

MCQ QUESTIONS CMA INTER AUDIT

1. **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
2. **Assertions are representations made by –**
 - A- Management.
 - B- Debtors.
 - C- Creditors.
 - D- Bank Statement.
3. **While conducting enquiry with the management, the auditor shall apply –**
 - A- Professional Scepticism
 - B- Professional Judgement
 - C- Both of the above
 - D- None of the above
4. **Segregation of duties is a part of –**
 - A- Internal Control.
 - B- Internal Inquiry.
 - C- Internal Audit.
 - D- Internal Review.
5. **The objectives of Internal Control include –**
 - A- Authorization of transactions.
 - B- Safeguarding of Assets.
 - C- Proper recording of transactions.
 - D- All of the above.
6. **6. The factors that contribute to inherent risk can be –**
 - A- Inattentive management.
 - B- Related Party Transaction.
 - C- Management integrity.
 - D- All of the above.
7. **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

8. 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

9. There is inverse relationship between

- A- Inherent risk and control risk Combined risk of inherent and control risk with risk of material misstatements
- B- Materiality and Audit Risk
- C- Detection Risk and Audit Risk

10. Which of the following is not an assertion about classes of transactions and events for the period under audit:

- A- Occurrence
- B- Accuracy
- C- Classification
- D- Existence

11. 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

12. Professional Scepticism is an attitude of –

- A- Argument.
- B- Debate.
- C- Questioning.
- D- None of the above.

13. More persuasive audit evidences are required when the auditor's assessment of risk is –

- A- High.
- B- Moderate.
- C- Low.
- D- Not required.

14. "Substantive procedures also include analytical review". Comment

- A- True. Analytical review dealing with analysis of significant ratios and trends is

also a type of substantive procedures.

- B- False Analytical review is different from substantive procedures.
- C- Only analysis of ratios is a type of substantive procedures.
- D- None of the Above

15. Audit risk includes –

- A- Inherent risk.
- B- Detection risk.
- C- Control risk.
- D- All of the above.

16. Substantive audit procedure comprises:

- A- Substantive analytical procedures
- B- Test of details
- C- Both (a) and (b)
- D- None of these

17. The appropriateness of the audit evidence is –

- A- Its relevance.
- B- Its reliability.
- C- Both A & B.
- D- None of the above.

18. The sufficiency of audit evidence is –

- A- The measure of its quantity.
- B- The measure of its quality.
- C- The measure of its simplicity.
- D- All of the above.

19. The quantity of the audit evidence is affected by –

- A- The quality of such evidence.
- B- Assessed risk of material misstatement.
- C- Both of the above.
- D- None of the above.

20. Analytical procedures include the study of relationship among –

- A- Financial Data only.
- B- Non – Financial Data only.
- C- Both Financial & Non – Financial Data.
- D- None of the above.

21. Nature of audit evidence can be –

- A- Visual.
- B- Documentary.

- C- Oral.
D- All of the above.
- 22. The auditor shall express opinion when he concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.**
- A- Unmodified / Clear.
B- Adverse.
C- Qualified.
D- Disclaimer of opinion.
- 23. The first section of the auditor's report shall include –**
- A- Introductory paragraph.
B- Basis of opinion.
C- Auditor's Opinion.
D- None of the above.
- 24. Auditor's opinion in his report shall be followed by paragraph as per SA 700.**
- A- Basis of Opinion.
B- Key Audit Matters.
C- Reasons for Modification in opinion
D- None of the above.
- 25. While expressing an unmodified opinion on the financial statements prepared in accordance with the Fair Presentation Framework, the appropriate language of the opinion expressed can be –**
- A- In our opinion and to the best of our knowledge and information, the aforesaid financial statements are free from fraud, errors or misstatements.
B- In our opinion and to the best of our knowledge and information, the aforesaid financial statements are showing true and fair view.....
C- In our opinion and to the best of our knowledge and information, the aforesaid financial statements present fairly, in all material respects, in accordance with [applicable financial reporting framework].
D- Both B & C can be used.
- 26. Qualified opinion is issued when the auditor concludes that misstatements are –**
- A- Material and Pervasive.
B- Immaterial but Pervasive.
C- Material but not Pervasive.
D- Immaterial and not pervasive.
- 27. While doing the audit of A Ltd.(a listed company), it was identified that the depreciation on fixed assets has been undercharged by an amount of Rs.50000. Suggest the opinion to be issued by the auditor on such misstated financial statements.**
- A- Disclaimer of Opinion.

- B- Adverse Opinion.
- C- Clear Opinion.
- D- Qualified Opinion.

28. 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

29. Audit documentation is also known as –

- A- Working papers.
- B- Work papers.
- C- Both A & B.
- D- Working File.

30. Working papers should be preserved for –

- A- Minimum 7 years.
- B- Maximum 7 years.
- C- Minimum 5 years.
- D- Minimum 10 years.

31. Permanent audit file is the one that –

- A- Contains matters of continuing importance.
- B- Contains matters of current period.
- C- Is preserved permanently.
- D- None of the above.

32. Current audit file is the one that –

- A- Contains matters of continuing importance.
- B- Contains matters of current period.
- C- Is preserved for less than 1 year.
- D- None of the above.

33. Can the working papers be served to the management?

- A- Yes, but at auditor's discretion
- B- Yes. It has to be served to management.
- C- No. SA 230 prohibits that.
- D- No. It will be decided by the branch auditor.

34. Audit documentation provides evidence that the audit complies with –

- A- Standards on Auditing.
- B- Chartered Accountants' Act, 1949
- C- Companies Act, 2013.
- D- All of the above.

35. Materiality level is revised when there is –

- A- Change in change in ownership structure.
- B- Change in change in the business environment.
- C- New information acquired during the performance of audit.
- D- All of the above.

36. The relationship between the materiality and audit risk is –

- A- No relation.
- B- Inverse relationship.
- C- Direct relationship
- D- Cannot say.

37. Material is determined at –

- A- Planning stage
- B- After the assessment of risk
- C- Planning stage, but may be revised at later stage depending on further information gathered
- D- None of the above.

COMPANY AUDIT I & II

1. **Identify the correct one:As per section 139 of Companies Act 2013, every Company shall at the first annual general meeting , appoint an individual or firm as an auditors as an auditor who shall hold office from:**
 - A- from the conclusion of that meeting till the conclusion of its fifth annual general meeting
 - B- from the conclusion of that meeting till the conclusion of its seventh annual general meeting
 - C- from the conclusion of that meeting till the conclusion of its sixth annual general meeting
 - D- None of the above
2. **Identify the correct one:**
 - A- Company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the registrar within fifteen days of the meeting in which the auditor is appointed
 - B- Company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the registrar within seven days of the meeting in which the auditor is appointed
 - C- Company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the registrar within thirty days of the meeting in which the auditor is appointed
 - D- None of the above
3. **In the case of a government company auditor shall be appointed within _____ from the commencement of the financial year**
 - A- A period of 30 days
 - B- A period of 60 days
 - C- A period of 180 days
 - D- A period of 120 day
 - E- A period of 60 day
 - F- A period of 120 days
4. **In the case of government company the auditor, till what period shall hold the office?**
 - A- till the conclusion of the third annual general meeting
 - B- till the conclusion of the fifth annual general meeting
 - C- till the conclusion of the sixth annual general meeting
 - D- till the conclusion of the annual general meeting
5. **In the case , other than a Government company _____ shall appoint the first auditor of a company in the case of failure of the Board to appoint such auditor within 90days of**
 - A- Shareholders ; after completion of 30 days given to the board
 - B- Central Government ; after completion of 30 days given to the board

- C- Shareholders ; from the date of registration
D- Central Government ;from the date of registration
6. **Casual vacancy (other than resignation) in the office of an auditor of a non-government company be filled by the board of directors within.....**
- A- 90 days
B- 30 days
C- 60 days
D- None of the above
7. **Auditor appointed in casual vacancy shall hold the office till**
- A- till the conclusion of the next annual general meeting
B- till the conclusion of the fifth annual general meeting
C- till the conclusion of the sixth annual general meeting
D- till the unexpired term of the original Auditor
8. **If Comptroller and Auditor –General of India does not fill the casual vacancy within the said period the Shall fill the vacancy within next.....**
- A- Board of directors;90 days
B- Board of directors;30 days
C- Board of directors; 60 days
D- Shareholders; 30days
9. **Where at any annual general meeting, no auditor is appointed or re-appointed , the existing**
- A- recommend the new auditor of the company
B- retire from office of auditor of the company
C- continue to be auditor of the company
D- none of the above
10. **The books of account of every company relating to a period of not less than----- immediately preceding a financial year.**
- A- Eight financial years
B- Six financial years
C- Seven financial years
D- All financial years since existence
11. **Which of the following companies are required to appoint internal auditor to conduct internal audit of books of accounts of the companies?**
- A- Listed company
B- Unlisted public company having paid up share capital of Rs.50 Cr or more during preceding financial year
C- Unlisted public company having outstanding deposits of Rs.25Cr or more at any time during preceding financial year
D- All of the above

12. In case of public or private companies having turnover of Rs _____ Cr or more during preceding financial year shall require to appoint internal auditor to conduct internal audit of books of accounts
- A- 50
 - B- 100
 - C- 150
 - D- 200
13. In case of public or private companies having outstanding loans or borrowings from bank or public financial institutions exceeding Rs----- Cr at any time during preceding financial year shall require to appoint internal auditor to conduct internal audit of books of accounts
- A- 50
 - B- 100
 - C- 150
 - D- 200
14. In case of government companies auditor is appointed for----- at time
- A- One year
 - B- Two year
 - C- Three year
 - D- Five year
15. With reference to disqualification of appointment of auditor Business relationship means any transaction entered into for a commercial purpose, except commercial transaction which are in nature of professional services permitted to be rendered by an auditor or audit firm under the rules or regulations made there under
- A- Companies Act, 2013
 - B- Chartered Accountants Act , 1949
 - C- Both (a) and (b)
 - D- Income-tax Act, 1961
16. Appointment of auditor shall be intimated in
- A- Form ADT 1
 - B- Form ADT 2
 - C- Form ADT 3
 - D- Form ADT 4
17. As per Companies Act ,2013, NCLT can remove auditor of company.....
- A- Suo motu
 - B- On application from central Government
 - C- On application from any person concerned
 - D- Either (a) or (b) or (c)

18. An auditor whether individual or firm , against whom final order has been passed by NCLT under section 140(5) of Companies Act , 2013 shall not be eligible to be appointed as an auditor of any company for a period of from the date of passing of the order
- A- 2 years
 - B- 3 years
 - C- 5 years
 - D- 7 years
19. When auditor resigns, he should file _____ to Registrar of Companies
- A- Form ADT 1
 - B- Form ADT 2
 - C- Form ADT 3
 - D- Form ADT 4
20. If auditor ,in the course of performing his duties as auditor has reasons to believe that an offence involving fraud is being or has been committed against he shall immediately report the matter to authority
- A- Company by its officer
 - B- Company by its employee
 - C- Company by outsider
 - D- Both (a) and (b)
21. Auditor shall report fraud to company to central government in.....if amount involved in fraud is Rs 1 crore or more
- A- Form ADT 1
 - B- Form ADT 2
 - C- Form ADT 3
 - D- Form ADT 4
22. As per section 40of the companies Act 2013, a notice shall be required for a resolution at an Annual general Meeting for appointing as auditor a person other than a retiring auditor.What kind of notice is required to given and what kind of resolution is required to be passed in case where the retiring auditor has completed a consecutive term of Five years or, as the case may be ,ten years(in case of rotation of auditor)
- A- Ordinary Notice;Special resolution
 - B- No Special Notice; Ordinary resolution
 - C- Ordinary Notice;Ordinary resolution
 - D- No Special Notice ;Special resolution
23. 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

24. **An individual is disqualified for appointment as auditor of Co**
- A- If he is holding security of co having total face value exceeding Rs. 1 Lakh
 - B- 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
25. **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
26. **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- 90
 - D- 120
27. **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
28. **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
29. **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
30. **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

31. Rotation of auditor is not applicable on

- A- Dormant Company
- B- One Person Company
- C- Small Company
- D- Both (b) and (c)

32. 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.

33. 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

34. 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

35. Which of the following services is not prohibited for auditor of company

- A- Internal Audit
- B- Tax Audit
- C- Book-keeping
- D- Actuarial Service

36. 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

37. 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

38. 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)

39. 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

40. The auditor should comply with Auditing Standards. It is..... of the auditor

- A- Right
- B- Duty
- C- Moral responsibility
- D- None of these

41. 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

42. Reporting on fraud is made by auditor to Audit committee/BOD

- 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

COST AUDIT

1. **Of the company appoints the Cost Accountants or firm of cost accountants and his remuneration will be fixed by in the prescribed manner.**
 - A- Board of directors ; Members.
 - B- Members.; Board of directors
 - C- Board of directors ; nomination and remuneration committee.
 - D- Members; nomination and remuneration committee.
2. **Notice of appointment of cost auditor shall be filed with REGISTRAR inwith fees ,withinof meeting.**
 - A- FORM CRA 2;15 DAYS.
 - B- FORM CRA 1;15 DAYS.
 - C- FORM CRA 2;30 DAYS.
 - D- FORM CRA 1;30 DAYS.
3. **Appointment of cost auditor shall be filed with REGISTRAR inwith fees ,withinof meeting**
 - A- 60 days
 - B- 90 days
 - C- 120 days
 - D- 180 days
4. **The BOD shall submit full information & explanation to every reservation or qualification in cost audit report withinin.....**
 - A- 30 Days ; Form CRA 3
 - B- 30 Days ; Form CRA 4
 - C- 60 Days ; Form CRA 3
 - D- 60 Days ; Form CRA 4
5. **Cost auditor is required to submit his report to:-**
 - A- BOD.
 - B- Members.
 - C- Central government.
 - D- ROC.
6. **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
7. **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
- 8. Cost auditor of company shall be appointed by BoD within.....days from commencement of FY**
- A- 30
 - B- 60
 - C- 120
 - D- 180
- 9. Intimation of appointment of cost auditor is filed by Co to CG in the form**
- A- ADT-1
 - B- CRA-4
 - C- CRA-2
 - D- CRA-3
- 10. 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
- 11. 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
- 12. Cost audit report shall be submitted in Form**
- A- CRA-1
 - B- CRA-2
 - C- CRA-3
 - D- CRA-4
- 13. 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

14. Independence comprises

- A- Independence by mind
- B- Independence in appearance
- C- Both (a) and (b)
- D- None of these

15. Which of the following is not code of ethics

- A- Objectivity
- B- Integrity
- C- Communication skills
- D- Professional competence and due ca

SJC INSTITUTE

1. **No business or institution can effectively carry on its activities without the help of proper _____:**
 - A- Audit
 - B- Record and accounts
 - C- neither (a) nor (b)
 - D- both (a) and (b)
2. **As per SA-200 “Overall Objectives of the Independent Auditor”, in conducting an audit of financial statements, the overall objectives of the auditor are:**
 - E- To obtain reasonable assurance
 - F- To report on the financial statements
 - G- Both (a) and (b) above
 - H- to obtain absolute assurance.
3. **The auditor’s _____ safeguards the auditor’s ability to form an audit opinion without being affected by any influences.**
 - (a) Objectivity
 - (b) independence
 - (c) Confidentiality
 - (d) Integrity
4. **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- discrete
 - C- neither continuous nor discreet
 - D- strategic
5. **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- Professional behavior.
6. **Auditor’s judgment as to sufficiency may be affected by the factors such as:**
 - A- Materiality
 - B- Risk of material misstatement
 - C- Size and characteristics of the population.
 - D- All of the above
7. **_____ refers to a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification,**

presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.

- A- Misstatement
- B- Fraud
- C- Error
- D- Fraudulent financial reporting.

8. Latest and Vibrant Limited is an unlisted public limited company. For the above mentioned company, it will be required to appoint an internal auditor according to the provisions of Companies Act, 2013 only when during the preceding financial year, the paid up share capital of the company would be:

- A- Less than or equal to ` 50 crore.
- B- More than or equal to ` 50 crore.
- C- Less than or equal to ` 100 crore.
- D- More than or equal to ` 100 crore.

9. Bright and Smart Private Limited will be required, according to the provisions of Companies Act, 2013 to appoint an internal auditor only if the turnover during the preceding financial year would be:

- A- Less than or equal to ` 200 crore.
- B- More than or equal to ` 200 crore.
- C- Less than or equal to ` 150 crore.
- D- More than or equal to ` 150 crore.

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

- A- Control Risk
- B- Inherent Risk
- C- Detection Risk
- D- Audit Risk

11. The assessment of risks is a

- A- matter capable of precise measurement rather than matter of professional judgment
- B- matter of professional judgment, rather than a matter capable of precise measurement.
- C- matter of professional judgement as well as capable of precise measurement sometimes.
- D- None of the above

12. Which of the following is more scientific:

- A- Statistical
- B- Non- statistical
- C- both (a) and (b)

D- none of the above

13. Substantive Analytical Procedures are generally more applicable to:

- A- Large volumes of transactions.
- B- Transactions predictable over time.
- C- Both a and b
- D- None of a and b

14. 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

15. 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

16. Which of the following is not a type of modified opinion:

- A- qualified opinion
- B- adverse opinion
- C- disclaimer of opinion
- D- negative opinion.

17. 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- unmodified opinion with key audit matter paragraph.

18. Section 139(1) of the Companies Act, 2013 provides that every company shall, at the first annual general meeting appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting

- A- till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting.
- B- till the conclusion of its sixth annual general meeting only.
- C- till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every fifth meeting.
- D- till the conclusion of its fifth annual general meeting and thereafter till the conclusion of every fifth meeting.

19. Mr Hitendra is acting as a Statutory Auditor of Kitex Ltd, for last 5 years. Kitex Ltd is unlisted and has no public borrowings. Rotation of auditor will be required for Kitex Ltd, if
- A- Its paid up share capital is more than ` 10 crore
 - B- Its paid up share capital is equal to or more than ` 10 crore
 - C- Its paid up share capital is less than ` 50 crore
 - D- Its paid up share capital is equal to or more than ` 50 crore
20. Audit involves examination of techniques of propriety audit, regularity investigative and financial audit
- A- Forensic audit
 - B- Social audit
 - C- Government audit
 - D- All of the above
21. Social audit is a process of determining whether the reported expenditure reflects the actual money spent towards
- A- Social responsibility
 - B- Economic Responsibility
 - C- Environmental Responsibility
 - D- All of the above
22. Environmental Audit checks
- A- Checks whether compliance with various laws relating to pollution are complied
 - B- It identifies the environmental impact of its activities and improves its environmental performance
 - C- What corrective actions to be taken
 - D- All of the above
23. audit provides an appraisal of whether the department is operating in conformity with prescribed standards and procedure laid down by management
- A- Management audit
 - B- Operational audit
 - C- Internal audit
 - D- All of the above
24. is one of the tools used in longer or geographically vast entities to control the operation in first stage and to fill up the gaps of information provided by departmental heads through periodic reports
- A- Management audit
 - B- Operational audit
 - C- Internal audit
 - D- All of the above
25. Audit focusses on testing and surprise checks are also involved
- A- 100% of transaction
 - B- Partial testing

- C- Both a & b
D- None of the above
26. audit is an organizational function that evaluate assets safeguarding date integrity, system effectiveness and efficiency in computer based information system
- A- Information system
B- Efficiency audit
C- Effectiveness Audit
D- All of the above
27. audit critically examines the financial statement and verifies each assertion in the financial statement
- A- Balance sheet
B- Internal audit
C- Both a & b
D- None of the above
28. also known as audit in depth and involves checking the transaction from the time of their recording till their final effect on the financial statement
- A- Detailed audit
B- Examination in depth
C- Both a & b
D- None of the above
29. Internal audit involve
- A- Examination of financial records
B- Focusing on risk management Areas
C- Reviews whether proper operating standards have been established
D- All of the above
30. Constraints on the scope of audit of financial statements that impair the auditors ability to express
- A- Unqualified opinion
B- Qualified opinion
C- Disclaimer of opinion
D- Active Opinion
31. measures the business events in monetary terms records them, and communicates the results through financial statement
- A- Accounting
B- Auditing
C- Internal control
D- All of the above
32. An auditor should have knowledge of which discipline
- A- Accounting

- B- Economics
- C- Human resource
- D- All of the above

33. Which quality is required to conduct an audit

- A- Technical Knowledge
- B- Human Qualities
- C- Both of the above
- D- None of the above

34. An auditor has to report on the existence of misstatement and their magnitude through audit report this audit is

- A- Primary objective
- B- Secondary objective
- C- Both a & b
- D- None of the above

35. Audit focuses on goals, strategies and risk management processes

- A- Operational audit
- B- Internal audit
- C- Statutory audit
- D- Management audit

36. Operational audit is

- A- Process based & business focus
- B- Transaction based & financial accounts focus
- C- Financial based
- D- None of the above

37. Shareholding is a cooperative society by a member maximum of total No. of shares of the society or such number of shares which in value exceed Rs.....

- A- 20%, 100
- B- 25%, 1500
- C- 30%, 2000
- D- 10%, 4000

38. Subject to byelaws, a cooperative society can accept loans from

- A- Members
- B- Non- members
- C- Both a & b
- D- Banks

39. % of profits of a cooperative society to be transferred to reserve fund

- A- 25%
- B- 20%
- C- 15%

- D- 10%
- 40. Contribute max..... % of net profits to fund for charitable purpose**
- A- 10%
 - B- 15%
 - C- 20%
 - D- 25%
- 41. is a written confirmation of the Information stated therein**
- A- Audit report
 - B- Audit certificate
 - C- Audit Note Book
 - D- Audit working paper
- 42. Audit certificate guarantees certificate of figures**
- A- Absolute
 - B- Reasonable
 - C- No
 - D- None of the above
- 43. Audit certificate is addressed to**
- A- Shareholders
 - B- To a particular person
 - C- Both a & b
 - D- None
- 44. Audit services as a moral check on the employee from committing defalcation That is why it is said**
- A- Audit has a corrective measure
 - B- Audit has a deterrent effect
 - C- Both
 - D- None
- 45. Materiality means important information which influences economic decisions of users**
- A- Cost wise
 - B- Profit wise
 - C- Value wise
 - D- All of the Above
- 46. Materiality may be determined**
- A- Individually
 - B- Aggregate
 - C- Both
 - D- None of the above

47. audit ensures the economical execution of various schemes and policies
- A- Efficiency Audit
 - B- Economic audit
 - C- Effectiveness audit
 - D- Both
48. Is an appraisal of the performance of schemes and projects with reference to the overall targets objectives
- A- Effectiveness
 - B- Economy
 - C- Efficiency
 - D- Propriety audit
49. Audit ensures that transactions entered into by the client are not against public interest
- A- Propriety audit
 - B- Efficiency audit
 - C- Social audit
 - D- None of the above
50. Surprise check are useful in the following area
- A- Verification of cash and Investments
 - B- Verification of stores and stocks
 - C- Verification of books and prime entry
 - D- All of the above

EXTRA QUESTIONS FROM CMA INSTUTUTE MAT

State whether the following statements are true or false.

1. For the benefit of the organisation, quality auditing should only report non-conformances and corrective actions, but should not highlight areas of good practice.
2. An auditor is not insurer.
3. There is no difference between Statutory and external audit.
4. The time required and costs involved in an external audit are much higher as compared to internal audits.
5. The auditor examines in depth the implementation of the quality system.
6. An investigation is done with the generally accepted auditing procedure.
7. The primary objective of the audit is for detecting frauds and error in the books of accounts and financial records of the clients business.
8. Auditor has right to disclose the client information to a third party.
9. The concept of true or fair is a fundamental concept in auditing.

[Answer: F, T, F, T, F, F, F, F, F,]

Fill in the blanks

1. Audit is derived from Latin word .
2. Auditing is the examination of----- of business.
3. Auditing is done with the principal set in-----
4. An in depth examination to detect a suspected fraud is termed as
5. An audit in which auditor review the performance of entity is termed as
6. An audit in which the auditor reviews the adherence of policy made by the management is
7. Audit is conducted at the end of the accounting year.
8. Audit is conducted between two annual audits.

[Answer: Audire, Books of Account, Standards of Auditing, Investigation, Operational Audit, Internal Audit, Annual Audit, Interim Audit.]

Match the following

	Column A		Column B
1	Statutory Audit	A	Comptroller & Auditor General of India
2	Functional classification of Audit.	B	Audit against provision of funds
3	Tax Audit limit for a person carrying on profession.	C	Basic principal governing an audit
4	Primary objective of business	D	Tax Audit
5	The authority for Government Audit.	E	Final Audit
6	Scope of work	F	Determine whether financial statement presents true and fair view.
7	SA 200	G	Audit Engagement
8	Tax Audit limit for a company	H	External and Internal Audit
9	To ensure that the expenditure is made according to limit.	I	Twenty five Lakh rupees
10	Annual Audit	J	Hundred Lakh rupees

[Answer: D, H, I, F, A, G, C,J, B, E]

State whether the following statements are true or false.

1. Internal Audit is an Independent Appraisal activity.
2. Internal Check and Internal Audit are one and the same.
3. Internal auditor has a big role to play in preventing fraud.

4. Audit committee is only luxury to the company.
5. Internal Auditing is a function distinct from authorisation and recording.
6. Special consideration is applicable for audit of expenses of a company.
7. Internal auditor of a company cannot be its Cost Auditor.
8. Cut off procedures are generally applied to trading transactions.
9. An unexplained decrease in the Gross Profit ratio may result due to fictitious sales.
10. Proving the truth means vouching of expenses.

[Answer: T, F, T, F, T, T, T, T, F, F]

Fill in the blanks

1. Internal Check is a valuable part of the control.
2. Internal Audit is an Independent----- activity.
3. Proving the truth means vouching of-----
4. Cut off procedures are generally applied to----- transactions.
5. Test checking is----- and depends upon the choice of the auditor.
6. The Internal Auditor is appointed by the-----
7. Concept related to Internal Check is known as-----
8. Vouching is said to be the essence of-----

[Answer: Internal, Appraisal, Expenses, Trading, Subjective, Management, Organisational Independence, Auditing,]

	Column A		Column B
1	GAR 7 challan	A	Excise Duty
2	Ind As 37	B	Contingent Liability
3	SA 265	C	Communication deficiencies in Internal Control to those charged with Governance and Management.
4	Proving the Truth	D	Verification
5	Section 138 of the Companies Act	E	Intangible Assets

Match the following

[Answer: A, B, C, D, E]

State whether the following statements are true or false.

1. In case of Government Company auditor is appointed by the CAG within 182 Days from the commencement of Financial Year.
2. Cooling period of Individual Auditor is 2 consecutive terms of 5 years.
3. The first auditor appointed shall hold office till the conclusion of first AGM.
4. Government Company means a company where 21% of shares are hold by the Central government or State Government or partly by Central Government or State Government.
5. A Body Corporate can become Auditor of the company.
6. The auditor shall have access at all times to the books of account and voucher of the company.
7. An auditor of a company can render Investment Banking Service.
8. The auditor report shall be signed only by the person appointed as an auditor of the company.
9. All notices of the general meeting shall be forwarded to the auditor of the company.

12. An audit committee shall have minimum 5 directors.

[Answer: False, False, True, False, False, True, False, True, True, False]

Fill in the blanks:

1. An Audit committee shall have _____ directors.
2. Audit committee formation is mandatory for a public company having _____ paid up share
3. _____ capital.
4. Cost Audit is mandatory only when specific order is issued by the _____ .
5. Cost Audit report is submitted to the Central Government within _____ days.
6. First auditor is appointed by the BOD of the company within _____ days.
7. Cost Audit is conducted by the _____ in practice.
8. Any fraud to involve an amount of _____ is to be reported to the Central Government.
9. The auditor shall have a right to be _____ at Annual General Meetings.
10. Punishment for contravention of section 139 is _____ .
11. Auditor of Government Company is appointed by _____

[Answer: 3, 10 Crore or more, Central Government, 30 days, 30 days, Cost Accountants, 1 crore, Heard, 25000, Comptroller and Auditor General of India.]

Match the following

	Column A		Column B
1	Maximum term of Firm as Auditor	A	2 Consecutive terms of 5 years
2	Minimum fees for contravention of section 139	B	BOD
3	Maximum fees for contravention of section 139	C	A company which is a subsidiary of Government Company.
4	Independent Directors	D	Section 145 of the Companies Act 2013
5	First auditor appointment is done by	E	1 term of 5 years
6	Auditor Remuneration is to be fixed at	F	Special Resolution
7	Government Company	G	₹ 25,000
8	Maximum term of Individual Auditor	H	₹ 5,00,000
9	Resolution for removal of auditor before expiry of term	I	General Meeting
10	Signing of audit report	J	Audit Committee

[Answer: A, G, H, J, B, I, C, E, F, D]

Multiple choice questions

1. First auditor of the company is appointed by the BOD within

- A- 15 days
- B- 30 days
- C- 45 days
- D- 60 days

2. Cost Audit is covered under

- A- Section 204
- B- Section 148

- C- Section 139
- D- None of the above

3. Secretarial Audit is covered under section

- A- Section 204
- B- Section 148
- C- Section 139
- D- None of the above

4. Appointment of auditor for government company is done by

- A- BOD
- B- Audit committee
- C- Managing Director
- D- CAG

5. While conducting audit of financial statement auditor need to comply with

- A- Cost Audit Standards
- B- Secretarial standards
- C- Auditing Standards
- D- None of the above

[Answer: B, B, A, D, C]

State whether the following statements are true or false.

1. Cost Records are to be maintained as per Form CRA-1.
2. The Cost Auditor has to follow the Cost Auditing Standards while conducting Cost Audit.
3. Cost Accounting Standards is mandatory as per section 143 of the companies Act 2013.
4. CRA-2 is used to intimate the appointment of Cost Auditor to the Central Government.
5. Chartered Accountants are eligible to conduct Secretarial Audit having valid certificate of practice.
6. Company Secretaries are eligible to conduct Cost Audit having valid certificate of practice.
7. Secretarial Audit is applicable to all unlisted companies.
8. Secretarial Audit report is given as per the Form MR-3.
9. Appointment of Secretarial Auditor is done by means of resolution at Board Meetings.
10. Secretarial Audit Report is attached with the Board report.

[Answer: T, T, F, T, F, F, F, T, T, T]

Fill in the blanks

1. Secretarial Audit is applicable to all _____ companies.
2. Cost Audit is done by _____ in practice having valid certificate of practice.
3. Secretarial Audit is done by _____ in practice having valid certificate of practice.
4. Cost Records are to be maintained in form _____.
5. Format for Secretarial Audit report is form _____.
6. Secretarial Audit is applicable to public companies having paid up share capital of _____
7. crore or more.
8. Secretarial Audit is applicable to public companies having turnover of _____ crore or more.
9. Secretarial Audit is covered under Section _____ of the companies Act 2013.
10. Cost Audit is covered under Section _____ of the companies Act 2013.

11. Cost Auditor is required to be appointed by the of the company on recommendation
12. of Audit Committee.

[Answer: Listed, Cost Accountant, Company Secretary, CRA-1, MR-3, 50 crore, 250 crore, 204, 148, Board of Directors]

Match the following

	Column A		Column B
1	Secretarial Audit Report	A	CRA-1
2	Sec 204 of the companies Act	B	Cost Audit
3	Secretarial Audit	C	Board of Directors
4	Intimation for appointment of cost auditor to Central Government	D	CRA-4
5	Casual vacancy in the office of a Cost Auditor is filled by-	E	Cost Audit report by the Auditor to Company
6	Form for filing Cost Audit Report with the Central Government	F	MR-3
7	Sec 148 of the companies Act	G	1 Lakh rupees which can extend to 5 Lakh rupees
8	CRA 3	H	Secretarial Audit
9	Cost Accounting Records	I	Listed Companies
10	Penalty for non compliance of Sec 204	J	CRA-2

[Answer: F, H, I, J, C, D, B, E, A, G]

Multiple Choice Questions

- Cost Audit can be done by the-**
 - Employee of the organization
 - Cost Auditor
 - Secretarial Auditor
 - None of the above
- Secretarial Audit can be done by-**
 - Employee of the organization
 - Cost Auditor
 - Secretarial Auditor
 - None of the above
- Form for maintainence of Cost Records by the Company.**
 - CRA-1
 - CRA-2
 - CRA-3
 - CRA-4
- Secretarial Audit is applicable to the public sector company having the paid up share capital of-**
 - 50 crore

- B- 75 crore
- C- 100 crore
- D- 200 crore

5. Secretarial Audit is applicable to the public sector company having the turnover of-

- A- 100 crore
- B- 200 crore
- C- 250 crore
- D- 300 crore

6. Form for Secretarial Audit Report is-

- A- MR-2
- B- MR-3
- C- MR-4
- D- MR-5

7. Cost Auditor is appointed by the-

- A- Audit Committee
- B- BOD
- C- BOD on recommendation Audit Committee
- D- None of the above

[Answer: B, C, A, A, C, B, C]

State whether the following statements are true or false:

1. SA 700 stands for "Forming an opinion and reporting on Financial Statement".
2. Audit report reflects the work done by the employees.
3. An audit report is addressed to the authority appointing the Auditor.
4. The auditor gives a clean report when he doesn't have any significant reservation in respect of matters contained in the Financial Statements.
5. A disclaimer of opinion is issued by the auditor when he cannot form an overall opinion about the matters contained in the Financial Statements.
6. A piecemeal opinion is issued when whole of the matters contained in the financial statement is true and fair.
7. An adverse report is given when the auditor concludes that based on his examination he does not agree with the affirmations made in the financial report.
8. CARO order 2016 is applicable to the Banking Company.

[Answer: T, F, T, T, T, F, T, F,]

Fill in the blanks:

1. Violation of section 143 (12) imply a fine of minimum _____.
2. A report is statement of & _____ facts.
3. The audit report shall contain as regarding financial statements.
4. Audit report is meant for the _____ of the company.
5. Audit report reflects the work done by the _____.
6. The audit report should be signed in the personal name of the _____.

[Answer: 1 Lakh Rupees, Collected and Considered, Expression of opinion, Shareholders, Auditor, Auditor]

Match the following:

	Column A		Column B
1	True and Fair Audit Report	A	Forming an opinion and Reporting on Financial Statements.
2	Audit report with certain reservations	B	Audit Report
3	SA 700	C	Unable to form overall opinion on Financial Statement
4	Negative report	D	One Lakh Rupees.
5	Fine for violation of sec143 (12)	E	To supplement a matter related to Financial Statement
6	SA 600	F	Unqualified Opinion.
7	Expression of opinion on Financial Statement	G	Using the work of another Auditor
8	Disclaimer of opinion	H	Does not agree with affirmation made by the management in the books.
9	Explanatory Notes	I	Qualified Report.

[Answer: F, I, A, H, D, G, B, C, E]

1. The meetings of Audit committee should be in a year.
 - A- 4
 - B- 5
 - C- 3
 - D- 2
2. An audit committee should have.....directors.
 - A- 3
 - B- 2
 - C- 1
 - D- 4
3. The.....shall act as the secretary of the Audit Committee.
 - A- Employee
 - B- Auditor
 - C- Company Secretary
 - D- Chairman
4. A nomination and remuneration committee should have..... directors.
 - A- 3
 - B- 2
 - C- 1
 - D- 4

5. An audit report is the product of audit.

- A- Main
- B- Final
- C- Semi final
- D- None of the above

[Answer: A, A, C, A, B]

State whether the following statements are true or false.

1. "Branch office", in relation to a company, means any establishment described as such by the company.
2. Where a company has a branch office, the accounts of that office shall be audited by auditor appointed at EGM.
3. Where the branch office of a company is situated in a country outside India, the accounts of the branch office shall be audited either by the company's auditor or by an accountant or by any other person duly qualified to act as an auditor.
4. The branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the Audit committee.
5. In big corporate more than one persons or firm of Chartered Accountants are appointed as a Joint Auditor for conducting the audit of the company.
6. "Debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.
7. Final dividend is declared in the general meeting.
8. Statutory Auditor is appointed by the shareholder in the general meeting.
9. Internal Auditor can be removed by the Board.
10. If the debentures are issued as collateral security to the banks or creditors then auditor needs to ensure that such issue is approved by debenture trustee.

[Answer: True, False, True, False, True, True, True, True, True, False.]

Fill in the blanks:

1. Final dividend is declared in the .
2. If the debentures are issued as collateral security to the banks or creditors then auditor needs to ensure that such issue is approved by .
3. A predetermined rate of interest is payable on debentures irrespective of the fact that company has earned the profit or not.
4. Debenture holders are of the company.
5. Where debentures are issued by a company, then company shall create a account out of the profits of the company.
6. For protecting the interest of debenture holders the company is bound to form .
7. Responsibility to report fraud, as applicable to company's auditor applies to auditor.
8. Splitting of shares shall be authorised by .
9. A company may issue debentures with an option to convert such debentures into .
10. Statutory Auditor is appointed by the shareholder in the meeting.

[Answer: General Meeting, BOD, Fixed, Creditors, Debenture Redemption Reserve, Debenture Trustee, Branch, AOA, Shares, General]

Match the Following:

	Column A		Column B
1	More than one persons or firm of Chartered Accountants are appointed	A	Allotment of Securities by Company
2	Section 68 of the Co. Act 2013	B	Alteration of Share Capital
3	Section 63 the Co. Act 2013	C	Power of company to Purchase its Own Securities
4	Section 61 of the Co. Act 2013	D	Joint Audit
5	Section 39 of the Companies Act 2013.	E	Issue of Bonus Shares

[Answer: D, C, E, B, A]

1. Audit of debenture is covered under section-

- A- Section 70
- B- Section 71
- C- Section 72
- D- Section 73

2. Declaration of dividend is covered under setion-

- A- Section 122
- B- Section 123
- C- Section 124
- D- Section 125

3. Statutory Auditor is appointed by the shareholder in the

- A- General Meeting
- B- Statutory Meeting
- C- EGM
- D- Board Meeting

4. Statutory Auditor can be removed by the

- A- Shareholders
- B- Audit committee
- C- BOD
- D- None of the above.

5. Internal Auditor is appointed by the

- A- Board
- B- Audit committee
- C- Shareholder
- D- None of the above

[Answer: B, B, A, A, A]

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