

SYBCOM SEM IV

AUDITING

SAMPLE TEST PAPER

1. Financial statements need to be prepared in accordance with:

- (a) Relevant statutory requirements
- (b) Accounting standards issued by the Institute of Chartered Accountants of India
- (c) Guidance Notes issued by the Institute of Chartered Accountants of India
- (d) All the above

2. Objective of an audit of financial statements is to enable the auditor to express an opinion

- (a) Whether the financial statements are prepared in accordance with the system of double entry book-keeping
- (b) Whether the financial statements are prepared in accordance with accounting policies laid down by the management
- (c) Whether the financial statements are prepared in accordance with an identified financial reporting framework
- (d) Whether the financial statements are prepared in accordance with the provisions of the Income-tax Act 3.

3. If the financial statements are prepared as per the financial reporting framework, the auditor gives an opinion that the financial statements

- (a) Are true and correct
- (b) Are correct and fair
- (c) Give a true and fair view
- (d) Are reliable

4. Which of the following errors is an error of principle?

- (a) 600 received from Ganpat has been debited to his account
- (b) Purchase of 2,000 has been entered in the sales journal
- (c) Repairs to building have been debited to Building Account Introduction to Auditing
- (d) None of these

5. Sales to Meena * 143 posted to Meenu as 3 143. This is

- (a) Error of Omission
- (b) Error of Commission
- (c) Error of Principle
- (d) None of the above

6 Goods of the value of 376 were returned by Ram and were taken into stock on the same date but no entry was made in the books. This is

- (a) Error of Omission
- (b) Error of Commission
- (c) Error of Principle
- (d) None of the above

7. _____ is basically responsible for prevention and detection of errors and frauds.

- (b) Accountant
- (a) Auditor
- (c) Management
- (d) Cashier

8. Which of the following is not true about opinion on financial statements ?

- a) The auditor should express an financial statements
- (6) His opinion is no guarantee to future viability of business

- (c) He is responsible for detection and prevention of frauds and errors in financial statements
- (d) He should examine whether recognised accounting principles have been consistently followed

9. Which of the following statements is not true?

- (a) Management fraud is more difficult to detect than employee fraud
- (b) Internal control system prevents employee fraud and management fraud
- (c) The management is basically responsible for detection and prevention of errors and frauds
- (d) All statements are correct

10.. As per SA 240, if auditor detects an error then

- (a) He should submit his resignation
- (b) He should communicate it to the shareholders
- (c) The auditor should ensure financial statements are adjusted for detected errors
- (d) None of the above

11..An auditor discovers that the company's book-keeper unintentionally made a mistake in calculating the amount of the quarterly sales. This is an example of

- (a) Employee fraud
- (b) An error
- (c) Misappropriation of assets
- (d) A defalcation

12.Which of the following is least likely to uncover fraud ?

- (a) External auditors
- (b) Internal auditors
- (c) Internal controls
- (d) Management

13.. _____ is fraud that involves theft of an entity's assets.

- (a) Manipulation of records
- (b) A secret reserve

(c) Misappropriation of assets.

(d) Income smoothing

14. ____ is a systematic examination of the books and records of a business.

(a) Auditing

(b) Vouching

(d) Checking

(c) Verification

15. A financial audit is intended to give

(b) Absolute Assurance

(a) Qualified Assurance

(c) Positive Assurance

(d) Reasonable assurance

16. Which of the following are not objectives of auditing?

(a) Ascertain the profit and preparation of P/L Account, Balance sheet.

(b) Detection and prevention of frauds and errors.

(c) Give a true and fair view of financial amount.

(d) To submit the accounts to Government

17. Providing more or less depreciation on assets is an example of

(a) Misappropriation of cash

(b) Misappropriation of goods

(c) Misappropriation of accounts

(d) None of the above

18. Secret reserve can be created by

(a) Public limited company only

(b) Banking companies only

Private limited company only

(d) Co-operative societies

19. Audit of banks is an example of –

- (a) Statutory audit
- (b) Balance sheet audit
- (c) Concurrent audit
- (d) All of the above

20.. Balance sheet audit includes verification of -

- (a) Assets
- (b) Liabilities
- (c) Income and expense accounts where appropriate
- (d) All of the above

21. Which of the following statements is not true about continuous audit?

- (a) It is conducted at regular interval
- (b) It may be carried out on daily basis
- (c) It is needed when the organization has a good internal control system
- (d) It is expensive

22.. Balance sheet audit does not include

- (a) Verification of assets and liabilities
- (b) Vouching of income and expense accounts related to assets and liabilities
- (c) Examination of adjusting and closing entries
- (d) Routine checks

23. Audit under statute means:

- (a) An audit ordered by the Government
- (b) An audit where duties, rights etc. of the auditor are laid down by law

- (c) An audit ordered by the Courts
- (d) An audit under legal contract

24. The auditor should plan his work to enable him to conduct an effective audit in

- (a) A professional
- (b) A proper
- (c) A confident
- (d) An efficient and timely

25.. Audit Plans should be based on knowledge of the client's

- (a) Profits
- (b) Net Worth
- (c) Business
- (d) Reputation

