

Auditing
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Designed specifically for TYBBI SEM V students of Sheth NKTT College

Multiple Choice Questions

1. Which of the following is not a kind of audit?
 - a) Statutory and private.
 - b) Government and continuous audit.
 - c) Interim audit.
 - d) None of these

2. This kind of audit is conducted generally between two annual audits.
 - a) Internal audit.
 - b) Interim audit.
 - c) Final audit.
 - d) Continuous audit.

3. Voucher relates to _____.
 - a) Cash receipt.
 - b) Cash payment.
 - c) Credit transactions
 - d) All of the above.

4. Which of the following persons is qualified to be a company auditor?
 - a) An employee of the company
 - b) A body corporate
 - c) A person who is indebted to the company for an amount exceeding Rs. 1000
 - d) A practicing-chartered accountant

5. When the auditor is an employee of the organization being audited, the audit is classified as
 - a) Internal
 - b) External
 - c) Compliance
 - d) Both A&B

6. A company auditor can be removed before expiry of his term by
 - a) Shareholders
 - b) Board of Directors
 - c) Central Government
 - d) State Government

7. If there is capital loss, the auditor should
 - a) Not allow payment of dividend
 - b) Allow payment of dividends
 - c) Allow payment of dividends after making such losses good
 - d) None of the above

8. Auditor should see that amount received for premium on issue of shares should be shown in

- a) Subscribed capital
- b) Capital Reserve account
- c) Share Premium account
- d) Paid- up capital account

9. Internal auditor is appointed by _____

- a) Management
- b) Shareholders
- c) Government
- d) Statutory body

10. _____ is the medium through which an auditor expresses his opinion on the state of affairs of the client's business.

- a) Audit report
- b) Audit certificate
- c) Audit programme
- d) Audit planning

11. If an auditor is not appointed at annual general meeting, he is appointed by the

- a) The Central Government
- b) Board of Directors
- c) Shareholders
- d) Company Law board

12. The audit that is made compulsory under statute is called _____

- a) Statutory audit
- b) Partial audit
- c) Complete audit
- d) Continuous audit

13. Audit means _____.

- a) Recording business transactions
- b) Preparing final accounts
- c) Examination of books, accounts or vouchers
- d) Decision making

14. When a transaction has not been recorded in the books of account either wholly or partially such errors are called _____.

- a) Error of commission
- b) Error of omission
- c) Compensating error
- d) None of the above

15. The liabilities of an auditor can be _____.

- a) Civil
- b) Criminal
- c) Civil & Criminal
- d) Financial

16. Internal control includes _____.

- a) Internal audit
- b) Internal check
- c) Both internal audit and internal check
- d) Internal check and external audit

17. Misappropriation of goods may be checked by

- a) Proper supervision over stock
- b) Checking of employees
- c) Punishment of employees
- d) None of the above

18. Auditor has no lien on

- a) Audit note book
- b) Audit working papers
- c) Books of accounts of clients
- d) All of the above

19. Accounting standards are prepared by

- a) SEBI
- b) RBI
- c) ASB
- d) ITA

20. Cost auditor submits reports to the:

- a) Shareholder
- b) Board of directors
- c) Employees
- d) Creditors

21. Bonus shares are issued to _____.

- a) New members
- b) Existing shareholders
- c) Employees
- d) None of the above

22. Window dressing implies

- a) Checking wastages
- b) Under valuation of assets
- c) Over valuation of assets
- d) None of the above

23. Internal check is suitable for _____.

- a) Larger concerns
- b) Smaller concerns
- c) Petty-shop keepers
- d) None of the above

24. Remuneration of an internal auditor is fixed by _____.

- a) Management
- b) Shareholders
- c) Government
- d) Statutory body

25. The objective of the audit planning is _____

- a) To give appropriate attention to all important areas of audit
- b) To identify potential problems
- c) To coordinate work with other auditors and experts
- d) All of the above

26. Audit papers are the property of _____.

- a) Client
- b) Auditor
- c) Both the client and the auditor
- d) The audit committee

27. The term "Audit" originated from the Latin word

- a) Audire
- b) Adhere
- c) Adihere
- d) None of the above

28. Sole proprietary concerns are _____ to get their financial statements audited by independent financial auditors.

- a) Legally required
- b) Not legally required
- c) Ethically required
- d) Not ethically required

29. Balance sheet audit is also known as

- a) Continues audit
- b) Annual audit
- c) Internal audit
- d) Financial audit

30. _____ lays out the strategies to be followed to conduct an audit.

- a) An action plans
- b) An audit plans
- c) An audit programme
- d) All of the above

31. Auditor should determine the _____ and the timing of the audit report.

- a) Nature
- b) Actual
- c) Nature & actual
- d) Form

32. _____ followed by the enterprise affect the audit plan.

- a) Accounting policies
- b) Audit policies
- c) Accounting and Audit policies
- d) Management policies

33. An audit programme is a set of _____ which are to be followed for proper execution of audit.

- a) Rules
- b) Policies
- c) Instructions
- d) Actions

34. Audit programme provides instructions to the audit staff and reduces scope for

- a) Understanding
- b) Misunderstanding
- c) Negligence
- d) Liabilities

35. Audit programme helps in fixing the _____ for the work done among the audit staff as work done may be traced back to the individual staff members.

- a) Remuneration
- b) Liabilities
- c) Negligence
- d) Responsibility

36. On completion of an audit _____ serves the purpose of audit record which may be useful for future reference.

- a) Audit programme
- b) Audit working papers
- c) Audit plan
- d) Audit notes

37. Audit programme is prepared by _____

- a) The auditor
- b) The client
- c) The audit assistant
- d) The auditor and his audit assistants

38. The auditor has to obtain _____ to substantiate his opinion on the financial statements.

- a) Internal evidence
- b) External evidence
- c) Internal and external evidence
- d) Sufficient and appropriate evidence

39. _____ are the documents prepared or obtained by the auditors in connection with the audit.

- a) Audit notes
- b) Audit working papers
- c) Audit report
- d) All of the above

40. Working papers helps in proper _____ of audit.

- a) Planning
- b) Performance
- c) Planning and performance
- d) Execution