

## Paper -6- Auditing and Assurance (New Course)

1. Which of the following is not an assertion about presentation and disclosure?
  - (a) Occurrence and rights and obligations
  - (b) Completeness
  - (c) Classification and understandability
  - (d) Existence
  
2. 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
  
3. Which of the following factors is (are) considered in determining the sample size for tests of control?
  - (a) Projected error
  - (b) Tolerable error
  - (c) Expected error
  - (d) Both (b) and (c)
  
4. 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 procedure
  
5. .Which of the following is fund based advance?
  - (a) Term loans
  - (b) Cash credits,
  - (c) Demand Loans
  - (d) All of the above
  
6. Which of the following is not classification of NPA?
  - (a) Impaired
  - (b) sub standard
  - (c) doubtful

(d) Loss

7. SA-700 requires the use of specific headings, which are intended to assist in making auditor's reports that refer to audits that have been conducted in accordance with SAs more recognizable. Which of the following is that specific heading :

- (a) Key audit matters
- (b) Basis of opinion
- (c) Date
- (d) All of the above

8. 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

9. What are analytical procedures?

- (a) Substantive tests designed to assess control risk
- (b) Substantive tests designed to evaluate the validity of management's representation letter
- (c) Substantive tests designed to study relationships between financial and non-financial data
- (d) All of the above

10. Analytical procedures issued 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

11. Tolerable error, is the maximum monetary error that the auditor is prepared to accept in the population and still conclude that audit objective has been achieved, is directly related to

- (a) Sample size
- (b) Audit risk
- (c) Materiality
- (d) Expected error

12. 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

13 SQC 1 “Quality Control for Firms that perform Audits and Review of Historical Financial Information, and other Assurance and related services”, requires firms to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is

- (a) ordinarily not more than 60 days after the date of the auditor’s report.
- (b) ordinarily not more than 30 days after the date of the auditor’s report.
- (c) ordinarily not more than 90 days after the date of the auditor’s report.
- (d) ordinarily not more than 120 days after the date of the auditor’s report.

14. SQC 1 requires firms to establish policies and procedures for the retention of

- (a) Audit File
- (b) engagement documentation.
- (c) Final Audit file
- (d) Audit Documentation

15. SQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is :

- (a) no shorter than eight years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.
- (b) no shorter than six years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.
- (c) no shorter than seven years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.
- (d) no shorter than ten years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.

16. The completion of the assembly of the final audit file after the date of the auditor’s report is

- (a) an administrative process that does not involve the performance of new audit procedures but certainly involves the drawing of new conclusions.
- (b) an administrative process that involves the performance of new audit procedures or the drawing of new conclusions.
- (c) an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions.
- (d) a statutory process.

17. Loan or guarantee to or from the concerned client is an example of -

- (a) Self-review threats

- (b) Self-interest threats
- (c) Advocacy threats
- (d) Intimidation threats

18. When an auditor deals with shares or securities of the audited company is an example of :

- (a) Self-review threats
- (b) Self-interest threats
- (c) Advocacy threats
- (d) Intimidation threats

19. \_\_\_\_\_ refers to an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

- (a) Professional skepticism
- (b) Professional Judgement
- (c) Integrity
- (d) Objectivity

20. According to SA 210 "Agreeing the Terms of Audit Engagements", The auditor shall agree the terms of the audit engagement :

- (a) with management and those charged with governance, as appropriate.
- (b) with management
- (c) with those charged with governance
- (d) with management or those charged with governance, as appropriate.

21. The agreed terms of the audit engagement shall be recorded in

- (a) an audit engagement letter
- (b) an audit engagement letter or other suitable form of written agreement
- (c) any suitable form of written agreement
- (d) None of the above

22. If law or regulation prescribes in sufficient detail the terms of the audit engagement ,

(a) the auditor need not record them in a written agreement, except for the fact that such law or regulation applies and that management acknowledges and understands its responsibilities.

(b) the auditor need not record them in a written agreement

(c) the auditor needs to record them in a written agreement

(d) None of the above

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

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

24.

The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of:

- (a) Adherence to professional standards and regulatory and legal requirements;
- (b) Whether the quality control system has been appropriately designed and effectively implemented; and
- (c) Whether the firm's quality control policies and procedures have been appropriately applied, so that reports that are issued by the firm or engagement partners are appropriate in the circumstances.
- (d) All of the above

25. The firm's system of quality control should include policies and procedures addressing which of the following element:

- (a) Leadership responsibilities for quality within the firm.
- (b) Ethical requirements.
- (c) Acceptance and continuance of client relationships and specific engagements.
- (d) All of the above

26. Once the overall audit strategy has been established, \_\_\_\_\_ can be developed to address the various matters identified in the overall audit strategy, taking into account the need to achieve the audit objectives through the efficient use of the auditor's resources.

- (a) audit strategy
- (b) audit plan
- (c) audit plan and audit strategy
- (d) audit note book

27. \_\_\_\_\_ refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.

- (a) Audit documentation
- (b) Audit File
- (c) Audit Note Book
- (d) Completion Memorandum

28.

- Audit programmes.
- Analyses.
- Issues memoranda.
- Summaries of significant matters.

are examples of :

- (a) Audit Evidence
- (b) Audit Documentation
- (c) Audit File
- (d) Final Audit File

29. The auditor shall assemble the audit documentation in \_\_\_\_\_ and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.

- (a) audit note book
- (b) completion memorandum
- (c) audit file
- (d) any of the above

30. After the assembly of the final audit file has been completed

- (a) the auditor shall delete or discard the audit documentation of any nature before the end of its retention period.
- (b) the auditor may delete or discard audit documentation of any nature before the end of its retention period.
- (c) the auditor may not delete or discard audit documentation of any nature before the end of its retention period.
- (d) , the auditor shall not delete or discard audit documentation of any nature before the end of its retention period.

31. Judging the significance of a matter requires \_\_\_\_\_ of the facts and circumstances.

- (a) objective analysis
- (b) subjective analysis
- (c) Both subjective and objective analysis
- (d) qualitative analysis

32 An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of \_\_\_\_\_exercised in performing the work and evaluating the results.

- (a) professional skepticism
- (b) professional integrity
- (c) professional judgment
- (d) Professional sincerity

33. Audit evidence is necessary to support the auditor's opinion and report. It is\_\_\_\_\_in nature and is primarily obtained from audit procedures performed during the course of the audit.

- (a) cumulative
- (b) regressive
- (c) selective
- (d) objective

34. Components of risk of material misstatement at the assertion level are :

- (a) Inherent risk and detection risk
- (b) inherent risk and control risk
- (c) control risk and detection risk
- (d) inherent risk, control risk and detection risk

35.

\_\_\_\_\_refer to 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 risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.

- (a) Audit assessment procedures
- (b) substantive procedures
- (c) test of control
- (d) Risk assessment procedures

36.

When more persuasive audit evidence is needed regarding the effectiveness of a control,

- (a) it may be appropriate to increase the extent of testing of the control and reduce the extent of the degree of reliance on controls.
- (b) it may be appropriate to decrease the extent of testing of the control as well as the degree of reliance on controls.
- (c) it may be appropriate to decrease the extent of testing of the control and increase the extent of the degree of reliance on controls.

(d) it may be appropriate to increase the extent of testing of the control as well as the degree of reliance on controls.

37 When deviations from controls upon which the auditor intends to rely are detected,

(a) the auditor shall not make any inquiries to understand these matters and their potential consequences

(b) the auditor shall make specific inquiries to understand these matters and their potential consequences

(c) the auditor shall make general inquiries to understand these matters and their potential consequences

(d) the auditor shall make both general as well as specific inquiries to understand these matters and their potential consequences

38. Which of the following statement is correct :

(a) Substantive analytical procedures are generally more applicable to large volumes of transactions that tend to be predictable over time

(b) Substantive analytical procedures are generally less applicable to large volumes of transactions that tend to be predictable over time

(c) Substantive analytical procedures are generally more applicable to small volumes of transactions that tend to be predictable over time

(d) All statements are correct

39.

Because the assessment of the risk of material misstatement takes account of internal control,

(a) the extent of substantive procedures may need to be increased irrespective of the results from tests of controls.

(b) the extent of substantive procedures may need to be increased when the results from tests of controls are satisfactory.

(c) the extent of substantive procedures may need to be decreased when the results from tests of controls are unsatisfactory.

(d) the extent of substantive procedures may need to be increased when the results from tests of controls are unsatisfactory.



40.

Which of the following Assertion is not related to assertion about presentation and disclosure:

- (a) Occurrence and rights and obligations
- (b) Completeness
- (c) Classification and understandability
- (d) Valuation and allocation

41. Which statement is correct regarding written representations

- (a) Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal.
- (b) Written representations provide sufficient appropriate audit evidence on their own about any of the matters with which they deal.
- (c) Written representations neither provide necessary audit evidence nor they provide sufficient appropriate audit evidence.
- (d) Written representations are not related to audit evidence.

42. Standard on Quality Control (SQC) 1 sets out the responsibilities of the \_\_\_\_\_ for establishing policies and procedures regarding compliance with relevant ethical requirements :

- (a) Firm
- (b) engagement partner
- (c) Senior Audit Assistant
- (d) All the above

43. SA 220 sets out the \_\_\_\_\_ responsibilities with respect to relevant ethical requirements.

- (a) firm's
- (b) Senior Audit Assistant
- (c) engagement partner's
- (d) All the above

44. SA 220 recognises that the \_\_\_\_\_ is entitled to rely on a firm's systems in meeting its responsibilities with respect to quality control procedures.

- (a) engagement partner
- (b) engagement team
- (c) firm

(d) Senior Audit Assistant

45. There are two interlinked perspectives of independence of auditors, one, independence of mind; and two,

(a) objectivity

(b) Professional competence

(c) Integrity

(d) independence in appearance.

46. direct financial interest or materially significant indirect financial interest in a client is an example of

(a) Self-review threats

(b) Self-interest threats

(c) Advocacy threats

(d) Intimidation threats

47. \_\_\_\_\_are self-evident, and occur when auditors form relationships with the client where they end up being too sympathetic to the client's interests.

(a) Familiarity threats

(b) Self-interest threats

(c) Advocacy threats

(d) Intimidation threats

48. Professional skepticism is necessary to the critical assessment of

(a) audit documentation

(b) audit evidence.

(c) audit procedures

(d) All of the above

49. According to SA 210 "Agreeing the Terms of Audit Engagements", The auditor shall agree the terms of the audit engagement with :

(a) management

(b) those charged with governance

(c) management or those charged with governance, as appropriate.

(d) Audit committee

50. Planning an audit involves establishing the overall audit strategy for the engagement and

(a) developing an audit plan.

- (b) developing an audit program
- (c) developing detailed strategy
- (d) any of the above