

## Answer the following questions (K1)

### UNIT 1

1. A request from the client for the auditor to change the engagement may result from-

1. a change in circumstances affecting the need for the service,
2. a misunderstanding as to the nature of an audit or related service originally requested
3. a restriction on the scope of the engagement, whether imposed by management or caused by circumstances.

(a) (1) only

(b) (1) and (2)

(c) (1), (2) and (3)

**(d) (1) or (2) or (3)**

2. SA 320 on “Materiality in Planning and Performing an Audit” requires that an auditor

(a) should not consider materiality and its relationship with audit risk while conducting an audit.

**(b) should consider materiality and its relationship with audit risk while conducting an audit.**

(c) should not consider materiality but should consider its relationship with audit risk while conducting an audit.

(d) should consider materiality but need not consider its relationship with audit risk while conducting an audit.

3. When planning the audit,

**(a) the auditor considers what would make the financial information materially misstated.**

(b) the auditor need not consider what would make the financial information materially misstated.

(c) the auditor need not consider what would make the financial information materially misstated at planning stage

(d) the auditor needs to consider what would make the financial information materially misstated while conducting audit only

4. Audit documentation provides:

(a) evidence of the auditor’s basis for a conclusion about the achievement of the overall objectives of the auditor; or evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

**(b) evidence of the auditor’s basis for a conclusion about the achievement of the overall objectives of the auditor; and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.**

(c) evidence of the auditor’s basis for a conclusion about the achievement of the overall objectives of the auditor

(d) evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

5. Which of the following is not an example of audit documentation:

- (a) Audit programmes
- (b) Summaries of significant matters
- (c) Audit file**
- (d) Checklists.

6. Which of the following is correct :

- (a) The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.
- (b) The auditor shall assemble the audit documentation in an audit file and shall not complete the administrative process of assembling the final audit file.**
- (c) The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis before the date of the auditor's report.
- (d) The auditor shall not assemble the audit documentation in an audit file.

7. Standard on Quality Control (SQC) 1 provides that,

- (a) unless otherwise specified by law or regulation, audit documentation is the property of the management.
- (b) unless otherwise specified by law or regulation, audit documentation is the property of those charged with governance.
- (c) unless otherwise specified by law or regulation, audit documentation is the property of the management or those charged with governance.
- (d) Standard on Quality Control (SQC) 1 provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor.**

8. Audit evidence includes

- (a) information contained in the accounting records underlying the financial statements
- (b) both information contained in the accounting records underlying the financial statements and other information.**
- (c) other information.
- (d) information contained in the accounting records underlying the financial statements or other information.

9. Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence.

- (a) obtaining audit evidence.
- (b) evaluating audit evidence.
- (c) obtaining or evaluating audit evidence.
- (d) obtaining and evaluating audit evidence.**

10. Audit procedures to obtain audit evidence can include

**(a) inspection, observation, confirmation, recalculation, re-performance and analytical procedures**

(b) inspection, observation, confirmation, recalculation and re-performance

(c) inspection, observation, confirmation and analytical procedures

(d) inspection, observation, recalculation, re-performance and analytical procedures

## UNIT 2

11. As explained in SA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”, \_\_\_\_\_ is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.

(a) absolute assurance

(b) limited assurance

**(c) reasonable assurance**

(d) reasonable or absolute assurance

12. Auditor’s judgment as to sufficiency may be affected by the factors such as:

(a) Materiality

(b) Risk of material misstatement

(c) Size and characteristics of the population.

**(d) All of the above**

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13. Audit risk is a function of the

**(a) risks of material misstatement and detection risk.**

(b) audit risk and detection risk.

(c) control risk and detection risk.

(d) inherent risk and detection risk.

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14. Risk of material misstatement may be defined as the risk

(a) that the financial statements are materially misstated after audit.

(b) that the financial statements are materially misstated during audit.

**(c) that the financial statements are materially misstated prior to audit.**

(d) All of the above

15. The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls is-

(a) Control Risk

**(b) Inherent Risk**

(c) Detection Risk

(d) Audit Risk

16. \_\_\_\_\_ refers to a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.

**(a) Misstatement**

(b) Error

(c) fraud

(d) Any of the above

17. The assessment of risks is a

(a) matter capable of precise measurement rather than matter of professional judgment

**(b) matter of professional judgment, rather than a matter capable of precise measurement.**

(c) matter of professional judgement as well as capable of precise measurement sometimes.

(d) None of the above

18. The assessment of the risks of material misstatement may be expressed in

**(a) quantitative terms, such as in percentages, or in non-quantitative terms.**

(b) quantitative terms, such as in percentages,

(c) non-quantitative terms.

(d) None of the above

19. \_\_\_\_\_ is a systematic examination of the books and records or a business

**[A] Auditing**

[B] Vouching

[C] Verification

[D] Checking

20. 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.**

### **UNIT 3**

21. Instruction of audit issued by controller and auditor general of India \_\_\_\_\_.

[A] statutory audit.

[B] final audit.

[C] management audit.

**[D] government audit.**

22. This kind of audit is conducted generally between two annual audit \_\_\_\_\_.

[A] internal audit.

**[B] interim audit.**

[C] final audit.

[D] continuous audit.

23. 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.**

24. Voucher relates to \_\_\_\_\_.

[A] cash receipt.

[B] cash payment.

[C] credit transactions.

**[D] all the above.**

25. Internal auditor is appointed by \_\_\_\_\_.

**[A] the management.**

[B] the shareholders

[C] the government.

[D] the statutory body.

26. Auditing begins where \_\_\_\_\_ ends.

[A] Selling

[B] inventory valuation

**[C] Accounting**

[D] Purchases

27. For which of the following, Audit is optional?

[A] Trusts

[B] Joint stock companies.

**[C] Proprietorship concern.**

[D] None of the above

28. The audit that is made compulsory under statute is called \_\_\_\_\_.

- [A] **Statutory audit.**
- [B] Partial audit.
- [C] Complete audit.
- [D] Continuous audit.

29. 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.**

30. 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.

#### UNIT 4

31. Audit means \_\_\_\_\_.

- [A] recording business transactions.
- [B] preparing the final accounts.
- [C] **examination of books, accounts, vouchers etc.**
- [D] preparing final accounts.

32. If the auditor concludes that there is reasonable justification to change the engagement and if the audit work performed complied with the SAs applicable to the changed engagement, the report issued would be appropriate for the revised terms of engagement. In order to avoid confusion, the report would not include reference to:

- (a) **the original engagement; or any procedures that may have been performed in the original engagement.**
- (b) the original engagement ;
- (c) any procedures that may have been performed in the original engagement
- (d) the original engagement and any procedures that may have been performed in the original engagement.

33. If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall:

- (a) Withdraw from the audit engagement where possible under applicable law or regulation;
- (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
- (c) **Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise,**

**to report the circumstances to other parties, such as those charged with governance, owners or regulators.**

(d) Withdraw from the audit engagement where possible under applicable law or regulation or determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.

34. 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.

35. Sale of land is a \_\_\_\_\_.

[A] revenue receipt.

**[B] capital receipt.**

[C] capital expenditure.

[D] revenue expenditure

36. Secret reserve can be created by \_\_\_\_\_.

[A] public limited company only

**[B] banking and financial companies only.**

[C] private limited company only.

[D] co-operative societies

37. 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.

38. 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.

39. 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

40. Preliminary expenses are the best example for \_\_\_\_\_.

- [A] **fictitious asset.**
- [B] intangible asset.
- [C] wasting asset.
- [D] floating asset.

#### UNIT 5

41. Periodical audit is also called as \_\_\_\_\_.
- [A] Final audit.
  - [B] Interim audit.
  - [C] **Balance sheet audit.**
  - [D] Income statement audit.
42. 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.
43. 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.
44. 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.
45. 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.
46. The owners of the company are called \_\_\_\_\_.
- [A] Debenture holders.
  - [B] Debtors
  - [C] **Shareholders**
  - [D] None of the above.
47. 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**

48. Share may be issued \_\_\_\_\_.

[A] at par.

[B] at premium.

[C] at discount.

**[D] all the above.**

49. The liabilities of an auditor can be \_\_\_\_\_.

[A] Civil

[B] Criminal

**[C] Civil and Criminal.**

[D] Official

50. Internal auditor of a company must be \_\_\_\_\_.

[A] Cost accountant.

**[B] Chartered accountant.**

[C] ICWA

[D] need not possess any professional qualification.

K2

### UNIT 1

51. A vacancy caused by resignation of an auditor is filled by whom ?
52. Cost audit under section 233(b) of the companies act is ?
53. When at an annual general meeting of a company no auditor is appointed or reappointed. In that case \_\_\_\_\_
54. The most difficult type of misstatement to detect fraud is based on \_\_\_\_\_.
55. Professional skepticism requires that the auditor assume that management is \_\_\_\_\_.
- .
56. The use of an audit engagement letter is the best method of assuring the auditor will have which of the following?
57. An auditor who accepts an audit but does not possess the industry expertise of the business entity should \_\_\_\_\_.
58. Audit of banks is an example of \_\_\_\_\_.
59. In India balance sheet audit is synonymous to \_\_\_\_\_.
60. Balance sheet audit included verification of \_\_\_\_\_.

### UNIT 2

61. Which of the following is not a fact of EPA?
62. In determining the level of materiality for an audit what should not be considered?
63. Which of the following statement is most closely associated with analytical procedure applied at substantive stage?
64. Of the following, which is the least persuasive type of audit evidence?
65. Which of the following Auditing Assurance Standard deals with Audit planning?
66. Audit Programme is prepared by \_\_\_\_\_.
67. The quantity of audit working papers compiled on engagement would most be affected by ?
68. Which of the following is not an advantage of the preparation of working paper?
69. Which sections deals with qualification of the auditor?
70. The board of directors shall appoint first auditor of a company \_\_\_\_\_.

### UNIT 3

71. In case the directors fail to appoint first auditors, the shareholders shall appoint them at \_\_\_\_\_ by passing a resolution.
72. The auditor of a government company is appointed by the C & AG. His remuneration is fixed by \_\_\_\_\_.
73. Which of the following statement is not correct regarding removal of first auditor before expiry of the term?
74. The retiring auditor does not have a right to \_\_\_\_\_.
75. Auditor of a \_\_\_\_\_ company does not have right to visit foreign branches of the company.

76. Special audit is conducted at the order of the central government. Which section gives such powers?
77. As per C & AG Act, 1971 the tenure of the comptroller and Auditor General is \_\_\_\_\_ a. four years.
78. Audit of transactions does not include
79. Audit of rent, deposits and remittances does not cover \_\_\_\_\_.
80. The statutory auditor of a Government Company submits his report to whom?

#### UNIT 4

81. The term "Audit" originated from the Latin word ?
82. The basis for decision making by the management. Discuss
83. The management takes so many decisions on the basis of what?
84. The authenticity of financial statements is very essential and such authenticity of accounts can be assured with the help of an-
85. Examination of books of accounts with supporting vouchers and documents in order to detect and prevent error and fraud is the main function of-
86. Express an opinion on the financial or non financial areas is the goal of-
87. In the case of financial audit, a set of financial statements are said to be true and fair when they are free of what ?
88. Audit deals with checking, verification and examination of-
89. Time, extent and nature of audit depend upon effectiveness of ?
90. Who is responsible for 'Maintenance of accounts'?

#### UNIT 5

91. Auditor has to report that accounts have been prepared as per GAAP and presents ?
92. Auditing can be defined as an independent examination of which document ?
93. The objective of an audit of financial statements is to enable an auditor to ?
94. Accounts maintenance is the function of whom ?
95. The main object of an audit is ?
96. Review of system and procedure is the primary function of which function?
97. Review of internal control system is very important for the auditor as the effectiveness of internal control system will determine the extent of checking to be done by the whose authority ?
98. The compliance test and substantive procedures performed by the auditor will determine the effectiveness of ?
99. Auditor has to compare the balance sheet and Profit and loss account or other statement with what ?
100. Accounts maintenance is the function of whom ?



### **K3**

#### **UNIT 1**

1. Calculate **THREE** ratios, for **BOTH** years, which would assist you in planning the audit of Darjeeling Co.
2. Using the information provided and the ratios calculated, describe **EIGHT** audit risks and explain the auditor's response to each risk in planning the audit of Darjeeling Co.
3. Describe substantive procedures the auditor should perform in relation to the faulty paint products held in inventory at the year end.
4. Describe substantive procedures the auditor should perform to obtain sufficient and appropriate evidence in relation to Darjeeling Co's revenue.
5. Explain why analytical procedures are used during **THREE** stages of an audit.
6. Describe substantive procedures the auditor should perform to obtain sufficient and appropriate audit evidence in relation to Jasmine Co's trade receivables.
7. Describe substantive procedures the auditor should perform to obtain sufficient and appropriate audit evidence in relation to Jasmine Co's bank balances.
8. Describe the audit procedures the auditor should perform in assessing whether or not Jasmine Co is a going concern.
9. Discuss the issue and describe the impact on the auditor's report of Jasmine Co of adequate **AND** inadequate going concern disclosure.
10. Identify and explain **FIVE KEY CONTROLS** which the auditor may seek to place reliance on; and

#### **UNIT 2**

11. Describe a **TEST OF CONTROL** the auditor should perform to assess if each of these key controls is operating effectively
12. Describe assignments the internal audit department of Raspberry Co could carry out.
13. Describe substantive procedures the auditor should perform to obtain sufficient and appropriate audit evidence in relation to Gooseberry Co's research and development expenditure.
14. Describe substantive procedures the auditor should perform to obtain sufficient and appropriate audit evidence in relation to the matters identified regarding depreciation of property, plant and equipment.
15. Describe substantive procedures the auditor should perform to obtain sufficient and appropriate audit evidence in relation to the directors' bonuses.
16. Discuss the issue and describe the impact on the auditor's report, if any, should this issue remain unresolved.
17. Describe Loganberry &Co's responsibilities in relation to the prevention and detection of fraud and error.
18. Describe **EIGHT** audit risks and explain the auditor's response to each risk in planning the audit of Blackberry Co.
19. Explain The Difference Between Internal Audit And External Audit?
20. Explain the Techniques Used During An Audit?

### UNIT 3

21. Explain The Before An Audit Processes?
22. Describe Vouching?
23. State the Audit Process?
24. Explain the various assertions an auditor is concerned with while obtaining audit evidence from substantive procedure?
25. Describe what AAS-3 say about utility, ownership, custody and retention of working papers?
26. Briefly mention the items which you would examine while verifying payment of interest out of capital during construction.
27. Explain the importance of having the accounts audited by an independent auditor?
28. Illustrate the Different Types Of Audits?
29. Discuss the Reasons For Getting Audited?
30. Explain Audit Control Procedure?

### UNIT 4

31. Explain Statutory Audit?
32. Describe the Purpose Of Meeting In Audit?
33. Explain the Principles Of An Internal Audit Control System?
34. State the Importance Of Evaluating An Internal Audit Department?
35. Distinguish Between Internal Audit And Statutory Audit?
36. Describe the Scope Of Internal Audit Help You?
37. Mention, various areas where surprise check can significantly improve the effectiveness of an audit.
38. Explain the vouching process
39. Explain the steps before an audit processes
40. Illustrate decommission liability?

### UNIT 5

41. List out the check-list for the internal audit?
42. State the auditor's responsibilities for Non-Detection of Frauds and Errors?
43. Difference between Audit & Investigation
44. Discuss the advantages of independent audit?
45. State the different auditing techniques?
46. Describe surprise check?
47. Explain about examination / auditing in depth
48. Explain the concept of 'Materiality
49. Write about types of Audit Evidence? Distinguish between Internal & External Evidence?
50. Write about different methods to obtain audit evidence?

## UNIT 1

1. Explain “Working Papers”?
2. Describe the Sampling Techniques?
3. Distinguish between Capital reserve vs. reserve capital?
4. Difference between Reserves vs. provisions?
5. Explain the procedure for appointment of the Subsequent Auditor of a company

## UNIT 2

6. Distinguish between audit report and audit certificate
7. Illustrate the Particulars of Audit Report Audit Certificate
8. Draft an Audit Programme to audit the accounts of a Recreation Club with facilities for indoor games and in-house eating
9. Write about audit of non-Governmental organisations
10. Write about Audit of Government Expenditure?

## UNIT 3

11. Explain the Powers & Duties of C & AG?
12. Write about Powers / Rights of Comptroller and Auditor-General of India under COA, 2013?
13. Write about different approaches to auditing in a computerised environment?
14. State the Issue of sweat equity shares?
15. Explain the steps in vouching of excise duty, Retirement gratitude, Bad debts, Scale of Scrap.

## UNIT 4

16. Illustrate “cut off procedure”?
17. How do you verify lease hold property?
18. Explain the steps in verification of
  - a) railway sidings
  - b) B/R dishonoured
  - c) preliminary expenses
  - d) preliminary expenses
  - e) preliminary expenses

19. State the Inherent Limitations of Internal Control system?

## UNIT 5

20. Explain the techniques used to Review of the internal control system by the auditor?

21. Internal audit vs. internal check.

22. Discuss the factors to be considered by the auditor when evaluating the adequacy of the internal audit system?

23. Describe the Basic Principles Of An Internal Audit Control System?

24. Explain The Importance Of Evaluating An Internal Audit Department?

25. Describe the Evaluation process of The Internal Control Audit