1100+ M.C.Q.s

AUDIT
For CA-INTER
OLD/NEW Syllabus

CA NITIN GUPTA
(M.Com, F.C.A.)
Multiple Choice Questions on Auditing & Assurance
[For CA- Intermediate – Old and New Syllabus]

BY CA NITIN GUPTA
[M Com, FCA]
## Contents

| Basic Concepts of Auditing                  | 1-18 |
| Internal Controls                          | 19-22 |
| Examination in Depth, Continuous Audit,    | 23-24 |
| Final Audit, Audit Note Book               |      |
| The Company Audit                          | 25-40 |
| Standards On Auditing                      | 41-136|
| (Including Topics Relating to SAs)         |      |
| Audit of Local Bodies and Government Audit| 137-140|
| Examination of Item of Financial Statement | 141-145|
| Only for Old Syllabus                      |      |
| Company Audit- II                          | 146-155|
| Audit in CIS Environment                   | 156-159|
| Only For New Syllabus                      |      |
| Audit of Co-Operative Society              | 159-162|
| Audit of Limited Liability Partnership Firm| 163-164|
| Audit of Banks                            | 165-174|
| Audit in Automated Environment             | 174-179|
MULTIPLE CHOICE QUESTIONS

Basic Concepts of Auditing

1. __________ is an independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal structure, where such as examination is conducted with a view to express an opinion.
   a) Auditing
   b) Investigation
   c) Verification
   d) Checking

2. The main objective of financial audit is _______
   a) Expression of opinion
   b) Detection and prevention of fraud and error
   c) Designing internal control system
   d) All of these

3. To ensure the financial statements as a whole are free from material misstatements is the _______
   a) Scope of audit
   b) Aspects to be covered under the audit
   c) Objective of audit
   d) All of the above

4. The audit should be organized to cover adequately all aspects of the enterprise relevant to the financial statements being audited, is one of the merit consideration is regard to _______
   a) Scope of audit
   b) Aspects to be covered under the audit
   c) Objectives of audit
   d) None

5. Auditor gives _______ regarding the financial statements
   a) True and fair view
   b) Correct view
   c) Fair view
   d) Completely true

6. Auditing begins where__________ends.
   a) Selling
   b) Inventory valuation
   c) Accounting
   d) Purchase

7. Which type of organizations use auditing services?
   a) Non-profit-organizations
b) Business  
c) Governments  
d) All of the above

8. **Auditing should be**  
a) Independent  
b) Compulsory  
c) On the request of government  
d) None of the above

9. **Users of financial statements includes**  
a) Management, Shareholders, Employees  
b) Financial Institution, Suppliers, Customers  
c) Government  
d) All of the above

10. **An audit which is governed by law is called as**  
a) Government Audit  
b) Internal Audit  
c) Statutory Audit  
d) Cost Audit

11. **The scope of work of the audit is specified by the management for**  
a) External Auditor  
b) Branch Auditor  
c) Joint Auditor  
d) Internal Auditor

12. **Who is responsible to express opinion on the true and fair view of the financial statements**  
a) External Auditor  
b) Joint Auditor  
c) Internal Auditor  
d) Both (a) and (b)

13. **State which of the following statement is not true with reference to the scope of audit**  
a) To form an opinion, the auditor should be satisfied that accounting information is reliable and sufficient as the basis for the preparation of the financial statements  
b) All aspects of the enterprise to be covered in audit  
c) The professional skill required of an auditor includes that of a technical expert for determining physical condition of certain assets  
d) None

14. **The principal aspects to be covered in an audit concerning final statements of account are**  
   i. An examination of the system of accounting and internal control  
   ii. Reviewing the system and procedures  
   iii. Checking of the arithmetical accuracy of the books of account
iv. The audit should be organized to cover adequately all aspects of the enterprise relevant to the financial statements being audited
   a) Only (iv)
   b) Both (iii) and (iv)
   c) Except (iv)

15. The chief utility of audit lies in reliable financial statements on the basis of which the state of affairs may be easy to understand. Apart from this obvious utility, other advantages of audit are
   a) It safeguards the financial interest of persons who are not associated with the management
   b) Audit ascertains whether the necessary books of accounts and allied records have been properly kept.
   c) Government may require audited and certified statement before it gives assistance or issues a license for a particular trade
   d) All of the above

16. It naturally calls on the part of the auditor to have a thorough and sound knowledge of generally accepted principles of accounting before he can review the financial statements.
Which of the following discipline matches the above statement?
   a) Auditing and Financial Management
   b) Auditing and Statistics & Mathematics
   c) Auditing and Accounting
   d) All of the above

17. ___________ along with other discipline such as accounting and law, equips you with all knowledge that is required to enter into auditing as a profession.
   a) Auditing
   b) Taxation
   c) Finance
   d) Taxation and Finance both

18. Independence comprises
   a) Independence by mind
   b) Independence in appearance
   c) Both (a) and (b)
   d) None of these

19. Chartered Accountants have an important role in
   a) Entity
   b) Society
   c) Audit Firm
   d) Audit Committee

20. Which of the following categories of people use the work of Chartered Accountant?
   a) Investors
   b) Government
   c) The public at large
   d) All of the above
21. The term financial statement shall exclude
   a) Notes to accounts
   b) Annexure
   c) Both (a) and (b)
   d) None of the above

22. Which of the following companies will be exempted from complying with Schedule III of the
    Companies Act, 2013
   a) Banking Companies
   b) Unlisted Companies
   c) Private Limited Companies having turnover less than Rs. 10 Crore
   d) All of the above

23. Which of the following requires that the auditor should examine the accounts with a view to verify that
    all assets, liabilities, income and expenses are stated as amounts which are in accordance with
    accounting principles and policies which are relevant and no material amount, item or transaction has
    been omitted
   a) Going Concern
   b) Consistency
   c) The Concept of true and fair
   d) Auditor’s Independence

24. What constitute a ‘true and fair’ view is a matter of auditor’s judgement in the particular
    circumstances of a case. In more specific terms, to ensure true and fair view, an auditor has to see
   a) Accounting policies have been followed consistently
   b) The charge, if any, on assets are disclosed
   c) Material liabilities should not be omitted
   d) All of the above

25. Which of the following helps in better understanding of accounting information and meaningful
    comparison?
   a) Accrual
   b) Going Concern
   c) Assertions
   d) Consistency

26. There is no single list of accounting policies which are applicable to all circumstances
   a) Correct
   b) Incorrect

27. The auditor shall report on the accounts examined by him
   a) To the shareholders
   b) To the general public
   c) To CAG
   d) To CG
28. If auditor maintains high degree of independence, it will result in
   a) Attention of media
   b) Reward by CG
   c) Enhanced reliability on financial statements
   d) Good relationship with the entity.

29. Which of following is the responsibilities of management
   a) Preparation and presentation of the financial statement in accordance with applicable financial reporting
   b) Design, implement and maintain of internal control
   c) Safeguard of the assets
   d) All of the above

30. Which of the following involves detailed examination of some specific areas?
   a) Auditing
   b) Vouching
   c) Investigation
   d) Verification

31. Auditor should have knowledge of
   a) Accounting
   b) Auditing
   c) Law applicable on the entity
   d) All of these

32. Auditor should have communication skills in following areas:
   a) Oral skills
   b) Written skills
   c) Both (a) and (b)
   d) He does not require any communication skills

33. Function of audit is to
   a) Detect errors
   b) Detect fraud
   c) Safeguard the interest of stakeholders
   d) All the above

34. Which is NOT the function of an auditor?
   a) To give a true and fair view
   b) To take care of all the statutory acts applicable
   c) To do arithmetic checking
   d) To prepare accounts

35. The basic requirement which is absent is auditing is
   a) Exact accounts
   b) Certainty in financial statements
c) Conclusive evidence  
d) All of the above

36. Which of the following statement is not true  
a) The auditor shall express an opinion on financial statements  
b) Auditor’s opinion is not guarantee to future viability of business  
c) Auditor is responsible for prevention and detection of fraud and error in financial statements  
d) Auditor should examine whether recognized accounting principles have been followed

37. Auditor should be done by  
a) A professional accountant  
b) A certified management accountant  
c) A competent and independent person  
d) A chartered accountant

38. Which of the following is least likely to be required in an audit?  
a) Test appropriateness of journal entries and adjustment  
b) Review accounting estimates for biases  
c) Evaluate the business rationale for significant, unusual transactions  
d) Make a legal determination of whether fraud has occurred

39. It is not uncommon in auditing  
a) Giving the satisfaction to the owner regarding the profits made  
b) Protecting the rights of shareholders  
c) Helping to give true and fair profits of the organization  
d) All of the above

40. Auditing has all features except  
a) Done every financial year  
b) Based on conclusive evidence  
c) Mandatory for companies  
d) None of the above

41. Which of the following is not true about opinion on financial statements?  
a) The auditor should express an opinion on financial statements  
b) His opinion is no guarantee to future viability of business  
c) He is responsible for detection and prevention of frauds and errors in the financial statements  
d) He should examine whether recognized accounting principle have been followed consistently

42. The primary objective of the ordinary examination of financial statement by an auditor is the expression of an opinion on  
a) The competence of management in accounting matters which is implied by whether the opinion is qualified or not  
b) The conformity of the statements with the book of account  
c) The conformity of the financial statements with generally accepted auditing standards applied on a basis consistent with that of the prior year
d) The fairness with which the financial statements present cash flows and results of operations

43. The principal objective of an audit is the examination of financial statements of an enterprise with a view for the auditor to form and express an independent opinion on the truth and fairness for the benefit of which one of the following?
   a) The members
   b) Corporate Governance
   c) The Corporate Affairs Commission
   d) Government authorities

44. Apart from the technical qualities, the auditor should also possess which of the following personal qualities
   a) Confidentiality of client information
   b) Reliability and trust
   c) Effective communication skills
   d) All of the above

45. The factor which distinguishes an error from fraud and other irregularity is
   a) Whether it is a dollar amount or a process
   b) Intent
   c) Materiality
   d) Whether it is caused by the auditor or the client

46. Which of the following statement is TRUE?
   a) An external auditor is required for all types of entity
   b) External auditors are appointed by an entity’s management
   c) Staff auditors make a report for the baseline employees
   d) Staff auditors work is to identify potential risk areas for a company

47. Pick the odd one
   a) Those Charged with Governance
   b) Management
   c) Employees
   d) Auditor

48. Pick the odd one
   a) Preparation of financial statements
   b) Designing, implementation and maintenance of internal control system
   c) Reporting on true and fair view of financial statements
   d) Compliance with the applicable law and regulation

49. Pick the odd one
   a) Balance Sheet
   b) Audit Report
   c) Profit & Loss Account
   d) Cash Flow Statement
50. When the auditor is an employee of the organization being audited (Auditee), the audit is classified as
   a) Internal audit
   b) External audit
   c) Both (a) and (b)
   d) None of these

51. Professional skepticism requires the auditor assume that management is
   a) Reasonably honest
   b) Neither honest nor dishonest
   c) Not necessarily honest
   d) Dishonest unless proved otherwise

52. Professional skepticism requires that the auditor should be______________ indicating ______________
   a) Ignorant, Possible misstatements
   b) Alert, Possible misstatements
   c) Alert, Management bias
   d) Ignorant, Possible misstatements.

53. Professional skepticism includes being alert to, for example
   a) Audit evidence that contradicts other audit evidence obtained
   b) Overlooking unusual circumstances
   c) Conditions that may indicate possible fraud
   d) All of above

54. Holding financial interest in a client and close business relationship with him give rise to___________
   a) Self-review threat
   b) Advocacy threat
   c) Familiarity threat
   d) Self-interest threat

55. If the professional becomes a witness where the part to litigation is his client, it will result in ________
   a) Self-review threat
   b) Advocacy threat
   c) Familiarity threat
   d) Self-interest threat

56. If the auditor is having long association with client it will give rise to ______________
   a) Self-review threat
   b) Advocacy threat
   c) Familiarity threat
   d) Self-interest threat

57. If the professional who is preparing the books of accounts is also auditing the financial statements, it
   shall give rise to
   a) Self-review threat
   b) Advocacy threat
58. If the auditor is facing threat from the client to be dismissed if he refuses to act as per their wishes, it shall give rise to__________
   a) Familiarity threat
   b) Intimidation threat
   c) Advocacy threat
   d) Self-review threat

59. Auditor should have communication skills in following areas:
   a) Oral Skills
   b) Written Skills
   c) Both (a) and (b)
   d) None of these

60. Pick the odd one
   a) Auditing and Accounting
   b) Auditing and Law
   c) Auditing and Financial Management
   d) Auditing and History

61. The auditor shall obtain ____________ assurance in an audit of financial statements whether financial statements are free from material misstatements whether due to fraud or error.
   a) Absolute
   b) Reasonable
   c) (a) or (b)
   d) None of these

62. Which of the following is not a limitation of audit
   a) Auditor’s Objectivity
   b) Test Checking
   c) Persuasiveness of audit evidence
   d) Inherent limitation of internal control system

63. Standards on Auditing are applicable on
   a) Auditing Engagement
   b) Review Engagement
   c) Assurance Engagement
   d) Related Service Engagement

64. Standards on Auditing are issued by
   a) Accounting Standard Board
   b) Quality Review Board
   c) Auditing & Assurance Standard Board
   d) Board of Studies
65. In the financial audit, the auditor expresses opinion on
   a) True and Fair view of financial statements
   b) True and Correct view of financial statements
   c) Effective operation of internal control system
   d) Business operation of the entity

66. Which of the following is not component of financial statement
   a) Profit and Loss Account
   b) Balance Sheet
   c) Notes to Accounts
   d) Board’s Report

67. Pick the odd one
   a) Checking the vouchers
   b) Preparation of vouchers
   c) Evaluation of internal control
   d) None of the above

68. The Institute of Chartered Accountants of India constitutes the ______________ to review the
    existing auditing practices in India to develop Engagement and Quality Control Standards
   a) AASB
   b) IFAC
   c) IAASB
   d) None

69. ________________ is a member of the IFAC and is committed to work towards the
    implementation of the guidelines issued by the IFAC
   a) The Institute of the Chartered Accountants of India
   b) Auditing Practices Committee
   c) Auditing and Assurance Standards Board
   d) All of the above

70. Auditing Practices Committee has been converted into
   a) IFAC
   b) ICSI
   c) AASB
   d) IAASB

71. Which of the following is not type of engagement standard
   a) Standards on Auditing
   b) Standard on Quality Control
   c) Standards on Review Engagement
   d) Standards on Assurance Engagement

72. In which of the following engagement opinion is not expressed
   a) Related Services Engagement
b) Auditing Engagement
c) Review Engagement
d) Assurance Engagement

73. In which of the following engagement an opinion is expressed on a subject matter other than the historical financial information
   a) Auditing Engagement
   b) Review Engagement
   c) Assurance Engagement
   d) Related Services Engagement

74. Which of the following is not code of ethics
   a) Objectivity
   b) Integrity
   c) Communication skills
   d) Professional competence and due care

75. Pick the odd one
   a) Standards on Auditing
   b) Standard on Quality Control
   c) Standards on Review Engagement
   d) Standards on Assurance Engagement

76. How many Standards on Auditing have been issued
   a) 32
   b) 34
   c) 36
   d) 38

77. Standards on Auditing are
   a) Mandatory
   b) Optional
   c) Discretionary
   d) All of these

78. General purpose financial statements are prepared as per
   a) General purpose financial reporting framework
   b) Special purpose financial reporting framework
   c) Both (a) and (b)
   d) None of these

79. Designing, implementation and maintenance of internal control system are the responsibilities of
   a) Management of entity
   b) External Auditor of entity
   c) Both (a) and (b)
   d) Internal Auditor of entity
80. Auditing engagement can be performed w.r.t.
   a) Profit making entity
   b) Non-profit making entity
   c) Corporate entity only
   d) Any entity

81. Scope of financial audit is
   a) Financial information
   b) Non-financial information
   c) Both (a) and (b)
   d) None of these

82. ___________ along with other disciplines such as accounting and law equips you with all the knowledge that is required to enter into auditing as a profession.
   a) Auditing
   b) Taxation
   c) Finance
   d) Taxation and Finance both

83. No business or institution can effectively carry on its activities without the help of proper ________
   a) Audit
   b) Records and accounts
   c) Neither (a) nor (b)
   d) Both (a) and (b)

84. ___________ increases the revenue earning capacity of the business
   a) Capital expenditure
   b) Revenue expenditure
   c) Both (a) and (b)
   d) Both (a) and (b) and deferred revenue expenditures

85. The purpose of providing depreciation is
   a) Adherence to matching concept
   b) Keeping the capital invested in fixed asset intact
   c) Compliance with statutory requirement and presenting true and fair view
   d) All of these

86. As per SA-200 “Overall Objectives of the Independent Auditor,” in conducting an audit of financial statements, the overall objectives of the auditor are:
   a) To obtain reasonable assurance
   b) To report on the financial statements
   c) Both (a) and (b) above
   d) None of the above

87. The auditor cannot obtain an absolute assurance due to________
   a) Lack of accounting knowledge
b) Lack of auditing knowledge

c) Both (a) and (b)

d) Inherent limitations of auditing

88. Which of the following statement is true with respect of inherent limitation of audit?
   a) The auditor cannot reduce the audit risk to zero but can obtain absolute that the financial statements are free from material misstatement.
   b) The auditor can reduce the audit risk to zero but cannot obtain absolute assurance that the financial statements are free from material misstatement.
   c) The auditor cannot reduce the audit risk to zero and cannot obtain absolute assurance that the financial statements are not free from material misstatement.
   d) The auditor cannot reduce the audit risk to zero and cannot obtain absolute assurance that the financial statements are free from material misstatements.

89. The auditor’s _________ safeguard the auditor’s ability to form an audit opinion without being affected by any influences.
   a) Objectivity
   b) Independence
   c) Confidentiality
   d) Integrity

90. SA series 300-499 cover the aspect of
   a) Risk assessment and responses to assess risk
   b) Specialized area
   c) Introductory matters
   d) General principles and responsibilities

91. SA Series 500-599 cover the aspects of_______
   a) Introductory matters
   b) General Principles and Responsibilities
   c) Audit Evidence
   d) Audit Conclusion and Reporting

92. SA Series 700-799 cover the aspects of ________
   a) Introductory matters
   b) General Principles and Responsibilities
   c) Audit Evidence
   d) Audit Conclusion and Reporting

93. SA Series 200-299 cover the aspects of
   a) Introductory matters
   b) General Principles and Responsibilities
   c) Audit Evidence
   d) Audit Conclusion and Reporting

94. SA Series 600-699 cover the aspects of
a) Using the work of others  
b) Audit Evidence  
c) Risk Assessment and Auditor’s Response  
d) Audit Conclusion and Reporting

95. The___________ have been issued with a view to securing compliance by members on matters which, in the opinion of the Council, are critical for proper discharging of their functions.
   a) Statements  
   b) Guidance Notes  
   c) Standards on Audit  
   d) All of these

96. ___________ are designed to provide guidance to members on the matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues that may pose difficulty.
   a) Statements  
   b) Guidance notes  
   c) Standards on Audit  
   d) All of these

97. Guidance notes are
   a) Mandatory  
   b) Recommendatory  
   c) None of these

98. Internal audit may cover the aspects________
   a) Financial  
   b) Non-Financial  
   c) Both (a) and (b)  
   d) None of these

99. Internal auditor is appointed by
   a) Management  
   b) The shareholders  
   c) CG  
   d) External auditor

100. The area of work is determined by management
   a) Insurance audit  
   b) Sole proprietorship audit  
   c) Internal audit  
   d) Bank audit

101. __________ audit assists the management in finding out new ideas for marketing and other business areas.
   a) Secretarial audit
b) Insurance audit
c) Internal audit
d) Tax audit

102. Which of the following is not a basic principle governing audit or ethical requirement to be followed by auditor
   a) Independence, Integrity, Confidentiality
   b) Compliance Framework, Fair Presentation Framework
   c) Audit Documentation, Accounting System and Internal Control
   d) Reporting Requirements, Skills, Using the work of others.

103. Professional judgement is based on
   a) Skills
   b) Knowledge
   c) Experience
   d) All of the above

104. An audit which is compulsory by law is called as
   a) Government Audit
   b) Internal Audit
   c) Cost Audit
   d) Statutory Audit

105. For which of the following entities statutory audit of financial statement is not conducted
   a) Banking Companies
   b) Insurance Companies
   c) Partnership Firm
   d) One Person Company

106. Accounting and Internal Control system are the responsibilities of:
   a) TCWG & Management of entity
   b) External Auditor of entity
   c) Internal Auditor of the entity
   d) All of above

107. Compliance with Laws and Regulations which are applicable of the entity, is the responsibility of _____
   a) TCWG and Management of entity
   b) External Auditor of entity
   c) Internal Auditor of entity
   d) All of above

108. Which of the following is not basic principle of auditing
   a) Integrity, Objectivity and Independency
   b) Confidentiality
   c) Written Representation
   d) Audit Planning
109. Which of the following is basic principle of auditing
   a) Audit Documentation
   b) Audit Evidence
   c) Skills and competence
   d) All of above

110. Which of the following is exception of confidentiality by auditor
   a) If permitted by client to disclose any information
   b) If there is any legal professional duty of auditor to disclose any information
   c) Both (a) and (b)
   d) None of these

111. Auditor must have sound knowledge of
   a) Accountancy
   b) Auditing
   c) Client’s Nature of Business
   d) All of above

112. As per SA 200, which level of assurance the auditor shall obtain that financial statements are free from material misstatements
   a) Reasonable Assurance
   b) Absolute Assurance
   c) Moderate Assurance
   d) None of these

113. Reasonable assurance is ______________ level of assurance but it is not ______________ assurance.
   a) High, Absolute
   b) Absolute, Guaranteed
   c) Moderate, Absolute
   d) None of these

114. The inherent limitations of an audit arise from
   a) Involvement of judgement
   b) Test Checking
   c) Time Limitation
   d) All of above

115. In the case of certain assertions or subject matters, the potential effects of the limitations on the auditor’s ability to detect material misstatements are particularly significant. Such assertions or subject matters include:
   a) Fraud, particularly fraud involving senior management or collusion
   b) The occurrence of non-compliance with laws and regulations
   c) The existence and completeness of related part relationship and transaction
   d) All of the above
116. Which of the following statement is incorrect
   a) Sampling is a major inherent limitation of audit.
   b) Auditor is not an insurer
   c) Auditor’s primary responsibility is to detect errors and frauds in financial statements
   d) Auditor needs to be independent

117. Which of the following is responsibility of auditor
   a) To ensure that financial statement comply with applicable financial reporting framework
   b) To express an opinion on true and fair view of the financial statements.
   c) To ensure compliance with laws and regulations applicable on the entity
   d) To design, implement and maintain system of internal control.

118. Advantage of independent examination are
   a) Credibility of financial statement is enhanced.
   b) It is helpful in settling tax liability
   c) It acts as moral check on the employees from committing fraud.
   d) All of above

119. Accounting policy refers to
   a) Specific accounting principle
   b) Method of applying accounting principle
   c) Both (a) and (b)
   d) None of these

120. Under which of the following circumstances accounting policy can be changed
   a) If it is required by law
   b) For compliance with accounting standards
   c) On the opinion of management for better presentation of financial statement
   d) All of above

121. Fundamental accounting assumptions are
   a) Going Concern
   b) Consistency
   c) Accrual
   d) All of above
|   | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20  |
|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
|   | a  | a  | c  | d  | a  | c  | a  | b  | a  | c  | a  | d  | a  | c  | d  | a  | c  | d  | b  |
| 1 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 |
| 2 | d  | a  | c  | d  | a  | c  | a  | b  | a  | c  | a  | d  | a  | c  | d  | a  | c  | d  | b  |
| 3 | a  | c  | c  | a  | c  | c  | a  | b  | a  | c  | a  | d  | a  | c  | d  | a  | c  | d  | b  |
| 4 | b  | d  | a  | c  | d  | a  | c  | a  | c  | d  | a  | d  | b  | d  | a  | c  | d  | a  | c  |
| 5 | a  | c  | d  | b  | a  | a  | d  | a  | c  | a  | d  | b  | a  | c  | d  | a  | c  | d  | b  |
| 6 | a  | c  | c  | a  | c  | a  | c  | b  | a  | c  | a  | d  | b  | d  | a  | c  | d  | a  | c  |
| 7 | b  | a  | d  | b  | a  | c  | a  | b  | d  | a  | c  | d  | b  | d  | a  | c  | d  | a  | c  |
| 8 | a  | c  | c  | d  | a  | c  | a  | b  | a  | c  | a  | d  | b  | d  | a  | c  | d  | a  | c  |
| 9 | d  | 49 | b  | 69 | a  | a  | a  | d  | c  | 70 | c  | 71 | b  | 91 | c  | 94 | 96 | 97 | 98 | 99 | 100|
| 10| c  | 50 | a  | 70 | c  | 70 | c  | 90 | a  | 110| c  | 111| d  | 112| a  | 113| a  | 114| d  | 115| d  | 116| c  |
| 11| d  | 51 | b  | 71 | b  | 91 | c  | 111| d  | 112| a  | 113| a  | 114| d  | 115| d  | 116| c  | 117| b  | 118| d  |
| 12| d  | 52 | b  | 72 | a  | 92 | d  | 112| a  | 113| a  | 114| d  | 115| d  | 116| c  | 117| b  | 118| d  | 119| c  |
| 13| c  | 53 | d  | 73 | c  | 93 | b  | 113| a  | 114| d  | 115| d  | 116| c  | 117| b  | 118| d  | 119| c  | 120| d  |
| 14| c  | 54 | d  | 74 | c  | 94 | a  | 114| d  | 115| d  | 116| c  | 117| b  | 118| d  | 119| c  | 120| d  |
Internal Control

1. **Internal financial controls are policies and procedures adopted by company for**
   a) Ensuring the orderly and efficient conduct of its business, including adherence to company’s policies
   b) The safeguarding of assets
   c) The prevention and detection of frauds and errors
   d) All of these

2. ______________ has been defined as the “checks on day to day transactions which operates continuously as part of routine system whereby the work of one person is provided independently or is complementary to the work of another, the object being the prevention or early detection of errors or fraud”
   a) Internal check
   b) Internal audit
   c) Surprise check
   d) Internal control.

3. **Which of the following is not fall under general considerations in framing a system of internal check?**
   a) During the year end stock taking, trading activities should be suspended
   b) Check on day to day transactions which operate continuously as a part of routine system
   c) Persons having physical custody of assets must not be permitted to have access to the books of accounts
   d) Both (a) and (c)

4. ______________ is a complete and exhausted description of the system as found in operation by the auditors.
   a) Check List
   b) Flow Chart
   c) Narrative Records
   d) Internal Control Questionnaire

5. ______________ is a series of instruction and questions which the auditor should follow and answer.
   a) Narrative Records
   b) Check List
   c) Internal Control Questionnaire
   d) Flow Chart

6. ______________ is a graphic presentation of each part of the entity’s internal controls system.
   a) Narrative Records
   b) Check List
   c) Internal Control Questionnaire
   d) Flow Chart

7. ______________ gives a bird’s eye view of the system and flow of transactions.
   a) Narrative Records
   b) Check List
8. ______________ is mainly intended to ascertain whether the system of internal control is operating effective.
   a) Surprise check
   b) Analytical procedures
   c) Test of details
   d) None of these

9. Objectives of internal controls can only be reasonably achieved but not absolutely due to
   a) Inherent limitation of audit
   b) Inherent limitation of internal controls
   c) Inherent risk
   d) Detection risk

10. Which of the following is inherent limitation of internal controls
    a) Role of human judgement
    b) Ineffective operation of control
    c) Collusion among employees
    d) All of these

11. Internal control system provides reasonable assurance about the achievements of entity’s objectives, except
    a) Reliability of financial reporting
    b) Safeguarding of assets
    c) Both (a) and (b)
    d) None of these

12. Which of the following section of Companies Act, 2013 deals with requirement of internal audit in companies
    a) Section 139
    b) Section 138
    c) Section 143
    d) Section 148

13. Which of the following person can be appointed as internal auditor of Co
    a) Chartered Accountant
    b) Cost Accountant
    c) Any Employee of Co
    d) Any of above (a) (b) (c)

14. Section 138 of the Companies Act, 2013 shall apply to
    a) Listed Company
    b) Prescribed class of companies
    c) Both (a) and (b)
15. **Company shall comply with requirement of section 138 of the Companies Act, 2013 w.r.t. internal audit within __________ months from applicability of the section.**
   a) 6  
   b) 8  
   c) 3  
   d) 2

16. **Which of the following statement is correct**
   a) Surprise check is a part of routine checking  
   b) Surprise check preferably done at least once during the audit  
   c) Surprise check cannot exercise good moral check on client’s staff  
   d) It is necessary in all cases for the result of surprise check to be included in the audit report.

17. **Surprise check may be with respect to**
   a) Verification of cash  
   b) Verification of investment  
   c) Verification of inventory  
   d) All of above

18. **The frequency of surprise check is**
   a) As prescribed under law  
   b) As mentioned under SA  
   c) To be determined by auditor  
   d) At least 5% of total time devoted to audit

19. **The results of surprise checks**
   a) Are always to be included in audit report as these are always important  
   b) May or may not be included in audit report depending upon the quantitative nature of findings  
   c) Should be included in audit report if they are material and affecting the financial statements  
   d) All of these

20. **How many Standards on Internal Auditing are issued by the AASB**
   a) 18  
   b) 19  
   c) 20  
   d) 21
## Answers

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>d</td>
<td>11</td>
<td>d</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>a</td>
<td>12</td>
<td>b</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>b</td>
<td>13</td>
<td>d</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>c</td>
<td>14</td>
<td>c</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>b</td>
<td>15</td>
<td>a</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>d</td>
<td>16</td>
<td>b</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>d</td>
<td>17</td>
<td>d</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>a</td>
<td>18</td>
<td>c</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>b</td>
<td>19</td>
<td>c</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>d</td>
<td>20</td>
<td>a</td>
<td></td>
</tr>
</tbody>
</table>
Examination in Depth, Continuous Audit, Final Audit, Audit Note Book

1. Examination in depth refers to
   a) Examining 100% items of a population
   b) Examining all the assets and liabilities
   c) Examination of a few selected transactions from the beginning to the end through the entire flow of transaction
   d) None of these

2. In continuous audit, audit work is commenced by auditor:
   a) Immediately after acceptance of audit engagement
   b) After closing of FY
   c) At any point of time as per auditor’s judgement
   d) None of these

3. Which of following is advantage of continuous audit:
   a) Earlier discovery of misstatements
   b) Client’s accounts are always kept up to date
   c) Routine checking is completed in advance
   d) All of above

4. Which of following is disadvantage of continuous audit
   a) The attendance of the audit staff acts a moral check on the client’s staff.
   b) Less pressure at year end
   c) The client’s staff may alter entries in the books after checking thereof.
   d) All of above

5. The first standard of field work recognizes that early appointment of the independent auditor has many advantages to the auditor and the client. Which of the following advantages is least likely to occur as a result of early appointment of the auditor?
   a) The auditor will be able to complete the audit work in less time
   b) The auditor will be able to perform the examination more efficiently
   c) The auditor will be able to better plan for the observation of the physical inventories
   d) The auditor will be able to plan the audit work so that it may be done expeditiously

6. In final audit, audit work is commenced by auditor:
   a) Immediately after acceptance of audit engagement
   b) After closing of FY
   c) At any point of time as per auditor’s judgement
   d) None of these

7. The advantages of final audit are:
   a) The possibility of figures being altered after work has been done is avoided
   b) Allocation of work to staff become easier
   c) There is no loss of link in the work as the entire audit work is completed in a single continuous basis.
   d) All of above
8. **Instructions to client before start of actual audit are:**
   a) Vouchers should be serially numbered.
   b) The accounts should be total up and the trial balance and final accounts to be kept ready.
   c) Schedule of deferred expenditures to be prepared.
   d) All of these

9. **Some of the important content recorded in the audit notebook are:**
   a) Name of business and its structure
   b) Errors and fraud discovered
   c) Date of commencement and completion of audit
   d) All of above

10. **Audit note book**
    a) Contains all details of work carried out
    b) Cannot be defense for auditor
    c) It is a record but not useful in formulating audit programme
    d) All of these

**Answers**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>c</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>a</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>d</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>c</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>a</td>
<td>10</td>
</tr>
</tbody>
</table>
The Company Audit

1. Which of the following section of Companies Act, 2013 deals with eligibility, qualification and disqualification of auditor
   a) Section 140
   b) Section 141
   c) Section 142
   d) Section 143

2. Which of the following section of the Companies Act, 2013, defines meaning of Chartered accountant
   a) 2(17)
   b) 2(77)
   c) 2(87)
   d) 2(7)

3. Which of the following is eligible for appointment as auditor of company
   a) Any Chartered Accountant
   b) A Company whose all the directors are chartered accountants
   c) Chartered Accountant holding valid certificate of practice
   d) All of these

4. A partnership firm can be appointed as auditor of Company if
   a) All the partners of partnership firm are chartered accountants
   b) If at least one partner of partnership firm is chartered accountant
   c) If majority of partners of the firm is of chartered accountants
   d) If at least 2/3rd partners of the firm are chartered accountants

5. In case of partnership firm as auditor of company, audit report shall be signed by:
   a) Any partner of the partnership firm
   b) Any CA employee of the firm
   c) All CA partner of the firm
   d) Any CA partner of the firm

6. Which of the following statement is incorrect
   a) Limited liability partnership firm can be appointed as auditor of company
   b) A Body corporate can be appointed as auditor of company
   c) A person who is chartered accountant within the meaning of the Chartered Accountants Act, 1949 and holding valid certificate of practice can be appointed as auditor of company.
   d) None of these.

7. Which of the following is disqualified for appointment as auditor of company
   a) Any officer or employee of Co
   b) Any officer or employee of holding co of the Co
   c) Any officer or employee of subsidiary co of the Co
   d) All of these
8. **Which of the following is not covered within the meaning of relative u/s 2(77) of the Co Act, 2013**
   a) Step Father
   b) Step Mother
   c) Step Sister
   d) Step Daughter

9. **Which of the following is covered within the meaning of relative u/s 2(77) of the Co Act, 2013**
   a) Brother’s wife
   b) Step brother
   c) Sister’s husband
   d) Step daughter

10. **Which of the following is incorrect**
    a) Any partner of officer of company shall not be appointed as auditor of company
    b) Any employee of officer of company shall not be appointed as auditor of company
    c) Any partner of employee of company shall not be appointed as auditor of company
    d) Any employee of employee of company can be appointed as auditor of company

11. **An individual is disqualified for appointment as auditor of Co**
    a) Only if he is holding security of co having total face value exceeding Rs. 1 Lakh
    b) Only if he is holding security of co having total face value exceeding Rs. 1,000/-
    c) If he is holding any security of company, irrespective of face value of security
    d) None of these

12. **An individual is disqualified for appointment as auditor of co if**
    a) His father is holding security of co having total face value of Rs 1 Lakh
    b) His father is holding security of co having total face value exceeding Rs. 1 Lakh
    c) His sister’s husband is holding security of co having total face value exceeding Rs. 1 Lakh
    d) His step daughter is holding security of co having total face value exceeding Rs. 1 Lakh

13. **If a relative acquires security exceeding Rs 1 Lakh, then auditor shall take corrective action within _______ days of such acquisition so as to maintain the limit of Rs 1 Lakh.**
    a) 60
    b) 30
    c) 60
    d) 120

14. **An individual is disqualified for appointment as auditor of co if he is indebtedness to co**
    a) Rs. 5,00,000
    b) Exceeding Rs. 5,00,000
    c) Exceeding Rs. 1,00,000
    d) Any amount
15. Which of the following transaction is not covered within the meaning of business relationship for the purpose of disqualification of auditor
   a) Commercial transactions which are in the nature of professional services permitted to be rendered by an auditor under the Co Act, 2013 and Chartered Accountants Act, 1949 and rules or regulations made under those Acts
   b) Commercial transaction which are in the ordinary course of business of the company at arm’s length price - like sale of product or services to the auditor, as customer, in the ordinary course of business.
   c) Both (a) and (b)
   d) None of these

16. A person shall not be appointed as auditor of co, if
   a) His relative is director of the company
   b) His relative is in the employment of company as key managerial personnel
   c) Both (a) and (b)
   d) His relative is manager of subsidiary company of the company

17. Audit of which of the following companies is excluded from ceiling limit of audit
   a) Government Companies
   b) Private Limited Company having paid up share capital Rs 100 Crore or more
   c) Audit of Public Companies
   d) Dormant Companies

18. A person shall not be appointed as auditor of co if he has been convicted by court for an offence involving fraud and a period of _________ years has not been elapsed since such conviction
   a) 10 Years
   b) 7 Years
   c) 8 Years
   d) 5 Years

19. Which of the following is not disqualification of company’s auditor
   a) Any person who is officer or employee of the company
   b) Any person who is indebtedness to company exceeding Rs. 5,00,000
   c) Any person who has been convicted by court for an offence involving fraud and a period of 10years has not been elapsed since the date of such conviction
   d) Any person whose age is exceeding 65 years.

20. Audit of private limited company is exempted from ceiling on number of audits if its
   a) Paid up share capital is less than Rs. 10 crore
   b) Paid up share capital is less than 20 crore
   c) Paid up share capital is less than Rs. 50 crore
   d) Paid up share capital is less than Rs. 100 crore

21. First auditor of non- government company is appointed
   a) By BoD within 1 month of incorporation of Co
   b) By BoD within 30 days of incorporation of Co
   c) By Members within 90 days of incorporation of Co
22. **First auditor of government company is appointed**
   a) By BoD within 1 month of incorporation of co
   b) By CAG within 1 month of incorporation of co
   c) By CAG within 60 days of incorporation of Co
   d) By Members within 90 days of incorporation of Co

23. **Subsequent auditor of non-government company is appointed**
   a) By Members in EGM by passing ordinary resolution
   b) By Members in AGM by passing special resolution
   c) By Members in AGM by passing ordinary resolution
   d) By BoD in Board Meeting

24. **Subsequent auditor of government company is appointed by CAG within______ days from commencement of FY which is subject to audit**
   a) 60 days
   b) 180 days
   c) 120 days
   d) 150 days

25. **The provision of section 139(1) are applicable to all companies except:**
   a) Government Companies
   b) One person companies
   c) Dormant companies
   d) None of these

26. **The auditor shall furnish his written consent and a certificate to the company**
   a) Before his appointment
   b) Within 15 days of his appointment
   c) Not required to furnish
   d) None of these

27. **Which of the following Form is filed by Co with RoC as intimation of appointment of subsequent auditor**
   a) ADT-1
   b) ADT-2
   c) ADT-3
   d) ADT-4

28. **ADT-1 is filed with RoC within**
   a) Within 15 days of appointment of auditor
   b) Within 30 days of appointment of auditor
   c) Within 1 month of appointment of auditor
   d) Within 60 days of appointment of auditor
29. Tenure of subsequent auditor of non-government company is
   a) Till conclusion of next AGM
   b) Till conclusion of 5th AGM
   c) Till conclusion of 5 years.
   d) Till conclusion of 6th AGM

30. Tenure of subsequent auditor of government company is
   a) Till conclusion of next AGM
   b) Till conclusion of 5th AGM
   c) Till conclusion of 5 years
   d) Till conclusion of 6th AGM

31. If at AGM no auditor is appointed or reappointed, the following consequence will be there
   a) CG shall appoint the auditor
   b) CAG shall appoint the auditor
   c) Existing auditor shall continue to be auditor of company
   d) Due to casual vacancy, BoD shall appoint the auditor

32. Which of the following company in required to constitute an audit committee
   a) Listed Company
   b) Small Company
   c) One Person Company
   d) All of these

33. Before making any appointment or reappointment of auditor also including filling of casual vacancy
    recommendation of ______________ shall be considered if company falls under section 177(1).
       a) Board of Director
       b) Audit Committee
       c) Tribunal
       d) Company Law Board

34. Any casual vacancy in the office of auditor of non-government company is filled by
   a) Members within 15 days
   b) Members within 30 days
   c) BoD within 15 days
   d) BoD within 30 days

35. Any casual vacancy in the office of auditor of government company is filled by
   a) BoD within 30 days
   b) CAG within 30 days
   c) CAG within 60 days
   d) Members within 90 days

36. If vacancy in the office of auditor of other than government company is caused by resignation by
    auditor, then appointment by BoD shall also be approved by company at general meeting within
    ____________ months of the recommendation of BoD
a) 1
b) 3
c) 5
d) 6

37. Which of the following is not a case of casual vacancy in the office of auditor of company
   a) Death of person appointed as auditor
   b) Dissolution of partnership firm appointed as auditor
   c) Refusal of appointment by auditor
   d) If any disqualification is attracted to auditor after appointment of auditor

38. Any auditor appointed to fill a casual vacancy shall hold office of auditor of company
   a) Till conclusion of 6th AGM
   b) Till conclusion of next AGM
   c) Till he submits his audit report
   d) None of these

39. Pick the odd one out
   a) Section 139(6)
   b) Section 139 (1)
   c) Section 139(8)
   d) Section 139(10)

40. At any AGM, a retiring auditor may be re-appointed if
   a) He is not disqualified for re-appointment
   b) He has not given the company a notice in writing of his unwillingness to be re-appointed
   c) A special resolution has not been passed at that AGM appointing some other auditor or providing expressly that he shall not be re-appointed.
   d) All of above

41. Remuneration of auditor of company is fixed
   a) By company in general meeting
   b) By BoD of Co
   c) By CG
   d) By CAG

42. Remuneration of auditor of government company is fixed
   a) By company in general meeting
   b) By BoD of Co
   c) By CG
   d) By CAG

43. At any AGM, a retiring auditor may be re-appointed if
   a) He is not disqualified for re-appointment
   b) He has not given the company a notice in writing of his unwillingness to be re-appointed
c) A special resolution has not been passed at AGM appointing some other auditor or providing expressly that he shall not be reappointed.

d) All of the above

44. Rotation of auditor is not applicable on
   a) Dormant Company
   b) One Person Company
   c) Small Company
   d) Both (b) and (c)

45. Rotation of auditor is applicable on unlisted public company if
   a) Its paid up share capital is more than Rs 10 Crore
   b) Its paid up share capital is equal to or more than Rs 10 Crore
   c) Its paid up share capital is more than Rs. 50 Crore
   d) Its paid up share capital is equal to or more than Rs 50 Crore.

46. Rotation of auditor is applicable of private limited company if
   a) Its paid up share capital is more than Rs 10 Crore
   b) Its paid up share capital is equal to or more than Rs 10 Crore
   c) Its paid up share capital is more than Rs 50 Crore
   d) Its paid up share capital is equal to or more than Rs 50 Crore

47. Rotation of auditor is always applicable on
   a) Listed Companies
   b) Government Companies
   c) Private Limited Companies
   d) All of these

48. If rotation of auditor is applicable on company, term of an individual auditor will be
   a) One term of 5 consecutive years
   b) Two terms having 5 consecutive years in each term
   c) Till conclusion of next AGM
   d) None of these

49. If rotation of auditor is applicable on company, term of partnership firm as auditor will be
   a) 10 Years
   b) Two terms having 5 consecutive years in each term
   c) Till conclusion of next AGM
   d) None of these

50. A break in the term for continuous period of ____________ years shall be considered as fulfilling the requirement of rotation
   a) 1 Year
   b) 5 Years
   c) 10 Years
   d) 20 Years
51. As on date of appointment no audit firm having a common partner or partners to audit firm, whose tenure has expired in a company, shall be appointed as auditor of the same company for a period of _____ years
   a) 1
   b) 3
   c) 5
   d) 10

52. Which of the following services is not prohibited for auditor of company
   a) Internal Audit
   b) Tax Audit
   c) Book-keeping
   d) Actuarial Service

53. Which of the following is prohibited service for auditor of company
   a) Tax Audit
   b) Income Tax Representative
   c) Tax Consultant
   d) None of these

54. Pick the odd one out
   a) Representing client before taxation authorities
   b) Management Services
   c) Internal Audit
   d) Actuarial Service

55. Auditor shall not render prohibited services as specified u/s 144 of the Co Act, to
   a) The Company
   b) Holding Company of the Company
   c) Subsidiary Company of the Company
   d) All of the above

56. Auditor shall not render prohibited services to the company or its holding company or its subsidiary company_______________
   a) Directly
   b) Indirectly
   c) Directly or Indirectly
   d) None of these

57. Which one of the following is incorrect
   a) Auditor of company can be appointed as internal auditor of holding company of the company.
   b) Auditor of company can be appointed as internal auditor of associate company of the company.
   c) Any relative of auditor cannot be appointed as internal auditor of the company
   d) Any partner of auditor cannot be appointed as internal auditor of the company.
58. Which of the following is not mentioned along with signing on audit report
   a) Membership number of individual/partner
   b) Firm’s registration number in case of partnership firm as auditor
   c) Date
   d) Time

59. In case of removal of auditor under section 140 (1), an application for obtaining approval of such
    removal is made to
   a) CG
   b) CAG
   c) ROC
   d) NCLT

60. CG approval is required when auditor is to be removed
   a) After expiry of term
   b) Before expiry of term
   c) By order of tribunal
   d) All of the above

61. For removal of auditor before expiry of term of auditor, which of the following form is filed with CG
    for getting approval of such removal
   a) ADT-1
   b) ADT-2
   c) ADT-3
   d) ADT-4

62. Which of the following form is filed by auditor in case of his resignation
   a) ADT-1
   b) ADT-2
   c) ADT-3
   d) ADT-4

63. In case of resignation by auditor, ADT-3 shall be filed by auditor within _________ days of resignation
   a) 7
   b) 10
   c) 15
   d) 30

64. In case resigning auditor does not file ADT-3 as required, the minimum penalty shall be
   a) Rs 50,000
   b) Remuneration of auditor
   c) Rs 50,000 or remuneration of auditor, which is less
   d) Rs 50,000 or remuneration of auditor, whichever is higher

65. Under section 140(4), the retiring auditor is entitled to
   a) Make a representation against his removal
b) Request the company to circulate the representation to members  
c) Personally communicate the members on one to one basis  
d) Both (a) and (b)

66. ________ may order that the representation received u/s 140(4) shall not be circulated and read out at meeting  
a) CAG  
b) ROC  
c) Tribunal  
d) CG

67. Under section 140(5), the power of order to change of auditor has been given to  
a) Tribunal  
b) CAG  
c) ROC  
d) BOD

68. Any auditor removed under section 140(5) shall not be appointed as auditor of any company for a period of ________ years from the date of order of Tribunal  
a) 10  
b) 8  
c) 5  
d) 3

69. Special notice is requires when auditor is to be removed  
a) After expiry of term  
b) Before expiry of term  
c) By order of Tribunal  
d) All of the above

70. If the branch office is situated in a country outside India, the accounts of the branch office shall be audited by  
a) The Company’s Auditor  
b) By An Accountant  
c) By any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of that country  
d) Any of the above

71. Which of the following is incorrect  
a) Branch office in relation to company means any establishment described as branch by the company.  
b) The provisions of regarding reporting of fraud by the auditor shall not be applicable to the branch auditor.  
c) The duties and power of the company’s auditor with reference to the audit of the branch and branch auditor, if any, shall be as contained u/s 143(1) to 143(4).  
d) The branch auditor shall prepare a report on the accounts of the branch examined by him and sent it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.
72. **Auditor’s right to access to books of account and vouchers of company extends to all the books**
   a) Kept at registered office
   b) Kept at any other place
   c) Kept at registered office or at any other place
   d) He is not entitled to such a right

73. **The auditor should comply with Auditing Standards. It is ______________ of the auditor**
   a) Right
   b) Duty
   c) Moral responsibility
   d) None of these

74. **Under section 143(3), auditor has duty to report on internal financial controls of the company. However, this requirement shall not apply to**
   a) A listed company
   b) A foreign company
   c) One Person Company
   d) A Public Company

75. **Reporting on fraud is made by auditor to CG**
   a) Within 2 days of his knowledge of fraud
   b) Within 15 days of his knowledge of fraud
   c) Within 45 days of his knowledge of fraud
   d) Within 60 days of his knowledge of fraud

76. **Reporting on fraud is made by auditor to CG when fraud amount is**
   a) Exceeding Rs. 10 Lakhs
   b) Exceeding Rs. 50 Lakhs
   c) Exceeding Rs. 1 Crore
   d) Rs. 1 Crore or above

77. **Reporting on fraud is made by auditor to CG in statement in the form**
   a) ADT-1
   b) ADT-2
   c) ADT-3
   d) ADT-4

78. **For the purpose of reporting on fraud to CG, CG means**
   a) RoC
   b) CBI
   c) Director General
   d) Secretary of Ministry of Corporate Affairs.

79. **Which of the following in not right of auditor:**
   a) To attend general meetings
   b) To receive all notices and other communications relating to any general meeting
c) To make a representation against his removal

d) To be heard at such meeting on any part of the business which concerns him as the auditor

80. **CARO (2016) is applicable on which of the following companies**

   a) One Person Company
   b) Small Company
   c) Public Company
   d) Banking Company

81. **A Private Limited Company is exempted from applicability of CARO (2016) if which of following conditions is satisfied**

   a) Paid up Share Capital and Reserve & Surplus is not more than Rs. 1 Crore
   b) Borrowing from Bank/FI is not more than Rs. 1 Crore at any point of time during FY
   c) Revenue as per Schedule III is not more than Rs. 10 Crore during FY
   d) All of these

82. **CARO (2016) is applicable from FY**

   a) FY 2014-15
   b) FY 2015-16
   c) FY 2016-17
   d) FY 2017-18

83. **Which of the following statement is incorrect**

   a) CARO is applicable on reporting of consolidated financial statements
   b) One Person Companies and Small Companies are exempted from applicability of CARO
   c) If CARO is applicable of the company, it will also be applicable on audit of branch offices of the company
   d) Insurance Companies are exempted from applicability of CARO.

84. **Which of the following is not reporting requirement w.r.t fixed assets under CARO (2016)**

   a) Purchase and sale of fixed assets made during the FY
   b) Maintenance of proper records
   c) Physical verification by management at reasonable intervals
   d) Title deeds of immovable properties

85. **Which of the following is reporting requirement w.r.t inventories under CARO (2016)**

   a) Purchase and sale of inventories made during the FY
   b) Maintenance of proper records
   c) Physical verification by management at reasonable intervals
   d) All of these

86. **Outstanding statutory dues as at last day of financial year concerned for a period of more than _________ months from the day they became payable, shall be indicated by the auditor.**

   a) 1
   b) 2
   c) 5
   d) 6
87. In respect of loans, investments, guarantees and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide details thereof. This matter is to be reported under which clause of para 3 of the CARO (2016)
   a) Clause (i)
   b) Clause (ii)
   c) Clause (iii)
   d) Clause (iv)

88. With respect of cost records, what is the reporting requirement under CARO (2016)
   a) Whether such accounts and record are properly audited
   b) Whether such accounts and records have been made and maintained
   c) Both (a) and (b)
   d) None of these

89. Reporting on fraud is made by auditor under which of the following clause of para 3 of CARO (2016)
   a) Clause (x)
   b) Clause (xii)
   c) Clause (xiii)
   d) Clause (xiv)

90. Which of the following frauds are reported by auditor under CARO (2016)
   a) Any fraud on the company by vendor of the company
   b) Any fraud by the company or any fraud on the company by its officers or employees
   c) All types of frauds
   d) None of these

91. Any default in the repayment of loans or borrowings to _______________________________ are
   reported by auditor under CARO (2016)
   a) Bank, Financial Institution
   b) Government
   c) Debenture holders
   d) All of above

92. Application of money raised by way of public offer is reported under which clause of CARO (2016)
   a) Clause (vii)
   b) Clause (viii)
   c) Clause (ix)
   d) Clause (x)

93. Application of money raised by way of preferential allotment or private placement is reported under which clause of CARO (2016)
   a) Clause (xi)
   b) Clause (xiii)
   c) Clause (xiii)
   d) Clause (xiv)
94. Compliance with provision of section 192 of the Companies Act, 2013 w.r.t non cash transactions entered by company with directors or persons connected with him, is reported under which of the following clause of para 3 of CARO (2016)
   a) Clause (xv)
   b) Clause (xvi)
   c) Clause (xi)
   d) Clause (xii)

95. For the purpose of applicability of CARO(2016), status of company is considered
   a) As on 1st day of FY
   b) Though out the FY
   c) As on Balance Sheet date of FY
   d) As on Balance Sheet date of immediate preceding FY

96. How many matters are specified under CARO(2016) for reporting by Co’s auditor
   a) 12
   b) 13
   c) 15
   d) 16

97. The auditor shall address audit report on the financial statement of company
   a) To BoD of Company
   b) To the Members of Company
   c) To CG
   d) To RoC

98. The date on auditor’s report shall be
   a) As on balance sheet date
   b) Any date after balance sheet date
   c) After balance sheet date but not earlier than the date of approval of financial statement of the entity
   d) Date of AGM

99. Under section 148, the maintenance of cost accounting records are not required for
   a) A micro enterprise or small enterprise
   b) The company whose revenue from exports in Forex exceeds 75% of total revenue
   c) Which is operating from SEZ
   d) All of these

100. Cost audit will not be applicable to those companies
     a) Whose revenue from exports in Forex exceeds 75% of total revenue
     b) Which is operating from SEZ
     c) Which is engaged in generation of electricity for captive consumption through captive generation plant.
     d) All of these

101. Cost auditor of company is appointed by
     a) CG
b) BoD  
c) Members  
d) CAG

102. Cost auditor of company shall be appointed by BoD within ___________ days from commencement of FY  
   a) 30  
   b) 60  
   c) 120  
   d) 180

103. Intimation of appointment of cost auditor is filed by Co to CG in the form  
   a) ADT-1  
   b) CRA-1  
   c) CRA-2  
   d) CRA-3

104. Any casual vacancy in the office of cost auditor of company is filed by  
   a) BoD within 1 month  
   b) BoD within 30 days  
   c) CG within 30 days  
   d) CAG within 60 days

105. Cost Auditor performs cost audit in accordance with  
   a) Standards on Auditing  
   b) Basic principles of cost audit  
   c) Cost Audit Standards  
   d) Standards on Related Services

106. Cost audit report shall be submitted in Form  
   a) CRA-1  
   b) CRA-2  
   c) CRA-3  
   d) CRA-4

107. Cost audit report shall be submitted by Cost auditor to BoD within __________ days from closure of FY  
   a) 90  
   b) 120  
   c) 150  
   d) 180

108. Company shall within __________ days from receipt of cost audit report furnish the CG with such report along with full information and explanation on every reservation or qualification contained therein, in Form __________.  
   a) 30, CRA-4  
   b) 60, CRA-5
c) 120, CRA-6  
d) 180, CRA-7

### Answers

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b</td>
<td>a</td>
<td>b</td>
<td>a</td>
<td>d</td>
<td>b</td>
<td>c</td>
<td>a</td>
<td>b</td>
<td>d</td>
<td>c</td>
<td>a</td>
<td>c</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>a</td>
<td>a</td>
<td>d</td>
<td>d</td>
</tr>
<tr>
<td>1</td>
<td>b</td>
<td>21</td>
<td>b</td>
<td>41</td>
<td>a</td>
<td>61</td>
<td>b</td>
<td>81</td>
<td>d</td>
<td>101</td>
<td>b</td>
<td>22</td>
<td>c</td>
<td>42</td>
<td>a</td>
<td>62</td>
<td>c</td>
<td>82</td>
<td>b</td>
<td>102</td>
</tr>
<tr>
<td>2</td>
<td>a</td>
<td>22</td>
<td>c</td>
<td>43</td>
<td>d</td>
<td>63</td>
<td>d</td>
<td>83</td>
<td>a</td>
<td>103</td>
<td>c</td>
<td>23</td>
<td>c</td>
<td>44</td>
<td>d</td>
<td>64</td>
<td>c</td>
<td>84</td>
<td>a</td>
<td>104</td>
</tr>
<tr>
<td>3</td>
<td>c</td>
<td>24</td>
<td>b</td>
<td>45</td>
<td>a</td>
<td>65</td>
<td>d</td>
<td>85</td>
<td>c</td>
<td>105</td>
<td>c</td>
<td>25</td>
<td>a</td>
<td>46</td>
<td>d</td>
<td>66</td>
<td>c</td>
<td>86</td>
<td>d</td>
<td>106</td>
</tr>
<tr>
<td>4</td>
<td>d</td>
<td>26</td>
<td>a</td>
<td>47</td>
<td>a</td>
<td>67</td>
<td>a</td>
<td>87</td>
<td>d</td>
<td>107</td>
<td>d</td>
<td>27</td>
<td>a</td>
<td>48</td>
<td>a</td>
<td>68</td>
<td>c</td>
<td>88</td>
<td>b</td>
<td>108</td>
</tr>
<tr>
<td>5</td>
<td>d</td>
<td>28</td>
<td>a</td>
<td>49</td>
<td>b</td>
<td>69</td>
<td>a</td>
<td>89</td>
<td>a</td>
<td>90</td>
<td>b</td>
<td>30</td>
<td>a</td>
<td>50</td>
<td>b</td>
<td>70</td>
<td>d</td>
<td>91</td>
<td>b</td>
<td>92</td>
</tr>
<tr>
<td>6</td>
<td>b</td>
<td>31</td>
<td>c</td>
<td>51</td>
<td>c</td>
<td>71</td>
<td>b</td>
<td>93</td>
<td>d</td>
<td>94</td>
<td>a</td>
<td>32</td>
<td>a</td>
<td>52</td>
<td>b</td>
<td>72</td>
<td>c</td>
<td>95</td>
<td>c</td>
<td>96</td>
</tr>
<tr>
<td>7</td>
<td>a</td>
<td>33</td>
<td>b</td>
<td>53</td>
<td>d</td>
<td>73</td>
<td>b</td>
<td>97</td>
<td>b</td>
<td>98</td>
<td>c</td>
<td>34</td>
<td>d</td>
<td>54</td>
<td>a</td>
<td>74</td>
<td>c</td>
<td>99</td>
<td>a</td>
<td>100</td>
</tr>
<tr>
<td>8</td>
<td>d</td>
<td>35</td>
<td>b</td>
<td>55</td>
<td>d</td>
<td>75</td>
<td>d</td>
<td>99</td>
<td>a</td>
<td>100</td>
<td>d</td>
<td>36</td>
<td>b</td>
<td>56</td>
<td>c</td>
<td>76</td>
<td>d</td>
<td>98</td>
<td>c</td>
<td>99</td>
</tr>
</tbody>
</table>
Standards on Auditing

SA 210

1. Which of the following SAs deals with auditor’s responsibilities in agreeing the terms of audit engagement
   a) SA 210
   b) SA 220
   c) SA 230
   d) SA 240

2. The primary purpose of establishing quality control policies and procedures for deciding on client evaluation to
   a) Ensure adherence to generally accepted auditing standards
   b) Acceptance or continuance of client’s relationship
   c) Ensure audit fees is charged according to the type of audit work assigned
   d) All of above

3. The auditor shall establish existence of preconditions for an audit of financial statements
   a) Before confirming common understanding between the auditor and management of the terms of audit engagement.
   b) After confirming common understanding between the auditor and management of the terms of audit engagement.
   c) Before appointment of auditor
   d) After the date of auditor’s report.

4. Terms of auditing engagement are discussed through
   a) Letter of appointment
   b) Letter of acceptance
   c) Engagement letter
   d) Letter of weakness

5. Engagement letter is provided by
   a) Management to auditor
   b) Auditor to Management/TCWG
   c) Internal auditor to External Auditor
   d) CG to Auditor

6. Engagement letter is
   a) Always required when auditor is appointed
   b) Always required when auditor is reappointed
   c) Not always required when auditor is reappointed but except for certain exceptions
   d) (a) and (C)

7. Which of the following reduce the possibility of misunderstanding to a great extent
   a) Statements issued by the ICAI
b) Guidance notes issued by the ICAI  
c) Engagement Letter  
d) All of the above

8. Which of the following is not a term of engagement letter  
a) Object and Scope of audit  
b) Responsibilities of management and TCWG of the entity  
c) Fact that audit process may be subject to peer review under Chartered Accountants Act, 1949  
d) Audit Planning

9. The audit engagement letter generally should include to each of the following except  
a) Limitation of auditing  
b) Responsibilities of management with respect to audit work  
c) Expectation of receiving a written representation letter  
d) A description of the auditor’s method of sample selection.

10. In which of the following circumstances a new engagement letter is required in recurring audit engagement  
a) Any change in the senior management of the entity  
b) Any change in the nature of business of the entity  
c) Any change in legal requirement  
d) All of the above

11. If auditor is requested by management to change the audit engagement to an engagement that conveys a lower level of assurance, then the auditor shall  
a) Reject the management’s request  
b) Accept the management’s request  
c) Determine that there is a reasonable justification for doing so  
d) Shall not entertain any such request

12. If auditor is unable to agree to change of the terms of the audit engagement and it 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) Combination of both (a) and (b)  
d) Either (a) or (b)

13. As per SA 210, when at management’s request auditor determines to change any term of auditing engagement, the revised terms of auditing engagement  
a) Shall be recorded in the engagement letter  
b) Need not be recorded in written agreement  
c) Other suitable form of written agreement  
d) Either (a) or (c)
14. The use of an audit engagement letter is the best method of assuring the audit will have
   a) Auditor will obtain sufficient appropriate audit evidence
   b) Management representative letter
   c) Access to all books, accounts and vouchers required for audit purpose
   d) Cooperation from other auditors

15. In order to establish whether the preconditions for an audit of financial statements are present, the auditor shall
   a) Determine whether the financial reporting framework is acceptable
   b) Obtain the agreement of management that it acknowledges and understands its responsibilities its responsibility for the preparation of the financial statements in accordance with the applicable FRF
   c) To provide the auditor with access to all information such as records, documents and other matters.
   d) All of the above

SA 220

16. Which of the following SAs deals with responsibilities of auditor regarding quality control procedures for an audit of financial statements
   a) SA 200
   b) SA 210
   c) SA 220
   d) SA 260

17. The objective of SA 220 is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that
   a) The audit complies with professional standards and regulatory requirements
   b) The auditor’s report issued is appropriate in the circumstances
   c) Both (a) and (b)
   d) None of these

18. The partner who is responsible for the auditing engagement and its performance and for the report that is issued on behalf of the firm is called as:
   a) Active partner
   b) Performing partner
   c) Engagement Partner
   d) Working Partner

19. Which of the following is not a function of engagement partner?
   a) Designing and implementing internal control
   b) Compliance with professional standards
   c) Whether to accept the client or not
   d) Monitoring of quality control system of firm
20. SQC-1 sets out
   a) The responsibilities of the firm for establishing policies and procedures regarding compliance with relevant ethical requirements
   b) The engagement partner’s responsibilities with respect to relevant ethical requirements
   c) Both (a) and (b)
   d) None

21. __________ safeguards the auditor’s ability to form an audit opinion without being affected by any influences.
   a) The engagement partner’s responsibilities
   b) The auditor’s independence
   c) Both (a) and (b)
   d) None

22. Which of the following partner can act as engagement partner
   a) Any Partner
   b) Any CA Partner
   c) Any CA Partner in full time or part time practice
   d) Any CA Partner in full time practice

23. Who will take responsibility for overall quality in an audit of financial statements
   a) All the partners of firm
   b) All CA partners of firm
   c) Engagement partner
   d) Engagement team

24. Which of the following information assist the auditor in accepting and continuing of client relationship
   a) The integrity of the principal owners, key management and TCWG of the entity
   b) Whether the firm and the engagement partner can comply with the relevant ethical requirements
   c) Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources
   d) All of these

25. Appointment of engagement quality control reviewer is mandatory in case of audit of financial statements of
   a) Any entity
   b) Any entity except One Person Company and Small Company
   c) Listed Entity
   d) None of these

26. Which of the following in not element of quality control in an audit of financial statements
   a) Leadership Responsibilities
   b) Assignment of Engagement Team
   c) Acceptance and Continuance of Client Relationship and Audit Engagements
   d) Signing on Audit Report
27. If any difference of opinion arise within engagement team or between engagement partner and quality control reviewer, the engagement team follow
   a) Engagement partner
   b) Engagement quality control reviewer
   c) Firm’s policies and procedures
   d) Majority of members of engagement team

28. Auditing firms should establish quality control policies and procedures for personnel management in order to provide reasonable assurance that
   a) Employees promoted possess the appropriate characteristics to perform competently
   b) Personnel will have the knowledge required to fulfill responsibilities assigned
   c) The extent of supervision and review in a given instance will be appropriate
   d) All of the above are reasons

29. The least important element in the evaluation of an audit firm’s system of quality control would relate to
   a) Assignment of audit assistants
   b) Consultation with experts
   c) System for determining audit fees
   d) Confidentiality of client’s information

30. The engagement partner may identify a threat to independence regarding the audit engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case
   a) The engagement partner reports to the relevant person(s) within the firm to determine appropriate action.
   b) Withdraw from audit engagement, where withdrawal is legally permitted.
   c) Where applicable law or regulation does not permit withdrawal of the auditor from the engagement, disclose through a public report.
   d) All of the above

31. In pursuing its quality control objectives with respect to independence, an auditing firm may use policies and procedures such as
   a) Emphasizing independence of mental attitude in firm training programs and in supervision and review of work
   b) Prohibiting employees from owning stock of public companies
   c) Suggesting that employees conduct their banking transactions with banks that do not maintain accounts with client firms
   d) Assigning employees who may lack independence to research positions that do not require participation in field audit work

32. Policies and procedures w.r.t human resources address which of the following issues
   a) Recruitment
   b) Capabilities
   c) Competence
   d) All of above
33. Throughout the audit engagement, the engagement partner shall remain alert for evidence of non-compliance with relevant ethical requirements by engagement team through
   a) Inquiry
   b) Observation
   c) (a) and (b)
   d) Review of audit documentation

34. As per SQC-1, the firms’ system of quality control should include policies and procedures addressing which of the following element
   a) Leadership responsibilities for quality
   b) Audit planning
   c) Auditor’s judgement
   d) All of the above

35. The engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the auditor’s report. This evaluation shall involve
   a) Discussion of significant matters with engagement team.
   b) Review of the financial statements and the proposed auditor’s report
   c) Review of selected audit documentation relating to the significant judgements and the engagement team made and the conclusions it reached
   d) All of the above

36. Duties of Engagement Quality Control Reviewer
   a) Whether to accept the client or not
   b) Discuss significant matters with engagement partner
   c) To resolve issues of engagement team
   d) All of the above

37. Which of the following is not function of engagement partner
   a) Design and implementing internal control
   b) Compliance with professional standards
   c) Whether to accept the client or not
   d) Monitoring of quality control system of firm

38. The firm should establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice, which refers to
   a) Engagement Performance
   b) Human Resources
   c) Monitoring
   d) Firm’s Quality Control Policies
39. __________ refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.
   a) Audit Techniques
   b) Audit Evidence
   c) Audit Documentation
   d) None of the above

40. __________ may be defined as one or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.
   a) Audit File
   b) Audit Evidence
   c) Completion Memorandum
   d) Both (a) and (b) above.

41. As per SQC-1 “An appropriate time limit within which to complete the assemble of the final audit file is ordinarily not more than _____ days after the date of auditor’s report.
   a) 30
   b) 60
   c) 90
   d) 45

42. As per SQC-1, auditor should retain audit documentation for at least ________ years
   a) 5
   b) 6
   c) 7
   d) 8

43. Which of the following factors may affect the form, content and extent of audit documentation:
   a) Size and complexity of the entity
   b) Identified risk of material misstatements
   c) Significance of audit evidence obtained
   d) All of above

44. Audit documentation can be made by auditor:
   a) Paper mode
   b) Electronic mode
   c) Both (a) and (b)

45. Who is the owner of audit working papers?
   a) Auditee
   b) Auditor
   c) (a) and (b)
   d) ICAI
46. Additional numbers of purposes served by audit documentation are:
   a) Enabling the engagement team to plan and perform the audit
   b) Enabling the engagement team to be accountable for its work
   c) To enable the engagement partner for direction, supervision and review the work performed by engagement team members.
   d) All of above

47. If in exceptional circumstances the auditor departs from Standards on Auditing, he shall___________
   a) Document the reason for departure
   b) Perform alternative procedures
   c) Both (a) and (b)
   d) Auditor is not allowed to depart from SAs.

48. Which of the following is not content of permanent audit file:
   a) Record of study and evaluation of internal control
   b) Audit planning and audit documentation
   c) Memorandum and Article of Association
   d) Notes relating to significant accounting policies

49. Which of the following is content of current audit file:
   a) Correspondence relating to acceptance of annual reappointment
   b) Copies of communication with experts or other auditors
   c) Audit evidence obtained
   d) All of above

50. Loan agreement are the integral parts of
   a) Permanent audit file
   b) Current audit file
   c) Temporary audit file
   d) None of the above

51. Working on trial balance is the part of
   a) Permanent audit
   b) Current audit file
   c) Temporary audit file
   d) None of the above

52. Pick the odd one
   a) Written representations and confirmation from clients.
   b) Audit planning and audit programme
   c) Correspondence relating to annual reappointment
   d) Memorandum and Article of Association of the Company.

53. From the initial client interview to the preparation of audit report an auditor must keep a record of all the work you do in
   a) Audit file
b) Audit report  
c) Audit papers  
d) None of the above

54. Which of the following is not true of working papers?
   a) They record the audit evidence to provide support for the auditor’s opinion  
b) They assist in review of the audit work  
c) They are a direct aid in the planning of the audit  
d) They provide proof of the correctness of the financial statements.

55. The audit working papers should contain information on planning the audit work, the nature, timing and extent of audit procedures performed, ________________ and the conclusion drawn leading to an opinion.
   a) The results of the audit procedures  
b) The auditor’s opinion of management  
c) All gratuities received by auditor  
d) Names of the employees who cooperated with the auditor.

56. The extent of what is included in working paper is
   a) Thoroughly specified in SAs  
b) Determined by each staff auditor  
c) Thoroughly specified under law  
d) A matter of professional judgement.

57. Which of the following factors would least likely affect the quantity and content of an auditor’s working papers
   a) The nature of auditor’s report  
b) The assessed level of control risk  
c) The possibility of peer review  
d) The content of management representation letter.

58. A current audit file would always contain which of following?
   a) Loan agreements, pension plans, agreements with parent company and subsidiaries  
b) Company documents such as corporate charter or articles of association and corporate bylaws.  
c) A record of the nature, timing and extent of audit procedures performed and the results of such procedures.  
d) Prior year analysis of fixed assets, long term debt, and terms of stock and bond issues.

59. Which of the following SAs deals with auditor’s responsibilities w.r.t. audit documentation:
   a) SA 580  
b) SA 230  
c) SA 505  
d) SA 700

60. Audit documentation may be useful for
   a) Engagement team
b) Quality control reviewer  
c) External inspector  
d) All of these  

61. After assembly of audit file, the auditor_______________  
a) May delete audit documentation if it is of no use  
b) May delete audit documentation if it is occupying much of its space  
c) Shall not delete audit documentation before its retention time period  
d) May delete audit documentation before its retention period if it is required by any law.  

62. The auditor shall not document the following  
a) Overall audit strategy  
b) Changes made during the audit engagement which are insignificant  
c) Audit plan and reason for such change  
d) Audit plan  

63. The client had received an assessment order from the income tax department. Mr. A, the auditor was approached for the same. However, Mr. A did not retain the working papers relating to his audit findings for the particular period. He has failed to comply with  
a) SA 220  
b) SA 210  
c) SA 230  
d) SA 250  

64. Preparing sufficient and appropriate audit documentation_______________, helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor’s report is finished.  
a) Based on engagement  
b) Based on time  
c) Based on objective  
d) Based on audit plan  

65. Documentation prepared after the audit work has been performed is likely to be  
a) More accurate than documentation prepared at the time such work is performed  
b) Less accurate than documentation prepared at the time such work is performed  
c) More appropriate than documentation prepared at the time such work is performed  
d) None of the above  

66. State which of the following statement is true  
a) Auditor is bound to provide copies of the working papers to the CEO of the Company  
b) Extract & Copies of important legal documents, agreements relevant to audit is part of current audit file  
c) The auditee has no rights to compel the auditor to provide copies of the working papers  
d) All of the above
SA 240 and Types of Errors

67. Which of the following SA deals with auditor’s responsibilities in relation to fraud in an audit of financial statements
   a) SA 240
   b) SA 250
   c) SA 315
   d) SA 330

68. When credit purchases of Rs. 5100 is recorded on credit side and credit sales of Rs. 5100 is recorded on debit side, this kind of error is called___________________.
   a) Error of omission.
   b) Compensating error.
   c) Error of principle.
   d) Error of commission.

69. Procedural error arises
   a) As a result of transaction have been recorded in a fundamentally incorrect manner
   b) Where there is error in implementation of the procedure
   c) Both (a) and (b)
   d) None

70. If, as a result of misstatement resulting from fraud, the auditor encounters exceptional circumstances that bring into question his ability to continue performing the auditor shall-
   a) Withdraw from the engagement immediately.
   b) Report to audit team regarding withdrawal.
   c) Determine the professional and legal responsibilities applicable in the circumstances.
   d) Ask the management for his withdrawal.

71. Which of the following is an example of inflating cash payments?
   a) Making payments against purchase vouchers.
   b) Teeming and lading.
   c) Not accounting for cash sales fully.
   d) Making payments against inflated vouchers.

72. The type of errors, existence of which becomes apparent in the process of compilation of accounts is known as-
   a) Self-revealing errors.
   b) Intentional errors.
   c) Concealed errors.
   d) Unconcealed errors.

73. Misappropriation of assets may occur because there is-
   a) Adequate record keeping with respect to assets.
   b) Know history of violations of securities laws.
c) Lack of complete and timely reconciliations of assets.
d) Dispute between shareholders in a closely held entity.

74. The risk of management fraud increases in the presence of:
   a) Frequent changes in supplies
   b) Improved internal control system
   c) Substantial increases in sales
   d) Management incentive system based on sale done in a quarter.

75. Which of the following is an example of fraudulent financial reporting
   a) Defalcation of cash by cashier
   b) Misappropriation of inventory by store keeper
   c) Overvaluation of assets
   d) All of these

76. Which of the following frauds is more difficult to detect
   a) Fraud by employees
   b) Fraud by management & TCWG
   c) Both (a) and (b)
   d) None of these

77. Primarily prevention and detection of fraud are the responsibilities of
   a) TCWG and Management of entity
   b) Internal Auditor of entity
   c) External Auditor of entity
   d) All of above

78. Which of the following in not a fraud through suppressing cash receipts:
   a) Not accounting for cash sales fully
   b) Not accounting for miscellaneous receipts
   c) Not accounting for bad debt recovered
   d) Making payment against fictitious vouchers.

79. Teeming and lading is a technique of fraud through
   a) Inflating cash payment
   b) Wrongs casting in cash book
   c) Suppressing cash receipts
   d) None of these

80. Which of the following error will affect the trial balance
   a) Error of partial omission
   b) Error of principles
   c) Error of complete omission
   d) Compensatory errors

81. Examples of fraudulent financial reporting
   a) Inflating or suppressing purchases and expenses
b) Inflating or suppressing sales and other items of income  
c) Overvaluation of assets  
d) All of above

82. Which of the following is not an example of suppressing cash receipts  
a) Teeming and Lading  
b) Payment against fictitious vouchers  
c) Not accounting for cash sales fully  
d) Not accounting for miscellaneous receipts.

83. Which of the following is not self-revealing error  
a) Wages paid for installation of machine debited in wages account.  
b) Omission to post a part of a journal entry to ledger  
c) A failure to record in the cash book, cash paid into or withdrawn from bank  
d) Goods purchased from Mr. A omitted to be recorded.

84. Teeming and Lading is a technique for  
a) Inflating cash payments  
b) Wrong casting in the cash book  
c) Suppressing cash receipts  
d) None of these

85. Which of following is fraud risk factor  
a) Incentive/Pressure  
b) Opportunities  
c) Attitude/Rationalization  
d) All of above

86. Which of the following is not likely to be a fraud risk factor relating to management’s characteristics  
a) Tax evasion  
b) Failure to correct known weakness in internal control system  
c) Adoption of conservative accounting principles  
d) High management turnover

87. Which of the following statements is not true?  
a) Management fraud is more difficult to detect than employee fraud  
b) Internal control system reduces the possibility of occurrence of employee fraud and management fraud.  
c) The auditor’s responsibility for detection and prevention of error and fraud is similar  
d) All statements are correct

88. Which of the following is an indicator of fraud due to problematic or unusual relationship between auditor and management  
a) Unsupported or unauthorized transaction  
b) Unusual delays by the entity in providing requested information  
c) Last minute adjustments that significantly affect financial results  
d) All of above.
89. Which of the following is least likely to be included in an auditor’s inquiry of management while obtaining information to identify the risks of material misstatement due to fraud?
   a) Are financial reporting operations controlled by and limited to one location?
   b) Does it have knowledge of fraud or suspect fraud?
   c) Does it have programs to mitigate fraud risks?
   d) Has it reported to the audit committee the nature of the company’s internal control?

90. Which of the following is most likely to be presumed to present a fraud risk on an audit?
   a) Capitalization of repairs and maintenance expense into the property, plant and equipment asset account
   b) Improper revenue recognition
   c) Improper interest expense accrual
   d) Introduction of significant new products

91. Degree of detection risk is generally high which respect to
   a) Management’s Fraud
   b) Employee’s Fraud
   c) Error
   d) All of above.

92. Due to inherent limitations of audit, there is ____________ that some mis-statements will __________
   a) Reasonable assurance, not be detected
   b) Unavoidable risk, not be detected
   c) Avoidable risk, not be detected
   d) Unavoidable risk, not be prevented

93. Fraud is an intentional act involving use of deception to obtain an unjust advantage and can be committed by
   a) TCWG
   b) Employees
   c) Third parties
   d) Any of these

94. State which of the following statement is not true
   a) Management is responsible for identification of fraud
   b) Auditor is appointed for the sole purpose to identify the fraud
   c) TCWG takes major decision about the entity
   d) Management is involved in operation of entity

95. Where auditor comes across a situation where any misstatement due to fraud or error could exist then
   a) The auditor shall issue modified report
   b) The auditor should discuss significant matter with engagement partner
   c) The auditor should apply additional procedures to confirm or dispel his suspicion
   d) The auditor shall qualify the report.
96. Circumstances relating to possibility of fraud include
   a) Accounting policies that appear to be variance with industry norms
   b) Yearly changes in accounting estimates that do not appear to result from changed circumstances
   c) Short period provided by management to resolve complex issues
   d) All of the above

97. The management may override the controls in order to take advantage of the situation, whereby, they may pass false entries in the book, is known as
   a) Misappropriation of assets
   b) Fraudulent financial reporting
   c) Pilferage/misappropriation of receipts
   d) None of the above

98. State which of the following statement is misappropriation of assets
   a) Ledger alteration
   b) Concealment of facts
   c) Significant alteration
   d) Pilferage/Misappropriation of receipts

99. The accountant receives money from customer 2 but adjust it to customer 1’s account. This process goes on and at no point of time will the customer balance shown properly, it refers as
   a) Misapplication of accounting principles
   b) Intentional Omission
   c) Teeming and Lading
   d) Engaging in complex transaction

100. Which of the following is not likely to be a fraud risk factor relating to management’s characteristics
    a) Tax evasion
    b) Failure to correct known weakness in internal control system
    c) Adoption of conservative accounting principles
    d) High management turnover.

101. State which of the following constitutes possibility of fraud
     a) Discrepancies in accounting records
     b) Conflicting or missing evidence
     c) Problematic or unusual relationship between auditor and management
     d) All of the above

102. Incentive or pressure to commit fraudulent financial reporting exist when
     a) An individual believes internal control can be overridden
     b) Management is under pressure
     c) Some individual possess an attitude, character or set of ethical values that allow them knowingly and intentionally to commit a dishonest act
     d) All of the above
103. A perceived opportunity to commit fraud may exist when
   a) An individual believes internal control can be overridden
   b) Management is under pressure
   c) Some individual possess an attitude, character or set of ethical values that allow them knowingly and intentionally to commit a dishonest act
   d) Both (b) and (c)

104. Fraudulent financial reporting may be accomplished by _____________
   a) Manipulation/ Falsification
   b) Misapplication of accounting policies
   c) Both (a) and (b)
   d) None of these

105. Fraud can be committed by management overriding controls using the following techniques. State which of the following options is correct?
   a) Inflating cash payments
   b) Recording fictitious journal entries
   c) Causing an entity to pay for goods and service not received.
   d) All of the above

106. Misappropriation of assets is often accompanied by
   a) False or misleading records
   b) Documents in order to conceal the fact that the assets are missing.
   c) Documents in order to conceal the fact that the assets have been pledged without proper authorization.
   d) All of the above

107. ‘Fraud’ deals with __________ but, ‘error’, on the other hand, refers to __________ in financial information.
   a) Unintentional mistake, misrepresentation
   b) Intentional misrepresentation, unintentional mistake
   c) Unintentional misrepresentation, intentional mistake.
   d) Misapplication, Misrepresentation.

108. Even though the audit is properly planned and performed in accordance with Sass, some material misstatements of the financial statements will not be detected, this is due to
   a) Internal control is not effective
   b) Inherent limitation of an audit
   c) Inherent limitation of an internal control
   d) Deficiencies in internal control.

109. Which of the following statement is not true, in respect of risk factors relating to misstatements arising from fraudulent financial reporting?
   a) Financial stability or profitability is threatened by economic, industry, or entity operating conditions, as indicated by, high degree of competition or market saturation, accompanied by declining margins.
b) The nature of the industry or the entity’s operations provides opportunities to engage in fraudulent financial reporting that can arise from, recurring negative cash flows from operations or an inability to generate cash flows from operations while reporting earnings and earnings growth.

c) The relationship between management and the current or the predecessor auditor is strained, or exhibited by, frequent disputes with the current or predecessor auditor on accounting, auditing, or reporting matters.

d) Both a and c

110. Discrepancies in the accounting records, including
   a) Unsupported or unauthorized balances or transactions
   b) Missing documents
   c) Significant unexplained items on reconciliations
   d) Both b and c

111. Conflicting or missing evidence, does not includes
   a) Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
   b) Unusual discrepancies between the entity’s records and confirmation replies.
   c) Significant unexplained items on reconciliations
   d) Both b and c

112. Problematic or unusual relationships between the auditor and management, including
   a) Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer assisted audit techniques
   b) Undue time pressures imposed by management to resolve complex or contentious issues.
   c) An unwillingness to add or revise disclosures in the financial statements to make them more complete and understandable
   d) All of the above

113. Which one of the following statements about fraud is correct?
   a) Fraud can be intentional or unintentional
   b) Fraud always involves misappropriation of assets
   c) Fraud always involves the use of deception to obtain an unjust or illegal advantage
   d) Fraud is always perpetrated by management, those charged with governance or employees.

114. Which one of the following does not necessarily constitute fraud?
   a) Alteration of accounting records from which the financial statements are prepared.
   b) Overriding internal controls to record transactions outside the usual course of an entity’s business
   c) Intentional omission from the financial statements of transactions or other significant information.
   d) Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation or disclosure.

115. Which of the following fraudulent activities constitutes misappropriation of assets?
   a) Causing an entity to pay for goods and services not received
   b) Omitting, advancing or delaying recognition of events and transactions
   c) Concealing, or not disclosing, facts that could affect the recorded amounts.
   d) Engaging in complex transactions that misrepresent the financial position of the entity
116. Which one of the following does not constitute an appropriate audit planning procedure that the auditor should employ relating to the risk of fraud?
   a) Increase the level of professional skepticism
   b) Make enquiries to obtain information and so identify the risks of material misstatement due to fraud
   c) Incorporate an element of unpredictability in the selection of the nature, timing and extent of the audit procedures to be performed.
   d) The engagement team needs to discuss the susceptibility of the entity’s financial statements to material misstatement due to fraud

117. When planning the audit, the auditor must make enquiries of management. Which one of the following is not an appropriate enquiry of management about fraud?
   a) The auditor should ask about management’s communications with employees about ethical behavior.
   b) The auditor should ask management about their assessment of the risk that the financial statements may be materially misstated due to fraud.
   c) The auditor should ask management if they are personally engaged in fraudulent activity, including fraudulent financial reporting and misappropriation of assets.
   d) The auditor should ask management about any communications with those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.

118. With respect to financial statement fraud, which one of the following statements is not correct?
   a) Enquiries of management are more useful for detecting management fraud than employee fraud.
   b) The auditor must consider the risk of material fraud at both the financial statement level and the assertion level
   c) Excessive pressure on management to meet expectations of third parties creates incentives for management fraud
   d) The auditor needs to consider the likelihood of collusion in determining the appropriate level to report suspicions of fraud.

SA 250

119. Which of the following SA deals with auditor’s responsibility to consider law and regulation in an audit of financial statements
   a) SA 230
   b) SA 240
   c) SA 250
   d) SA 260

120. State who is responsible to ensure that the entity’s operations are conducted in accordance with provisions of laws and regulations
   a) Company Auditor
   b) Internal Auditor
   c) Company Secretary
   d) Management
121. Which of the following statement is not true as per SA 250?
   a) The auditor is responsible for preventing non-compliance and can be expected to detected non-compliance with all laws and regulation.
   b) Non-compliance with laws and regulations may result in fines, litigation or other consequences for the entity that may have a material effect on the financial statements.
   c) SA 250 are designed to assist the auditor in identifying material misstatement of the financial statements due to non-compliance with laws and regulations.
   d) Management is responsible to ensure that the entity’s operations are conducted in accordance with the provisions of laws and regulations.

122. Which of the following statement is not true as per SA 250?
   a) Non-compliance does not include personal misconduct by TCWG, management or employee of the entity.
   b) Non-compliance include personal misconduct by TCWG, management or employee of the entity.
   c) Non-compliance include act of omission or commission by the entity which are intentional or unintentional.
   d) None of the above.

123. With respect to examining the compliance with law and regulations that do not have direct effect on the determination of amounts and disclosures in the financial statement
   a) Auditor’s responsibility is to obtain sufficient and appropriate audit evidence.
   b) Auditor’s responsibility is limited to undertake specified audit procedures.
   c) Auditor’s responsibility is to report on these non-compliances, no matter how immaterial these can be.
   d) Auditor’s responsibility is not there to report with respect to non-compliance with these laws.

124. With respect to examining the compliance with law and regulations that have direct effect on the determination of amounts and disclosures in the financial statement
   a) Auditor’s responsibility is to obtain sufficient and appropriate audit evidence.
   b) Auditor’s responsibility is limited to undertake specified audit procedures.
   c) Auditor’s responsibility is to report on these non-compliances, no matter how immaterial these can be.
   d) Auditor’s responsibility is not there to report with respect to non-compliance with these laws.

125. Primary responsibility to ensure compliance with applicable law and regulation is of
   a) External auditor
   b) Internal auditor
   c) TCWG and management
   d) Legal expert

126. Which of the following is indicator of non-compliance with law and regulation
   a) Unusual cash payment
   b) Unauthorized transactions or improperly recorded transactions
   c) Payments made in tax haven countries
   d) All of above

127. If auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with law and regulations, the auditor shall
a) Obtain an understanding of nature of the act and circumstances in which it has occurred
b) Discuss the matter with management and TCWG
c) Evaluate the possible effect on the financial statements’
d) All of above

128. If non-compliance with law and regulation is material and affecting the financial statements, the auditor shall express
   a) Unmodified opinion
   b) Qualified/Adverse opinion
   c) Disclaimer of opinion
   d) Qualified/Adverse opinion with EOM section in audit report

129. If auditor is unable to determine whether non-compliance has occurred because of limitation imposed by circumstances rather than by management or TCWG, the auditor shall
   a) Evaluate the effect on the auditor’s opinion in accordance with SA 705
   b) Withdraw from engagement
   c) Communicate the matter to ROC
   d) Communicate the matter to ROC and CG.

130. If auditor identifies non-compliance with law and regulation, the auditor shall report such non-compliance
   a) To TCWG
   b) In Audit Report
   c) To Regulatory Authority and Enforcement Authorities
   d) All of above

131. State which of the following is an example of law and regulation having direct effect on the financial statements
   a) Taxation Laws
   b) Factory Act
   c) Labour Law
   d) Company Act

132. When auditor suspect non-compliance of law, he shall
   a) Inform to CG
   b) Inform to MCA
   c) Inform to management and TCWG
   d) All of the above

133. Management is responsible for compliance with laws and regulations, except
   a) Monitoring legal requirements
   b) Ensure the employees are properly trained and understand the code of conduct
   c) Obtaining reasonable assurance
   d) Registers of significant laws are maintained
SA 260

134. SA 260 deals with auditor’s responsibilities w.r.t.
   a) Communication with Those Charged with Governance of the entity
   b) Communication with Owners of the entity
   c) Communication with Management of the entity
   d) All of these

135. The auditor shall communicate with TCWG a statement w.r.t. auditor’s independence in case of audit of financial statements of
   a) Any entity
   b) Listed entities
   c) Any entity except One Person Company and Small Company
   d) None of these

136. The various form of communication with TCWG may be classified as
   a) Oral or written
   b) Detail or summarized
   c) Structured or unstructured
   d) All of the above

137. If two way communication between auditor and TCWG has not been adequate for the purpose of audit, the auditor shall
   a) Communicate the matter to TCWG
   b) Evaluate the effect on auditor’s assessment of risk of material misstatements
   c) Withdraw from auditing engagement
   d) None of these

138. In case of ____________ entities, the auditor shall communicate with TCWG a statement that the engagement team has complied with relevant ethical requirements regarding independence and related safeguard to eliminate threats to independence
   a) Listed
   b) Small
   c) Government
   d) All of these

139. Which of the following is not a factor affecting mode of communication with TCWG
   a) Whether management has previously communicated the matter to TCWG
   b) Whether the matter has been satisfactorily resolved
   c) Legal requirements
   d) None of these

140. The auditor shall communicate with TCWG his views about significant qualitative aspects of entity’s accounting practices, including
   a) Accounting assumptions, accounting principles and accounting policies
b) Accounting standards, accounting policies and accounting estimates
c) Accounting policies, accounting estimates and financial statements disclosures
d) Accounting complexities, accounting estimates and accounting records.

141. The auditor shall communicate the overview the planned scope and timing of audit with
   a) Management
   b) Article Assistant
   c) TCWG
   d) All of the above

142. Significant difficulties encountered during audit with reference to SA 260
   a) Delay in providing required information by management
   b) Restriction imposed on the audit
   c) Unavailability of expected information
   d) All of the above

SA 265

143. ____________ is sent by auditor to management and TCWG to communicate weakness in internal control system
   a) Letter of weakness
   b) Engagement letter
   c) Internal control questionnaire
   d) Written representation

144. Which of the following SA deals with auditor’s responsibility to communicate appropriately to TCWG and management deficiencies in internal control that the auditor has identified in an audit of financial statements
   a) SA 260
   b) SA 330
   c) SA 265
   d) SA 580

145. Deficiency in internal control exist when
   a) A control is designed, implemented or operated in such a way that in unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis
   b) A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing
   c) (a) or (b)
   d) None of these

146. Significant deficiency in internal control means
   a) Deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgement is of sufficient importance of auditor
b) Deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgement is of sufficient importance of management.

c) Deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgement is of sufficient importance of entity’s owners.

d) Deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgement is of sufficient importance of TCWG

147. Which of the following includes in written communication in respect of deficiencies of internal control
   a) Description of deficiencies
   b) Explanation of their potential effects
   c) Sufficient information to understand the context of communication
   d) All of the above

148. The auditor shall communicate to management at an appropriate level of responsibility on a timely basis in writing
   a) Significant deficiencies in internal control that the auditor has communicated or intends to communicate to TCWG
   b) Other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that in the auditor’s professional judgement are of sufficient importance to merit management’s attention.
   c) (a) and (b)
   d) None of the above

149. Which of the following is indicator of significant deficiencies in internal control system
   a) Entity’s risk assessment process in absent/ineffective
   b) Evidence of ineffective aspects of control environment
   c) Management inability to oversee financial statements preparation
   d) All of the above

SA 299

150. ________________ deals with principle for effective conduct of joint audit.
   a) SA 220
   b) SA 600
   c) SA 299
   d) SA 610

151. Joint auditor are appointed in the following circumstances
   a) Complexity of transactions
   b) Volume of transactions are high
   c) Both (a) and (b)
   d) None of the above
152. SA 299 does not deal with the relationship between
a) Principal auditor and component’s auditor
b) Auditor and expert
c) Auditor and internal auditor
d) All of these.

153. SA 299 deals with the auditor’s responsibilities regarding joint audits at following stages
a) Audit planning and risk assessment
b) Performance of work and coordination stage
c) Conclusion and reporting stage
d) All of these

154. When joint auditors are appointed, they should
a) Divide audit work among themselves on the basis of instruction of client
b) Divide the audit work among themselves by mutual discussion
c) Divide audit work among themselves as per law
d) None of these

155. Division of work among joint auditors should be
a) In writing
b) Properly documented
c) Communicated to client
d) All of above

156. State which of the following is not true about dividing the works among the joint auditor
a) Based on time
b) Based on location
c) Based on fact
d) Based on nature

157. If joint auditors are in disagreement with respect to the opinion to be covered by audit report, they shall
a) Express their opinion in a separate audit report
b) Notify to the client
c) Express their opinion in a common audit report through a note
d) Notify ROC regarding disagreement in audit opinion.

158. In case separate audit reports are issued by joint auditors, the reference of audit reports separately issued by others is made under the heading
a) Emphasis of matter
b) Basis for modified opinion
c) Other matter
d) Auditor’s responsibilities

159. All the joint auditors are jointly and severally responsible for
a) Examining that financial statements of the entity comply with requirements of relevant statutes
b) Presentation and disclosure of the financial statements as required by the applicable FRF

c) Ensuring that the audit report complies with requirements of relevant statutes, the applicable SA and other pronouncement issued by the ICAI

d) All of above

160. Which of the following statements is incorrect

a) The joint auditors shall obtain common engagement letter and common management representation letter

b) Joint auditors are not entitled to rely on the work of other joint auditors

c) After identification and allocation of work among joint auditors, the work allocation document shall be signed by all the joint auditors and the same shall be communicated to TCWG of the entity.

d) Before finalizing their audit report, the joint auditors shall discuss and communicate with each other their respective conclusions.

161. State which of the following is not true as per SA 299

a) Joint auditor should issue the report jointly if they difference opinion

b) Joint auditors are responsible for the area which is been allocated to them

c) There should be co-ordination between joint auditors and they should share information with each-others

d) Where the areas are not divided, all the joint auditors will be jointly and severally responsible for such undivided area

162. Joint auditors shall obtain

a) Common engagement letter

b) Common management representation letter

c) Both (a) and (b)

d) None of the above

163. It is not necessary for a joint auditor to

a) Review the work performed by other joint auditor

b) Perform any test in order to ascertain whether the work has actually been performed in such a manner

c) Both (a) and (b)

d) None of the above

SA 300 and Audit Programming

164. Which of the following SAs deals with auditor’s responsibilities w.r.t. audit planning in an audit of financial statements

a) SA 300

b) SA 315

c) SA 320

d) SA 330

165. The auditor shall

a) Establish audit strategy on the basis of overall audit plan.

b) Develop overall audit plan on the basis of audit strategy

c) Both (a) and (b)
d) None of these

166. The audit plan is _______________ detailed than the overall audit strategy.
   a) Less
   b) More
   c) Equal

167. Which of the following enable the auditor to conduct an effective audit in an efficient and timely manner?
   a) Audit Strategy
   b) Audit Plan
   c) Audit Programme
   d) Knowledge of the client’s accounting system

168. Audit Plan should be based on
   a) Knowledge of client’s business
   b) Knowledge of the applicable financial reporting standards
   c) Knowledge of the required accounting and auditing standards
   d) Nature and size of the business

169. Planning is _______________ process of an audit that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement.
   a) Continuous
   b) Discreet
   c) Neither continuous nor discreet.

170. The auditor shall develop an audit plan that include a description of:
   a) The nature, timing and extent of planned risk assessment procedures.
   b) The nature, timing and extent of planned further audit procedures at the assertion level.
   c) Other planned audit procedures that are required to be carried out so that the engagement complies with SAs.
   d) All of the above

171. 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’s business
   c) Inform management about it
   d) Take help of other auditors

172. Auditor can obtain knowledge of client’s business from
   a) Discussion with people within client entity
   b) Publication relating to industry
   c) Previous experience
   d) All of these
173. Benefit(s) of audit planning is
   a) Helping auditor to devote appropriate attention on important areas of the audit
   b) Better preparation of engagement letter
   c) Effective communication with retiring auditor
   d) It ensure compliance with applicable law and regulation

174. Planning should be made to cover, among other things:
   a) acquiring knowledge of the client’s accounting system, policies and internal control procedures
   b) establishing the expected degree of reliance to be placed on internal control
   c) coordinating the work to be performed
   d) all of above

175. Which of the following is incorrect
   a) In establishing the audit strategy the auditor shall identify characteristics of the engagement that define its scope.
   b) The auditor shall develop an audit plan that shall include a description of the nature, timing and extent of risk assessment procedures and further audit procedures which are proposed to be performed.
   c) The auditor shall establish audit strategy on the basis of overall audit plan.
   d) The auditor shall update and change the audit strategy and audit plan as necessary during course of the audit.

176. The overall audit strategy and the audit plan remain the _____________ responsibility.
   a) Auditor’s
   b) Management’s
   c) Those charged with governance
   d) All of the above

177. Prior to commencing field work, an auditor usually discusses the general audit strategy with the client’s management. Which of the following details do management and the auditor usually agree upon at this time?
   a) The specific matters to be included in the communication with the audit committee
   b) The minimum amount of misstatements that may be considered to be reportable conditions
   c) The schedules and analyses that the client’s staff should prepare
   d) The effects that inadequate controls may have over the safeguarding of assets

178. Which of the following is not a source of obtaining knowledge of client’s business
   a) Annual reports circulated among the shareholders
   b) Communication from previous auditor
   c) Client’s policy and procedure manual
   d) Discussion with client

179. In establishing the overall audit strategy, the auditor shall:
   i. Identify the characteristics of the engagement that define its scope
   ii. Ascertain the nature, timing and extent of resources necessary to perform the engagement
   iii. Ascertain the reporting objective of the engagement to plan the timing of the audit and the nature of the communication required
iv. Consider the factors that, in the auditor’s professional judgement are significant in directing the engagement team.

   a) Both (i) and (ii)
   b) All (i), (ii) and (iii)
   c) Both (iii) and (iv)
   d) All of the above

180. State which of the following statement is not true with reference to SA 300?
   a) The nature and extent of planning activities will not vary according to the size and complexity of the entity, the key engagement team members previous experience with the entity, and changes in circumstances that occur during the audit engagement.
   b) Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement.
   c) Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate planning benefits the audit of financial statements in several ways.
   d) The auditor may decide to discuss elements of planning with the entity’s management to facilitate the conduct and management of the audit engagement.

181. The methodology of audit planning is
   a) Not prescribed in any law
   b) Prescribed in Companies Act, 2013
   c) Prescribed in Chartered Accountants Act, 1949
   d) Prescribed by the appointing authority.

182. __________ shall be involved in the planning of audit
   a) Engagement partner
   b) Other key members of engagement team
   c) Both (a) and (b)
   d) Either (a) or (b)

183. The auditor shall consider the factors that, in the auditor’s professional judgement, are significant, are significant in directing the engagement team’s effort, while
   a) Establishing the overall audit strategy
   b) Developing the audit programme
   c) Designing the audit programme
   d) All of the above

184. The auditor may summarize __________ in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit.
   a) The overall audit plan
   b) The overall audit strategy
   c) Audit programme
   d) Audit note
185. __________ refers to such audit programme where plans for the auditor are not fixed.
   a) Special audit
   b) Fixed audit
   c) Pre-determined audit
   d) None of above

186. When a company engage a Chartered Accountant as its Internal Auditor, the external auditor
   a) Need not check the areas covered by internal auditor
   b) Should ignore the existence of internal auditor
   c) Should incorporate the internal auditors report with his own
   d) Should examine the system and efficiency of internal audit and devise a suitable audit programme.

187. Which of the following in incorrect w.r.t audit programme
   a) An audit programme consists of a series of verification procedures to be applied.
   b) It is desirable in respect of each audit and more particularly for bigger audits an audit programme should be drawn up.
   c) An audit programme is a summarized plan
   d) There should be periodic review of the audit programme to assess whether the same continues

188. __________ sets the scope, timing and direction of the audit.
   a) Overall audit strategy
   b) Adequate planning
   c) Audit programme
   d) Overall objective of audit

189. State which of the following statement is not true
   a) Evolving one audit programme applicable to all business under all circumstances is not practicable
   b) An audit programme is a detailed plan of applying the audit procedures in the given circumstances with instructions for the appropriate techniques to be adopted for accomplishing the audit objectives.
   c) An audit programme consists a series of verification procedures to be applied to the financial statements and accounts of a given company for the purpose of obtaining sufficient evidence to enable the auditor to express an informed opinion on such statements.
   d) The auditor may summarize the audit note in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit.

190. The auditor can formulate his entire audit programme only after
   a) How far the weakness have been removed at an interim date
   b) He has had a satisfactory understanding of the internal control system and their actual operation
   c) The existence and operation of internal control
   d) None of the above

191. An audit programme is:
   a) List of examination and verification steps to be applied
   b) Examination in depth
   c) List of audit queries
d) All of these

192. **Responsibility fixing is a feature of**
   a) Audit plan
   b) Audit
   c) Audit programme
   d) All of the above

193. **Pick the odd one**
   a) Audit programme helps in distribution of work amongst the people doing audit
   b) Audit programme is mechanical
   c) Audit program acts as an evidence against change of negligence
   d) Audit programme helps in covering all the areas where audit is required

194. **Audit programme is a failure if**
   a) Instructions are not followed properly
   b) Audit plan is not made correctly
   c) The instructions are ambiguous
   d) All of the above

195. **Pick the odd one**
   a) A hard and fast audit programme may kill the initiative of efficient and enterprising assistants
   b) An audit programme can make the audit exercise rigid and mechanical.
   c) The principal can control the progress of the various audits in hand by examining the audit programme.
   d) There is a risk that if any matter escaped attention of auditor at the time of audit planning may remain unaudited during the entire audit.

**SA 315**

196. **Which of the following is a type of audit procedure**
   a) Risk Assessment Procedures
   b) Further Audit Procedures
   c) Both (a) and (b)
   d) None of these

197. **Which of the following SAs deals with auditor’s responsibilities w.r.t. risk assessment**
   a) SA 315
   b) SA 320
   c) SA 330
   d) SA 450

198. **Risk assessment procedures are performed by auditor**
   a) To detect material misstatements in the financial statements
   b) To identify and assess material misstatements in the financial statements
   c) To identify and assess operational risk in the operations of the entity
   d) All of these
199. Components of risk of material misstatements are
   a) Inherent Risk and Control Risk
   b) Inherent Risk and Detection Risk
   c) Control Risk and Detection Risk
   d) Inherent Risk, Control Risk and Detection Risk

200. Audit Risk refers to risk that
   a) If financial statements are materially misstated then auditor may express an inappropriate opinion.
   b) Audit sample may be inappropriate
   c) Auditor may be unable to complete auditing engagement in timely manner
   d) All of these

201. The risk for the company that an auditor may issue an unqualified report due to auditor’s failure to detect some misstatement either due to fraud or error is
   a) Financial accounting risk
   b) Analytical risk
   c) Taxation risk
   d) Audit risk

202. For better assessing the audit risk, auditor inquires different groups in the organizations EXCEPT:
   a) Board of governance and top level management
   b) Legal counsel
   c) Middle level management
   d) Stakeholders

203. Which is not included in audit risk
   a) Ordinarily insignificant
   b) Adverse publicity
   c) Loss from litigation
   d) All of the above

204. Components of audit risk are
   a) Inherent Risk, Control Risk and Sampling Risk
   b) Inherent Risk, Control Risk and Detection Risk
   c) Inherent Risk and Control Risk
   d) None of these

205. Risk of material misstatements is a function of
   a) Audit risk and control risk
   b) Control risk and detection risk
   c) Inherent risk and control risk
   d) None of the above

206. If inherent risk and control risk are assessed as high, then
   a) Audit risk should be higher so that overall detection risk can be controlled
   b) Detection risk should be lower so that overall audit risk can be controlled
c) Audit risk should be lower so that overall detection risk can be controlled
d) Detection risk should be higher so that overall audit risk can be controlled

207. Which of the following increase control risk?
   a) Lack of segregation of duties
   b) Reduction in the size of the internal audit group
   c) Both (a) and (b)
d) None of these

208. Which of the following is correct
   a) Audit risk is the risk of a material misstatement in the financial statements
   b) The risk of a material misstatement in the financial statements consists of control risk
   c) Audit risk is the risk that auditor will not detect a material a material misstatement that exists in the
      financial statements
   d) Audit risk is the risk of a material misstatement in the financial statements and that the auditor did not
      detect the material misstatement.

209. Risk of material misstatement has ________ components
   a) One
   b) Two
   c) Three
   d) Four

210. What techniques should the auditor use in assessing the risk of material misstatements?
   a) The auditor should obtain written representation from the entity’s management
   b) The auditor should relate the identified risks to what can go wrong at assertions level
   c) The auditor should consider the implications of the identified risks for the auditor’s report
   d) The auditor should familiarize themselves with the client’s industry and current market conditions.

211. Which one of the following is not one of the categories of assertions identified in SA 315
   a) Accounting policies
   b) Presentation and disclosure
   c) Account balances at the period end
   d) Classes of transactions and events for the period under audit.

212. For purposes of the SAs, which of the following meaning attributed to the term “Assertions”
   a) Representations by management, explicit or otherwise, that are embodied in the financial statements, as
      used by the auditor to consider the different types of potential misstatements that may occur.
   b) A risk resulting from significant conditions, events, circumstances, actions or inactions that could
      adversely affect an entity’s ability to achieve its objectives and execute its strategies or from the setting of
      inappropriate objectives and strategies.
   c) An identified and assesses risk of material misstatements that, in the auditor’s judgement, requires special
      audit consideration.
   d) The audit procedures performed to obtain an understanding of the entity and its environment, including
      the entity’s internal control to identify and assess the risk of material misstatement, whether due to fraud
      or error, at the financial statement and assertion levels.
213. The auditor shall identify and assess the risk of material misstatements at
   a) The financial statement level
   b) The assertion level for classes of transactions account balances and disclosures
   c) Both (a) and (b)
   d) None of the above

214. Obtaining an understanding of the entity and its environment, including the entity’s internal control is
    a _____________________
    a) Initial process of gathering, updating and analyzing information of an audit
    b) Continuous, dynamic process of gathering, updating and analyzing information throughout the audit
    c) Dynamic process of gathering, updating and analyzing information at the time of initial audit engagement
    d) None of the above

215. An understanding of the entity’s selection and application of accounting policies may encompass such
     matters
     a) The methods the entity uses to account for significant and unusual transactions
     b) Financial reporting standards an laws and regulations that are new to entity and when and how the entity
        will adopt such requirements
     c) Changes in the entity’s accounting policies
     d) All of the above

216. An identified and assessed risk of material misstatement that, in the auditor’s professional judgement,
     requires special audit consideration is called as
     a) Inherent Risk
     b) Audit Risk
     c) Sampling Risk
     d) Significant Risk

217. Inherent Risk refers to
     a) Risk of an inappropriate opinion
     b) Risk of failure of internal control in the prevention or detection of material misstatements
     c) Susceptibility of account balances or class of transaction to be materially misstated, assuming there were
        no internal controls
     d) Risk of non-detection of material misstatements in financial statements

218. Possibility of deficiencies leading to material misstatement in the financial statement in future, is the
     best
     a) Risk of material misstatement
     b) Significant Deficiency in internal control
     c) Deficiency in professional judgement
     d) None of the above

219. Which of the following does not refers to significant deficiency in internal control?
     a) Susceptibility to loss or fraud of the related assets or liability
     b) Amount in financial statements exposed to deficiency
c) Subjectivity and complexity of determining estimated amounts
d) Transactions are executed in accordance with management’s general or specific authorization.

220. Parameters for significant deficiency to be reported to those charged with governance, state which of the following is not correct with reference to the above?
   a) Disclosure of material misstatement due to fraud or error where the management is involved
   b) Evidence of ineffective response by management
c) Identification of fraud where management is also involved, which entity’s internal controls are unable to prevent.
d) Transactions are executed in accordance with management’s general or specific authorization.

221. Evaluation and assessment of audit findings and control deficiencies involves applying
   a) Professional Skepticism
   b) Professional Judgement
c) Both (a) and (b)
d) None of the above

222. In assessing which risks are significant risk, which one of the following is not required to be considered by the auditor
   a) The complexity of transaction
   b) Whether the risk is risk of fraud
   c) Whether the firm has an internal audit department
   d) The degree of subjectivity in the measurement of financial information

223. Business risk may arise from which of the following?
   a) Globalization
   b) Industry and economic factors
   c) Corporate objectives and strategies
   d) All of the above

224. Control Risk refers to
   a) Risk of an inappropriate opinion
   b) Risk of failure of internal control in the prevention or detection of material misstatements
   c) Susceptibility of account balances or class of transaction to be materially misstated, assuming there were no internal controls
   d) Risk of non-detection of material misstatements in financial statements

225. If before considering the internal controls at the audited entity, there is a high probability of certain errors in the financial statements, we particularly speak of
   a) a high sampling risk.
b) a high inherent risk
c) a high control risk
d) a high detection risk

226. Detection Risk refers to
   a) Risk of an inappropriate opinion
b) Risk of failure of internal control in the prevention or detection of material misstatements
c) Susceptibility of account balances or class of transaction to be materially misstated, assuming there were no internal controls
d) Risk of non-detection of material misstatements in financial statements

227. The risk that an auditor’s procedures will lead to the conclusion that a material misstatement does not exist in an account balance when, in fact, such misstatement actually does exist is
a) Audit risk
b) Sampling risk
c) Control risk
d) Detection risk

228. There is inverse relationship between
a) Inherent risk and control risk
b) Combined risk of inherent and control risk with risk of material misstatements
c) Materiality and Audit Risk
d) Detection Risk and Audit Risk

229. For a given level of audit risk, the acceptable level of detection risk bears ______________ relationship to the assessed risk of material misstatement at the assertion level
a) Direct
b) Inverse
c) No
d) None of the above

230. There is inverse relationship between
a) Inherent Risk and Control Risk
b) Combined risk of inherent and control risk with risk of material misstatements
c) Combined risk of inherent and control risk with detection risk
d) Sampling Risk and Non-Sampling Risk

231. The sequence of steps in the auditor’s consideration of internal control is as follows:
a) Obtain an understanding, design substantive test, perform tests of control, make a preliminary assessment of control risk.
b) Design substantive test, Obtain an understanding, perform tests of control, make a preliminary assessment of control risk.
c) Obtain an understanding, make a preliminary assessment of control risk, perform tests of control, design substantive test
d) Perform tests of control, Obtain an understanding, make a preliminary assessment of control risk, Design substantive test

232. An auditor should study and evaluate internal controls to
a) Determine whether assets are safeguarded
b) Suggest improvements in internal control
c) Plan audit procedures
d) Express and opinion

233. The overall attitude and awareness of an entity’s board of directors concerning the importance of internal control is reflected in
a) Accounting controls
b) Control environment
c) Control procedures
d) Supervision

234. Objective of internal control excluding
a) Transactions are executed in accordance with management’s general or specific authorization
b) Internal control is designed, implemented and maintained to address unidentified business risks.
c) The recorded assets are compared with the existing assets at reasonable intervals and appropriate action is taken with regard to any differences.
d) Assets are safeguarded from unauthorized access, use or disposition, maintain accountability for assets.

235. A number of checks and controls exercised in a business to ensure its efficient working is known as
a) Internal check
b) Internal control
c) Internal audit
d) Interim check

236. An auditor assesses control risk because it
a) Affects the audit risk
b) Affects the level of detection risk that auditor may accept
c) Helps him to fix materiality level for each financial assertion
d) Is directly related to inherent risk

237. The SAs do not ordinarily refer to inherent risk and control risk separately, but rather to a combined assessment of the “risks of material misstatement”
a) The management may make separate or combined assessments depending on methodologies and practical considerations
b) The auditor may make separate or combined assessments depending on methodologies and practical considerations
c) The management and those charged with governance may make separate or combined assessments depending on methodologies and practical considerations
d) None of the above

238. In comparison to the independent auditor, an internal auditor is more likely to be concerned with
a) Cost accounting system
b) Internal control system
c) Legal compliance
d) Accounting system

239. When an independent auditor decides that the work performed by internal auditors may have bearing on the nature, timing and extent of planned audit procedures, the independent auditor should evaluate objectivity of the internal auditor. The most important factor influencing it would be
a) Organizational level to which he reports  
b) Qualification of internal auditor  
c) System of quality control of his work  
d) All of the above

240. When an independent auditor relies on the work of an internal auditor, he or she should  
a) Examine the scope of internal auditor’s work  
b) Examine the system of supervising review and documentation of internal auditor’s work  
c) Adequacy of related audit programme  
d) All of the above

241. The independence of an internal auditor will most likely be assured if he reports to the  
a) President finance  
b) President system  
c) Managing Director  
d) CEO

242. In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from  
a) Test of control  
b) Substantive procedures  
c) Both a and b  
d) All of the above

243. M Ltd. Conducts quarterly review of operations. It discovers that unrest in a Middle east country may affect the supply of raw materials to it the next quarter. This is an example of:  
a) Risk assessment  
b) Control procedure  
c) Supervision  
d) Control environment

244. Which of the following statements is correct  
a) Audit risk is the risk of material misstatement in the financial statements  
b) The risk of a material misstatement in the financial statements consists of control risk  
c) Audit risk is the risk that the auditor will not detect a material misstatement that exists in the financial statements  
d) Audit risk is the risk of a material misstatement in the financial misstatements and that the auditor did not detect the material misstatement.

245. Which of the following statement is not correct  
a) Inherent risk and control risk cannot be controlled by the management  
b) Detection risk is related directly to the effectiveness of the auditor procedures  
c) Detection risk is related inversely to control risk  
d) Inherent risk and control risk are highly interrelated
246. **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

247. **The risk assessment procedures shall include the following except**
   a) Inquiries of management and of others within the entity
   b) Regular reconciliation
   c) Analytical procedures
   d) Observation and inspection

248. **Which of the following is not likely to a fraud risk factor relating to management characteristics**
   a) Tax evasion
   b) Failure to correct known weakness in internal control system
   c) Adoption of conservative accounting principles
   d) High management turnover

249. **Factors relevant to the auditor’s judgement about whether a control, individually or in combination with others, is relevant to the audit may include such matters as the following**
   a) Materiality
   b) The significance of the related risk
   c) The diversity and complexity of the entity’s operations
   d) All of the above

250. **Which of the following in not an assertion about classes of transactions and events for the period under audit:**
   a) Occurrence
   b) Accuracy
   c) Classification
   d) Existence

251. **Which of the following is not an assertion about classes account balances at the period end**
   a) Existence
   b) Valuation
   c) Accuracy
   d) Rights and Obligations

252. **XYZ Limited decided that it wanted to improve earnings. To do this, they understated their expenses by omitting unpaid expenses from the accrued liabilities account at year end. Which management assertion has been violated?**
   a) Rights and obligations
   b) Completeness
   c) Existence
   d) Disclosure
253. Pick the odd one
   a) Occurrence
   b) Existence
   c) Right and obligation
   d) Valuation

254. Pick the odd one
   a) Occurrence
   b) Accuracy
   c) Cut-off
   d) Valuation

255. A Ltd, is in a highly competitive industry with majority of the competition coming from middle east countries. The company’s products have a relatively short life cycle and product development is continuous in order to keep up with competitors.
   For the inventory account, the assertion upon which most audit efforts should be concentrated is
   a) Existence
   b) Completeness
   c) Right and Obligation
   d) Valuation and Allocation

256. B Ltd is engaged in business of selling accessories for laptops through online, as an auditor how would you proceed in this regard as to understanding the entity and its environment
   a) Spending substantial time
   b) Extensive audit procedures
   c) Both (a) and (b)
   d) Monitoring

257. Which of the following are performed as risk assessment procedures
   a) Observation
   b) Inquiry
   c) Analytical Review
   d) All of these

258. Significant risk refers to
   a) Audit Risk
   b) Sampling Risk
   c) Risk of material misstatements
   d) Risk of material misstatements requiring special audit considerations

259. Which of the following is not a component of Internal Control
   a) Information system
   b) Control environment
   c) Entity’s risk assessment procedures
   d) Quality review
260. Control activities, whether within IT or manual system, have various objectives and are applied at various organizational and functional levels. Which of the following is an example of control activities?
   a) Authorization
   b) Performance reviews
   c) Information processing
   d) All of the above

261. 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
   a) Decide if they want to accept the engagement
   b) Identify risks associated with the client’s strategy that could affect the financial statements
   c) Assess the level of materiality that is appropriate for the audit
   d) Identify the potential for fraud in the financial reporting process

262. Which assertion is common among income statement and balance sheet captions:
   (a) Existence
   (b) Valuation
   (c) Completeness
   (d) Measurement

263. Direct confirmation procedures are performed during audit of accounts receivable balances to address the following balance sheet assertion:
   (a) Rights and obligations
   (b) Existence
   (c) Valuation
   (d) Completeness

SA 320

264. While determining materiality of any item financial statements, the auditor considers
   a) Quantity of item
   b) Quality of item
   c) Legal or Regulatory consideration of item
   d) All of these

265. Materiality in terms of amount or amounts set by the auditor for particular classes of transactions, account balances or disclosures is called as
   a) Materiality for financial statement as a whole
   b) Performance Materiality
   c) Item Materiality
   d) None of these

266. Determining a percentage to be applied to a chosen benchmark (in relation to materiality) involves the exercise of ________________
   a) Independence
b) Professional judgement
c) Professional skepticism
d) All of the above

267. In determining the level of materiality for an audit, what should not be considered?
   a) Prior year’s errors
   b) The auditor’s remuneration
   c) Adjusted interim financial statements
   d) Prior year’s financial statements.

268. Audit materiality is to be considered from
   a) Qualitative angle
   b) Quantitative angle
   c) Both (a) and (b)
   d) None of these

269. Which of the following SA prescribes auditor’s responsibilities for materiality in planning and performing an audit
   a) SA 320
   b) SA 300
   c) SA 330
   d) SA 500

270. As per SA 320, materiality is to be applied
   a) In planning the audit
   b) In performing an audit
   c) In planning and performing an audit
   d) In planning, performing and concluding an audit

271. Materiality of item depends upon
   a) Size of item
   b) Nature of item
   c) Statutory provision
   d) All of these

272. Factors that may affect identification of an appropriate benchmark include
   a) Elements of financial statements
   b) Nature of entity
   c) Entity’s ownership structure
   d) All of these

273. Performance materiality means the amount or amounts set by the auditor at _______________ the amount of materiality level for the financial statements as a whole.
   a) Less than
   b) More than
   c) Equal to
   d) Any of above
274. If the misstatement influences the decision of the user of financial statement, then
   a) The item is said to be material
   b) The auditor shall apply additional procedures
   c) Both a and b
   d) None of the above

275. State which of the following is not true with reference to SA 320?
   a) Audit materiality is not inversely proportional to the audit risk
   b) Higher the audit materiality, lower is the audit risk
   c) An item is said to be material, if the misstatement influences the decision of the user of financial statement then
   d) Even a small value items can be considered material if taken on cumulative basis

276. State which of the following statement is correct?
   a) Inherent risk refers to wrong evaluation of internal control or internal control is unable to check the misstatement.
   b) Detection risk refers to the risk which is unavoidable in nature
   c) Control risk refers to audit is unable to find any misstatement
   d) None of the above

277. The materiality differs from client to client and transaction to transaction, the auditor fixes the materiality level in the following ways, except
   a) Disclosure
   b) Class of transaction
   c) Account Balance
   d) Nature and size of audit

278. Benchmark approach may not include
   a) Net Asset value
   b) Total revenue
   c) Net liability value
   d) Gross profit

279. The concept of materiality is applied by the auditor for both
   (i) Planning and performing the audit,
   (ii) Evaluating the effect of identified misstatements on the audit
   (iii) Uncorrected misstatements
   (iv) None of the above
   a) Both i and ii
   b) Only i, ii, and iii
   c) Both iii and iv
   d) All of the above

280. Which of the following is an important consideration for an auditor to evaluate whether the financial statements reflect a true or fair view or not.
a) Materiality  
b) Benchmark  
c) Audit plan  
d) Audit note

281. The auditor shall determine materiality for the financial statements as a whole. When,
   a) At the time of initially planning of the audit
   b) At the time of evaluating the results of audit procedures
   c) Establishing the overall audit strategy
   d) There is one or more particular classes of transactions

282. ______________ also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.
   a) Benchmark  
b) Undetected misstatements  
c) Performance materiality  
d) Overall audit strategy

283. If an entity is financed solely by debt rather than equity, users may put more emphasis on________
   a) Entity’s gross earnings  
b) Entity’s net earnings  
c) Assets, and claims on them  
d) Both a and c

284. __________ from continuing operations is often used for profit-oriented entities
   a) Total equity or net asset value  
b) Profit before tax  
c) Gross profit and total expenses  
d) Total revenue

SA 330

285. Which of the following SA deals with auditor’s responsibility to design and perform further audit procedures as a response on assessed risk
   a) SA 330  
b) SA 315  
c) SA 320  
d) SA 450

286. Which of the following is a further audit procedure as per SA 330
   a) Risk assessment procedure  
b) Internal check  
c) Substantive audit procedures  
d) Internal audit
287. Test of controls is performed by auditor
a) To evaluate operating effectiveness of internal controls
b) To detect material misstatements in financial statements
c) To identify and assess risk of material misstatements in financial statements
d) All of above

288. The auditor shall test controls
a) For particular time
b) Throughout the period
c) (a) or (b)
d) None of these

289. The auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to operating effectiveness of relevant controls when:
a) The auditor’s assessment of risks of material misstatements includes an expectation that controls are operating effectively
b) Substantive procedures alone cannot provide sufficient appropriate audit evidence
c) (a) or (b)
d) None of these

290. In case of recurring audit engagement, it is a matter of professional judgment of auditor to determine whether it is appropriate to use audit evidence about the operating effectiveness of controls obtained in previous audit but auditor shall test the controls at least once in every
a) Third audit
b) Fourth audit
c) Fifth audit
d) Sixth audit

291. Factors which may warrant re-testing of controls in recurring audit engagement are
a) Deficient general IT controls
b) Deficient monitoring controls
c) A deficient control environment
d) All of these

292. Substantive audit procedures are performed by auditor
a) To determine nature, timing and extent of test of controls
b) To determine nature, timing and extent of substantive analytical procedures
c) To detect material misstatements.
d) To identify and assess detection risk

293. Substantive audit procedure comprises:
a) Substantive analytical procedures
b) Test of details
c) Both (a) and (b)
d) None of these
294. Nature, timing and extent of substantive audit procedures are determined by auditor on the basis of
   a) Test of controls performed
   b) Understanding of entity and its related environment
   c) Test of details
   d) All of these

295. The nature, timing and extent of substantive audit procedures is related to assessed level of control risk
   a) Randomly
   b) Disproportionately
   c) Directly
   d) Inversely

296. Substantive procedures related to the financial statements closing process are
   a) Verification of assets and liabilities
   b) Agreeing or reconciling the financial statements with the underlying records
   c) Examining material journal entries and other adjustments made during the course of preparing the financial statements
   d) Both (b) and (c)

297. Which statement best describes the interaction of the systems and substantive approaches in the audit plan?
   a) The systems approach focuses on testing controls to make sure they are effective, while the substantive approach is the detailed testing of specific accounts for accuracy
   b) The systems approach focuses on detailed testing of specific accounts for accuracy, while the substantive approach is the testing controls to make sure they are effective
   c) The systems approach focuses on the use of computer systems to aid in the audit while the substantive approach focuses on more manual tests
   d) A thoroughly designed systems approach to auditing can eliminate

298. After testing a client’s internal control activities, an auditor discovers a number of significant deficiencies in the operation of a client’s internal controls. Under these circumstances the auditor most likely would
   a) Issue a disclaimer of opinion about the internal controls as part of the auditor’s report
   b) Increase the assessment of control risk and increase the extent of substantive tests
   c) Issue a qualified opinion of this finding as part of the auditor’s report
   d) Withdraw from the audit because the internal controls are ineffective

299. What is not included under the audit term “substantive procedures”?
   a) Test made to obtain evidence of material errors
   b) A general strategy and detained concerning the nature, timing and extent of audit procedures to be performed.
   c) Analytical procedures to analyze trends and fluctuations
   d) Test of the details of the transactions

300. The auditor shall apply procedures to examine overall presentation of financial statements and their compliance with relevant FRF, these are called as
a) Audit procedures responsive to risk assessed at assertion level  
b) Overall response  
c) Both (a) and (b)  
d) Either (a) or (b)  

**301. Substantive procedures comprise of**  
a) Test of controls, Risk Assessment  
b) Test of Details, Substantive Analytical Procedures  
c) Degree of reliance on controls, Extent of test of controls  
d) None of the above  

**302. Which of the following are included in test of controls?**  
a) Reperformance and observation  
b) Inquiry and analytical procedures  
c) Comparison and conformation  
d) Inspection and verification  

**303. Which of the following is a routine audit procedure**  
a) Vouching of transactions  
b) Analytical procedures  
c) Risk assessment procedures  
d) Verification of assets and liabilities  

**SA 402**

**304. SA 402 deals with responsibilities of**  
a) User Auditor  
b) Service Auditor  
c) User Auditor and Service Auditor  
d) Service organization and user auditor both  

**305. An entity that uses a service of service organisation and whose financial statements are being audited is called as**  
a) User  
b) User Entity  
c) Beneficial  
d) Owner  

**306. An auditor who audits and reports on the financial statements of user entity is called as**  
a) Principal Auditor  
b) Beneficial Auditor  
c) User Auditor  
d) None of the above  

**307. An auditor who, at the request of the service organisation provides an assurance report on the controls of a service organisation is called as**
a) Service Auditor  
b) Joint Auditor  
c) Branch Auditor  
d) Co-Auditor  

308. A third party organisation that provides services to user entities that are part of those entities information system relevant to financial reporting is called as  
a) Branch  
b) Service Organisation  
c) Service Provider  
d) Sub-Service Organisation  

309. In case client outsources some aspects of their business to other organization, SA _______ is to be considered and applied by the auditor  
a) 320  
b) 500  
c) 402  
d) 450  

310. As per SA 402, service auditor is an auditor who provides ___________ about ___________ of a service organization.  
a) Audit report, financial statements  
b) Audit report, controls  
c) Assurance report, financial statements  
d) Assurance report, controls  

311. As per SA 402, ___________ report shall provide better assurance than ___________ report to the user auditor.  
a) Type 2, Type 1  
b) Type 1, Type 2  
c) Type A, Type B  
d) Type B, Type A  

312. As per SA 402, user auditor is an auditor who audits and reports  
a) On the internal controls of user entity  
b) On the financial statements of user entity  
c) On the controls of service organization  
d) On the financial statements of a user entity and those of service organization both  

313. The user auditor shall obtain un understanding about  
a) The nature of service provided by service organisation  
b) The materiality of transactions processed by service organisation  
c) The degree of interaction between service organization and user entity  
d) All of these
314. If user auditor is not able to obtain information from service organization or about the transactions being processed by service organization, he shall
   a) Modify his audit report
   b) Express an unqualified opinion
   c) Express an unqualified opinion but mentions the same in EOM section
   d) Express his audit opinion and mention the same in OM section.

315. The report on description and design of controls at service organization is termed as
   a) Type 1 Report
   b) Type 2 Report
   c) Type A Report
   d) Type B Report

316. The report on description, design and operating effectiveness of controls at service organization is termed as
   a) Type 1 Report
   b) Type 2 Report
   c) Type A Report
   d) Type B Report

317. Which of the following is a method of reporting in Type 1 or Type 2 Report by service auditor
   a) Inclusive method
   b) Carve out method
   c) Both (a) and (b)
   d) None of these

318. When Type1 or Type 2 Report of service auditor includes information of internal controls of sub service organization, such method is called
   a) Inclusive method
   b) Carve out method
   c) Combined method
   d) Exclusive method

319. When Type1 or Type 2 Report of service auditor excludes information of internal controls of sub service organization, such method is called
   a) Inclusive method
   b) Carve out method
   c) Combined method
   d) Exclusive method

320. If user auditor is unable to obtain sufficient understanding from the user entity, the user auditor shall obtain understanding from one or more of the following procedures
   a) Obtaining a Type 1 or Type 2 report, if available, contacting the service organisation through the user entity
   b) Visiting the service organisation and performing procedures
c) Using another auditor to perform procedures that will provide necessary information about the relevant controls at the service organisation

d) All of the above

**SA 450**

**321. Which of the following SAs deals with auditor’s responsibilities to evaluate the effect of identified misstatements**

a) SA 330  
b) SA 500  
c) SA 505  
d) SA 450

**322. The objective of auditor with reference to SA450 is**

a) To evaluate the effect of identified misstatement on the audit  
b) To obtain sufficient and appropriate audit evidence regarding compliance with provision of laws and regulations  
c) Both (a) and (b)  
d) None of the above

**323. Misstatements in financial statements is the difference in amount, classification, presentation and disclosure of the item of financial statements between**

a) Reported financial statements and applicable financial reporting framework  
b) Reported financial statements and discrepancies in accounting records  
c) Discrepancies in accounting records and applicable financial reporting framework  
d) All of the above

**324. 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 estimate  
d) All of above

**325. SA 450 considers the mis-statements resulting from**

a) Frauds  
b) Errors  
c) Frauds and errors both  
d) Mistakes

**326. Misstatements that the auditor has accumulated during the audit and have not been corrected are called as**

a) Uncorrected misstatements  
b) Material misstatements  
c) Immaterial misstatements  
d) Tolerable errors
327. If aggregate of uncorrected misstatements is material, auditor shall express
   a) Unmodified Opinion
   b) Qualified /Adverse Opinion
   c) Disclaimer of opinion
   d) None of these

328. Misstatements can arise from
   a) Error
   b) Fraud
   c) Both (a) and (b)
   d) None of the above

329. The auditor shall communicate on a timely basis all misstatements accumulated during audit with appropriate level of management, the auditor shall request management
   a) To disclose those misstatements in the financial statements
   b) To correct those misstatements
   c) To disclose in board report
   d) To report to TCWG

330. If management refuses to correct some or all misstatements communicated by the auditor
   a) The auditor shall obtain an understanding of management’s reason for not making the corrections
   b) The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate
   c) Both (a) and (b)
   d) None of the above

SA 500

331. Which of following SA deals with auditor’s responsibility to design and perform audit procedures in such a way to enable the auditor to obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor’s opinion
   a) SA 500
   b) SA 501
   c) SA 330
   d) SA 315

332. 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

333. Appropriate 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

334. The auditor must obtain following audit evidence to draw reasonable conclusion
   a) Sufficient audit evidence
   b) Appropriate audit evidence
   c) Sufficient and appropriate audit evidence
   d) None of these

335. Which of the following 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.

336. Following audit procedures are performed by auditor to obtain sufficient appropriate audit evidence
   a) Risk assessment procedures
   b) Test of controls
   c) Substantive audit procedures
   d) Both (b) and (c)

337. Which of the following is not a factor to determine sufficient audit evidence
   a) Reliability of information
   b) Materiality of item
   c) Risk of material misstatements
   d) Size and characteristics of the population

338. Which of the following is a factor to determine sufficient audit evidence
   a) Materiality of item involved
   b) Risk of material misstatements
   c) Size and characteristics of the population
   d) All of these

339. Which of the following is a factor to determine appropriate audit evidence
   a) Reliability of information
   b) Relevancy of information
   c) Both (a) and (b)
   d) None of these

340. Depending upon nature audit evidence can be classified as
   a) Visual evidence
   b) Oral evidence
   c) Documentary evidence
   d) All of these

341. 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 these

342. Which of the following is not internal audit evidence
   a) Bank Reconciliation Statement
   b) Bank Statement
   c) Copy of Sales Invoice
   d) Voucher

343. Which of the following is not external audit evidence
   a) Bank Statements
   b) Purchase Invoice
   c) External Confirmation
   d) Salary Sheet

344. Techniques to obtain audit evidence are
   a) Inspection
   b) Recalculation
   c) External confirmation
   d) All of these

345. Pick the odd one
   a) Confirmation
   b) Inquiry
   c) Re-computation
   d) Ledger posting

346. Pick the odd one
   a) Bank reconciliation statement
   b) Copy of sales invoice
   c) Purchase invoice
   d) Minutes book

347. Which of following statement is incorrect
   a) Recalculation consists checking reasonableness of appropriates of accounting policies
   b) Inspection consists of examining records, documents whether internal or external in paper form or electronic form and physical examination of assets
   c) An external confirmation represents audit evidence obtained by auditor as direct written response to the auditor from a third party.
   d) Evaluating responses of inquiry is an integral part of inquiry process.

348. Observation consists
   a) Review of financial statements
   b) Looking at a process, procedure being performed by others
   c) Independent execution of procedure or controls that were originally performed as part of entity’s internal control.
349. Before using the work of an expert the auditor shall evaluate
   a) Competency of expert.
   b) Capability of expert
   c) Objectivity of expert
   d) All of above

350. Information regarding the competence, capabilities and objectivity of management’s expert may come from a variety sources such as:
   a) Discussion with expert
   b) Personal experience with previous work of that expert
   c) Published papers or books written by that expert
   d) All of these

351. Pick the most appropriate. Auditing evidence is more reliable when
   a) Received from third party
   b) Received from reliable third party
   c) Received from audited organization resources
   d) Both a & b

352. Which is NOT a technique of obtaining evidence
   a) Correction
   b) Computation
   c) Confirmation
   d) Both a & b

353. Which of the following statements is, generally correct about the reliability of audit evidence?
   a) To be reliable, evidence should be conclusive rather than persuasive
   b) Effective internal control system provides reliable audit evidence
   c) Evidence obtained from outside sources routed through the client
   d) All are correct

354. In case of inconsistency between audit evidences obtained by auditor for an item of the financial statement, the auditor shall
   a) Withdraw from audit engagement
   b) Perform alternative audit procedures
   c) Perform additional audit procedures to obtain corroborative audit evidence
   d) All of the above

355. Which of the following is incorrect w.r.t. inquiry
   a) Inquiries may range from formal written inquiries to informal oral inquiries
   b) Conducting inquiry alone is not sufficient to obtain sufficient and appropriate audit evidence
   c) Inquiry can be conducted with the person within the entity and with the person outside the entity
   d) Evaluation of responses of enquiries is not an integral part
356. Which of the following is correct
   a) Audit procedures and audit techniques are not one and same thing.
   b) Audit procedures and audit techniques are often used interchangeably.
   c) Inspection of bank reconciliation statement is an audit technique.
   d) All of the above

357. Audit is usually conducted in three steps:
   1. A pre-examination or opening meeting with the auditee marks the beginning of the process
   2. Involves a suitability audit of the documented procedures against the selected reference standard
   3. The auditor examines in depth the implementation of the quality system
      a) True
      b) False
      c) Partially false
      d) None of the above

358. In auditing most of the time we deal with persuasive audit evidence which helps the auditor
   a) To understand the nature of audit
   b) To understand the source of audit evidence
   c) For conclusion of the audit
   d) None of the above

359. State which of the following techniques are not used for obtaining audit evidence
   a) Questioning the management with objective to get suitable response
   b) Involve inspection record or documents internal or external
   c) Detailed examination of some specific areas
   d) Trend analysis

360. Reperformance involves
   a) Evaluation of financial information using financial and non-financial data.
   b) Questioning the management with objective to get suitable response
   c) Auditor’s independent execution of procedures or controls that were originally performed by management
   d) Checking the mathematical accuracy documents or record. It can be manually or electronically

361. State which of the following statement is true
   a) Audit evidence are persuasive in nature
   b) Audit evidence are conclusive in nature
   c) Both (a) and (b)
   d) None of the above

362. Which of the following are designed to obtain audit evidence as to completeness, accuracy and validity of data produced by the accounting system
   a) Test of controls
   b) Substantive procedures
   c) Analytical procedures
   d) All of the above
363. Substantive procedures does not involves
   a) Checking of transactions
   b) Analytical review
   c) Checking of balance
   d) Checking whether internal controls are working effectively

364. Test of controls involves in
   a) Testing of transaction and balance
   b) Analytical review
   c) Check the internal control exist and operating effectively
   d) All of the above

365. The reliability of audit evidence is influenced by its
   a) Source
   b) Nature
   c) Circumstances
   d) All of the above

SA 501

366. Which of the following SA deals with special consideration by auditor in obtaining sufficient appropriate audit evidence with respect to existence and condition of inventory, completeness of litigation and claim and presentation and disclosure of segment information:
   a) SA 500
   b) SA 501
   c) SA 505
   d) SA 510

367. The responsibility for determining the quantity and value of inventory rests with
   a) Management
   b) Auditor
   c) Auditor and Management both
   d) None of these

368. The auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by attending physical inventory count, unless impracticable, to
   a) Evaluate the management’s instruction and procedures for recording and controlling the results of the entity’s physical inventory counting
   b) Observe the performance of management’s count procedures
   c) Inspect the inventory
   d) All of above

369. If auditor is unable to attend physical inventory counting due to unforeseen circumstances the auditor shall
   a) Obtain a written representation from management of entity
b) Conduct external confirmation from third party
c) Make or observe some physical count on an alternative date, and perform audit procedures on intervening transactions
d) All of these.

370. If attendance at physical inventory counting is impracticable, the auditor shall
   a) Perform Alternative audit procedures
   b) Perform Additional audit procedures
   c) Obtain written representation from management of entity
   d) None of the above

371. When inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of that inventory by
   a) Request confirmation from third part as to the quantities and condition of inventory held by third party
   b) Perform inspection or other audit procedures appropriate in the circumstances
   c) Both (a) and (b)
   d) None of the above

372. Litigation and claim involving the entity may have a material effect on the financial statements and thus may be required
   a) To be disclosed in the financial statements
   b) To be accounted in the financial statements
   c) Either (a) or (b)
   d) Both (a) and (b)

373. The auditor shall design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement including:
   a) Inquiry of management and others within the entity
   b) Performing analytical procedures as are appropriate
   c) Reviewing minutes of meetings of members
   d) All of above

374. When the audit procedures performed indicated that other material litigation or claims may exist, then the auditor shall
   a) Seek direct communication with the entity’s internal legal counsel through a letter of inquiry, prepared by auditor and sent by the management.
   b) Seek direct communication with the entity’s external legal counsel through a letter of inquiry, prepared by management and sent by the auditor
   c) Seek direct communication with the entity’s external legal counsel through a letter of inquiry, prepared by auditor and sent by the management
   d) Seek direct communication with the entity’s internal legal counsel through a letter of inquiry, prepared by management and sent by the auditor

375. If management does not permit auditor to communicate with legal counsel or legal counsel refuses to respond to auditor, the auditor shall
376. With respect to segment information, the auditor shall obtain evidences regarding _______ of segment information as per__________.
   a) Preparation, Standard on auditing
   b) Disclosure, Standard on auditing
   c) Preparation, Financial reporting framework
   d) Presentation and Disclosure, Financial reporting framework.

377. State which of the following is covered under AS 17 and SA 501
   a) Claims & Litigation
   b) Segment Reporting
   c) Both (a) and (b)
   d) None of the above

SA 505

378. _________________ means audit evidence obtained as direct written response from a third party in paper/electronic form.
   a) Internal Confirmation
   b) External Confirmation
   c) Written Representation
   d) All of above

379. Which of the following SAs deals with auditor’s responsibilities to design and perform external confirmation procedures to obtain relevant and reliable audit evidence
   a) SA 580
   b) SA 330
   c) SA 500
   d) SA 505

380. A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information, is
   a) Negative Confirmation Request
   b) Exception
   c) Positive Confirmation Request
   d) Non-Response

381. A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request, is
   a) Negative Confirmation Request
   b) Positive Confirmation Request
c) Exception
d) Non Response

382. A response that indicates a difference between information requested to be confirmed, or contained in the entity’s records, and information provided by the confirming party, is
   a) Error
   b) Exception
   c) Fraud
   d) All of above

383. A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered is called
   a) Disagreement
   b) Confirmation failure
   c) Restriction on auditor’s scope
   d) Non-Response

384. The auditor should use negative confirmation request if
   a) Population comprises a large number of small, homogeneous account balances or transactions
   b) The auditor has assessed the risk of material misstatement as low
   c) A very low exception rate is expected
   d) All of above

385. Factors to be considered when designing confirmation request:
   a) Prior experience of auditor
   b) Assertions being addressed
   c) Information to be confirmed
   d) All of above

386. In case any exception is identified by auditor by conducting external confirmation, he shall perform
   a) Alternative audit procedures
   b) Additional audit procedures
   c) Test of Controls
   d) Both (a) and (b)

387. In case of non-response in the process of external confirmation, the auditor shall perform
   a) Alternative audit procedures
   b) Additional audit procedures
   c) Test of Controls
   d) Both (a) and (b)

388. ______________ should carefully plan and control external confirmation
   a) Management
   b) TCWG
   c) Auditor
   d) All of these in consultation with one another
389. Where no reply is received during the performance of direct confirmation procedures as part of audit of accounts receivable balances, the auditor should perform:

(a) No additional testing
(b) Additional testing including agreeing the balance to cash received; agreeing the detail of the respective balance to the customer’s remittance advice
(c) Additional testing including preparing a detailed analysis of the balance, ensuring it consists of identifiable transactions and confirming that these revenue transactions actually occurred
(d) Both (b) and (c)

390. Which of the following statement is not true, if management refuses to allow the auditor to send a confirmation request

a) Inquire as to management’s reasons for the refusal, and seek audit evidence as to their validity and reasonableness
b) The auditor also shall determine the implication for the audit and the auditor’s opinion in accordance with standards on auditing
c) Evaluate the implication of management’s refusal on the auditor’s assessment of the relevant risk of material misstatement, including the risk of fraud, and on the nature, timing and extent of other audit procedures.
d) Auditor shall withdraw from engagement.

391. The auditor shall investigate exceptions to determine whether or not

a) They are indicative of misstatements
b) The audit evidence is sufficient and appropriate
c) It is conclusive to conclude
d) All of the above

392. State which of the following statement is true, with the auditor’s use of external confirmation procedures to obtain audit evidence as per SA 505

a) Positive confirmation provide less persuasive audit evidence than negative confirmation
b) Positive confirmation provide less conclusive audit evidence than negative confirmation
c) Negative confirmation provide less conclusive audit evidence than positive confirmation
d) Negative confirmation provide less persuasive audit evidence than positive confirmation

393. The auditor shall not use negative confirmation requests as the sole substantive audit procedure to address an assessed risk of material misstatements at

a) At initial audit engagement level
b) The time, when the auditor is aware of circumstances or condition that would cause recipients of negative confirmation requests to disregard such requests
c) The assertion level
d) All of the above

394. A refusal by management to allow the auditor to send a confirmation request

a) is a limitation on the scope of audit
b) is a limitation on the audit evidence
c) is a limitation on the audit documentation
395. State which of the following circumstance, refusal by management to allow the auditor to send a confirmation request is reasonableness as per SA 505
   a) Existence of a legal dispute
   b) Ongoing negotiation with TCWG
   c) When the reason for exception available
   d) All of the above

396. When the auditor evaluates the evidence obtained and response received from the third party is unreliable, then which one of the best option available to the auditor
   a) Perform alternative audit procedure to obtain relevant and reliable audit evidence
   b) Revise the assessment of the risk of material misstatement at the assertion level and modify planned audit
   c) The auditor shall communicate with TCWG in accordance with SA 260
   d) The auditor shall determine the implications for the audit and auditor’s opinion in accordance with SA

SA 510

397. Which of the following SA deals with the auditor’s responsibilities relating to opening balances when conducting an initial audit engagement:
   a) SA 500
   b) SA 510
   c) SA 710
   d) SA 540

398. An initial audit engagement in which:
   a) The financial statements for the prior period were not audited
   b) The financial statements for the prior period were audited by a predecessor auditor
   c) Either (a) or (b)
   d) None of (a) or (b)

399. Predecessor auditor is:
   a) Joint auditor
   b) Auditor of component’
   c) Internal auditor
   d) The auditor from a different audit firm, who audited the financial statements of an entity in the prior period and who has been replaced by the current auditor.

400. To obtain information relevant to opening balances including disclosures, the auditor shall
   a) Read the most recent financial statement, if any and auditor’s report thereon
   b) Conduct written communication with predecessor auditor
   c) Inquire with management
   d) All of the above
401. Which of the following is true
   a) If auditor concludes that opening balances contain misstatements that materially affects the current period’s financial statements, the auditor shall express disclaimer of opinion.
   b) If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express a qualified opinion or disclaimer of opinion, as appropriate, in accordance with SA 705.
   c) If auditor concludes that the current period’s accounting policies are not consistently applied in relation to opening balances, or a change in accounting policies is not properly accounted for, or not adequately disclosed in accordance with applicable reporting framework, the auditor shall express a qualified opinion or an adverse opinion as appropriate, in accordance with SA 705.
   d) Both (b) and (c)

402. Auditors of M/s A Ltd were changed for the accounting year 2017-18. The closing stock of the company as on 31-03-2017 amounting to Rs 100 Lakhs continued as it is and became closing stock as on 31-03-2018. The auditors of the company propose to exclude from their audit programme the audit of closing stock of Rs. 100 Lakhs on the understanding that it pertains to the preceding year which was audited by another auditor.
   a) Auditor’s contention is wrong
   b) Auditor’s contention is right
   c) Auditor can choose to skip them as it is audited by predecessor auditor
   d) Auditor can rely on the previous audit report

403. If auditor concludes that the opening balances contain a misstatement and such misstatement materially affects the current period’s financial statements and the effect of the misstatement is not properly accounted for or not adequately presented or disclosed
   a) The auditor shall express a disclaimer of opinion
   b) The auditor shall perform additional procedures and advise management to revise financial statements
   c) The auditor shall express a qualified opinion or an adverse opinion
   d) All of the above

404. Which of the following is incorrect, in relation to the predecessor auditor’s report
   a) Evaluate the effect of the matter giving rise to the modification in assessing the risks of material misstatement in the current period
   b) If the prior period’s financial statements were audited by predecessor auditor and there was a modification to the opinion, the auditor shall also modify his opinion
   c) Evaluate the effect of the matter giving rise to the modification in the internal control
   d) Auditor shall express a qualified opinion or an adverse opinion if no appropriate disclosure is made

405. If a change in accounting policies is not properly accounted for or not adequately presented or disclosed in accordance with the applicable financial reporting framework
   a) The auditor shall express a disclaimer of opinion
   b) The auditor shall perform additional procedures and advise management to update financial statements
   c) The auditor shall express a qualified opinion or an adverse opinion
   d) All of the above
406. If the auditor concludes that the current period’s accounting policies are not consistently applied in relation to opening balances in accordance with applicable financial reporting framework
   a) The auditor shall express a disclaimer of opinion
   b) The auditor shall perform additional procedures and advise management to revise financial statements
   c) The auditor shall express a qualified or an adverse opinion
   d) All of the above

407. The auditor shall obtain sufficient appropriate audit evidence about whether the opening balances contain misstatement that
   a) Materially affect the current period’s financial statements
   b) Materially affect the prior period’s financial statements
   c) Materially affects one or more prior period’s financial statements
   d) All of the above

408. The auditor shall obtain sufficient appropriate audit evidence about whether the _________ reflected in the opening balances have been consistently applied in the current period’s financial statements
   a) Accounting policies
   b) Accounting estimates
   c) Fundamental accounting assumptions
   d) Applicable financial reporting framework

SA 520

409. _____________ means evaluation of financial information through analysis of plausible relationships among both financial and non-financial data.
   a) Risk assessment
   b) Analytical Procedures
   c) Substantive Procedures
   d) Test of Controls

410. Which of the following SAs deals with auditor’s responsibilities to design and perform analytical procedures as substantive analytical procedure?
   a) SA 315
   b) SA 330
   c) SA 520
   d) SA 500

411. What are analytical procedures?
   a) Substantive tests designed to assess control risk.
   b) Substantive tests designed to evaluate the validity of management’s representative letter.
   c) Substantive tests designed to study relationship between financial and non-financial.
   d) All of the above.
412. Analytical procedures used in the planning stage of an audit, generally
   a) helps to determine the nature, timing and extent of other audit procedures
   b) Directs attention to potential risk areas
   c) Indicate important aspects of business
   d) All of above.

413. The basic assumption underlying the use of analytical procedures is
   a) It helps the auditor to study relationship among elements of financial information
   b) Relationship among data exist and continue in the absence of known condition to the contrary
   c) Analytical procedures will not be able to detect unusual relationships
   d) None of the above.

414. Which of the following is not an analytical procedure?
   a) Tracing of purchases recurred in the purchase book to purchase invoices.
   b) Comparing aggregate wages paid to number of employees.
   c) Comparing the actual costs with standard costs.
   d) All of them are analytical procedures.

415. Analytical procedures used in the planning stage of an audit, generally:
   a) Helps to determine the nature, timing and extent of other audit procedures
   b) Directs attention to potential risk areas
   c) Indicates important aspects of business
   d) All of the above

416. The basic assumption underlying the use of analytical procedures is:
   a) It helps the auditor to study relationship elements of financial information.
   b) Relationship among data exist and continue in the absence of known conditions to the contrary
   c) Analytical procedures will not be able to detect unusual relationships.
   d) None of the above.

417. What is the primary objective of analytical procedures used in the overall review stage of an audit?
   a) To help to corroborate the conclusions drawn from individual components of financial statements
   b) To reduce specific detection risk
   c) To direct attention to potential risk areas
   d) To satisfy doubts when questions arise about a client’s ability to continue

418. Which of the following is a technique available as substantive analytical procedure?
   a) External confirmation
   b) Ratio Analysis
   c) Trend Analysis
   d) Both (b) and (c)

419. Timing of analytical procedure is
   a) At Planning stage only
   b) Throughout the audit engagement
   c) At planning stage and in addition these are also required during completion phase.
   d) None of these
420. Reliability of data is influenced by
   a) Its source
   b) Its nature
   c) Circumstances under which it is obtained
   d) All of these

421. Which of the following is not a typical analytical procedure?
   a) Study of relationships of the financial information with relevant nonfinancial information
   b) Comparison of the financial information with similar information regarding the industry in which the entity operates
   c) Comparison of recorded amounts of major disbursements with appropriate invoices
   d) Comparison of the financial information with budgeted amounts

422. Which of the following is not a technique for substantive analytical procedures
   a) Ratio Analysis
   b) Trend Analysis
   c) Structural Modelling
   d) None of these

423. Which of the following is not a reasonableness test
   a) Sales discounts and commissions against sales volume
   b) Inventory turnover
   c) Interest expenses against interest bearing obligation
   d) Rental revenues based on occupancy of premises

424. Which of the following is relevant factor for determining whether data is reliable for purposes of designing substantive analytical procedures
   a) Complexity of information
   b) Source of information is available
   c) Nature and relevance of the information
   d) Comparability of the information available

425. Analytical procedures are least likely to be use in the audit of
   a) Cash balance
   b) Investments
   c) Bills receivables
   d) Debtors

426. Substantive analytical procedures are generally more applicable to _________ of transactions that tend to be predictable over time
   a) No effect on volume of data
   b) Low volume
   c) Large volume
   d) Any type
SA 530

427. Which of following SAs deals with auditor’s responsibilities w.r.t audit sampling:
   a) SA 200
   b) SA 580
   c) SA 530
   d) SA 500

428. When auditor decides to select less than 100% of the population for testing, the auditor is said using
   a) Audit sampling
   b) Representative sampling
   c) Poor judgement
   d) None of the above

429. The entire set of data from which a sample is selected and about which the auditor wishes to draw
   conclusions is called as______________
   a) Population
   b) Monitor
   c) Data center
   d) Source data

430. The individual items constituting a population is called as______________
   a) Transaction
   b) Sampling unit
   c) Sample
   d) Data

431. ______________ is the risk that auditor’s conclusion based on a sample may be different from
   conclusion if the entire population were subjected to the same audit procedure.
   a) Audit Risk
   b) Inherent Risk
   c) Control Risk
   d) Sampling Risk

432. Size of sample is affected by
   a) Tolerable error
   b) Expected error
   c) Sampling risk
   d) All of these

433. Type 1 sampling risk affects______________
   a) Audit efficiency
   b) Audit effectiveness
   c) Both (a) and (b)
   d) None of above
434. **Type 2 sampling risk affects**

a) Audit efficiency  
b) Audit effectiveness  
c) Both (a) and (b)  
d) None of above

435. **__________________ is the risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.**

a) Inherent Risk  
b) Control Risk  
c) Sampling Risk  
d) Non-Sampling Risk

436. **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

437. **Precautions to be considered by auditor while performing audit engagement on the basis of test checking are**

a) Auditor should identify the items which are not suitable for test checking  
b) There should be no personal bias  
c) Examination in depth should be done  
d) All of above

438. **Approaches to sampling are**

a) Non-Statistical Sampling  
b) Statistical Sampling  
c) Both (a) and (b)  
d) None of these

439. **In non-statistical sampling, the sample size and its composition are determined on the basis of**

a) Personal experience of auditor  
b) Knowledge of auditor  
c) Judgement of auditor  
d) All of above

440. **__________________ is a method of audit testing which is more scientific than testing based entirely on the auditor’s own judgement because it involves use of mathematical laws of probability in determining the appropriate sample size.**

a) Statistical Sampling  
b) Non statistical Sampling  
c) Haphazard Sampling  
d) Cluster Sampling
441. Judgmental sampling is
   a) Based on probability theory
   b) Not having any personal bias
   c) Widely accepted way of sampling
   d) None of these

442. The main advantage of using statistical sampling techniques is that such techniques:
   a) Mathematically measure risk
   b) Eliminate the need for judgmental sampling
   c) Defines the values of tolerable error
   d) All of them

443. Which of the following factor is (are) considered in determining the sample size for test of controls?
   a) Projected error
   b) Tolerable error
   c) Expected error
   d) Both (b) and (c)

444. Tolerable error, is the maximum monetary error that the auditor is prepared to accept in the population and still concludes that audit objectives has been achieved, is directly related to
   a) Sample size
   b) Audit risk
   c) Materiality
   d) Expected error

445. Which of the following is source of Non Sampling risk
   a) Human Mistakes
   b) Applying audit procedures not appropriate to the objectives of audit
   c) Misinterpreting the sample results
   d) All of the above

446. Which of the following is more scientific
   a) Statistical
   b) Non-Statistical
   c) Both (a) and (b)
   d) None of the above

447. In which of the following sampling, population is divided into number of groups
   a) Block Sampling
   b) Haphazard Sampling
   c) Cluster Sampling
   d) None of these

448. In which of the following sampling, sampling units are selected from population on the basis of random number tables
   a) Systematic Sampling
b) Random Sampling  
c) Cluster Sampling  
d) Both (b) and (c)

449. In which of the following sampling, sampling units are selected from population at fixed intervals  
a) Random Sampling  
b) Systematic Sampling  
c) Block Sampling  
d) Cluster Sampling

450. In which of the following sampling, sampling units are selected from population in a defined block of consecutive items  
a) Random Sampling  
b) Systematic Sampling  
c) Block Sampling  
d) Haphazard sampling

451. In which of the following sampling, population is divided into number of groups  
a) Random Sampling  
b) Interval Sampling  
c) Block Sampling  
d) Cluster Sampling

452. Which of the following is a type of random sampling  
a) Simple Random  
b) Stratified Random  
c) Both (a) and (b)  
d) Haphazard Random

453. In random sample, each item of population  
a) Has equal chance of selection  
b) Has varying chances of selection depending upon the placing of items  
c) May have a chance of selection depends upon the auditor’s professional judgement  
d) None of these

454. Simple random sample can be selected by  
a) Random number bias  
b) Help of computers  
c) Just by picking up a number without any order  
d) All of these

455. In stratified random sampling  
a) Sample is taken from whole of the population  
b) It requires special attention to judge contents of stratum  
c) There is application of different concept and not an extension of simple random sampling  
d) All of these
456. Tolerable error is ______________ in population that auditor is willing to ______________ for a given sample size.
   a) Minimum, Forego
   b) Maximum, Forego
   c) Minimum, Accept
   d) Maximum, Accept

457. The kind of relationship between tolerable error and sample size is
   a) Inverse
   b) Direct
   c) They both are same
   d) There is no relationship as such

458. Which of the following is incorrect
   a) There are two types of sampling risk
   b) Audit sample should be representative of the population
   c) These is direct relationship between sampling risk and audit sample
   d) If auditor examines any population on the basis of test checking, there will always be a sampling risk

459. ______________ is the process of dividing a population into sub-population, each of which is a group of sampling units, which have similar characteristics (often monetary value)
   a) Cluster
   b) Stratification
   c) Sub-Division
   d) None of these

460. ______________ sample sizes are justified when the population is expected to be error free
   a) Smaller
   b) Large
   c) (a) or (b)

SA 540

461. Which of the following SA deals with auditor’s responsibilities regarding accounting estimates including fair value accounting estimates and related disclosure in an audit of financial statements
   a) SA 501
   b) SA 540
   c) SA 510
   d) SA 550

462. Accounting estimate is ______________ of a monetary amount in ______________ a precise means of measurement.
   a) Exact amount, in the absence of
   b) Approximation, in the absence of
c) Exact amount, in the presence of

d) Approximation, in the presence of

463. Which of the following is not an example of accounting estimate that may have high estimation uncertainty:

a) Accounting estimates that are highly dependent upon judgement.
b) Accounting estimates that are not calculated using recognized measurement techniques.
c) Accounting estimate for outstanding expenses
d) Accounting estimates where results of auditor’s views of similar accounting estimates made in prior period financial statements indicate a substantial difference between original accounting estimate and actual outcome.

464. The susceptibility of an accounting estimate and related disclosure to an inherent lack of precision in its measurement is called as:

a) Risk of material misstatements
b) Estimate uncertainty
c) Significant risk
d) Inherent risk.

465. Which of the following is false

a) The auditor shall obtain an understanding of requirements of standards of auditing to identify and assess risk of material misstatements for accounting estimates
b) The auditor shall obtain sufficient appropriate audit evidence about whether the accounting estimate and their disclosure in financial statements is appropriate.
c) For accounting estimates that give rise to significant risk, auditor shall examine adequacy of disclosure of their estimation uncertainty in the financial statements.
d) The auditor shall obtain written representation from management whether management believes significant assumptions used by it in making accounting estimates are reasonable.

466. A lack of neutrality by management in the preparation and presentation of information is called:

a) Management’s point estimate
b) Management’s range
c) Estimation uncertainty
d) Management bias

467. Which of the following is not as example of accounting estimate

a) Warranty obligation
b) Outcome of long term contracts
c) Selection of accounting policies
d) Financial obligations/cost arising from litigation settlements and judgements.

468. Matters that the auditor may consider in evaluating the reasonableness of the assumptions used by management include:

a) Whether individual assumptions appear reasonable
b) Whether the assumptions are interdependent and internally consistent
c) In the case of fair value accounting estimates, whether the assumptions appropriately reflect observable
market place assumptions
d) All of above

469. In case of accounting estimates, the auditor shall perform the following if he faces any significant risk:
   a) Examine alternative assumption
   b) Develop a range
   c) Consider whether management has been biased
   d) All of above

470. If there is any material difference between the auditor’s range concluded by the auditor and the
   estimate made by management in the financial statements, which client refuses to adjust, the auditor
   shall express:
   a) An unmodified opinion
   b) A qualified opinion
   c) Either a qualified opinion or adverse opinion
   d) Either a qualified opinion or disclaimer of opinion

**SA 550**

471. Which of the following SA deals with auditor’s responsibilities regarding related party relationships
   and transactions when performing an audit of financial statements
   a) SA 540
   b) SA 550
   c) SA 560
   d) SA 570

472. A transaction conducted on such terms and conditions as between a willing buyer and a willing seller
   who are unrelated and are acting independently of each other and pursuing their own best interest is
   called as:
   a) Arm’s length transaction
   b) Related party transaction
   c) Significant transaction
   d) None of these

473. Related party transaction may be conducted
   a) In the normal course of business
   b) Not under normal market terms and conditions
   c) With no exchange consideration
   d) All of these

474. 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
475. Which of the following is not a record or document that may provide information about related party relationships and transactions:
   a) Entity income tax return
   b) Internal auditor’s report
   c) Memorandum of Association
   d) Life insurance policies acquired by the entity.

476. To identify and assess risk of material misstatements due to fraud or error that could result the entity’s related party relationships and transaction the auditor shall:
   a) Inquiry with management and others within the entity
   b) Perform other risk assessment procedures
   c) Both (a) and (b)
   d) None of these

477. If auditor identifies significant related party transactions, not conducted on the terms and conditions like normal rate and market conditions then, he should evaluate:
   a) Business rationale behind these transactions
   b) Consistency of terms with management’s explanation
   c) Accounting and disclosure of such transactions in financial statements
   d) All of these

478. Statement (1)
   As per SA-550, auditor should examine whether related party transactions have been appropriately accounted for and disclosed in the financial statements as per financial reporting framework; though he need not check authorization of such transactions by management.

   Statement (2)
   Auditor should consider whether management has appropriately accounted and disclosed the related party transactions in their financial statements as per applicable financial framework as it might affect his audit opinion.
   a) Only Statement (1) is true
   b) Only Statement (2) is true
   c) Both the statements are true
   d) None of the Statements is true

479. Statement (1)
   Regarding related party relationships and transactions with them, auditor shall not obtain any written representation; rather obtain extra evidences independently as he cannot rely on written representations when it comes to related party transactions.

   Statement (2)
   As per SA-550, he should maintain documentation regarding name and nature of related party relationships.
a) Only Statement (1) is true
b) Only Statement (2) is true
c) Both the statements are true
d) None of the Statements is true

480. As per Accounting Standard 18, the facts to be disclosed in the financial statements by the auditor shall include-
   a) Related party name and nature of relationship
   b) If there is a transaction between related parties, the nature of transaction, the price at which it has been made and amount of transaction outstanding at the balance sheet date.
   c) Both a and b
   d) None of these

481. For identifying existence of related parties, apart from obtaining written representation from management and TCWG, the auditor should also consider-
   a) Key man insurance policies
   b) Income tax returns
   c) Internal auditor’s reports
   d) None of these

482. SA-_________ pertains to management’s responsibilities to examine whether related party transactions have been appropriately accounted for and disclosed in the financial statements.
   a) SA-240
   b) SA-550
   c) SA-560
   d) None of these

SA 560

483. SA-_________ relates to auditor’s responsibilities regarding subsequent events
   a) SA-550
   b) SA-560
   c) SA-570
   d) None of these

484. Subsequent events as per SA 560 are-
   a) Events occurring between the date of financial statements and the date of auditor’s report
   b) Facts that become known to the auditor after the date of auditor’s report
   c) Both a and b
   d) None of these

485. The auditor shall obtain sufficient and appropriate evidence that all events after the balance sheet date but before or up to the date of ________ that require adjustment or disclosure in _______ have been identified.
   a) Board’s approval; Board report
b) Board’s approval; financial statements  
c) Auditor’s report; Board report  
d) Auditor’s report; financial statements

486. Regarding subsequent events, auditor shall comply with the requirements given in SA-560. State which of the following is not correct in this regard?

a) The auditor shall inquire the management and those charged with governance regarding the subsequent events. 
b) Auditor should read the entity’s subsequent interim financial statements, if any  
c) The auditor may inquire entity’s lawyer regarding the pending cases and outcomes therefrom.  
d) Auditor need not consider whether subsequent event may have an impact on going concern assumption.

487. Statement (1)  
Generally, auditor has no obligation to perform any audit procedures regarding the financial statements after the date of auditor’s report.

Statement (2)  
In case auditor comes to know about a fact after the date of auditor’s report, he should not consider the same.

a) Only Statement (1) is true  
b) Only Statement (2) is true  
c) Both the statements are true  
d) None of the Statements is true

488. In case facts become known to the auditor after the date of audit report but before the date financial statements are issued, then auditor shall-

a) Discuss with management and TCWG the matter whether there is need to amend financial statements and treatment in financial statements.  
b) Should not ask the management and TCWG to amend the financial statements in any case because it may give rise to many complications.  
c) He should ask the management and TCWG to inform about the situation to everyone in receipt of previously issued financial statements and amend the financial statements.  
d) He need not provide a new report even if facts are such that had it been known to the auditor at the date of audit report, it might have affected his audit report.

489. Statement (1)  
If auditor comes to know about the facts which are of such nature that had those been known to the auditor at the date of audit report, it might have affected his audit report, and he asks the management and TCWG to amend the financial statements but management does not amend the financial statements, then, he should provide a new report.

Statement (2)  
If he comes to know about the facts after the date financial statements are issued, then, he does not have any obligation because financial statements have already been issued to third parties. At the most he can provide a public notice.
a) Only Statement (1) is true  
b) Only Statement (2) is true  
c) Both the statements are true  
d) None of the Statements is true

490. A limited company is having a pending case filed against it on 31\textsuperscript{th} March, 2018. A decision has been received from the court on 14\textsuperscript{th} April, 2018. i.e. after the balance sheet date.  
  a) It is a subsequent event  
  b) It should be considered by the management while preparing the financial statements.  
  c) Auditor needs to check whether it has been dealt with in the financial statements as per applicable financial reporting framework.  
  d) All of these

491. When after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall  
  a) Discuss the matter with management and TCWG  
  b) Determine whether the financial statements need amendment  
  c) Inquire how management intends to address the matter in the financial statements  
  d) All of the above

**SA 570**

492. **Statement (1)**  
Under the going concern assumption, an entity is viewed as continuing in business forever.

**Statement (2)**  
General purpose financial statements are prepared on a going concern basis if management neither intends to liquidate the entity nor to cease the operations  
  a) Only Statement (1) is true  
  b) Only Statement (2) is true  
  c) Both the statements are true  
  d) None of the Statements is true

493. In case financial statements have not been prepared on a going concern basis, -  
  a) The fact need not be appropriately disclosed  
  b) The auditor shall comply with SA-570  
  c) Both a and b  
  d) None of these

494. **Statement (1)**  
As per SA-570, the auditor need not consider whether there is material uncertainty about the entity’s ability to continue as a going concern because it is management’s responsibility to consider the same.
**Statement (2)**

The absence of any reference to going concern uncertainty in the auditor’s report may be viewed as a guarantee as to the entity’s ability to continue as a going concern.

a) Only Statement (1) is true  

b) Only Statement (2) is true  

c) Both the statements are true  

d) None of the Statements is true

495. **As per SA-570, the auditor shall**

a) Consider the events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

b) Plan and perform his audit considering professional skepticism.

c) Remain alert throughout the audit

d) All of these

496. **The following type of indicators may give rise to a doubt on going concern assumption adopted by management:**

a) Financial indicators  

b) Operating indicators  

c) Other indicators  

d) All of these

497. **If the management has prepared financial statements based on going concern assumption but auditor concludes that use of going concern basis is inappropriate, then auditor shall—**

a) Express a qualified opinion  

b) Express an adverse opinion  

c) Disclaim his opinion  

d) Either option (a) or option (b)

498. **If auditor concludes that use of going concern basis of accounting is appropriate but a material uncertainty exists which is adequately disclosed in the financial statements, then auditor shall—**

a) Express a qualified opinion  

b) Express an adverse opinion  

c) Either option (a) and option (b)  

d) None of these

499. **If going concern basis of accounting is appropriate, however, there is a material uncertainty which is not disclosed in the financial statements, then auditor shall express—**

a) Qualified opinion  

b) Adverse opinion  

c) (a) or (b)  

d) Disclaimer of opinion

500. **The auditor’s report shall include a separate section under the heading “material uncertainty relating to going concern” in case—**

a) Adequate disclosure of a material uncertainty has been made in the financial statements
b) Adequate disclosure of material uncertainty is not made in the financial statements
c) Management may be unwilling to make or extend his assessment
d) All of these

501. If auditor identifies events or conditions that may cast significant doubt on going concern, he shall communicate the same to-
   a) Management
   b) TCWG
   c) Option (a) and option (b) both
   d) Either (a) or option (b)

502. The matters relating to going concern may-
   a) Be a key audit matter as per SA 701
   b) Should not be a key audit matter as per SA-701 because these are dealt only in SA-570
   c) Key audit matters must not include going concern matters
   d) None of these

503. While performing audit procedures to obtain audit evidence for management’s use of going concern assumption, the auditor shall consider same time period as covered by management in its assessment, but such period shall not be less than
   a) 3 Months
   b) 6 Months
   c) 10 Months
   d) 12 Months

504. Which of the following is financial event or condition which may cast significant doubt on the entity’s ability to continue as going concern
   a) Loss of franchise
   b) Shortage of supplies
   c) Negative operating cash flows
   d) Non-compliance with statutory requirement

505. Which of the following is operating event or condition which may cast significant doubt on the entity’s ability to continue as going concern
   a) Loss of major market segment
   b) Loss of key customer
   c) Inability to pay creditors on due date
   d) (a) and (b)

506. The auditor found that entity has recurring losses and has negative net worth, these are indicators of-
   a) Operating nature
   b) Financial nature
   c) Other indicators
   d) All of these
507. If auditor concludes that management’s use of going concern basis of accounting is appropriate but material uncertainty exists which has been properly disclosed by management in financial statement, the auditor shall
   a) Introduce EOM para in his report in accordance with SA 706
   b) Introduce separate section in his report under the heading ‘Material Uncertainty Related to Going Concern’
   c) Introduce OM para in his report in accordance with SA 706
   d) Qualify his opinion in accordance with SA 705

508. In case of management’s unwillingness to make or extend its going concern assumption, the auditor shall
   a) Consider the implications for the auditor’s report
   b) Withdraw from engagement
   c) Introduce EOM para in his report in accordance with SA 706
   d) Introduce OM para in his report in accordance with SA 706

509. When any event or condition is identified by auditor which may cast significant doubt on the entity’s ability to continue as going concern, the auditor’s additional procedure shall include the following
   a) Communicating the facts to the regulatory auditory of the entity
   b) Communicate the matter to the Central Government
   c) Request written representation from management or TCWG regarding their future action and feasibility of these plan
   d) All of the above

SA 580

510. SA 580 relates to
   a) External Confirmation
   b) Audit Materiality
   c) Written Representation
   d) Going Concern

511. Written representation are obtained from
   a) TCWG
   b) Management
   c) Third Parties
   d) TCWG or Management

512. Written representation is a written statement by management provided to auditor
   a) To confirm certain matters
   b) To support other audit evidence
   c) (a) or (b)
   d) None of these
513. **Statement 1**
Written representation do not include financial statements and supporting records etc.

**Statement 2**
Written representation should be addressed to the management and TCWG

a) Only Statement 1 is true  
b) Only Statement 2 is true  
c) Both the statements are true  
d) None of the Statements is true

514. If auditor concludes that there is a sufficient doubt about the integrity of management such that written representation are not reliable or management does not provide the necessary written representation, he shall

a) Express unmodified opinion  
b) Disclaim an opinion  
c) Express adverse opinion  
d) Withdraw from engagement.

515. **Pick the odd one out**

a) Written representation is a written statement by management or TCWG of the entity to the auditor  
b) Written representation shall be dated before the date of auditor’s report  
c) Written representations do not include financial statements or supporting books and records  
d) Written representation is a substitution of audit procedures

516. Which of the following is incorrect

a) Written representation is a written statement by management provided to auditor to confirm certain matters or to support other audit evidence  
b) Written representation includes financial statements or supporting books and records  
c) Written representation shall be for all financial statements and period(s) referred to in auditor’s report  
d) Written representation shall be dated before the date of auditor’s report.

**SA 600**

517. SA ________ deals with using the work of another auditor

a) 600  
b) 610  
c) 620  
d) 500

518. SA 600 is applicable to

a) Component’s auditor  
b) Joint auditors  
c) Predecessor auditors
d) Option (a) and (c) both

519. **Component includes**
   a) Branch
   b) Subsidiary
   c) Division
   d) All of the above

520. ______ should advice _________ regarding use to made of his report, timetable for completion of his work and significant accounting, auditing and reporting requirement----
   a) Principal auditor, expert
   b) Auditor, expert
   c) Joint Auditor, other joint auditor
   d) Principal auditor, another auditor

521. **Principal auditor may require supplementary test to be performed by----**
   a) Another auditor
   b) Himself
   c) Either option (a) or option (b)
   d) None of these as he cannot require conducting supplement test because audit has already been done by another auditor

522. **If there is modification in another auditor’s report, then principal auditor ---**
   a) Need not consider another auditor’s report
   b) Should consider another auditor’s report but will not consider that while preparing his own audit report
   c) Consider whether modification in his own audit report is required
   d) Ask the management to discuss with another auditor why he modified his audit report

523. **Which of the following is incorrect**
   a) There should be sufficient liaison between principal auditor and the other auditor.
   b) The other auditor, knowing the context in which his work is to be used by the principal auditor, should coordinate with the principal auditor
   c) Other auditor also includes internal auditor
   d) The principal would not be responsible in respect of the work entrusted to the other auditor

524. **Principal auditor should _________ his audit opinion if he cannot use another auditor’s work and is not able to perform sufficient additional procedures-**
   a) Qualify
   b) Disclaim
   c) Adverse
   d) Qualify or disclaim

525. **Statement (1)**
   Principal auditor may use the work of another auditor in accordance with SA 600 and there is no need to mention about division of responsibility in his audit report.
Statement (2)
SA 600 is applicable to all the components whether material or immaterial as components by their very nature need to be considered by the principal auditors

a) Only statement 1 is true
b) Only statement 2 is true
c) Both the statements are true
d) None of the statement is true

SA 610

526. Which of the following SA deals with auditor’s responsibilities for using the work of internal auditor
   a) SA 600
   b) SA 610
   c) SA 620
   d) SA 402

527. SA 610 deals with the external auditor’s responsibilities if using the work of internal auditors. This includes
   a) Using the work of internal audit function in obtaining audit evidence
   b) Using internal auditors to provide direct assistance under the direction, supervision and review of external auditor.
   c) (a) and (b)
   d) None of these

528. The external auditor shall determine whether work of internal audit function can be used for purpose of audit by evaluating of following
   a) The extent to which internal audit function’s organization status and relevant policies and procedures support the objectivity of internal auditors
   b) The level of competence of the internal audit function
   c) Whether the internal audit function applies a systematic and disciplined approach including quality control
   d) All of the above

529. The external auditor shall perform audit procedures on the body of work of internal auditor that the external auditor plan to use to determine its adequacy for the purpose of audit, including evaluating whether
   a) The work of internal auditor had been properly planned, performed, supervised, reviewed and documented
   b) Sufficient appropriate evidence had been obtained to draw reasonable conclusions
   c) Both (a) and (b)
   d) Internal auditor has necessary competency

530. If using internal auditor to provide direct assistance is not prohibited by law or regulation and external auditor plans to use internal auditors to provide direct assistance on the audit, the external auditor shall consider
a) The amount of judgement involved in planning and performing relevant audit procedures and evaluating the audit evidence gathered
b) The risk of material misstatement assessed
c) Threats to the objectivity and level of competence to internal auditors
d) All of the above

531. Which of the following is incorrect
a) The external auditor may use internal auditor to provide direct assistance w.r.t. area that involve significant judgements in audit
b) The external auditor shall not use internal auditor to provide direct assistance w.r.t. area where risk of material misstatements is highly assessed by auditor
c) Both (a) and (b)
d) None of these

SA 620

532. Statement (1)
Auditor’s expert is an individual and organization possessing expertise in a field including accounting and auditing whose work is used by auditor in obtaining evidences.

Statement (2)
Auditor’s expert as per SA 620 needs to be an external expert so as to maintain his independence.

a) Only statement 1 is true
b) Only statement 2 is true
c) Both the statements are true
d) None of the statement is true

533. SA 620 deals with auditors responsibilities regarding using the work of –

a) Managements expert
b) Auditors expert
c) Option (a) or (b)
d) Both option (a) and option (b)

534. Statement 1
If auditor uses the work of auditor expert, his responsibility to express opinion is reduced to the extent he has used expert’s work.

Statement 2
As per SA, the sole objective of auditor is to determine whether to use the work of auditor’s expert or not.
a) Only statement 1 is true
b) Only statement 2 is true
c) Both the statements are true
d) None of the statement is true
535. **Auditor’s expert may be**
   a) Auditor’s internal expert  
   b) Auditor’s external expert  
   c) (a) or (b)  
   d) Management’s expert  

536. **Auditor’s internal expert may be**
   a) Any partner of auditor’s firm  
   b) Any staff of auditor’s firm  
   c) (a) or (b)  
   d) Management’s expert  

537. **Which of the following is correct**
   a) An auditor’s internal expert is subject to quality control policies and procedures of firm in accordance with SQC-1  
   b) An auditor’s internal expert is subject to quality control policies and procedures of firm in accordance with SQC-1  
   c) Both (a) and (b)  
   d) None of these  

538. **Which of the following is source of information for evaluating competency, capability and objectivity of auditor’s expert**
   a) Personal experience with previous work of that expert  
   b) Discussion with that expert  
   c) Expert’s qualification, membership of professional body  
   d) All of the above  

539. **Which of the following is not a content of written agreement which is entered with expert before appointing him**
   a) The nature, scope and objectives of expert’s work  
   b) The Scope and objectives of audit  
   c) The nature, timing and extent of communication between auditor and expert  
   d) Form of any report to be provided by that expert  

540. **Auditor should be aware of _______ that may ________ expert’s independence----**
   a) Relationships, hamper  
   b) Education, increase  
   c) Education, decrease  
   d) Knowledge, enhance  

541. **The auditor should agree with auditor’s expert _____ before relying on him.**
   a) In writing  
   b) Orally  
   c) Either option (a) or option (b)  
   d) Option (a) and subsequently option (b)
542. If the auditor evaluates whether the auditors expert work is adequate, he shall consider----
   a) Reasonableness of experts findings and consistency with other evidences
   b) Reasonableness of assumptions used by expert
   c) Reasonableness and accuracy of source data
   d) All of these

543. Auditor shall not refer to the work of auditor’s expert in the report containing---
   a) Unmodified opinion
   b) Modified opinion
   c) Both option (a) and option (b)
   d) Either option (a) or option (b)

**Forming an Opinion, SA 700 and 705**

544. In order to form an opinion, the auditor shall take into account:
   a) Whether sufficient appropriate audit evidence has been obtained
   b) Whether uncorrected misstatements are material, individually or in aggregate
   c) Evaluation of accounting estimations
   d) All of above

545. In order to form the opinion, the auditor shall conclude as to whether the auditor has obtained __________ about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.
   a) Reasonable assurance
   b) Absolute assurance
   c) Limited assurance
   d) None of the above

546. Which of the following is a not a type of modified opinion
   a) Qualified opinion
   b) Adverse opinion
   c) Disclaimer of opinion
   d) None of these

547. The auditor shall express___________ opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.
   a) Adverse
   b) Qualified
   c) Disclaimer
   d) None of the above

548. When auditor concludes that financial statements as a whole are free from material misstatements and he has no reservation for any material item of the financial statements, he shall express
   a) Qualified opinion
b) Unmodified opinion
c) Adverse opinion
d) Disclaimer of opinion

549. When auditor concludes that financial statements are not free from material misstatements and effect of material misstatements is not pervasive, he shall express
a) Unmodified opinion
b) Disclaimer of opinion
c) Qualified opinion
d) Adverse opinion

550. If auditor is unable to obtain sufficient appropriate audit evidence with respect to any material item(s) of the financial statements and possible effect if material but not pervasive, he shall express
a) Unmodified opinion
b) Adverse opinion
c) Disclaimer of opinion
d) Qualified opinion

551. If auditor is unable to obtain sufficient appropriate audit evidence with respect to any material item(s) of the financial statements and possible effect if pervasive, he shall express
a) Unmodified opinion
b) Adverse opinion
c) Disclaimer of opinion
d) Qualified opinion

552. Which of the following SAs deals with auditor’s responsibilities for forming an opinion and reporting on financial statements
a) SA 700
b) SA 701
c) SA 705
d) SA 706

553. Which of the following is title of auditor’s report
a) Auditor’s Report
b) Independent Auditor’s Report
c) Audit Report on the Financial Statements
d) Reporting on the Financial statements

554. As per SA 700, which of the following is addressee of auditor’s report
a) Those Charged With Governance of the Entity
b) Members of the Entity
c) It depends upon circumstances of the engagement
d) Central Government

555. If auditor concludes an unmodified opinion, which heading will auditor use for opinion section
a) Opinion
b) Unmodified Opinion
c) Unqualified Opinion
d) Reporting on True and Fair View

556. To form an opinion, auditor conclusions include which of the following
a) The auditor’s conclusions in accordance with SA 330
b) The auditor’s conclusions in accordance with SA 450
c) Whether financial statements are prepared in accordance with applicable FRF
d) All of the above

557. Under which of the following section auditor shall mention in his report that he has conducted audit engagement in accordance with SAs issued by ICAI and has complied with code of ethics and relevant ethical requirements
a) Opinion
b) SA and Code of Ethics
c) Compliance with Standards
d) Basis for Opinion

558. Which of the following is not content of basis of opinion section
a) Name of the entity
b) Statement that audit was conducted in accordance with SAs
c) Statement that auditor believes that audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.
d) Reference to the section of auditor’s report that describes the auditor’s responsibilities under the SAs.

559. Under which of the following heading, auditor shall report those matters in his report which are required to be reported by him as his duties as per the law and regulation basis upon which audit has been conducted
a) Opinion
b) Basis for Opinion
c) Reporting on the Audit of Financial Statements
d) Reporting on Other Legal and Regulatory Requirements

560. The date in auditor’s report represent the date
a) Balance Sheet Date
b) Date when financial statements are approved by management of the entity
c) Date when audit report is signed by auditor
d) Date when audit report is submitted to management of the entity.

561. The place in auditor’s report represent
a) Address of auditor
b) Name of city, where audit report has been signed
c) Name of city, where office of entity is situated
d) None of these
562. If partnership firm is appointed as auditor, audit report shall be signed by
   a) Any partner of the firm
   b) Any practicing chartered accountant partner of the firm
   c) All the partners of the firm
   d) Any partner or any CA employee of the firm.

563. Which of the following is not mentioned along with signing in auditor’s report
   a) Membership number of individual/partner
   b) Firm’s Registration Number
   c) Date & Place
   d) Time

564. The opinion section of the auditor’s report shall:
   a) Identify the entity whose financial statements have been audited;
   b) State that the financial statements have been audited;
   c) Identify the title of each statement comprising the financial statements
   d) All of the above

565. Which of the following SAs deals with auditor’s additional responsibilities w.r.t modified opinion
   a) SA 700
   b) SA 701
   c) SA 705
   d) SA 706

566. When auditor modifies the opinion the auditor shall give reason of modified opinion in a
     section under the heading
     a) Basis for Opinion
     b) ‘Basis for Qualified Opinion’ or ‘Basis for Adverse Opinion’ or ‘Basis for Disclaimer of Opinion’ as appropriate
     c) Reason for Modified Opinion
     d) None of these

SA 701

567. Which of the following SAs deals with auditor’s responsibility to communicate key audit matters in the
     auditor’s report
   a) SA 701
   b) SA 705
   c) SA 706
   d) SA 700

568. _____________ are those matters that in the auditor’s professional judgement, were of most
     significance in the audit of the financial statements of the current period.
   a) Significant Matters
   b) Key Audit Matters
c) Noteworthy Audit Matters  
d) Remarkable Audit Matters  

569. **Key Audit Matters are selected from matters**  
a) Communicated to members of engagement team  
b) Communicated to management of the entity  
c) Communicated to TCWG of the entity  
d) Communicated to CG.  

570. **In making determination of key audit matters, the auditor shall consider the following**  
a) Areas of higher assessed risk of material misstatements or significant risk identified in accordance with SA 315  
b) Significant auditor judgements relating to area in the financial statements that involved significant management judgement, including accounting estimates that have been identified as having estimation uncertainty.  
c) The effect on audit of significant events or transaction that occurred during the period.  
d) All of the above  

571. **The auditor shall describe each key audit matter, using an appropriate subheading, in a separate section of the audit report under the heading________________________**  
a) Audit Matters  
b) Key Audit Matters  
c) Any appropriate heading as per the auditor’s judgement  
d) None of the above.  

572. **Which of following statement is incorrect’**  
a) Communicating key audit matters in the auditor’s report is not a separate opinion on individual matters.  
b) SA 701 also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor’s report.  
c) The purpose of communicating key audit matters to enhance the communicative value of the auditor’s report by providing greater transparency about the audit that has been performed.  
d) Key audit matter is a substitute for expressing a modified opinion.  

573. **The auditor shall describe each key audit matter in the auditor’s report unless**  
a) Law or regulation precludes public disclosure about the matter  
b) In extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor’s report because the adverse consequences of doing so would reasonably be expected outweigh the public interest benefits of such communication  
c) (a) or (b)  
d) None of these  

574. **The auditor’s report shall not include a Key Audit Matter section in accordance with SA 701, in case of**  
a) Disclaimer of Opinion  
b) Adverse Opinion  
c) Qualified Opinion  
d) All of the above
575. Which of the following sequence in audit report is correct
   a) Title, Opinion section, Basis For Opinion section, Addressee, Key Audit Matter section
   b) Title, Addressee, Basis For Opinion section, Opinion section, Key Audit Matter section
   c) Title, Addressee, Key Audit Matter section, Opinion section, Basis For Opinion section
   d) Title, Addressee, Opinion section, Basis for opinion section, Key Audit Matter section.

SA 706

576. Which of the following SA deals with auditor’s responsibility to communicate emphasis of matter and other matter paragraph in independent auditor’s report
   a) SA 700
   b) SA 701
   c) SA 705
   d) SA 706

577. _______________ is a paragraph included in the auditor’s report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor’s judgement, is of such importance that is fundamental to user’s understanding of the financial statements.
   a) Emphasis of Matters Paragraph
   b) Other Matters Paragraph
   c) Key Audit Matter
   d) None of the above

578. _______________ is a paragraph included in the auditor’s report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor’s judgement, is of such importance that is fundamental to user’s understanding of audit, the auditor’s responsibilities or the auditor’s report.
   a) Emphasis of Matters Paragraph
   b) Other Matters Paragraph
   c) Key Audit Matter
   d) None of the above

579. To disclose the fact that financial statements of the prior period have been audited by predecessor auditor, the auditor shall introduce ________________ paragraph in his report.
   a) Emphasis of Matter
   b) Other Matter
   c) Key Audit Matter
   d) None of the above

580. To disclose an early application by entity (where permitted) of a new accounting standards that has a pervasive effect on the financial statements in advance of its effective date, auditor shall introduce ________________ paragraph in his report.
   a) Emphasis of Matter
   b) Other Matter
581. **Emphasis of matter paragraph shall in auditor’s report**
   a) Immediately following opinion section
   b) Immediately following Basis for opinion section
   c) Immediately following management’s responsibility section
   d) Immediately following auditor’s responsibility section

**SA 710**

582. **SA ______ relates to comparative information.**
   a) 520
   b) 705
   c) 710
   d) 720

583. **___________ financial statements include comparative information which are included for comparison with current financial statements but if audited are referred to in the auditor’s opinion----**
   a) Comparative
   b) Prior period
   c) Corresponding
   d) All of these

584. **___________ framework means comparative information is included as an integral part of current period financial statements---**
   a) Corresponding figures
   b) Comparative financial statements
   c) Both option (a) and option (b)
   d) Either option (a) or option (b)

585. **As per SA 710, the auditor shall also consider—**
   a) SA 510
   b) SA 560
   c) SA 720
   d) Both (a) and (b)

586. **In SA-710, if there is a doubt of material misstatement in comparative information, then auditor shall not-**
   a) Apply professional skepticism
   b) Perform additional audit procedures
   c) Obtain sufficient appropriate evidences regarding existence of material misstatements
   d) None of these

587. **If the prior year’s financial statements were audited by another auditor, then current year auditor shall as per SA 710, state in other matters paragraph---**
a) That last year financial statements are audited by predecessor auditor
b) Type of opinion expressed by him
c) Date of that report
d) All of these

588. If last year financial statements are unaudited, then as per SA 710 the auditor shall state in ______ section of audit report that corresponding financial statements are unaudited---
   a) Auditor’s responsibility
   b) Opinion
   c) Emphasis of matter
   d) Other matters

589. Statement (1)
If client has disclosed comparative information as per corresponding figures framework, the auditor shall not refer to corresponding figures in any case.

   Statement (2)
In the case of comparative financial statements, the audit opinion shall refer to each period for which financial statements are presented and on which opinion is expressed.
   a) Only statement 1 is true
   b) Only statement 2 is true
   c) Both the statements are true
   d) None of the statement is true

SA 720

590. SA 720 deals with the auditor’s responsibility in relation to ________ in ________
   a) Comparative information, financial statements
   b) Other information, annual report
   c) Financial information, financial statements
   d) Other information, last year’s financial statements

591. As per SA 720, the documents containing audited financial statements refers to----
   a) Agenda of general meeting
   b) Annual reports
   c) Audit reports
   d) All of these

592. As per SA 720, other information can be ________ information which is included in a document containing audited financial statements and auditor’s report thereon---
   a) Financial
   b) Non-financial
   c) Financial and Non-financial
   d) None of these
593. **Statement (1)**
As per SA 720, inconsistency means other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented.

**Statement (2)**
As per SA 720, misstatement of fact refers to other information that contradicts information contained in the audited financial statements.

a) Only statement 1 is true  
b) Only statement 2 is true  
c) Both the statements are true  
d) None of the statement is true

594. **If auditor concludes that revision of other information is necessary but management refuses to make the revision, then auditor shall include this matter in---**
   a) Opinion paragraph  
b) Other matter paragraph  
c) Emphasis of matter paragraph  
d) None of these

595. **If auditor after reading the other information as per SA 720 becomes aware of an apparent material misstatement of fact, the auditor shall---**
   a) Discuss the matter with management  
b) Request the management to consult with a qualified third party  
c) Shall consider the advice received from entity’s legal counsel  
d) All of these
## Answers

<p>| | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>a</td>
<td>36</td>
<td>b</td>
<td>71</td>
<td>d</td>
<td>106</td>
<td>d</td>
<td>141</td>
<td>c</td>
</tr>
<tr>
<td>2</td>
<td>b</td>
<td>37</td>
<td>a</td>
<td>72</td>
<td>a</td>
<td>107</td>
<td>b</td>
<td>142</td>
<td>d</td>
</tr>
<tr>
<td>3</td>
<td>a</td>
<td>38</td>
<td>c</td>
<td>73</td>
<td>c</td>
<td>108</td>
<td>b</td>
<td>143</td>
<td>a</td>
</tr>
<tr>
<td>4</td>
<td>c</td>
<td>39</td>
<td>c</td>
<td>74</td>
<td>d</td>
<td>109</td>
<td>b</td>
<td>144</td>
<td>c</td>
</tr>
<tr>
<td>5</td>
<td>b</td>
<td>40</td>
<td>a</td>
<td>75</td>
<td>c</td>
<td>110</td>
<td>a</td>
<td>145</td>
<td>c</td>
</tr>
<tr>
<td>6</td>
<td>d</td>
<td>41</td>
<td>b</td>
<td>76</td>
<td>b</td>
<td>111</td>
<td>a</td>
<td>146</td>
<td>d</td>
</tr>
<tr>
<td>7</td>
<td>c</td>
<td>42</td>
<td>c</td>
<td>77</td>
<td>a</td>
<td>112</td>
<td>d</td>
<td>147</td>
<td>d</td>
</tr>
<tr>
<td>8</td>
<td>d</td>
<td>43</td>
<td>d</td>
<td>78</td>
<td>d</td>
<td>113</td>
<td>c</td>
<td>148</td>
<td>c</td>
</tr>
<tr>
<td>9</td>
<td>d</td>
<td>44</td>
<td>c</td>
<td>79</td>
<td>c</td>
<td>114</td>
<td>b</td>
<td>149</td>
<td>d</td>
</tr>
<tr>
<td>10</td>
<td>d</td>
<td>45</td>
<td>b</td>
<td>80</td>
<td>a</td>
<td>115</td>
<td>a</td>
<td>150</td>
<td>c</td>
</tr>
<tr>
<td>11</td>
<td>c</td>
<td>46</td>
<td>d</td>
<td>81</td>
<td>d</td>
<td>116</td>
<td>a</td>
<td>151</td>
<td>b</td>
</tr>
<tr>
<td>12</td>
<td>c</td>
<td>47</td>
<td>c</td>
<td>82</td>
<td>b</td>
<td>117</td>
<td>c</td>
<td>152</td>
<td>d</td>
</tr>
<tr>
<td>13</td>
<td>d</td>
<td>48</td>
<td>b</td>
<td>83</td>
<td>a</td>
<td>118</td>
<td>a</td>
<td>153</td>
<td>d</td>
</tr>
<tr>
<td>14</td>
<td>c</td>
<td>49</td>
<td>d</td>
<td>84</td>
<td>c</td>
<td>119</td>
<td>c</td>
<td>154</td>
<td>b</td>
</tr>
<tr>
<td>15</td>
<td>d</td>
<td>50</td>
<td>a</td>
<td>85</td>
<td>d</td>
<td>120</td>
<td>d</td>
<td>155</td>
<td>d</td>
</tr>
<tr>
<td>16</td>
<td>c</td>
<td>51</td>
<td>b</td>
<td>86</td>
<td>c</td>
<td>121</td>
<td>a</td>
<td>156</td>
<td>c</td>
</tr>
<tr>
<td>17</td>
<td>c</td>
<td>52</td>
<td>d</td>
<td>87</td>
<td>b</td>
<td>122</td>
<td>b</td>
<td>157</td>
<td>a</td>
</tr>
<tr>
<td>18</td>
<td>c</td>
<td>53</td>
<td>a</td>
<td>88</td>
<td>b</td>
<td>123</td>
<td>b</td>
<td>158</td>
<td>c</td>
</tr>
<tr>
<td>19</td>
<td>a</td>
<td>54</td>
<td>d</td>
<td>89</td>
<td>a</td>
<td>124</td>
<td>a</td>
<td>159</td>
<td>d</td>
</tr>
<tr>
<td>20</td>
<td>a</td>
<td>55</td>
<td>a</td>
<td>90</td>
<td>b</td>
<td>125</td>
<td>c</td>
<td>160</td>
<td>b</td>
</tr>
<tr>
<td>21</td>
<td>b</td>
<td>56</td>
<td>d</td>
<td>91</td>
<td>a</td>
<td>126</td>
<td>d</td>
<td>161</td>
<td>a</td>
</tr>
<tr>
<td>22</td>
<td>d</td>
<td>57</td>
<td>a</td>
<td>92</td>
<td>b</td>
<td>127</td>
<td>d</td>
<td>162</td>
<td>c</td>
</tr>
<tr>
<td>23</td>
<td>c</td>
<td>58</td>
<td>c</td>
<td>93</td>
<td>d</td>
<td>128</td>
<td>b</td>
<td>163</td>
<td>c</td>
</tr>
<tr>
<td>24</td>
<td>d</td>
<td>59</td>
<td>b</td>
<td>94</td>
<td>b</td>
<td>129</td>
<td>a</td>
<td>164</td>
<td>a</td>
</tr>
<tr>
<td>25</td>
<td>c</td>
<td>60</td>
<td>d</td>
<td>95</td>
<td>c</td>
<td>130</td>
<td>d</td>
<td>165</td>
<td>b</td>
</tr>
<tr>
<td>26</td>
<td>d</td>
<td>61</td>
<td>c</td>
<td>96</td>
<td>d</td>
<td>131</td>
<td>a</td>
<td>166</td>
<td>b</td>
</tr>
<tr>
<td>27</td>
<td>c</td>
<td>62</td>
<td>b</td>
<td>97</td>
<td>b</td>
<td>132</td>
<td>c</td>
<td>167</td>
<td>b</td>
</tr>
<tr>
<td>28</td>
<td>b</td>
<td>63</td>
<td>c</td>
<td>98</td>
<td>d</td>
<td>133</td>
<td>c</td>
<td>168</td>
<td>a</td>
</tr>
<tr>
<td>29</td>
<td>c</td>
<td>64</td>
<td>b</td>
<td>99</td>
<td>c</td>
<td>134</td>
<td>a</td>
<td>169</td>
<td>a</td>
</tr>
<tr>
<td>30</td>
<td>d</td>
<td>65</td>
<td>b</td>
<td>100</td>
<td>c</td>
<td>135</td>
<td>b</td>
<td>170</td>
<td>d</td>
</tr>
<tr>
<td>31</td>
<td>a</td>
<td>66</td>
<td>c</td>
<td>101</td>
<td>d</td>
<td>136</td>
<td>d</td>
<td>171</td>
<td>b</td>
</tr>
<tr>
<td>32</td>
<td>d</td>
<td>67</td>
<td>a</td>
<td>102</td>
<td>b</td>
<td>137</td>
<td>b</td>
<td>172</td>
<td>d</td>
</tr>
<tr>
<td>33</td>
<td>c</td>
<td>68</td>
<td>b</td>
<td>103</td>
<td>a</td>
<td>138</td>
<td>a</td>
<td>173</td>
<td>a</td>
</tr>
<tr>
<td>34</td>
<td>a</td>
<td>69</td>
<td>b</td>
<td>104</td>
<td>c</td>
<td>139</td>
<td>d</td>
<td>174</td>
<td>d</td>
</tr>
<tr>
<td>35</td>
<td>d</td>
<td>70</td>
<td>c</td>
<td>105</td>
<td>b</td>
<td>140</td>
<td>c</td>
<td>175</td>
<td>c</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>176</td>
<td>a</td>
<td>211</td>
<td>a</td>
<td>246</td>
<td>c</td>
<td>281</td>
<td>c</td>
<td>316</td>
<td>b</td>
</tr>
<tr>
<td>177</td>
<td>c</td>
<td>212</td>
<td>a</td>
<td>247</td>
<td>b</td>
<td>282</td>
<td>c</td>
<td>317</td>
<td>c</td>
</tr>
<tr>
<td>178</td>
<td>b</td>
<td>213</td>
<td>c</td>
<td>248</td>
<td>c</td>
<td>283</td>
<td>c</td>
<td>318</td>
<td>a</td>
</tr>
<tr>
<td>179</td>
<td>d</td>
<td>214</td>
<td>b</td>
<td>249</td>
<td>d</td>
<td>284</td>
<td>b</td>
<td>319</td>
<td>b</td>
</tr>
<tr>
<td>180</td>
<td>a</td>
<td>215</td>
<td>c</td>
<td>250</td>
<td>d</td>
<td>285</td>
<td>a</td>
<td>320</td>
<td>d</td>
</tr>
<tr>
<td>181</td>
<td>a</td>
<td>216</td>
<td>d</td>
<td>251</td>
<td>c</td>
<td>286</td>
<td>c</td>
<td>321</td>
<td>d</td>
</tr>
<tr>
<td>182</td>
<td>c</td>
<td>217</td>
<td>c</td>
<td>252</td>
<td>b</td>
<td>287</td>
<td>a</td>
<td>322</td>
<td>d</td>
</tr>
<tr>
<td>183</td>
<td>a</td>
<td>218</td>
<td>b</td>
<td>253</td>
<td>a</td>
<td>288</td>
<td>c</td>
<td>323</td>
<td>a</td>
</tr>
<tr>
<td>184</td>
<td>b</td>
<td>219</td>
<td>d</td>
<td>254</td>
<td>d</td>
<td>289</td>
<td>c</td>
<td>324</td>
<td>d</td>
</tr>
<tr>
<td>185</td>
<td>d</td>
<td>220</td>
<td>d</td>
<td>255</td>
<td>d</td>
<td>290</td>
<td>a</td>
<td>325</td>
<td>c</td>
</tr>
<tr>
<td>186</td>
<td>d</td>
<td>221</td>
<td>b</td>
<td>256</td>
<td>c</td>
<td>291</td>
<td>d</td>
<td>326</td>
<td>a</td>
</tr>
<tr>
<td>187</td>
<td>c</td>
<td>222</td>
<td>c</td>
<td>257</td>
<td>d</td>
<td>292</td>
<td>c</td>
<td>327</td>
<td>b</td>
</tr>
<tr>
<td>188</td>
<td>a</td>
<td>223</td>
<td>d</td>
<td>258</td>
<td>d</td>
<td>293</td>
<td>c</td>
<td>328</td>
<td>c</td>
</tr>
<tr>
<td>189</td>
<td>d</td>
<td>224</td>
<td>b</td>
<td>259</td>
<td>d</td>
<td>294</td>
<td>a</td>
<td>329</td>
<td>b</td>
</tr>
<tr>
<td>190</td>
<td>b</td>
<td>225</td>
<td>c</td>
<td>260</td>
<td>d</td>
<td>295</td>
<td>c</td>
<td>330</td>
<td>c</td>
</tr>
<tr>
<td>191</td>
<td>a</td>
<td>226</td>
<td>d</td>
<td>261</td>
<td>b</td>
<td>296</td>
<td>d</td>
<td>331</td>
<td>a</td>
</tr>
<tr>
<td>192</td>
<td>c</td>
<td>227</td>
<td>d</td>
<td>262</td>
<td>c</td>
<td>297</td>
<td>a</td>
<td>332</td>
<td>b</td>
</tr>
<tr>
<td>193</td>
<td>b</td>
<td>228</td>
<td>c</td>
<td>263</td>
<td>b</td>
<td>298</td>
<td>b</td>
<td>333</td>
<td>a</td>
</tr>
<tr>
<td>194</td>
<td>d</td>
<td>229</td>
<td>b</td>
<td>264</td>
<td>d</td>
<td>299</td>
<td>b</td>
<td>334</td>
<td>c</td>
</tr>
<tr>
<td>195</td>
<td>c</td>
<td>230</td>
<td>c</td>
<td>265</td>
<td>b</td>
<td>300</td>
<td>b</td>
<td>335</td>
<td>c</td>
</tr>
<tr>
<td>196</td>
<td>c</td>
<td>231</td>
<td>c</td>
<td>266</td>
<td>b</td>
<td>301</td>
<td>b</td>
<td>336</td>
<td>d</td>
</tr>
<tr>
<td>197</td>
<td>a</td>
<td>232</td>
<td>c</td>
<td>267</td>
<td>b</td>
<td>302</td>
<td>a</td>
<td>337</td>
<td>a</td>
</tr>
<tr>
<td>198</td>
<td>b</td>
<td>233</td>
<td>b</td>
<td>268</td>
<td>c</td>
<td>303</td>
<td>a</td>
<td>338</td>
<td>d</td>
</tr>
<tr>
<td>199</td>
<td>a</td>
<td>234</td>
<td>b</td>
<td>269</td>
<td>a</td>
<td>304</td>
<td>a</td>
<td>339</td>
<td>c</td>
</tr>
<tr>
<td>200</td>
<td>a</td>
<td>235</td>
<td>b</td>
<td>270</td>
<td>c</td>
<td>305</td>
<td>b</td>
<td>340</td>
<td>d</td>
</tr>
<tr>
<td>201</td>
<td>d</td>
<td>236</td>
<td>b</td>
<td>271</td>
<td>d</td>
<td>306</td>
<td>c</td>
<td>341</td>
<td>c</td>
</tr>
<tr>
<td>202</td>
<td>d</td>
<td>237</td>
<td>b</td>
<td>272</td>
<td>d</td>
<td>307</td>
<td>a</td>
<td>342</td>
<td>b</td>
</tr>
<tr>
<td>203</td>
<td>d</td>
<td>238</td>
<td>b</td>
<td>273</td>
<td>a</td>
<td>308</td>
<td>b</td>
<td>343</td>
<td>d</td>
</tr>
<tr>
<td>204</td>
<td>b</td>
<td>239</td>
<td>a</td>
<td>274</td>
<td>a</td>
<td>309</td>
<td>c</td>
<td>344</td>
<td>d</td>
</tr>
<tr>
<td>205</td>
<td>c</td>
<td>240</td>
<td>d</td>
<td>275</td>
<td>a</td>
<td>310</td>
<td>d</td>
<td>345</td>
<td>d</td>
</tr>
<tr>
<td>206</td>
<td>b</td>
<td>241</td>
<td>c</td>
<td>276</td>
<td>d</td>
<td>311</td>
<td>a</td>
<td>346</td>
<td>c</td>
</tr>
<tr>
<td>207</td>
<td>c</td>
<td>242</td>
<td>b</td>
<td>277</td>
<td>d</td>
<td>312</td>
<td>b</td>
<td>347</td>
<td>a</td>
</tr>
<tr>
<td>208</td>
<td>d</td>
<td>243</td>
<td>a</td>
<td>278</td>
<td>c</td>
<td>313</td>
<td>d</td>
<td>348</td>
<td>b</td>
</tr>
<tr>
<td>209</td>
<td>b</td>
<td>244</td>
<td>d</td>
<td>279</td>
<td>b</td>
<td>314</td>
<td>a</td>
<td>349</td>
<td>d</td>
</tr>
<tr>
<td>210</td>
<td>b</td>
<td>245</td>
<td>a</td>
<td>280</td>
<td>a</td>
<td>315</td>
<td>a</td>
<td>350</td>
<td>d</td>
</tr>
<tr>
<td></td>
<td></td>
<td>351</td>
<td></td>
<td>386</td>
<td>b</td>
<td>352</td>
<td>a</td>
<td>387</td>
<td>a</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>-----</td>
<td>---</td>
<td>-----</td>
<td>---</td>
<td>-----</td>
<td>---</td>
<td>-----</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td>c</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>421</td>
<td></td>
<td>d</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>353</td>
<td>b</td>
<td>388</td>
<td>c</td>
<td>423</td>
<td>b</td>
<td>458</td>
<td>c</td>
<td>493</td>
<td>d</td>
</tr>
<tr>
<td>354</td>
<td>c</td>
<td>389</td>
<td>d</td>
<td>424</td>
<td>a</td>
<td>459</td>
<td>b</td>
<td>494</td>
<td>d</td>
</tr>
<tr>
<td>355</td>
<td>d</td>
<td>390</td>
<td>d</td>
<td>425</td>
<td>a</td>
<td>460</td>
<td>a</td>
<td>495</td>
<td>d</td>
</tr>
<tr>
<td>356</td>
<td>d</td>
<td>391</td>
<td>a</td>
<td>426</td>
<td>c</td>
<td>461</td>
<td>b</td>
<td>496</td>
<td>d</td>
</tr>
<tr>
<td>357</td>
<td>a</td>
<td>392</td>
<td>d</td>
<td>427</td>
<td>c</td>
<td>462</td>
<td>b</td>
<td>497</td>
<td>b</td>
</tr>
<tr>
<td>358</td>
<td>c</td>
<td>393</td>
<td>c</td>
<td>428</td>
<td>a</td>
<td>463</td>
<td>c</td>
<td>498</td>
<td>d</td>
</tr>
<tr>
<td>359</td>
<td>c</td>
<td>394</td>
<td>a</td>
<td>429</td>
<td>a</td>
<td>464</td>
<td>b</td>
<td>499</td>
<td>c</td>
</tr>
<tr>
<td>360</td>
<td>c</td>
<td>395</td>
<td>a</td>
<td>430</td>
<td>b</td>
<td>465</td>
<td>a</td>
<td>500</td>
<td>a</td>
</tr>
<tr>
<td>361</td>
<td>a</td>
<td>396</td>
<td>b</td>
<td>431</td>
<td>d</td>
<td>466</td>
<td>d</td>
<td>501</td>
<td>b</td>
</tr>
<tr>
<td>362</td>
<td>b</td>
<td>397</td>
<td>b</td>
<td>432</td>
<td>d</td>
<td>467</td>
<td>c</td>
<td>502</td>
<td>a</td>
</tr>
<tr>
<td>363</td>
<td>d</td>
<td>398</td>
<td>c</td>
<td>433</td>
<td>b</td>
<td>468</td>
<td>d</td>
<td>503</td>
<td>d</td>
</tr>
<tr>
<td>364</td>
<td>c</td>
<td>399</td>
<td>d</td>
<td>434</td>
<td>a</td>
<td>469</td>
<td>d</td>
<td>504</td>
<td>c</td>
</tr>
<tr>
<td>365</td>
<td>d</td>
<td>400</td>
<td>a</td>
<td>435</td>
<td>d</td>
<td>470</td>
<td>c</td>
<td>505</td>
<td>d</td>
</tr>
<tr>
<td>366</td>
<td>b</td>
<td>401</td>
<td>d</td>
<td>436</td>
<td>c</td>
<td>471</td>
<td>b</td>
<td>506</td>
<td>b</td>
</tr>
<tr>
<td>367</td>
<td>a</td>
<td>402</td>
<td>a</td>
<td>437</td>
<td>d</td>
<td>472</td>
<td>a</td>
<td>507</td>
<td>b</td>
</tr>
<tr>
<td>368</td>
<td>d</td>
<td>403</td>
<td>c</td>
<td>438</td>
<td>c</td>
<td>473</td>
<td>d</td>
<td>508</td>
<td>a</td>
</tr>
<tr>
<td>369</td>
<td>c</td>
<td>404</td>
<td>b</td>
<td>439</td>
<td>d</td>
<td>474</td>
<td>d</td>
<td>509</td>
<td>c</td>
</tr>
<tr>
<td>370</td>
<td>a</td>
<td>405</td>
<td>c</td>
<td>440</td>
<td>a</td>
<td>475</td>
<td>c</td>
<td>510</td>
<td>c</td>
</tr>
<tr>
<td>371</td>
<td>c</td>
<td>406</td>
<td>c</td>
<td>441</td>
<td>d</td>
<td>476</td>
<td>c</td>
<td>511</td>
<td>d</td>
</tr>
<tr>
<td>372</td>
<td>c</td>
<td>407</td>
<td>a</td>
<td>442</td>
<td>a</td>
<td>477</td>
<td>d</td>
<td>512</td>
<td>c</td>
</tr>
<tr>
<td>373</td>
<td>a</td>
<td>408</td>
<td>a</td>
<td>443</td>
<td>d</td>
<td>478</td>
<td>b</td>
<td>513</td>
<td>a</td>
</tr>
<tr>
<td>374</td>
<td>b</td>
<td>409</td>
<td>b</td>
<td>444</td>
<td>c</td>
<td>479</td>
<td>b</td>
<td>514</td>
<td>b</td>
</tr>
<tr>
<td>375</td>
<td>b</td>
<td>410</td>
<td>c</td>
<td>445</td>
<td>d</td>
<td>480</td>
<td>c</td>
<td>515</td>
<td>b</td>
</tr>
<tr>
<td>376</td>
<td>d</td>
<td>411</td>
<td>c</td>
<td>446</td>
<td>a</td>
<td>481</td>
<td>d</td>
<td>516</td>
<td>b</td>
</tr>
<tr>
<td>377</td>
<td>b</td>
<td>412</td>
<td>d</td>
<td>447</td>
<td>c</td>
<td>482</td>
<td>b</td>
<td>517</td>
<td>a</td>
</tr>
<tr>
<td>378</td>
<td>b</td>
<td>413</td>
<td>b</td>
<td>448</td>
<td>d</td>
<td>483</td>
<td>b</td>
<td>518</td>
<td>a</td>
</tr>
<tr>
<td>379</td>
<td>d</td>
<td>414</td>
<td>a</td>
<td>449</td>
<td>b</td>
<td>484</td>
<td>c</td>
<td>519</td>
<td>d</td>
</tr>
<tr>
<td>380</td>
<td>c</td>
<td>415</td>
<td>d</td>
<td>450</td>
<td>c</td>
<td>485</td>
<td>d</td>
<td>520</td>
<td>d</td>
</tr>
<tr>
<td>381</td>
<td>a</td>
<td>416</td>
<td>b</td>
<td>451</td>
<td>d</td>
<td>486</td>
<td>d</td>
<td>521</td>
<td>c</td>
</tr>
<tr>
<td>382</td>
<td>b</td>
<td>417</td>
<td>a</td>
<td>452</td>
<td>c</td>
<td>487</td>
<td>a</td>
<td>522</td>
<td>c</td>
</tr>
<tr>
<td>383</td>
<td>d</td>
<td>418</td>
<td>d</td>
<td>453</td>
<td>a</td>
<td>488</td>
<td>a</td>
<td>523</td>
<td>c</td>
</tr>
<tr>
<td>384</td>
<td>d</td>
<td>419</td>
<td>c</td>
<td>454</td>
<td>d</td>
<td>489</td>
<td>d</td>
<td>524</td>
<td>d</td>
</tr>
<tr>
<td>385</td>
<td>d</td>
<td>420</td>
<td>d</td>
<td>455</td>
<td>b</td>
<td>490</td>
<td>d</td>
<td>525</td>
<td>d</td>
</tr>
<tr>
<td>526</td>
<td>b</td>
<td>561</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>527</td>
<td>c</td>
<td>562</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>528</td>
<td>d</td>
<td>563</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>529</td>
<td>c</td>
<td>564</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>530</td>
<td>d</td>
<td>565</td>
<td>c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>531</td>
<td>a</td>
<td>566</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>d</td>
<td>567</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>533</td>
<td>b</td>
<td>568</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>534</td>
<td>d</td>
<td>569</td>
<td>c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>535</td>
<td>c</td>
<td>570</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>536</td>
<td>c</td>
<td>571</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>537</td>
<td>a</td>
<td>572</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>538</td>
<td>d</td>
<td>573</td>
<td>c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>539</td>
<td>b</td>
<td>574</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>540</td>
<td>a</td>
<td>575</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>541</td>
<td>a</td>
<td>576</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>542</td>
<td>d</td>
<td>577</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>543</td>
<td>a</td>
<td>578</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>544</td>
<td>d</td>
<td>579</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>545</td>
<td>a</td>
<td>580</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>546</td>
<td>d</td>
<td>581</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>547</td>
<td>a</td>
<td>582</td>
<td>c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>548</td>
<td>b</td>
<td>583</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>549</td>
<td>c</td>
<td>584</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>550</td>
<td>d</td>
<td>585</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>551</td>
<td>c</td>
<td>586</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>552</td>
<td>a</td>
<td>587</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>553</td>
<td>b</td>
<td>588</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>554</td>
<td>c</td>
<td>589</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>555</td>
<td>a</td>
<td>590</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>556</td>
<td>d</td>
<td>591</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>557</td>
<td>d</td>
<td>592</td>
<td>c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>558</td>
<td>a</td>
<td>593</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>559</td>
<td>d</td>
<td>594</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>560</td>
<td>c</td>
<td>595</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Audit of Local Bodies and Government Audit

1. Local self –government means the administration of a locality, a village, town or any other area smaller than
   a) State
   b) Country
   c) City
   d) Region

2. Municipal Government in India covers following
   a) Municipal Corporation
   b) Municipal Council
   c) Cantonment Committee
   d) All of these

3. Local bodies receive following grants from state administration
   a) General Purpose Grants
   b) Specific Purpose Grants
   c) Statutory Grants
   d) All of these

4. Which of the following is not objective of audit of local bodies
   a) Reporting on the fairness of the content and presentation of financial statements
   b) Reporting on office infrastructure and maintenance of local bodies
   c) Reporting on the adherence to legal and/or administrative requirements
   d) Detection and prevention of error, fraud and misuse of resources

5. ______________________ is generally in charge of the audit of municipal accounts.
   a) CAG
   b) CG
   c) Local Fund Audit Wing of the State Government
   d) ROC

6. In India, the function of government audit is discharged by the independent statutory authority of
   _______________ through the agency of ____________________________.
   a) CG, ROC
   b) CAG, Indian audit and Account Department
   c) Both (a) and (b)
   d) None of these

7. CAG of India is appointed by
   a) Prime Minister of India
   b) Parliament
   c) President of India
   d) CBI
8. CAG can resign any time through a resignation letter addressed to
   a) Prime Minister of India
   b) Parliament
   c) CBI
   d) President of India

9. The CAG shall be paid salary equivalent to
   a) Judge of High Court
   b) Judge of Supreme Court
   c) Prime Minister
   d) President of India

10. ________________ is competent to make laws to determine salary and other conditions of service
    a) The Parliament
    b) President of India
    c) Prime Minister of India
    d) CBI

11. The CAG shall hold office
    a) For 6 Years
    b) Up to the age of 65 Years
    c) (a) or (b) whichever is earlier
    d) (a) or (b) whichever is later

12. The CAG shall audit
    a) Receipts of Union or State
    b) Account of Store and Stock
    c) Grants and Loans given from Consolidated Fund of
    d) All of these

13. Which of the following is not power of CAG
    a) To inspect any office of accounts under the control of the union or a State Government
    b) To require that any account, book, paper and other documents which deal with or are otherwise relevant to
       the transaction under audit, be sent to specified places
    c) To attend Parliament Session
    d) To put such questions or make such observations as he may consider necessary to the person in charge.

14. CAG has a right to order conduct of supplementary audit within ____________ days from the date of
    receipt of audit report
    a) 30
    b) 60
    c) 90
    d) 120

15. Which of the following section of the Companies Act, 2013 provides right to the CAG to conduct test
    audit of accounts of Government Companies
16. Which of the following is not a standard for audit of public expenditure
   a) Audit of Rules and Orders
   b) Audit of Sanction
   c) Audit of Propriety
   d) None of these

17. According to ____________, the auditor try to bring out cases of improper, avoidable, or infructuous expenditure even though the expenditure has been incurred in conformity with the existing rules and regulation.
   a) Propriety Audit
   b) Audit of Sanction
   c) Audit of Performance
   d) Audit against Provision of Funds

18. Public money should not be utilized for the benefit of a particular person or a section of the community or for the person who is sanctioning the expenditure. These are the principles covered in
   a) Performance Audit
   b) Audit against rules and orders
   c) Propriety Audit
   d) Performance Audit

19. In the case of Government audits, performance audit covers the following
   a) Efficiency Audit
   b) Economy Audit
   c) Effectiveness Audit
   d) All of these

20. While auditing a cinema hall, the auditor needs to verify that
   a) Entrance to the cinema hall during show is only through printed tickets
   b) Tickets are serially numbered and bound into books
   c) That for advance booking a separate series of tickets is issued
   d) All of above

21. Reports of CAG relating to the accounts of the Union/State shall be submitted to the ____________ who shall cause to be laid
   a) President/Governor
   b) Prime Minister/Chief Minister
   c) Union Finance Minister/State Finance Minister
   d) All of the above
22. ________________ aims at ascertaining that the expenditure incurred has been on the purpose for which the grant and appropriation had been provided and that the amount of such expenditure does not exceed the appropriation made

a) Audit against provision of funds
b) Propriety audit
c) Audit of sanction
d) Audit against rules and orders

Answers

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>a</td>
<td>16</td>
<td>d</td>
</tr>
<tr>
<td>2</td>
<td>d</td>
<td>17</td>
<td>a</td>
</tr>
<tr>
<td>3</td>
<td>d</td>
<td>18</td>
<td>c</td>
</tr>
<tr>
<td>4</td>
<td>b</td>
<td>19</td>
<td>d</td>
</tr>
<tr>
<td>5</td>
<td>c</td>
<td>20</td>
<td>d</td>
</tr>
<tr>
<td>6</td>
<td>b</td>
<td>21</td>
<td>a</td>
</tr>
<tr>
<td>7</td>
<td>c</td>
<td>22</td>
<td>a</td>
</tr>
<tr>
<td>8</td>
<td>d</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>c</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>d</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>c</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>c</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Examination of Items of the Financial Statements. (Vouching and Verification)

1. **Which of the following is not correct w.r.t. voucher**
   a) All the vouchers should be serially numbered
   b) All the vouchers should be properly dated
   c) Purchase vouchers should be within the name of supplier
   d) None of these

2. **Which of the following factor should be considered for examining validity of transactions**
   a) Transaction should be take place in compliance with terms and conditions of the agreement, if any
   b) If there are legal requirements, transaction should take place in compliance with legal requirements.
   c) Transaction should take place in compliance with internal rules and regulations.
   d) All of the above

3. **Which of the following is not purpose of capital expenditure**
   a) For acquiring fixed assets
   b) For maintaining the fixed assets
   c) For making additions / enhancements to the existing fixed assets
   d) Minimizing cost of production

4. **Which of the following document is not relevant for vouching of cash sales?**
   a) Daily cash sales summary
   b) Salesmen’s summary
   c) Monthly statements sent to customers
   d) Bank Statement

5. **To test whether sales have been recorded, the auditor should draw a sample from a file of**
   a) Purchase orders
   b) Sales orders
   c) Sales invoices
   d) Bill of loading

6. **For vouching of which item, the auditor is most likely to examine cost records**
   a) Commission earned
   b) Bad debt recovered
   c) Credit sales
   d) Sale of scrap

7. **Which of the following would prevent double payment of the same voucher?**
   a) The person signing the cheque should cancel the supporting documents
   b) Cheques should be signed by at least two persons
   c) Both (a) and (b)
   d) None of these

8. **In order to vouch which of the following expenses, the auditor will examine Bill of Entry?**
   a) Custom
b) Excise Duties  
c) Sales Tax  
d) Income Tax

9. **In case of unclaimed wages, the auditor should examine whether**  
   a) The amount has been deposited in a separate bank account  
   b) The amount has been deposited with cashier  
   c) The amount has held in a safe deposit box  
   d) All of these

10. **On case of sales return, the auditor should examine which of the following document**  
    a) Credit notes, advice notes and inward return notes  
    b) Debit notes, advice notes and inward return notes  
    c) Purchase invoices, advise notes and inward return notes  
    d) Credit notes, inspection report and inward return notes

11. **In order to vouch bought ledger, the auditor obtain confirmations from creditors. The principal reason for the auditor to examine suppliers statements at a balance sheet date is to obtain evidence that**  
    a) The supplier exist  
    b) There are no unrecorded liabilities  
    c) Recorded purchases actually account  
    d) To link creditors with cash book entries

12. **Which of the following is most crucial to a purchase department?**  
    a) Reducing the cost of acquisition  
    b) Selecting suppliers  
    c) Authorizing the acquisition of goods  
    d) Assuring the quality of goods

13. **Vendors should be approved by Management before purchase department executes an order, if this is not done, then which of the following situation may arise:**  
    a) Purchases could be made from vendors whose product quality may not be good  
    b) Purchases may be made from related parties without management’s knowledge  
    c) Purchase could be made from vendors who sells goods at excessive price  
    d) All of the above

14. **The creditor’s accounts, generally, have credit balance. Debit balance may be due to**  
    a) Advance paid against an order  
    b) Goods returned  
    c) Wrong debit to supplier account  
    d) Any of the above

15. **In case of vouching, the auditor is least likely to examine authorization by appropriate authority in case of**  
    a) Bad debts written off  
    b) Sales return
c) Purchase return  
d) Discount allowed to customers as per entity’s policy

16. Which of the following is not true with regard to verification of assets?  
a) It invoices substantiation of occurrence of transactions  
b) Its objective is to establish existence, ownership, possession, valuation and disclosure of assets  
c) The auditor has to form an opinion on different aspects  
d) All are true

17. Which of the following statements is not true?  
a) Valuation of assets is the responsibility of management  
b) The auditor can rely on a certificate issued by an authorization valuer as to the valuation of assets in the balance sheet.  
c) The auditor should value the asset as per generally accepted accounting principles  
d) Valuation is no part of auditor’s duty

18. Which of the assets is least likely to be subjected to lien  
a) Freehold land  
b) Plant and machinery  
c) Leasehold property  
d) Motor vehicles

19. While verifying intangible assets, an auditor would recompute amortization charges and determine whether amortization period is reasonable. The auditor tries to establish ______________ by doing it  
a) Valuation  
b) Existence  
c) Disclosure  
d) Possession

20. Which of the following controls would ensure that securities are not lost, stolen or diverted?  
a) Establish physical barriers over investment securities  
b) Maintain files of authorized signatures  
c) Segregate investment approval form accounting and form custody of securities  
d) All of the above

21. Which of the following would give the assurance that debtors mentioned on the date of balance sheet actually exist?  
a) Sending debtor’s confirmation letters  
b) Reviewing subsequent collection  
c) Verify debtors against sales document  
d) Both (a) and (b)

22. Obtaining trade receivables ageing report and analysis and identification of doubtful debts is performed during audit of accounts receivable balances to address the following balance sheet assertion:  
(a) Valuation
(b) Rights and obligations  
(c) Existence  
(d) Completeness  

23. Observing inventory being counted and personally performing test counts to verify counts is performed during audit of inventory balances to address the following balance sheet assertion:  
(a) Rights and obligations  
(b) Valuation  
(c) Completeness  
(d) Existence  

24. Wages paid to workers would always qualify as:  
(a) Revenue expenditure  
(b) Capital expenditure  
(c) Revenue or capital expenditure depending upon facts and circumstances  
(d) None of the above  

25. During the course of audit of intangible assets, expenditure incurred during following phase is generally not capitalized:  
(a) Development phase  
(b) Research phase  
(c) None of the above  
(d) Both (a) and (b)  

26. Search for unrecorded liability is performed during audit of current liabilities to address the following balance sheet assertion:  
(a) Valuation  
(b) Rights and obligations  
(c) Existence  
(d) Completeness  

27. Cut-off testing is performed during audit of sales to address the following income statement assertion:  
(a) Occurrence  
(b) Measurement  
(c) Completeness  
(d) All of the above  

28. ABC’s investee company-XYZ declares final dividend for financial year 2016-2017 in the meeting of board of directors held on April 10, 2017. In which financial year should ABC account for the dividend income:  
(a) Proportionately i.e. considering 10 days of financial year 2017-18 and 355 days of financial year 2016-17  
(b) Financial year 2016-17  
(c) Financial year 2017-18  
(d) Equally between financial year 2016-17 and financial year 2017-18
29. All inventory units held by the audit entity and that should have been recorded, has been recognized in the financial statements. The assertion involved is:
   (a) Existence
   (b) Completeness
   (c) Rights and obligations
   (d) Valuation

30. Which of the following is not an example of revenue expenditure-
   (a) Salaries and wages of employees engaged directly or in-directly in production
   (b) Repairs, maintenance and renewals of fixed assets
   (c) Legal and professional expenses
   (d) Development expenditure on land

Answers

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>c</td>
<td>16</td>
<td>a</td>
</tr>
<tr>
<td>2</td>
<td>d</td>
<td>17</td>
<td>c</td>
</tr>
<tr>
<td>3</td>
<td>b</td>
<td>18</td>
<td>c</td>
</tr>
<tr>
<td>4</td>
<td>c</td>
<td>19</td>
<td>a</td>
</tr>
<tr>
<td>5</td>
<td>c</td>
<td>20</td>
<td>d</td>
</tr>
<tr>
<td>6</td>
<td>d</td>
<td>21</td>
<td>d</td>
</tr>
<tr>
<td>7</td>
<td>a</td>
<td>22</td>
<td>d</td>
</tr>
<tr>
<td>8</td>
<td>a</td>
<td>23</td>
<td>d</td>
</tr>
<tr>
<td>9</td>
<td>a</td>
<td>24</td>
<td>c</td>
</tr>
<tr>
<td>10</td>
<td>d</td>
<td>25</td>
<td>b</td>
</tr>
<tr>
<td>11</td>
<td>b</td>
<td>26</td>
<td>d</td>
</tr>
<tr>
<td>12</td>
<td>c</td>
<td>27</td>
<td>c</td>
</tr>
<tr>
<td>13</td>
<td>d</td>
<td>28</td>
<td>c</td>
</tr>
<tr>
<td>14</td>
<td>d</td>
<td>29</td>
<td>b</td>
</tr>
<tr>
<td>15</td>
<td>d</td>
<td>30</td>
<td>d</td>
</tr>
</tbody>
</table>
**Company Audit –II**

1. As per section 128 of the Companies Act, 2013, ‘Book and paper’ and ‘Book or paper’ include
   a) Books of account
   b) Deeds and vouchers
   c) Writings, documents, minutes and registers
   d) All of these

2. The books of account etc, must give a true and fair view of the state of the affairs of the company, including its branch office as per section:
   a) 128
   b) 129
   c) 133
   d) 143(2)

3. The company shall intimate to the Registrar on an annual basis at the time of filling of financial statement:
   a) The name and internet protocol of the service provider
   b) The location of the service provider(wherever applicable)
   c) Where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider
   d) All of these

4. 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

5. All or any of the books of account and other relevant papers may be kept at such other place in India as the Board of directors may decide. In such a case, the company shall within _________ days of the decision of the Board, file with the _________ a notice in writing----
   a) 10, Registrar
   b) 10, NCLT
   c) 7, Registrar
   d) 7, NCLT

6. 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) 8
   c) 9
7. The person responsible for compliance of section 128-----
   a) Managing director
   b) Whole-time director in charge of finance
   c) Chief Financial officer
   d) All of these

8. The books of account etc. maintained within India shall be open for inspection by___________ under section 128.
   a) Any director
   b) Any member
   c) Auditor
   d) All of these

9. As per section _____________, the financial statements shall comply with the accounting standards.
   a) 128
   b) 129
   c) 133
   d) 143(2)

10. 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

11. The financial statements shall be in the form or forms as may be provided for different class or classes of companies in Schedule___________
    a) I
    b) II
    c) III
    d) IV

12. Sec. 129(1) shall apply to----
    a) Insurance company and banking company
    b) Company engaged in the generation or supply of electricity
    c) Both a and b
    d) None a and b

13. Under section 130, an application for reopening of accounts is made by----
    a) CG or the Income-tax authorities
    b) The securities and Exchange Board or any other statutory regulatory body or authority
    c) Any person concerned
    d) Any of these
14. Under section 130, an order for reopening of accounts is made by----
   a) Account of competent jurisdiction
   b) The tribunal
   c) A court of competent jurisdiction or the tribunal
   d) A court of competent jurisdiction and the tribunal both

15. No order shall be made in respect of re-opening of books of account relating to a period earlier than _______ financial years immediately preceding the current financial year.
   a) 3
   b) 5
   c) 7
   d) 8

16. Under section 131, directors may prepare revised financial statement or a revised report in respect of any of the _______ preceding FYs after obtaining approval of the _______.
   a) 3, Tribunal
   b) 3, CG
   c) 8, tribunal
   d) 8, CG

17. Under section 131, tribunal shall give notice to ___________ and shall take into consideration to the representations, if any.
   a) CG
   b) The income tax authorities
   c) Either a or b
   d) CG and the Income Tax authorities

18. As per the requirements of section 131, detailed reasons for revision of financial statement or report shall also be disclosed in
   a) The Board’s report
   b) The audit report
   c) The annual report
   d) All of these

19. Stages in prescribing accounting standards are performed in chronological order as follows:
   a) ICAI-CG-NFRA
   b) NFRA-ICAI-CG
   c) CG-ICAI-NFRA
   d) ICAI-NFRA-CG

20. The financial statement, including consolidated financial statement, if any, shall be submitted to the ____ after they have been approved or signed.
   a) Managing director
   b) Auditor
   c) Members
   d) ROC
21. The auditor’s report shall be attached to ________
   a) Annual report
   b) Board report
   c) Cost audit report, if any
   d) Every financial statement

22. Board report shall contain explanations or comments by the Board on every qualification, reservation
    or adverse remark or disclaimer made—
   a) By the auditor in his report
   b) By the company secretary in practice in his secretarial audit report
   c) Option (a) or (b)
   d) Option (a) and (b)

23. The director’s responsibility statement shall disclose as to whether the directors had taken proper and
    sufficient care—
   a) For the maintenance of adequate accounting records in accordance with the provisions of this Act
   b) For safeguarding the assets of the company
   c) For preventing and detecting fraud and other irregularities
   d) All of these

24. In the case of ______________, the director’s responsibility statement shall disclose as to whether the
directors, had laid down internal financial controls to be followed by the company and whether such
internal financial controls are adequate and were operating effectively
   a) a listed company
   b) Prescribed classes of companies
   c) Both (a) and (b)
   d) All companies

25. The Board’s Report shall contain the following information and details
   a) Conservation of energy
   b) Technology absorption
   c) Foreign exchange and outgo
   d) All of these

26. Authorized capital means ____________amount of capital, set out in ____________, which can be issued
    by the company
   a) Minimum, MoA
   b) Minimum, AoA
   c) Maximum, MoA
   d) Maximum, AoA

27. ____________ is required in the ____________ to issue the shares at premium.
   a) No provision, articles
   b) Provision, articles
   c) Provision, MOA
28. Where “Securities Premium Account” is used for any purpose other than the purposes permitted under the Act, then, the provisions of the Act as are applicable to ________ shall apply.
   a) Forfeiture of shares
   b) Buy back of share capital
   c) Alteration of share capital
   d) Reduction of share capital

29. Issue of shares at a discount is prohibited in the case of
   a) Public companies
   b) Private companies
   c) All companies, whether public or private
   d) Listed companies

30. Issue of ________ shares does not fall within the purview of Sec.53 of the Companies Act, 2013.
   a) Sweat equity
   b) Bonus
   c) Option on
   d) All of these

31. Issue of sweat equity shares must be authorized by_______
   a) Board Resolution
   b) Articles
   c) Passing SR
   d) Passing OR

32. A company may buy-back its own shares or other specified securities out of---
   a) Free reserves
   b) Securities premium account
   c) Proceeds of fresh issue of shares or other specified securities
   d) Any of these

33. The ratio of debt (secured as well as unsecured debt) owed by the company must not be more than ______ the aggregate of paid up capital and free reserves after such buy-back.
   a) Twice
   b) Thrice
   c) Four times of
   d) Five times of

34. ________ is required to be passed in the __________ for alteration of share capital.
   a) OR, GM
   b) SR, GM
   c) OR, AGM
   d) SR, AGM
35. Reduction of share capital requires passing of ___________ and confirmation of ___________ also.
   a) OR, TRIBUNAL
   b) SR, TRIBUNAL
   c) OR, COURT
   d) SR, COURT

36. Reduction of share capital shall not be affected if the company has defaulted in----
   a) Repayment of any deposits accepted by it
   b) Payment of interest payable on such deposits
   c) Either (a) or (b)
   d) Both (a) and (b)

37. Forfeiture must be
   a) Bonafide
   b) Authorized by SR
   c) Approved by Court
   d) All of these

38. An option on shares arises when a person has __________ under an agreement with the company.
   a) Privilege
   b) Obligation
   c) A duty
   d) A right

39. Issue of bonus share is authorized by-----
   a) Passing an OR in the General Meeting
   b) Passing SR in the General Meeting
   c) Passing OR in the Annual General Meeting
   d) Passing SR in the Annual General Meeting

40. Bonus share may be issued out of------
   a) Free reserves
   b) Securities premium account
   c) Capital redemption reserve account
   d) Any of these

41. Bonus shares_____ - fully paid up----
   a) Must be
   b) May be
   c) May or may not be
   d) Should generally be

42. _______ shall carry voting right----
   a) Debentures
   b) No debenture
   c) Convertible debenture
d) Redeemable debentures

43. __________ issuing the debentures shall create___________
   a) Every company, debentures redemption reserve
   b) Listed company, debenture redemption reserve
   c) Public company, debentures redemption reserve
   d) Private company, debentures redemption reserve

44. The company shall create debentures redemption reserve equivalent to _____ of the value of debentures.
   a) 25%
   b) 40%
   c) 50%
   d) 60%

45. The duties and functions of debenture trustee-----
   a) To protect the interest of debenture holders
   b) To redress the grievances of debenture holders
   c) Both option (a) and option (b)
   d) None of these

46. Before allotment of debentures prospectus should have been duly filed with------
   a) Central government
   b) SEBI
   c) Registrar
   d) All of these

47. If debentures are issued at premium, the amount of premium should be credited to premium on debentures account and the balance to the credit of this account should be subsequently transferred to_______
   a) Capital Reserve Account
   b) General Reserve Account
   c) P & L Appropriation Account
   d) Any of these

48. The interest paid on debentures_____ disclosed as a separate item in_________.
   a) Must be, balance sheet
   b) Should be, notes to accounts
   c) Must be, P & L account
   d) Need not be in the P & L account

49. Debentures may be issued as a collateral security to-----
   a) The creditors
   b) Bankers
   c) Other parties
   d) Any of these
50. In the case of dividend, first of all dividend is ______ by _________ ---
   a) Declared, Board
   b) Declared, Members
   c) Recommended, Board
   d) Recommended, Members

51. The members__________ the rate or amounts recommended by the Board----
   a) May reduce
   b) May reduce but cannot increase
   c) May increase
   d) May reduce or may increase

52. Statement 1
   Dividend can be paid out of moneys provided by Central Government or State Government in pursuance of a guarantee given by it.

   Statement 2
   Depreciation may or may not be provided so as to compute the profits for the purpose of declaration of dividend----
   a) Only Statement 1 is true
   b) Only Statement 2 is true
   c) Both the statements are true
   d) None of the statement is true

53. Dividend shall be declared or paid by the company from---
   a) Free Reserves
   b) Capital Reserves
   c) Revaluation reserves
   d) All of these

54. Dividend shall be payable----
   a) Only in cash
   b) In cash or in kind
   c) Either in cash or in electronic mode
   d) Option (c) or by issue of cheque

55. The dividend shall be deposited in a separate bank account within_____ days of declaration of dividend.
   a) 5
   b) 7
   c) 30
   d) 60

56. Any money transfer to unpaid dividend account of accompany which remains unpaid for ______ shall be transferred with a company to a fund called Investor Education and Protection Fund.
   a) 30 days
b) 1 year
c) 5 years
d) 7 years

57. The criminal liability for misstatements in prospectus is given u/s_______________ of the Companies Act, 2013
   a) 34
   b) 35
   c) 36
   d) 37

58. If a prospectus include any statement which is misleading, every person who authorized the issue of such prospectus shall be liable u/s
   a) 147
   b) 447
   c) 35
   d) None of these

59. Under section 35 of the companies Act, the person liable for misstatement means
   a) The Company
   b) Director of the Company
   c) Promoter of the Company
   d) All of these

60. Section 447 prescribes punishment for fraud, it is applicable on
   a) Directors
   b) Auditors
   c) Members
   d) Any Person

61. Under section 447 if fraud involves public interest, the minimum imprisonment is ___________ years and maximum imprisonment is ___________ years.
   a) 3,14
   b) 3,10
   c) 5,14
   d) 5,10

62. If any person is found guilty of fraud, the maximum finr that can be imposed u/s 447 is ___________ the amount involved in the fraud.
   a) Two times
   b) Three times
   c) Four times
   d) Five times
## Answers

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>d</td>
<td>11</td>
<td>c</td>
<td>21</td>
<td>d</td>
<td>31</td>
<td>c</td>
</tr>
<tr>
<td>2</td>
<td>a</td>
<td>12</td>
<td>d</td>
<td>22</td>
<td>d</td>
<td>32</td>
<td>d</td>
</tr>
<tr>
<td>3</td>
<td>d</td>
<td>13</td>
<td>d</td>
<td>23</td>
<td>d</td>
<td>33</td>
<td>a</td>
</tr>
<tr>
<td>4</td>
<td>c</td>
<td>14</td>
<td>c</td>
<td>24</td>
<td>d</td>
<td>34</td>
<td>a</td>
</tr>
<tr>
<td>5</td>
<td>c</td>
<td>15</td>
<td>d</td>
<td>25</td>
<td>d</td>
<td>35</td>
<td>b</td>
</tr>
<tr>
<td>6</td>
<td>b</td>
<td>16</td>
<td>a</td>
<td>26</td>
<td>c</td>
<td>36</td>
<td>c</td>
</tr>
<tr>
<td>7</td>
<td>d</td>
<td>17</td>
<td>d</td>
<td>27</td>
<td>a</td>
<td>37</td>
<td>a</td>
</tr>
<tr>
<td>8</td>
<td>a</td>
<td>18</td>
<td>a</td>
<td>28</td>
<td>d</td>
<td>38</td>
<td>d</td>
</tr>
<tr>
<td>9</td>
<td>b</td>
<td>19</td>
<td>d</td>
<td>29</td>
<td>c</td>
<td>39</td>
<td>a</td>
</tr>
<tr>
<td>10</td>
<td>d</td>
<td>20</td>
<td>b</td>
<td>30</td>
<td>a</td>
<td>40</td>
<td>d</td>
</tr>
</tbody>
</table>

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>c</td>
<td>21</td>
<td>d</td>
<td>31</td>
<td>c</td>
<td>41</td>
<td>a</td>
</tr>
<tr>
<td>12</td>
<td>d</td>
<td>22</td>
<td>d</td>
<td>32</td>
<td>d</td>
<td>42</td>
<td>b</td>
</tr>
<tr>
<td>13</td>
<td>d</td>
<td>23</td>
<td>d</td>
<td>33</td>
<td>a</td>
<td>43</td>
<td>a</td>
</tr>
<tr>
<td>14</td>
<td>c</td>
<td>24</td>
<td>d</td>
<td>34</td>
<td>a</td>
<td>44</td>
<td>a</td>
</tr>
<tr>
<td>15</td>
<td>d</td>
<td>25</td>
<td>d</td>
<td>35</td>
<td>b</td>
<td>45</td>
<td>c</td>
</tr>
<tr>
<td>16</td>
<td>a</td>
<td>26</td>
<td>c</td>
<td>36</td>
<td>c</td>
<td>46</td>
<td>c</td>
</tr>
<tr>
<td>17</td>
<td>d</td>
<td>27</td>
<td>a</td>
<td>37</td>
<td>a</td>
<td>47</td>
<td>a</td>
</tr>
<tr>
<td>18</td>
<td>a</td>
<td>28</td>
<td>d</td>
<td>38</td>
<td>d</td>
<td>48</td>
<td>c</td>
</tr>
<tr>
<td>19</td>
<td>d</td>
<td>29</td>
<td>c</td>
<td>39</td>
<td>a</td>
<td>49</td>
<td>d</td>
</tr>
<tr>
<td>20</td>
<td>b</td>
<td>30</td>
<td>a</td>
<td>40</td>
<td>d</td>
<td>50</td>
<td>c</td>
</tr>
<tr>
<td>21</td>
<td>d</td>
<td>31</td>
<td>c</td>
<td>41</td>
<td>a</td>
<td>51</td>
<td>b</td>
</tr>
<tr>
<td>22</td>
<td>d</td>
<td>32</td>
<td>d</td>
<td>42</td>
<td>b</td>
<td>52</td>
<td>a</td>
</tr>
<tr>
<td>23</td>
<td>d</td>
<td>33</td>
<td>a</td>
<td>43</td>
<td>a</td>
<td>53</td>
<td>a</td>
</tr>
<tr>
<td>24</td>
<td>d</td>
<td>34</td>
<td>a</td>
<td>44</td>
<td>a</td>
<td>54</td>
<td>d</td>
</tr>
<tr>
<td>25</td>
<td>d</td>
<td>35</td>
<td>b</td>
<td>45</td>
<td>c</td>
<td>55</td>
<td>a</td>
</tr>
<tr>
<td>26</td>
<td>c</td>
<td>36</td>
<td>c</td>
<td>46</td>
<td>c</td>
<td>56</td>
<td>d</td>
</tr>
<tr>
<td>27</td>
<td>a</td>
<td>37</td>
<td>a</td>
<td>47</td>
<td>a</td>
<td>57</td>
<td>a</td>
</tr>
<tr>
<td>28</td>
<td>d</td>
<td>38</td>
<td>d</td>
<td>48</td>
<td>c</td>
<td>58</td>
<td>b</td>
</tr>
<tr>
<td>29</td>
<td>c</td>
<td>39</td>
<td>a</td>
<td>49</td>
<td>d</td>
<td>59</td>
<td>d</td>
</tr>
<tr>
<td>30</td>
<td>a</td>
<td>40</td>
<td>d</td>
<td>50</td>
<td>c</td>
<td>60</td>
<td>d</td>
</tr>
</tbody>
</table>
Audit in CIS Environment

1. The auditor should gather which of the following information about CIS environment of the entity before developing audit plan
   a) How CIS function is organized
   b) The computer hardware and software used by the entity
   c) Nature of processing
   d) All of these

2. Which of the following is not specific risk relating to internal control in CIS environment
   a) Unauthorized changes to system or program
   b) Unauthorized changes to data in master file
   c) Risk of non-recording of any transaction
   d) Potential loss of data

3. The use of computer may result in the design of system that provides___________evidence than those using manual procedures.
   a) Less visible
   b) More visible
   c) More persuasive
   d) Conclusive

4. System characteristics that may result from nature of CIS processing include
   a) Absence of input documents
   b) Lack of visible transaction trail
   c) Lack of visible output
   d) All of these

5. Different design and procedural aspects of CIS are
   a) Consistency of performance
   b) Programmed control procedures
   c) Both (a) and (b)
   d) None of these

6. Which of the following is not general CIS control
   a) Control over inputs
   b) Organization and Management Controls
   c) Computer Operation Control
   d) System Software Control

7. Application System Development and Maintenance Controls are designed to control over
   a) Inputs
   b) Testing, implementation and documentation of new or revised system
   c) Outputs
   d) Processing
8. Computer Operation Controls are designed to control the operation of the system and to provide reasonable assurance that
   a) Only authorized programs are used
   b) Processing errors are detected and corrected
   c) System are used for authorized purpose by authorized personnel
   d) All of these

9. _________________are designed to establish an organizational framework over CIS activities.
   a) Computer operation control
   b) Data entry and program control
   c) Organization and Management Controls
   d) System software control.

10. Which of following is CIS application control
    a) System Software Control
    b) Control Over Processing
    c) Data Entry and Program Control
    d) None of these.

11. Control Over Output provide assurance that
    a) Results of processing are accurate
    b) Access to output is restricted to authorized personnel
    c) Output is provided to appropriate authorized personnel on a timely basis
    d) All of these

12. _______________ refers to a situation where it is possible to relate, the original input with the final output on one to one basis.
    a) Audit Trail
    b) Input Output Ratio
    c) Programmed control procedure
    d) None of these

13. In CIS environment these is absence of audit trail due to factors such as
    a) Direct data entry into the system
    b) Direct posting of transactions to master file
    c) Elimination of reports as information is supplied on-line
    d) All of these

14. In the ______________ , the auditor concentrate on input and ignores the procedures of how computer process the data or transaction.
    a) White box approach
    b) Computer Assisted Audit Techniques
    c) Black box approach
    d) None of these
15. The auditor can usually audit around the computer when
   a) The system id simple
   b) The system is complex
   c) System uses generalized software that is well tested and widely used by many institution
   d) (a) or (c)

16. Situation where auditing through computer must be used
   a) The computer processes a large volume of input and produces a large volume of output
   b) The logic of system is complex
   c) The significant parts of internal control system are embodied in the computer system itself
   d) All of these

17. ________________ are those techniques which undertake assistance of computer for being applied to
   an audit in a computerized environment.
      a) Computer Assisted Audit Techniques
      b) Audit Trail
      c) Compliance Test
      d) None of these

18. The use of CAATs may be useful because of following reason
   a) Appearance of audit trail
   b) Absence of input documents
   c) Visible output
   d) None of these

19. Benefits of CAATs
   a) Time saving
   b) Audit effectiveness
   c) Lower sampling risk
   d) All of these

20. Following are CAATs
    a) Test Data
    b) Programmes under the control of auditor
    c) Both (a) and (b)
    d) None of these

21. In auditing through computer, the computer is used as __________ of audit
    a) Tool
    b) Target
    c) Help
    d) Any of these

22. Computer Assisted Audit Techniques are used by __________ to check validity of __________ used
    by__________.
    a) Client, Programmes, Client
    b) Client, Programmes, Auditor
c) Auditor, Programme, Client
d) Auditor, Input, Client

### Answers

<p>| | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>d</td>
<td>c</td>
<td>a</td>
<td>d</td>
<td>c</td>
<td>a</td>
<td>b</td>
<td>d</td>
<td>c</td>
<td>b</td>
</tr>
<tr>
<td>11</td>
<td>d</td>
<td>a</td>
<td>d</td>
<td>c</td>
<td>d</td>
<td>d</td>
<td>a</td>
<td>b</td>
<td>d</td>
<td>c</td>
</tr>
<tr>
<td>21</td>
<td>b</td>
<td>c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Only For New Syllabus Students

#### Audit of Co-Operative Societies

1. **Who can be appointed as auditor of Co-Operative Society**
   a) Chartered Accountant within the meaning of the Chartered Accountants Act, 1949
   b) Person holding a government diploma in co-operative accounts and accountancy
   c) Person who has served as an auditor in the co-operative department of government to act as an auditor.
   d) Any of the above

2. **Auditor of Co-Operative Society is appointed by**
   a) Managing Committee of Co-Operative Society
   b) Registrar of Co-Operative Society
   c) Members of Co-Operative Society
   d) None of these

3. **The auditor of Co-Operative Society submits his audit report to**
   a) The Members of Co-Operative Society
   b) The Registrar of Co-Operative Society
   c) The Co-Operative Society
   d) Both (b) and (c)

4. **The audit fees to the auditor of Co-Operative Society are paid by _________ on the basis of ___________.**
   a) Society, Statutory scale of fees prescribed by the Registrar
   b) Registrar, Statutory scale of fees prescribed by the Registrar
   c) Society, Decision of Managing Committee of Society
   d) Society, Resolution passed by its Members.
5. In case of a society where the liability of a member of society is limited, no member of a society other than a registered society can hold such portion of the share capital of the society as exceed a maximum of
   a) 20% of the total number of shares
   b) Value of Shareholding to Rs. 1,000
   c) (a) or (b)
   d) None of these

6. Which of the following is correct
   a) A registered society shall not make a loan to any person other than a member.
   b) With the special sanction of the Registrar, a registered society may make a loan to another registered society.
   c) The State Government may further put such restrictions as it thinks fit on the loaning powers of the society.
   d) All of these

7. A Society may invest its funds
   a) In stock market through stock exchange
   b) In the Central or Other Co-Operative Bank
   c) In the shares, securities, bonds or debentures of any other society whether limited liability or unlimited liability
   d) None of these

8. A Society may invest its funds
   a) In any of the securities specified in section 20 of the Indian Trusts Act, 1882
   b) In the shares, securities, bonds or debentures of any other society with limited liability
   c) In any co-operative bank, other than a Central or State Co-Operative bank, as approved by the Registrar on specified terms and conditions.
   d) Any of the above

9. ______ % of the profits should be transferred to Reserve Fund, before distribution as dividend or bonus to members.
   a) 10
   b) 20
   c) 25
   d) 30

10. A registered society may, with the sanction of the Registrar, contribute an amount not exceeding ______ of _____________ for any charitable purpose.
    a) 10%, Net profits remaining after the compulsory transfer to the reserve fund
    b) 10%, Net profits before compulsory transfer to the reserve fund
    c) 5%, Net profits remaining after the compulsory transfer to the reserve fund
    d) 5%, Net profits before compulsory transfer to the reserve fund

11. Society may use the Reserve Fund
    a) In the business of a society, as working capital
b) May invest as per the provision of the Co-Operative Societies Act, 1912

c) May be used for some public purposes likely to promote the objective of the society

d) Any of the above

12. **Special Report to the Registrar is required**

a) If auditor detect fraud

b) Personal profiteering by members of the managing committee in transaction of the society

c) Mis-management

d) All of the above

13. **Who can be appointed as auditor of Multi State Co-Operative Society**

a) Chartered Accountant within the meaning of the Chartered Accountants Act, 1949

b) Person holding a government diploma in co-operative accounts and accountancy

c) Person who has served as an auditor in the co-operative department of government to act as an auditor.

d) Any of the above

14. **The First Auditor of Multi State Co-Operative Society shall be appointed by __________ within____________.**

a) Registrar of Society, One month of date of registration of such society

b) Board, One month of date of registration of such society

c) Members, 90 days of date of registration of such society

d) Central Registrar, One month of date of registration of such society.

15. **Subsequent Auditor of Multi State Co-Operative Society is appointed**

a) At Board’s Meeting

b) By Central Registrar

c) At AGM

d) By Secretary of the Society

16. **Subsequent Auditor of Multi State Co-Operative Society shall hold office of auditor until**

a) Submission of audit report

b) Conclusion of 6th AGM

c) Conclusion of 5 Years

d) Conclusion of next AGM

17. **The audit report on the financial statements of society shall contain schedule with particular of**

a) All transactions which appears to be contrary to the provisions of the Act, Rules or Byelaws of society

b) All sums, which ought to have been, but have not brought into account by the society

c) Any material, or property belonging to society which appears to the auditor to be bad or doubtful of recovery

d) All of the above

18. ____________ has power to direct Special Audit in certain cases of Multi-State Co-Operative Society

a) Central Government

b) Central Registrar

c) Managing Committee
19. Under which of the following circumstances order of Special Audit is passed
   a) The affairs of any MSCO are not being managed in accordance with self-help and mutual did and co-
      operative principles or prudent commercial practices or with sound business principles; or
   b) Any MSCO is being managed in a manner likely to cause serious injury or damage to the interests of the
      trade industry or business to which it pertains; or
   c) The financial position of any MSCO is such as to endanger its solvency.
   d) Any of the above

20. The Special Auditor shall submit his report to
   a) Managing Committee of Society
   b) Members of Society
   c) Central Government
   d) Central Registrar

21. Which of the following may request to Central Registrar to conduct an inquiry
   a) Central Government
   b) A Creditor
   c) At least 10% of members of the Board
   d) At least 15% of the total number of members.

22. Inquiry by Central Registrar may be conducted into the
   a) Constitution
   b) Working
   c) Financial Condition
   d) Any of the above

Answers

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>d</td>
<td>b</td>
<td>d</td>
<td>a</td>
<td>c</td>
<td>d</td>
<td>b</td>
<td>d</td>
<td>c</td>
<td>a</td>
</tr>
<tr>
<td>11</td>
<td>d</td>
<td>d</td>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>d</td>
<td>a</td>
<td>d</td>
<td>c</td>
</tr>
<tr>
<td>21</td>
<td>b</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Audit of Limited Liability Partnership Firm

1. LLP, whose turnover does not exceed Rs. _______ or whose contribution does not exceed Rs. _______, is not required to get its accounts audited.
   a) 40 Lakhs, 25 Lakhs
   b) 50 Lakhs, 25 Lakhs
   c) 40 Lakhs, 20 Lakhs
   d) 60 Lakhs, 30 Lakhs

2. Who of the following can be appointed as auditor of LLP
   a) A Chartered Accountant
   b) A Chartered Accountant in Practice
   c) A Cost Accountant
   d) A Chartered Accountant or A Cost Accountant

3. The auditor LLP is appointed by designated partner
   a) At any time for the first FY but before the end of first FY
   b) At least 30 days prior to the end of each FY (Other than first FY)
   c) Both (a) and (b)
   d) Within 180 days from commencement of FY which is subject to audit

4. If designated partners of LLP have failed to appoint auditor then auditor of LLP is appointed by
   a) Registrar
   b) Central Government
   c) Local Fund Audit Wing of State Government
   d) Partner of LLP

5. The auditor of LLP shall hold office of auditor till the period
   a) The new auditor is appointed
   b) Auditor is reappointed
   c) (a) or (b)
   d) 180 days from closure of FY.

6. Every LLP shall file an annual return duly authenticated with the ________ within _________
   days of closure of its FY
   a) Registrar, 30
   b) Registrar, 60
   c) Central Government, 30
   d) Local Fund Audit Wing of State Government, 60

7. LLP shall file Annual return with Registrar in ________
   a) Form 11
   b) Form 12
   c) Form 13
   d) Form 14
8. **LLP are required to maintain books of accounts which shall contain**
   a) Particulars of all sums of money received and expended by the LLP and the matters in respect of which the receipt and expenditure take place
   b) A record of the assets and liabilities of the LLP
   c) Statements of cost of goods purchased, inventories, work-in-progress, finished goods and costs of goods sold
   d) All of these

9. **LLP is required to submit Statement of Account and Solvency with the __________ within a period____________**
   a) Central Government, 6 Months of FY to which the Statement of Account and Solvency relates
   b) Registrar, 6 Months of FY to which the Statement of Account and Solvency relates
   c) Registrar, 30 Days from end of 6 months of the FY of FY to which the Statement of Account and Solvency relates.
   d) Local Fund Audit Wing of State Government, 6 Months of FY to which the Statement of Account and Solvency relates

10. **Which of the following document of LLP is not available for inspection by any person**
    a) Agreements entered by LLP
    b) Incorporation Document
    c) Statement of Account and Solvency
    d) Annual Return

11. **The fees for inspection of document of LLP is**
    a) Rs 100 and Rs 10 per page for certified copy or extract of any document
    b) Rs 50 and Rs 5 per page for certified copy or extract of any document
    c) Rs 50 and Rs 10 per page for certified copy or extract of any document
    d) Rs 100 and Rs 5 per page for certified copy or extract of any document

**Answers**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>c</td>
<td>b</td>
<td>a</td>
<td>d</td>
<td>c</td>
<td>a</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Audit of Banks

1. Which of the following is not type of bank
   a) Commercial Banks
   b) Regional Rural Bank
   c) Payment Bank
   d) None of these

2. ___________ are the most wide spread banking in India
   a) Small Finance Banks
   b) Co-Operative Banks
   c) Commercial Banks
   d) Development Banks

3. Main functions of Commercial banks are
   a) Accepting Deposits
   b) Granting Advances
   c) Both (a) and (b)
   d) None of these

4. The functioning of banking industry in India is regulated by the ___________
   a) Finance Ministry
   b) Reserve Bank of India
   c) President of India
   d) CAG

5. ___________ acts as Central Bank of India
   a) Reserve Bank of India
   b) State Bank of India
   c) Central Bank of India
   d) Union Bank of India

6. Important functions of RBI are
   a) Issuance of currency
   b) Regulation of currency issue
   c) Acting as banker to Central and State Governments
   d) All of the above

7. No bank can commence business of banking or open new branches without obtaining license from
   a) President of India
   b) Finance Ministry
   c) Reserve Bank of India
   d) State Bank of India

8. Which of the following are principal enactments which govern the functioning of various types of banks
   a) Banking Regulation Act, 1949
b) Companies Act, 2013
c) Information Technology Act, 2000
d) All of these

9. Which of the following section of the banking Regulation Act, 1949 deal with from and content of financial statements of banking company
   a) Section 128
   b) Section 129
   c) Section 29
   d) Section 28

10. Auditor of nationalized bank is appointed by
    a) BoD of the Bank
    b) Reserve Bank of India
    c) CAG
    d) Central Government

11. Auditor of the State Bank of India is appointed by
    a) BoD of the SBI
    b) CAG
    c) Reserve Bank of India
    d) Central Government

12. The auditors of Subsidiaries of SBI are to be appointed by
    a) Reserve Bank of India
    b) CAG
    c) Central Government
    d) SBI

13. The auditor of regional rural banks is appointed by
    a) Bank concerned with the approval of the Central Government
    b) Bank concerned without any previous approval of the Central Government
    c) RBI
    d) CAG

14. The matters which the banks require their auditors to deal with in the Long Form Audit Report is to be specified by
    a) CAG
    b) RBI
    c) Central Government
    d) Banking Regulation Act, 1949

15. The LFAR is to be submitted before _____________ every year
    a) 30th September
    b) 31st July
    c) 30th June
d) 31st May

16. Advances comprises of funded amounts by way of
   a) Term loans
   b) Cash Credits, Overdrafts, Demand Loans
   c) Bills Discounted and Purchased
   d) All of the above

17. In case of banking companies, Accounts showing stress signals are classified as
   a) SMA 0
   b) SMA 1
   c) SMA 2
   d) None of these

18. In case of banking companies, Accounts overdue between 31 to 60 days, are classified as
   a) SMA 0
   b) SMA 1
   c) SMA 2
   d) None of these

19. In case of banking companies, Accounts overdue between 31 to 60 days, are classified as
   a) SMA 0
   b) SMA 1
   c) SMA 2
   d) None of these

20. NPA Loans of Banking Companies are classifies as
    a) Substandard
    b) Doubtful
    c) Loss
    d) Any of the above, depending upon circumstances

21. Assets which does not disclose any problem and does not carry more than normal risk attached to the
    business, are classifies as
    a) Standard Assets
    b) Substandard Assets
    c) Good Assets
    d) Genuine Assets

22. Assets which has been classifies as NPA for a period not exceeding 12 months, are classified as
    a) Standard Assets
    b) Substandard Assets
    c) Doubtful Assets
    d) Loss Assets

23. Assets which has been classifies as NPA for a period exceeding 12 months, are classified as
    a) Standard Assets
b) Substandard Assets  
c) Doubtful Assets  
d) Loss Assets

24. Asset in respect of which loss has been identified by the bank or internal auditor/external auditor or the RBI inspection, but the amount has not been written off, wholly or partly, is classified as  
a) Substandard Asset  
b) Doubtful Asset  
c) Written off Asset  
d) Loss Asset

25. Which of the following is not classified as NPA  
a) Impaired  
b) Sub-standard  
c) Doubtful  
d) Loss

26. Erosion in the value of security can be reckoned as significant when the realizable value of the security is less than _______% of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be  
a) 20  
b) 50  
c) 60  
d) 75

27. In case of classification of advance as standard assets, provision is required by the bank  
a) .40%  
b) .50%  
c) .75%  
d) .80%

28. In case of classification of commercial real estate advance, as standard assets provision is required by the bank  
a) .40%  
b) .50%  
c) .75%  
d) 1.00%

29. In case of classification of advance as sub-standard assets, provision is required by the bank for secured portion  
a) 10%  
b) 15%  
c) 20%  
d) 25%
30. In case of classification of advance as sub-standard assets, provision is required by the bank for unsecured portion
   a) 10%
   b) 15%
   c) 20%
   d) 25%

31. In case of classification of advance as doubtful assets, provision is required by the bank for unsecured portion
   a) 100%
   b) 75%
   c) 60%
   d) 50%

32. In case of classification of advance as doubtful assets (up to one year), provision is required by the bank for secured portion
   a) 10%
   b) 25%
   c) 40%
   d) 100%

33. In case of classification of advance as doubtful assets (more than one year but up to 3 year), provision is required by the bank for secured portion
   a) 10%
   b) 25%
   c) 40%
   d) 100%

34. In case of classification of advance as doubtful assets (more than 3 years), provision is required by the bank for secured portion
   a) 10%
   b) 25%
   c) 40%
   d) 100%

35. In case of classification of advance as loss assets, provision is required by the bank
   a) 100%
   b) 75%
   c) 60%
   d) 50%

36. ______________ refers to the security offered by the borrower for bank finance or the one against which credit has been extended by the bank.
   a) Primary Security
   b) Collateral Security
   c) Healthy Security
37. _____________ is an additional security. Security can be in any form i.e. tangible or intangible asset, movable or immovable asset
   a) Primary Security
   b) Collateral Security
   c) Healthy Security
   d) None of these

38. Most common types of securities accepted by banks are the following
   a) Personal Security of Guarantor
   b) Immovable Property
   c) Life Insurance Policies
   d) All of these

39. Which of the following is not a type of mortgage
   a) Registered Mortgage
   b) Equitable Mortgage
   c) Both (a) and (b)
   d) None of these

40. _____________ can be effected by a registered instrument called the “Mortgage Deed” signed by the mortgagor.
   a) Registered Mortgage
   b) Equitable Mortgage
   c) Both (a) and (b)
   d) None of these

41. _____________ is effected by a mere delivery of title deeds or other documents of title with intent to create security thereof
   a) Registered Mortgage
   b) Equitable Mortgage
   c) Both (a) and (b)
   d) None of these

42. _____________ involves bailment or delivery of goods by the borrower to the lending bank, with the intention of creating a charge thereon as security for the advance
   a) Mortgage
   b) Pledge
   c) Hypothecation
   d) Assignment

43. _____________ is the creation of an equitable charge, which is created in favour of the lending bank by execution of agreement in respect of movable securities belonging to the borrower
   a) Mortgage
   b) Pledge
c) Hypothecation
d) Assignment

44. __________ is a transfer of an existing or future debt, right or property belonging to a person in favour of another person.
   a) Mortgage
   b) Pledge
   c) Hypothecation
   d) Assignment

45. __________ is a statutory right of a creditor to adjust, wholly or partly, the debit balance in the debtor's account against any credit balance lying in another account of the debtor.
   a) Adjustment
   b) Agreement
   c) Set-off
   d) Deduction

46. __________ is creation of legal charge with consent of the owner, which gives lender a legal right to seize and dispose /liquidate the asset under lease.
   a) Set-off
   b) Lien
   c) Disposal
   d) Release

47. An advance will be classified as NPA, if
   a) It ceases to generate income for a bank
   b) Interest and/or installment of principal in respect of such an advance have been remain overdue or out of order for a specified period of time (exceeding 90 days as on balance sheet date)
   c) (a) or (b)
   d) None of these

48. An account should be treated as ‘Out-of-Order’ if
   a) Outstanding balance remains continuously in excess of the sanctioned limit/drawing power
   b) There are no credits continuously for 90 days as on the balance sheet date or the credits are not enough to cover the interest debited during the same period
   c) (a) or (b)
   d) None of these

49. Where it appears that an account has inherent weakness and few credits near balance sheet tries to make it regular, the account should be classified as __________
   a) Standard Asset
   b) Non-Performing Asset
   c) Loss Asset
   d) None of these
50. **Which of the following statement is incorrect w.r.t classification of advance as NPA**
   a) All the facilities granted by bank to borrower will have to be treated as NPA and not the particular facility or part thereof.
   b) In case of consortium advance, asset classification should be based on the record of recovery of individual member of banks.
   c) In case of advance with moratorium period for payment of interest, payment of interest becomes due only after the expiry of moratorium period, therefore such interests do not become overdue and hence do not become NPA with reference to date of debit of interest.
   d) The credit facilities backed by State Government though overdue, will be classified as NPA only when the State Government repudiates its guarantee when invoked.

51. **The credit facilities backed by________though overdue, will be classified as NPA only when the________repudiates its guarantee when invoked**
   a) Central Government
   b) State Government
   c) RBI
   d) Any Guarantor

52. **Loan granted for short duration crop shall be classified as NPA if interest and/or instalments of principal is overdue for**
   a) One crop season
   b) Two crop season
   c) Exceeding 90 days
   d) Exceeding 120 days

53. **Loan granted for long duration crop shall be classified as NPA if interest and/or instalments of principal is overdue for**
   a) One crop season
   b) Two crop season
   c) Exceeding 90 days
   d) Exceeding 120 days

54. **Credit card account shall be classified as NPA, if________amount due, as mentioned in the credit card statement is not paid fully within________days from next statement date**
   a) Total, 90
   b) Minimum, 30
   c) Minimum, 90
   d) None of these

55. **Which of the following is not exception to norms for classification of assets as NPA**
   a) Temporary Deficiencies
   b) Natural Calamities w.r.t. short term agricultural advance
   c) Advances against Term Deposits, NSC, KVP, IVP
   d) Facilities Backed by State Government
56. Banks should recognize income from NPA
   a) On cash basis
   b) On accrual basis
   c) As the policy of the Bank
   d) Substandard assets on accrual basis, and other NPAs on cash basis.

57. Interest income from advances though overdue but not classifies as NPA as secured against Term Deposits, NSC, KVP, IVP may be recognize
   a) On cash basis
   b) On accrual basis
   c) Substandard assets on accrual basis, and other NPAs on cash basis.
   d) On Secured portion accrual basis and on secured portion on cash basis.

58. Interest income from advances though overdue but not classifies as NPA as secured against guarantee of the Central Government, recognized as
   a) On cash basis
   b) On accrual basis
   c) Substandard assets on accrual basis, and other NPAs on cash basis.
   d) On Secured portion accrual basis and on secured portion on cash basis

59. The auditor can obtain sufficient appropriate audit evidence about advances by study and evaluation of the internal controls relating to advances, and by:
   a) Examining loan documents
   b) Examining the existence, enforceability and valuation of the security
   c) Checking complianc e with RBI norms including classification and provisioning
   d) All of the above

60. If a loan/advance is treated as NPA for the first time, interest accrued which had not been realized but credited to the income account should be reversed by transfer to a separate account called ___________
   a) Suspense Account
   b) Income Reversal Account
   c) Interest Suspense Account
   d) Account Suspense

61. In carrying out audit of advance, the auditor is primarily concerned with obtaining evidence about the following
   a) Amounts included in balance sheet in respect of advances are outstanding at the date of the balance sheet
   b) Advances represents amount due to bank
   c) There are no unrecorded advances
   d) All of the above
Audit in Automated Environment

1. ___________ basically refers to a business environment where the processes, operations, accounting and even decisions are carried by using computer system.
   a) Automated environment
   b) Computer environment
   c) IT environment
   d) None of these

2. Some of the key features of an automated environment are
   a) Enables faster business operations
   b) Better security and controls
   c) Provide latest information
   d) All of above

3. Which of the following is not IT related risk
   a) Unauthorized access to data
   b) Unauthorized changes to system of program
   c) Sampling Risk
   d) Lack of adequate segregation of duties

4. Types of Controls in an Automated Environment
   a) General IT Controls
   b) Application Controls
   c) IT Dependent Manual Controls
   d) All of above

5. _______________ are policies and procedures that relates to many applications and support the effective functioning application controls
a) General IT Controls  
b) IT Dependent Manual Controls  
c) Both (a) and (b)  
d) None of these

6. Which of the following the auditor should consider to obtain an understanding of the company’s automated environment  
a) Information system being used  
b) Key Persons  
c) Outsourced activities  
d) All of the above

7. General IT Controls that maintain integrity of information and security of data commonly include controls over following  
a) Inputs  
b) Access Security  
c) Processing  
d) Output

8. Which of the following is not method for testing of controls in automated environment  
a) Inspect the configuration defined in an application  
b) Inspect technical manual/user manual of system and application  
c) Analytical Review  
d) Observe how a user processes transactions under different scenarios.

9. Which of the following is an automated control?  
a) Program change  
b) System generated report  
c) Application control  
d) Configuration

10. General IT control that ensure backups, performance monitoring, recovery from failures commonly include controls over  
a) Program Change  
b) Access Security  
c) Data Center and Network Operations  
d) Application System acquisition, development and maintenance

11. The objective of which of the following is to ensure that modified system continue to meet financial reporting objectives  
a) Data Center and Network Operation  
b) Program Change  
c) Access Security  
d) Application system, acquisition, development and maintenance
12. The objective of which of the following is to ensure that access to programs and data is authenticated and authorized to meet financial reporting objectives
   a) Data Center and Network Operations
   b) Program Change
   c) Access Security
   d) Application system, acquisition, development and maintenance

13. The objectives of which of the following is to ensure that system are developed, configured and implemented to meet financial reporting objectives
   a) Data Center and Network Operations
   b) Program Change
   c) Access Security
   d) Application system, acquisition, development and maintenance.

14. The combination of processes, tools and techniques that are used to tap vast amounts of electronic data to obtain meaningful information is called_________
   a) Data Analytics
   b) Data base
   c) Information system
   d) None of these

15. Edit checks and validation of input data, sequence number checks, user limit checks, reasonableness checks, mandatory data fields, these are examples of
   a) General IT Control
   b) Manual Application Controls
   c) Automated Application Controls
   d) None of these

16. IT dependent controls are basically__________
   a) Manual Control
   b) Automated Control
   c) Both (a) and (b)
   d) None of these

17. Which of the following is General IT control?
   a) IT Environment
   b) Application Control
   c) Access Security
   d) IT Department Control

18. _____________ can be used in testing of electronic records and data residing in IT systems using spreadsheets and specialized audit tools to perform fraud investigation analysis of journal entries as required by SA 240 and selection of audit sample.
   a) Data base
   b) Data analytics
   c) Information system
d) None of these

19. _________ is a term that is used to describe a very large computer with high computing power, memory and storage that are required for running large business operations.
   a) Application
   b) Read Access Memory
   c) Automated
   d) Mainframe

20. _________ is a computer program or collection of computer programs that provides an interface to a user for performing a specific activity, task, operation or transaction in electronic form through a computer or information system.
   a) Software
   b) System
   c) Mainframe
   d) Information Technology

21. _________ is a type of super user access to information system that enforces less or no limits on using that system.
   a) General Controls
   b) Privileged Access
   c) Software
   d) CAAT

22. _________ refers to a collection of electronic, hardware, software, networks and processes that are used in a business to carry out operations and transactions.
   a) Software
   b) Information Technology
   c) System/Information System
   d) Operating System

23. _________ is a task or activity that is routinely performed by a computer system and does not require manual efforts
   a) Automated
   b) Computerized Information System
   c) Electronic Data Processing
   d) Computer System

24. _________ are a collection of computer based tools and techniques that used in audit for analyzing data in electronic form to obtain audit evidence.
   a) Data
   b) Database
   c) Data Analytics
   d) CAATs
25. __________ refers to the digital content that is stored in electronic form within computer system
   a) Operating System
   b) Data
   c) Software
   d) Application System

26. __________ refers to a system software that is installed in a computer to convert high level user
    instructions or commands into low level machine understandable format and enable interaction with a
    computer.
    a) Software
    b) Application
    c) Operating System
    d) Information Technology

27. __________ refers to the systematic recording, storage, retrieval, modification and transformation of
    electronic data using information system.
    a) Data
    b) Data Analytics
    c) Data Processing
    d) Information

28. __________ is logical subsystem within a larger information where electronic data is stored in a
    predefined form and retrieved for use.
    a) Data
    b) Data Analytics
    c) Data Processing
    d) Database

29. __________ is a backed modification that is made directly to data that is stored in a database bypassing
    business rules built-in to a business application software.
    a) Direct Data Change
    b) Information Technology
    c) Information System
    d) Change Technology

30. __________ is a type of business application software that provides an integrated platform to
    automate multiple interrelated business processes and operations.
    a) Automated
    b) ERP (Enterprise Resource Planning)
    c) Database
    d) Information Technology

31. __________ is electronic data residing in computer system that is organized in a logical and
    meaningful manner that is easy to read, understand and analyse.
    a) Data
    b) Database
c) Information  
d) Information System

32. __________ is the branch of science and engineering that involves designing, building, implementing and maintaining computer systems and networks that can be used in a variety of ways including operating businesses and setting up information system  
a) Information  
b) Information System  
c) Internal Controls  
d) Information Technology

Answers

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>d</td>
<td>c</td>
<td>d</td>
<td>a</td>
<td>d</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>c</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>a</td>
<td>c</td>
<td>a</td>
<td>c</td>
<td>b</td>
<td>d</td>
<td>a</td>
</tr>
<tr>
<td>21</td>
<td>b</td>
<td>c</td>
<td>a</td>
<td>d</td>
<td>b</td>
<td>c</td>
<td>c</td>
<td>d</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>31</td>
<td>c</td>
<td>d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>