

AUDITING PRINCIPLES AND PRACTICE-17UCO514

K1- LEVEL QUESTIONS

UNIT – I

1. The term “Audit” originated from the Latin word.
(a) **Audire** (b) Adhere (c) Adhere (d) None of the above
2. _____ is a systematic examination of the books and records or a business.
(a) **Auditing** (b) Vouching (c) Verification (d) Checking.
3. _____ 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) **To submits the accounts to Government of India.**
4. _____ 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.**
5. An audit which is compulsory by the law _____.
(a) Government audit. (b) Internal audit. (c) Cost audit. (d) **Statutory audit.**
6. Instruction of audit issued by controller and auditor general of India _____.
(a) Statutory audit. (b) Final audit. (c) Management audit. (d) **Government audit.**
7. Audit done by the employees of the business undertaking is called _____.
(a) Final audit. (b) **Management audit.** (c) Government audit. (d) Statutory audit.
8. This kind of audit is conducted generally between two annual audit _____.
(a) Internal audit. (b) **Interim audit.** (c) Final audit. (d) Continuous audit.

9. Management audit otherwise called as _____.
(a) Final audit. **(b) Efficiency audit.** (c) Cost audit. (d) Cash audit.
10. The main object of an audit is _____.
(a) Expression of opinion
(b) Detection and Prevention of fraud and error
(c) Both (a) and (b)
(d) Depends on the type of audit

UNIT-II

1. Process of checking the evidence of the entries called _____.
(a) Verification (b) Observation **(c) Vouching** (d) Inspection
2. To verify cash transactions, it is necessary.
(a) System of internal control (b) Check all transaction
(c) Documentary evidence for every transaction **(d) All of the above.**
3. Total amount spent for advertisement expenses be verified from the
(a) Receipts from the Medias or advertisement agency. (b) Fixed assets register
(c) Debtors books (d) None of the above.
4. Vouching helps the auditors to ascertain whether the entries in the book_____, this is the basic objective of auditing.
(a) True and fair (b) Only true (c) Only fair (d) None of the above.
5. Voucher should be addressed to the _____.
(a) Auditor **(b) Client** (c) Employee (d) None of the above.
6. Serial number of vouchers should be _____.
(a) Colored **(b) Continuous** (c) Even number (d) Odd number.
7. _____ is/are an importance of vouching?
(a) Ensures all items are disclosed in the financial statement as per Schedule VI provisions.
(b) It helps to verify whether entries are passed as per acceptable accounting principles.

(c) Helps in detection and prevention of errors & frauds.

(d) All the above

8. Checking the head of account debited or credited during vouching helps the auditor to _____.

(a) Detect errors of principle

(b) Check whether accounting is proper.

(c) Find errors of commission

(d) All of the above

9. _____ of the following can be accepted as a supporting document.

(a) Invoice/Challan

(b) Debit note/Credit note.

(c) Emails/letters.

(d) All of the above.

10. Checking the date of voucher on the voucher during vouching mainly helps the auditor to obtain evidence that_____.

(a) The transaction relates to current year.

(b) The transaction has taken place.

(c) The transaction is genuine.

(d) The transaction is legal.

UNIT-III

1. Verification refers to

a) Examination of journal and ledger

b) Examination of vouchers related to assets

c) Examining the physical existence and valuation of assets

d) Calculation of value of assets

2. 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

3. Which of the following statements is correct?

a) Valuation is a part of verification

b) Verification is a part of valuation

UNIT-IV

1. First auditor of a company is appointed by the
 - a) Shareholders
 - b) Central Govt.
 - c) Company Law Board
 - d) Board of Directors**
2. 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**
3. The first auditor of a company will hold office
 - a) For a period of one year
 - b) Till holding of statutory meeting
 - c) Till the conclusion of first annual general meeting**
 - d) Till a new auditor is appointed
4. Normally, a company auditor is appointed by the
 - a) Central Government
 - b) Shareholders**
 - c) Board of Directors
 - d) Company Law board
5. An auditor in a casual vacancy is appointed by the
 - a) Board of Directors**
 - b) Shareholders
 - c) Central Government
 - d) Company Law board
6. 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
7. A vacancy caused by resignation of the auditor is filled by
 - a) Board of Directors
 - b) At the general meeting of shareholders**

- c) By the Central Government d) By the Company Law board
8. A special auditor is appointed by the
- a) Shareholders b) Board of Directors
- c) Central Government** d) C & A - G
9. A government Co. auditor may be appointed by the
- a) C & A – G** b) Shareholders
- c) Central Government d) None of the above
10. A company auditor can be removed before expiry of his term by
- a) Shareholders** b) Board of Directors
- c) Central Government d) State Government

UNIT-V

1. 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
2. Investigation is carries on behalf of
- a) Manager b) Employee
- c) Client **d) On behalf of owner and third parties**
3. Examination of accounting records undertaken for a special purpose is called
- a) Auditing b) Internal check
- c) Investigation** d) Internal control
4. 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

5. CAATS is also known as _____.

a) Cost and Accounts Treatments

b) Computer Assisted Audit Techniques

c) Classification and Accounting of Tax Tools

d) None of these.

6. _____ are tools for drawing inferences and gathering relevant and reliable evidence as per requirements of the assignment.

a) CAAT b) CATA c) CCAT d) CATT

7. CAATs refer to using _____ for auditing data as per audit objectives.

a) Mobiles **b) Computers** c) Pen drive d) None of these

8. _____ involves using of global filter conditions to select required data based on specified criteria.

a) Data selection b) Data analysis c) Data coding d) None of these

9. _____ the features of sampling, stratification and frequency analysis.

a) Arithmetic function b) Logical function **c) Statistical functions** d) None of these

10. An auditor can obtain the audit evidence by _____.

a) Inspection

b) Observation

c) Inquiry and confirmation

d) All of these

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K2- LEVEL QUESTIONS

UNIT – I

1. Define Auditing.

Spicer and Pegler have defined audit as “such an examination of the books , accounts and vouchers of a business as will enable the auditor to satisfy himself that the Balance Sheet is properly drawn up, so as to give a true and fair view of the state of affairs of the business and whether the profit and loss account gives a true and fair view of the profit or loss for the financial period, according to the best of his information and explanation given to him and is shown by the books and if not in what respect he is not satisfied.”

2. What is cost audit?

Cost Audit represents the verification of cost accounts and check on the adherence to cost accounting plan. Cost Audit ascertain the accuracy of cost accounting records to ensure that they are in conformity with Cost Accounting principles, plans, procedures and objective.

3. What is Special Audit?

A special audit is a tightly-defined audit that only looks at a specific area of an organization's activities. This type of audit may be initiated by a government agency, but could be authorized by any entity, or even internally.

4. What is an error of principle?

An error of principle is an accounting mistake in which an entry is recorded in the incorrect account, violating the fundamental principles of accounting.

5. What is mean by Management Audit?

Management Audit is an assessment of methods and policies of an organization's management in the administration and the use of resources, tactical and strategic planning, and employee and organizational improvement.

6. Recall the meaning Private Audit.

Private Audit Private audit are carried out at the behest of the interested parties and not to fulfil statutory requirements.

7. What is Continuous Audit?

Continuous audit is an internal process that examines accounting practices, risk controls, compliance, information technology systems and business procedures on an ongoing basis.

8. Specify the two advantages of Auditing.

Auditing is helpful in detecting frauds and prevention of errors. It helps to keep the staff vigilant; as eventually the work done by them goes for an audit.

9. Recall the meaning of Interim Audit.

An interim audit involves preliminary audit work that is conducted prior to the fiscal year-end of a client.

10. What is Final Audit?

Final audit is an audit which is done after the financial period is over and the accounts are ready. It is continued in a session until the complete audit work is over.

UNIT II

1. What is Working Paper?

Audit working papers are used to document the information gathered during an audit. These working papers provide evidence that sufficient information was obtained by an auditor to support his or her opinion regarding the underlying financial statements.

2. What is Internal Control?

Internal control, as defined by accounting and auditing, is a process for assuring of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

3. Recall the meaning of 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.

4. Define Vouching.

Vouching is defined as the "verification of entries in the books of account by examination of documentary evidence or vouchers, such as invoices, debit and credit notes, statements, receipts, etc.

5. Define Internal Audit?

Internal audit is a dynamic profession involved in helping organisations achieve their objectives. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organisation.

6. Recall the meaning of Audit Note Book.

Audit note book contains information regarding day-to-day work performed by the audit staff on any particular date. Notes about all types of errors, difficulties and uncleared queries or points to be discussed with the auditor or clients and the points which are to be incorporate in the report are noted down.

7. Specify any two advantages of Internal check.

a. Proper division of work

b. Detection of errors and frauds

8. Recall any two objectives of Vouching.

To check whether all the business transactions are properly recorded in the books of accounts or not.

To verify that all the documentary evidence is authenticated and related to business transactions only.

9. What is vouching of Non-Cash Items?

Vouching includes routine checking which is a mechanical checking, whereas vouching is made on the basis of documentary evidence. A voucher may be a sales bill, purchase bill, payment receipt, pay-in slip, etc.

10. Recall the meaning of primary vouchers.

Primary Vouchers: When a written evidence is available in original, it is known as primary voucher. For example : cash memo, purchase invoice.

UNIT III

1. What is valuation?

Valuation is the process of valuing a company's assets and liabilities for financial reporting purposes. Several accounting-valuation methods are used while preparing financial statements in order to value assets.

2. Define verification.

Verification means 'Proving the truth' or 'Confirmation'. Verification is an auditing process in which auditor satisfy himself with the actual existence of assets and liabilities appearing in the Statement of Financial position.

3. What is valuation of assets?

The valuation as such is to ensure the correct valuation of the assets while in verification, the auditor has to verify the authority, and the existence of the property also besides its valuation.

4. What are the wasting assets?

During the period of depreciation, the asset is called a "wasting asset." For example, natural resources, such as gas and timber, are wasting assets that eventually are used and then have no remaining value

5. Recall the meaning of fictitious assets.

Fictitious assets are such assets whose benefit is derived over a longer period of time, Like Deferred revenue expenditure, Misc. expenses, Preliminary expenses, Accumulated loss, etc.

6. What are contingent liabilities?

Contingent liabilities are amounts your company owes only in the case of a future event occurring. Their impact on the financial statements depends on the likelihood of the contingency being satisfied and the amount of the transaction.

7. Define the term Reserve.

Reserves are amounts appropriated out of profits, which are not intended to meet any liability, contingency, commitment or diminution in the value of assets known to exist at the date of the balance sheet.

8. What is reserve fund?

The expression reserve fund may be defined as a sum set aside out of divisible profits and retained in the business so as to provide for unexpected or unknown future contingencies or losses or to equalize dividends or to strengthen the financial position of a business concern.

9. What is a Provision?

a provision is an account which records a present liability of an entity. The recording of the liability in the entity's balance sheet is matched to an appropriate expense account in the entity's income statement.

10. Specify any two purpose of creating Specific Reserve.

- a) To meet out outstanding liabilities for expenses due.
- b) To write off loss arising out of depreciation or diminution in assets such as depreciation reserve.

UNIT IV

1. Recall the meaning of first auditor.

The first auditor of a company, other than a government company, shall be appointed by the board of directors within 30 days from the date of registration of the company and in the case of failure of the Board

2. Who is rotation auditor?

Mandatory audit rotation imposes periodical breaks to audit engagements and is intended to avoid excessively long relationships between the auditor and the client.

3. Specify any two rights of an auditor.

Company auditor has rights to access the books and records of the company. Company auditor has right to receive notice of general meetings. He can attend the general meetings.

4. What is mean by statutory duty of an auditor?

After completion of audit work, auditor should give a report expressing his opinion. Whether financial statements are prepared are prepared in accordance with requirements of companies act or not.

5. What is civil liability of an auditor?

The liability of an auditor to pay damages are known as Civil Liabilities. Auditor must exercise reasonable degree of skill and care in the performance of his duties.

6. What is a criminal liability of an auditor?

If an auditor makes any false statement or omits any material fact known to him intentionally, in any Return, certificate, report, balance sheet, prospectus etc, under Section 628 of the Companies Act, he is punishable with imprisonment and also be liable to fine.

7. Recall the meaning of audit of share transfer.

If a company commits any mistake in recording the share transfer, it may be faced with the liability of paying heavy damages to the affected shareholders. Therefore, it is the duty of the auditor to consider and check various aspects while auditing transfer of shares.

8. 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.

9. What is meany by Qualified Audit Report?

Qualified Audit report is the report that issue by auditors to the financial statements that found material misstatements on them. But those material misstatements are not pervasive.

10. Recall the meaning of share warrant.

Share warrants are instruments that give the holder a right, but not an obligation, to purchase the entity's shares at specified price (generally at discounted prices) and date. Classification of a warrant either as liability or equity determines accounting of these instruments.

UNIT V

1. Define Investigation.

A careful and detailed study of the books of accounts to discover truth is known as Investigation. Auditing is a general examination while Investigation is critical in nature.

2. Expand the term CAAT.

Computer-assisted audit techniques (CAATs)

3. Specify any two objectives of investigation.

a) Investigation is performed to prove a certain fact.

b) Investigation rests on the terms of engagement.

4. Recall any two needs of CAAT.

CAATs is the practice of using computers to automate the IT audit processes. CAATs normally includes using basic office productivity software such as spreadsheet, word processors and text editing programs and more advanced software packages involving use statistical analysis and business intelligence tools.

5. Write any one CAATs Certification Program.

a) International Certified CAATs Practitioner - ICCP

b) ACL Certified Data Analyst -ACDA

6. Specify any two advantages of CAAT.

They are independent of the system being audited and will use a read-only copy of the file to avoid any corruption of an organization's data.

Many audit-specific routines are used such as sampling.

7. What is mean by file reorganisation?

The file reorganization functions allow data to be sorted into different orders and data.

8. Specify any two uses of CAAT.

a) Creation of electronic work papers

b) Analytical test

c) Fraud detection

9. What is purpose of audit testing?

The purpose of audit tests, or audit procedures, is to allow the auditor to collect sufficient appropriate audit evidence to be able to conclude with reasonable assurance that the financial statements (FS) are free of material misstatement.

10. What are the four classes of audit procedures?

a) Analytical procedures

b) Enquiry and confirmation

c) Inspection

d) Observation

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K3 LEVEL QUESTIONS

UNIT – I

1. Enumerate the qualities of Auditor.
2. Explain the objectives of Auditing.
3. What are the duties of an auditor to prevent fraud?
4. Explain the management Audit.
5. Explain advantages of Continuous Audit.
6. Enumerate the Detection and prevention of errors.
7. Explain the Auditor's Position in regard to detection and prevention of frauds.
8. Enumerate the advantages of audit to the owners of the business.
9. Explain the Detection and prevention of frauds.
10. Explain the advantages of Auditing to others: -

UNIT – II

1. Write short notes on audit note book.
2. Explain the advantages of routine check.
3. Explain the objectives of vouching.
4. Discuss the method of teeming and lading of cash receipt from debtors.
5. Distinguish between auditing in depth and overall checks.
6. Write short notes on Internal Control.
7. Explain the advantages of Internal Check.
8. Explain the objectives of Internal Audit.
9. Write short notes on Working Papers.

10. Explain the advantages of Audit Note Book.

UNIT – III

1. Describe the advantages of Valuation of Assets.
2. Give a check list for audit depreciation.
3. Describe the Characteristics of valuation of assets.
4. Explain various steps taken by the auditor to value assets of a firm.
5. Describe the secret reserve? How it is created?
6. Write short notes on Verification of Liabilities.
7. Describe the advantages of Verification of Assets.
8. Write short notes on Depreciation.
9. Explain in detail about Reserves and Provisions.
10. Write short notes on Contingent Liabilities.

UNIT – IV

1. Explain the procedures to appoint first auditor of the company.
2. Enumerate the statutory duties of the auditor in regards to a joint stock company.
3. Discuss the Civil liability of an auditor.
4. Explain the criminal liability of an auditor.
5. Discuss the audit of share transfer.
6. Write short notes on Audit of Joint Stock Companies.
7. Describe the Appointment of Company Auditor.
8. Discuss the Qualification of Company Auditor.
9. Explain the Rights of Company Auditor.
10. Describe the Liabilities of a Company Auditor.

UNIT – V

1. Discuss the objectives of investigation.

2. Investigation under the provisions of Companies Act.
3. Explain the step by step methodology of CAAT.
4. Discuss the types of audit testing.
5. Enumerate the procedure of audit testing.
6. Describe the advantages of Audit Testing.
7. Explain the need of Audit of Computerized Accounts.
8. Write short notes on Procedures of Audit Testing.
9. Discuss the disadvantages of Audit Testing.
10. Explain the advantages of Computer Assisted Audit Technique.

AUDITING PRINCIPLES AND PRACTICE - 18UCO514

K4 LEVEL QUESTIONS

UNIT – I

1. Explain the objectives and importance of auditing.
2. What are the different classes of audit?
3. Distinguish between auditing and investigation.
4. Explain the distinction between internal audit and statutory audit.
5. Explain the advantage and disadvantage of auditing.

UNIT –II

1. Explain the audit programme and advantage and disadvantage of audit programme.
2. Explain the outstanding assets and liabilities.
3. Explain the procedure in regard to vouching the credit side of the cash book
4. Describe the objects of vouching the cash book. Discuss in brief the procedure for vouching the items appearing on the receipt side.
5. How would you vouch the various expenses which have accrued but not paid?

UNIT – III

1. How would you verify the following:
 - i. Loan from financial institution
 - ii. Trade debtors
 - iii. Furniture and fittings.
2. What is the distinction between capital reserve and revenue reserve?
3. Explain the duty of an auditor in connection with credit purchases and credit sales.
4. Explain the duty of an auditor in with asset side of balance sheet.
5. Explain in detail secret reserves.

UNIT – IV

1. Explain the Qualification and disqualification of an auditor.
2. Explain the different ways of appointment of auditor.
3. What are the rights and duties of auditor?
4. Define audit report. What are its types?

5. Define audit report. Explain its contents.

UNIT –V

1. Explain the audit of computerized accounts in detail.
2. Explain the need for CAAT s.
3. What are the advantages and disadvantages of CAATs?
4. Write a note on Audit Testing.
5. Explain the Computer Assisted Audit Techniques.