DEPARTMENT OF B.COM – BANKING AND INSURANCE

16UBI515 – PRINCIPLES AND PRACTICES OF AUDITING.

K1 - LEVEL.

Unit - I

1.Audit means ___________.

A. recording business transactions

B. preparing the final accounts

C. examination of books, accounts, vouchers etc.

D. preparing final accounts

2. Which of the following are not objectives of auditing?

A. Ascertain the profit and preparation of P/L Account, Balance sheet

B. Detection and prevention of frauds and errors

C. Give a true and fair view of financial amount

D. T o submits the accounts to Government of India

3.In India, balance sheet audit is synonymous to _______________.

A. annual audit

B. continuous audit

C. detailed audit

D. statutory audit

4.An audit which is compulsory by the law is __________.

A. Government Audit

B. Internal Audit

C. Cost Audit

D. Statutory Audit

5. Instruction of audit issued by controller and auditor general of India ________.

A. Statutory audit

B. Final Audit.

C. Management audit

D. Government audit

6. Audit done by the employees of the business undertaking is called _______.

A. Final audit

B. Management Audit

C. Government Audit

D. Internal Audit

7.This kind of audit is conducted generally between two annual audit ______.

A. Internal Audit

B. Interim audit

C. Final Audit

D. Continuous Audit

8. Management audit otherwise called as _______.

A. Efficiency Audit

B. Final audit

C. Cost Audit

D. Cash audit

9.A kind of audit conducted for a part of the accounting year is called _______.

A. Periodical Audit

B. Partial Audit

C. Cost Audit

D. Interim Audit

10. The audit that is made compulsory under statute is called _________.

A. Statutory audit

B. Partial audit

C. Complete Audit

D. Continuous Audit

Unit - II

1. 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 Control

D. Audit Programme

2. A number of checks and controls exercised in a business to ensure its efficient working are known as ________.

A. Internal Check

B. Interim Check

C. Internal Audit

D. Internal Control

3. A Voucher is a _______.

A. Document is support of an entry made in books of accounts

B. Invoice received from suppliers

C. Receipt issued to a customer for cash

D. Dispatch Receipt

4. Voucher relates to _________.

A. Cash receipt & payments, credit transactions

B. Cash payment only

C. Credit transactions only

D. Cash receipt only

5. Internal check is meant for ___________.

A. Prevention of frauds

B. Detection of frauds

C. Helping audit is depth

D. Detection of errors

6. Internal auditor is appointed by ________.

A. The Management

B. The Shareholders

C. The Government

D. Public

7.Audit programme is prepared ______________.

A. to help the auditor and his staff about the work to be done while auditing

B. to help the accountant to prepare the balance sheet

C. to help the company to submit its accounts

D. to help the shareholders to file the returns

8.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

9. _______ are documents developed by auditors that summarize their work, including evidence, tests, and conclusions related to the audit objectives.

A. Working papers

B. Personal ledger

C. Both a and b

D. None of these

10. An internal control is a procedure or policy put in place by management to safeguard assets, promote accountability,_______ and stop fraudulent behavior.

A. Increase efficiency

B. Increase efficiency

C. Both a and b

D. None of these

Unit – III

21. Verification means _____

Providing the truth
Conformation
Both a and b
None of these

22. One of the most important duties of an auditor in connection with the audit of the accounts is ______

Verify the assets and Liabilities
Providing the truth
Conformation
None of these

23. The accuracy of the balance sheet and the estimated profits of a concern depend on ____

Correct valuation of assets and liabilities.
Verify the assets and Liabilities
Providing the truth
None of these

24. The valuation of the assets made by _____

Properties
Officials of the company
Firm
All of these

25. _____ is the amount realized if a particular asset is sold when it has become unserviceable.

Scrap value
Breakup value
Replacement value
Both a and b

26. ______ is the amount which would be required to purchase another asset of the same type to replace the existing one.

Replacement value
Scrap value
Breakup value
Both a and b

27. ____ are intangible assets.

Good will
Copy Rights
Trade marks
All of these

28. ______ are those which are acquired for permanent equipment and not for resale in the ordinary course of business.

Fixed assets
Current Assets
Goodwill
Copyrights

29. ______ are easily converted into cash.

Current assets
Fixed assets
Goodwill
Copyrights

30. _____ are wasting assets.

Mine
Quarry
Oil well
All of these

Unit - IV

1. Audit of Joint stock company account is _____________.

A. compulsory

B. unnecessary

C. avoidable

D. depends upon directors

2. 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

3. 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

4. A company auditor can be removed by _________________.

A. board of directors

B. managing director

C. any director

D. general meeting

5. A vacancy caused by resignation of an auditor is filled by _________.

A. board of directors

B. managing director

C. general meeting

D. central government

6. Cost audit under section 233(b) of the companies act is ___________.

A. voluntary

B. compulsory

C. avoidable

D. advisable

7. Duties of a company auditor are defined by __________.

A. memorandum of Association

B. articles of Association

C. Companies Act 1956

D. agreement between company and the auditor

8. 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 board of directors appoints a person to fill the vacancy

D. none of these can appoint a person to fill the vacancy

9. Audit in depth means __________.

A. audit of each and every item

B. intensive audit of each and every item

C. intensive audit of a few items

D. audit of a few selected items

10. When a company engages a Chartered Accountant as its internal auditor, the external auditor _____________.

A. need not check the areas covered by internal audit

B. should ignore the existence of internal audit

C. should incorporate the internal auditor's report with his own

D. should examine the system and efficiency of internal audit and devise a suitable audit programme.

Unit –V

1. A careful and detailed study of the books of accounts to discover truth is known as ___________ .
   a**) Investigation** b) sales c) purchase d) auditing
2. __________ is a online compliance and risk management software solution for compliance managers to build and report all the checks you have or might want.

   a)Continuous Audit b) **E-audits** c)Complete Audit d) None of these

3. EDP stands for _______ .
   a) Electronic Department Processing b) Electronic Data Purchasing

   c) Emergency data processing d) **Electronic Data Processing**

4. MISstands for ___________ .
   a) **Management Information Services** b) Management Industry Services

   c)Management Information Society d) None of these

5. IS stands for ___________ .
   a) information social b**) information services** c) industry services

   d) None of these

6. The ISAs are divided into _______ different standards, all grouped into six categories.
   a) 39 b) 45 c) **36** d) 85
7. ISA standards for ________ .
   a) Industrial Standards on Auditing b) Institutional Standards on Auditing
   c) International Standards on Account d) **International Standards on Auditing**

8. An ___________ is a document written to inform a concerned party about a certain incident that has occurred and the actions that might be taken regarding the situation.
   a) audit report b) **investigation report** c) sales report

   d) none of these

9. The basic objective of _________ is to find out and report the degree of accuracy and reliability of the financial statements of an entity.
   a) accounting b) **auditing** c) investigation d) None of these
10. There are ________ kinds of investigation
    a) 5 b) 7 c) 3 d**) 6**

K2 - LEVEL.

Unit - I

1. Where does the word audit come from?
The word audit is derived from a Latin word "audire" which means "to hear".

2.What is Audit?
An audit is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern.

3.What is the difference between accounting and auditing?
Accounting is a daily process, whereas an audit is usually conducted annually or quarterly.

4.What are the advantages of auditing?
It helps the management in detection of errors and frauds. It helps the management in obtaining loans from banks and other financial institutions as the audited statements are relied upon. It builds up the reputation of the business.

5.What is the main objective of auditing?
The main objectives of auditing are also known as primary objectives of auditing. Checking the authenticity and validity of transactions which is done. Examining arithmetical accuracy of books of accounts, casting, balancing etc. Settling the current value of assets and liabilities.

6.What is Complete Audit?
It is done after the close of financial year or when the final accounts are prepared. The audit is completed in one continuous session.

7. What is Continues Audit?
When the auditor visits his client in regular or irregular intervals during the financial year and checks each and every transaction. At the end of the year, he checks the profit and loss account and balance sheet.

8. What is **I**nternal Audit?
When the appointment of auditor is made by the person responsible for the performance of the entity, he is called internal auditor and the audit done by him is called internal audit.

9.What is External Audit?
When the auditor is not appointed by the management. For example director of the company can not appoint the statutory auditor directly but the statutory auditor is appointed by the shareholders. It means the statutory auditor is also called an external auditor.

10. What is Statutory Audit?

Where the appointment of the auditors, manner of audit, contents of audit reports etc are specifically mentioned in the Act, the audit conducted according to them is called statutory audit.

Unit - II

1.What are Internal Controls?

An internal control is a procedure or policy put in place by management to safeguard assets, promote accountability, increase efficiency, and stop fraudulent behavior.

2. What are examples of internal controls?

The seven internal control procedures are separation of duties, access controls, physical audits, standardized documentation, trial balances, periodic reconciliations, and approval authority.

3. What is vouching of cash book?

In a business concern, cash book is maintained to account for receipts and payments of cash. It is an important financial book for a business concern.

4.What is Internal Check?

Internal Check is an integral function of the internal control system. It is an arrangement of duties of the staff members in such a way that the work performed by one person is automatically and independently checked by the other.

5.What is Vouching?

Vouching, widely recognized as "the backbone of auditing," is a component of an audit seeking to authenticate the transactions recorded in a firm's book of accounts.

6.What are the objectives of internal check?

To protect business from carelessness, inefficiency and fraud. To ensure and produce adequate and reliable accounting information. To minimize the chances of errors and frauds and to detect them easily on early stage if it is committed.

7. What is Working papers?

Working papers are documents developed by auditors that summarize their work, including evidence, tests, and conclusions related to the audit objectives.

8.What is voucher?

A voucher is an internal document describing and authorizing the payment of a liability to a supplier. It is most commonly used in a manual payment system.

9. What is Audit note book?

It is maintained by the audit assistant the note down to all those unclear matter which he may come across in the course of audit and on which he requires further clarification and explanation.

10.What is an Audit Programme?

The written plans prepared by an auditor showing the nature, duration and extent of the audit procedures to be adopted to conduct the audit more efficiently and effectively is called audit programme.

Unit - III

1. What is verification?
   Verification means providing the truth or conformation.
2. What is the main duty of an auditor?
   One of the most important duties of an auditor in connection with the audit of the accounts of a concern is to verify the assets and liabilities.
3. What are the problems in valuation of assets and liabilities?
   The accuracy of the balance sheet and the estimated profits of a concern depend on correct valuation of assets and liabilities.
4. What is mean by replacement value?
   Replacement value is the amount which would be required to purchase another asset of the same type to replace the existing one.
5. What is scrap value?
   Scrap value or Breakup value is the amount realized if a particular asset is sold when it has become unserviceable.
6. What are intangible assets?
   Good will, Copy Rights, Trade marks
7. What is mean by fixed assets?
   Fixed assets are those which are acquired for permanent equipment and not for resale in the ordinary course of business.
8. What is mean by Current assets?
   Current assets are easily converted into cash.
9. What is meant by wasting assets?
   Wasting assets are those fixed assets which are depleted gradually or exhausted in the process of working, such as a mine, a quarry, oil well.
10. Define depreciation.
    Depreciation has been defined as the decrease in the value of assets on account of natural wear and tear or effluction of time.

Unit - IV

1. What is Audit of Joint Stock Company?

The companies Act, 1956 requires the compulsory audit of every Joint Stock Company and therefore, an auditor is to be appointed to do the job and submit his report to the shareholders of the Company.

2. Who appoints auditor in a company?

(1) At any time before the first annual general meeting of a company, the directors of the company may appoint, or (if the directors do not make an appointment) the company at a general meeting may appoint, a person to be the auditor of the company,

3. How many years an auditor can audit a company?

As per Section 139(2) of the Companies Act, 2013, the aforesaid categories of Companies have to mandatorily rotate their Auditors as follows: An individual can be appointed as auditor for a term of five consecutive years; An audit firm can be appointed as auditor for two terms of five consecutive years.

4. What is the qualification of company auditor?

A person shall be eligible for appointment as an auditor of a company only if he is a chartered accountant: Provided that a firm whereof majority of partners practising in India are qualified for appointment as aforesaid may be appointed by its firm name to be auditor of a company.

5. What are the liabilities of an company auditor?

Civil Liability;
Criminal Liability;
Liability towards third parties;
Liability for libel;

6. What are the Objectives of Share Transfer Audit

The main objectives of the share transfer audit are as below:

- Checking or preventing clerical errors.
- Preventing the improper issue of duplicate share certificates or certified transfers.
- Enabling the dealing of securities in stock exchanges as per the stock exchange rules and regulations.

7. What is share transfer audit?

Share Transfer Audit: It is no part of an auditor's duty to check the share transactions in detail but he is usually asked to undertake the audit of share transfer for which he is paid an extra remuneration.

8. What is Share Capital audit?

Joint stock company issuesshares to the public to raise their capital is called as share capital.

9. What do you mean by audit report?

An audit report is a written opinion of an auditor regarding an entity's financial statements. The report is written in a standard format, as mandated by generally accepted auditing standards (GAAS).

10. What are theTypes of Audit Reports

Audit reports included Unqualified Audit Report (Clean Audit Report), Qualified Audit Report, Disclaimer Audit Report, and Adverse Audit Report.

Unit - V

1. What is Investigation?

Investigation is an examination of books and records preliminary of financing or for any specified purpose, sometimes differing in scope from the ordinary audit.

2. What Is Computerized Accounting?

Computerized accounting refers to using computers for a range of accounting tasks. In the past, computers were used as calculators. Modern computers perform a number of additional tasks and provide analytical information.

3. What are the advantages of computerized accounting?

Advantages of Computerized Software. An advantage of having computerized accounting software is the money it can save. Think about the real-time decisions that can be made when financial information like profit and loss statements, income statements, and sales reports can be run in an instant.

4. Why is computerized accounting important?

An overall increase in the level of accuracy, effectiveness and efficiency of the financial statements are accounting reports. Another key benefit is that this type of accounting reduces operation cost due to errors and repetitive working. Computerized accounting improves financial performance and efficiency

5. What are the features of Computerised accounting?

Features of Computerized Accounting Environment. Computerised accounting system is a software that helps businesses to manage the big financial transactions, data, reports, and statements with high efficiency, speed, and better accuracy.

6. What are the types of Computerised accounting?

Computerized accounting systems are software programs that are stored on a company's computer, network server, or remotely accessed via the Internet.

7. What is **Electronic auditing**

Electronic auditing, or e-Auditing, is computer-assisted auditing that uses electronic records to complete all or part of the audit

8. What is Standards on Auditing.

These standards are applicable to all auditing firms which perform audits and reviews of historical financial information including assurances and related service engagements. Standards on Auditing (SAs) For auditing historical financial information.

9. What are the three general standards of auditing?

The generally accepted auditing standards (GAAS) are the standards you use for auditing private companies. GAAS come in three categories: general standards, standards of fieldwork, and standards of reporting.

10. Expand (SQCs)

Standards of Quality Control

K3 - LEVEL.

Unit - I

1. Explain the objectives of an audit.
2. Explain the Error of omission.
3. Explain the Auditing and Investigation.
4. Discover the Qualities of an Auditor.
5. Distinguish between Book keeping , Accountancy and Auditing.
6. Explain the Location of Errors.
7. Explain the Coverage audit.
8. Examine the advantages of continuous audit.
9. Examine the disadvantages of continuous audit.
10. Examine the interim audit.

Unit - II

11. Explain the evaluative Criteria for Good Internal Check by an Auditor.
12. Explain the internal check as regards cash.
13. State the Auditor's duty as regards wages.
14. Discuss the Internal control and its objectives.
15. Explain the procedures with regard to vouching of the debit side of the Cash Book
16. Explain the procedures with regard to vouching of the credit side of the Cash Book.
17. Examine the internal control
18. Discusses in brief about the methods of vouching.
19. State the important features in a system of internal control relating to amounts received in respect of sales ledger account.
20. Examine the Audit note book and Audit programme.

Unit – III

21. Write a short note on valuation.

22. What are the problems in valuation of assets?

23. How assets are valued during inflationary period? Explain it.

24. Explain how fixed assets are valued?

25. Explain the mode of valuation of fixed assets.

26. What are intangible assets? Explain the valuation process.

27. Explain the auditor's position regarding valuation of assets.

28. How investments are valued? Explain it.

29. What are the precautions to be taken while taking stock? Explain it.

30. Distinguish between Depreciation and Fluctuation.

Unit - IV

31. Explain the Clean Audit Report.
32. State the contents of audit report according to section 227(2) and 227(3) of the companies act.
33. Examine share capital and share transfer audit
34. Analyze the Rights of Auditor.
35. Examine the duties of Auditor
36. Explain qualification of a company auditor.
37. Explain disqualification of a company auditor.
38. Explain appointment of auditors.
39. Draft an audit programme for a share transfer audit.
40. Examine the BranchAuditor .

Unit - V

41. Draft a detailed program involved in the investigation process.
42. Examine the Electronic Auditing.
43. Examine the Auditing standards.
44. Explain the investigation on behalf of an incoming partners.
45. Examine the investigation for auditors report for the prospectus purpose.
46. Explain the investigators report.
47. Explain the Technique of investigation.
48. Explain the investigation on behalf of a lender of money.
49. Explain the investigation when fraud is suspected.
50. Explain the investigation under the provisions of the companies act.

K4 - LEVEL.

Unit - I

1. Define an Audit and state the various objectives of an audit.
2. Discuss the main class error and frauds
3. Accountancy is a necessity while Auditing is a luxury comment. explain
4. Discover the different types of frauds.
5. Distinguish between continuous audit and balance sheet.

Unit - II

6. Define internal control . Explain its objectives
7. Explain the aims of internal control system,
8. Explain letter of weakness?
9. Analyze the importance points internal check system
10. Discuss the general principles to be applied when allocating expenditure capital

Unit –III

11. Explain the various kinds of verification and valuation of assets.

12. Explain the various methods of stock in hand.

13. Explain the basic principles of the valuation of stock-in-trade.

14. Explain the various form of verification of liabilities.

15. Explain the various measures of depreciation

Unit - IV

16. Explain Audit Report.
17. Examine share capital and share transfer audit
18. Analyze the Rights and duties of Auditor
19. Explain liabilities of a company auditors
20. Explain appointment of auditors.

Unit - V

21. Distinguish investigation from audit.
22. Discover the objectives of investigation
23. Explain powers of investigators.
24. Analyze the rights of investigators.
25. Explain Electronic Auditing.