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TYBBI  
SEM V  
AUDITING

### 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) None 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

41. If no auditors are appointed or re-appointed at the annual general meeting, the \_\_\_\_\_ may appoint a person to fill the vacancy. a) Board of directors b) Company in general meeting c) Central Government d) Comptroller and Auditor General of India (C&AG)
42. Failure to give notice regarding filling of casual vacancy to the Central government is an offence punishable with fine, who of the following are the persons on whom such fine can be imposed. a) Directors b) Company c) Every officer of the company d) Company or every officer of the company
43. A statutory auditor----- also as internal auditor of the company. a) Can act b) Cannot act c) Though can act but ethically should not act d) None of the above
44. A person shall not be qualified to be appointed as an auditor of the company if he is in the employment of \_\_\_\_ a) An officer of the company b) An employee of the company c) Both (a) and (b) d) None of the above
45. In case of insolvency or unsound mind, a person will automatically be disqualified for appointment as an auditor, because a) He is not a person of repute b) He cannot take decision properly c) He is not wealthy d) He ceases to be a member of ICAI
46. The auditors have the right to attend a) Board meeting b) Annual general meeting c) Extraordinary general meeting d) Any general meeting
47. The retiring auditor does not have a right to\_\_\_\_\_ a) To make written representation b) Get his representation circulated c) Be heard at the meeting d) Speak as a member of the company
48. 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
49. Whether the management can restrict the scope of work of an external auditor? a) Yes b) No c) In some cases d) If shareholders permit
50. It is the duty of the auditor to \_\_\_\_\_ to the members of the company on the Accounts examined by him. a) Give suggestions b) Comment c) Refer certain points d) Make a report

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