debenture holders.
  - [B] Debtors
  - [C] Shareholders
  - [D] None of the above.
227. The main objects of investigation is \_\_\_\_.
- [A] to discover errors and frauds.
  - [B] to prevent errors and frauds.
  - [C] to verify statements.
  - [D] all the above
228. Share may be issued \_\_\_\_.
- [A] at par.
  - [B] at premium.
  - [C] at discount.
  - [D] all the above.
229. The liabilities of an auditor can be \_\_\_\_.
- [A] Civil
  - [B] Criminal
  - [C] Civil and Criminal.
  - [D] Official
230. Internal auditor of a company must be \_\_\_\_.
- [A] Cost accountant.
  - [B] Chartered accountant.
  - [C] ICWA
  - [D] need not possess any professional qualification.
231. A vacancy caused by resignation of an auditor is filled by \_\_\_\_.
- [A] board of directors.
  - [B] managing director.
  - [C] general meeting.
  - [D] central government.
232. Cost audit under section 233(b) of the companies act is \_\_\_\_.
- [A] voluntary
  - [B] compulsory
  - [C] advisable
  - [D] avoidable
233. When at an annual general meeting of a company no auditor is appointed or reappointed. In that case \_\_\_\_
- [A] the central government appoints a person to fill the vacancy
  - [B] the board of directors appoints a person to fill the vacancy.
  - [C] the managing director of the company appoints a person to fill the vacancy.

- [D] none of these can appoint a person to fill the vacancy.
234. The most difficult type of misstatement to detect fraud is based on \_\_\_\_.
- [A] related party purchases.
  - [B] related party sales.
  - [C] the restatement of sales.
  - [D] omission of a sales transaction from being recorded.
235. Professional skepticism requires that the auditor assume that management is \_\_\_\_.
- [A] reasonably honest.
  - [B] neither honest nor dishonest.
  - [C] not necessarily honest.
  - [D] dishonest unless proved otherwise.
236. The use of an audit engagement letter is the best method of assuring the auditor will have which of the following?
- [A] Auditor will obtain sufficient appropriate audit evidence.
  - [B] Management representation letter.
  - [C] Access to all books, accounts and vouchers required for audit purpose.
  - [D] Co-operation from other auditors
237. 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 business.
  - [C] inform management about it.
  - [D] take help of other auditors.
238. Audit of banks is an example of \_\_\_\_.
- [A] Statutory audit.
  - [B] Balance sheet audit.
  - [C] Concurrent audit.
  - [D] All of the above.
239. In India balance sheet audit is synonymous to \_\_\_\_.
- [A] Annual audit.
  - [B] Continuous audit.
  - [C] Detailed audit.
  - [D] Statutory audit.
240. Balance sheet audit included verification of \_\_\_\_.
- [A] assets
  - [B] liabilities
  - [C] income and expenditure accounts where appropriate.
  - [D] all of the above.
241. Which of the following is not a fact of EPA?
- [A] Economic audit.
  - [B] Efficiency audit.
  - [C] Expenditure audit.
  - [D] Effectiveness audit.

242. In determining the level of materiality for an audit what should not be considered?
- [A] Prior years errors.
  - [B] The auditor remuneration.
  - [C] Adjusted interim financial statement.
  - [D] Prior year financial statements.
243. Which of the following statement is most closely associated with analytical procedure applied at substantive stage?
- [A] It helps to study relationship among balance sheet accounts.
  - [B] It helps to discover material misstatements in the financial statements.
  - [C] It helps to identify possible oversights.
  - [D] It helps to accumulate evidence supporting the validity of a specific account balance
244. Of the following, which is the least persuasive type of audit evidence?
- [A] Bank statements obtained from the client
  - [B] Documents obtained by auditor from third parties directly.
  - [C] Carbon copies of sales invoices inspected by the auditor
  - [D] Computations made by the auditor.
245. Which of the following Auditing Assurance Standard deals with Audit planning?
- [A] AAS-7.
  - [B] AAS-8.
  - [C] AAS-9.
  - [D] AAS-3.
246. Audit Programme is prepared by \_\_\_\_\_.
- [A] the auditor.
  - [B] the client.
  - [C] the audit assistants.
  - [D] the auditor and his audit assistants.
247. The quantity of audit working papers compiled on engagement would most be affected by \_\_\_\_\_.
- [A] management integrity.
  - [B] auditor experience and professional judgement.
  - [C] Auditor qualification.
  - [D] control risk.
248. Which of the following is not an advantage of the preparation of working paper?
- [A] To provide a basis for review of audit work.
  - [B] To provide a basis for subsequent audits
  - [C] To ensure audit work is being carried out as per Programme.
  - [D] To provide a guide for advising another client on similar issues.
249. Which of the following sections deals with qualification of the auditor?
- [A] Section 226(1) and Section 226(2).
  - [B] Section 224(1) and Section 224(2).
  - [C] Section 226(3) and Section 226(4).
  - [D] Section 224(3) and Section 224(4)

250. The board of directors shall appoint first auditor of a company \_\_\_\_\_.  
[A] within one month of completion of capital subscription state of the company  
[B] within one month of the promotion of the company.  
[C] within one month of the commencement of the business of the company.  
[D] within one month of incorporation of the company.
251. In case the directions fail to appoint first auditors, the shareholders shall appoint them at \_\_\_ by passing a resolution.  
[A] a general meeting.  
[B] first annual general meeting.  
[C] statutory meeting.  
[D] annual general meeting
252. The auditor of a government company is appointed by the C & AG. His remuneration is fixed by \_\_\_\_\_.  
[A] the C & AG.  
[B] the shareholders.  
[C] the shareholders at an annual general meeting.  
[D] the board of directors.
253. Which of the following statement is not correct regarding removal of first auditor before expiry of the term?  
[A] He is removed at a general meeting.  
[B] The shareholders are authorized to do so  
[C] The approval of the central government is required for such removal.  
[D] The provision for such removal are contained in section 224(7)
254. The retiring auditor does not have a right to \_\_\_\_\_.  
[A] make written representations.  
[B] get his representation circulated.  
[C] be heard at the meeting.  
[D] speak as a member of the company.
255. Auditor of a \_\_\_ company does not have right to visit foreign branches of the company.  
[A] unlimited liability.  
[B] manufacturing  
[C] banking  
[D] non-profit making.
256. Special audit is conducted at the order of the central government. Which section gives such powers?  
[A] Section 233(A).  
[B] section 233(B)  
[C] section 242(A)  
[D] Section 242(B).
257. As per C & AG Act, 1971 the tenure of the comptroller and Auditor General is \_\_\_ a. four years.  
[A] four years.  
[B] five years.  
[C] six years.

[D] seven years.

258. Audit of transactions does not include \_\_\_\_\_.

[A] propriety audit.

[B] efficiency cum performance audit.

[C] audit of receipts.

[D] audit of expenditure.

259. Audit of rent, deposits and remittances does not cover \_\_\_\_\_.

[A] audit of borrowings.

[B] audit of amortization of debt.

[C] audit of sanctions

[D] remittance audit.

260. The statutory auditor of a Government Company submits his report to \_\_\_\_\_

[A] the BOD of the company

[B] the C & AG.

[C] the legislature.

[D] the company secretary.