

1. INTRODUCCION TO AUDITING

1 MULTIPLE CHOICE QUESTIONS

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. 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. The term "General Purpose Financial Statements" never includes
 - (a) A cash flow statement
 - (b) Statements and explanatory notes which form part thereof
 - (c) Statement by chairman
 - (d) Supplementary schedules and information based on such statements
5. Which of the following errors is an error of omission?
 - (a) Sale of Rs. 500 was written in the purchase journal
 - (b) Wages paid to Mohan have been debited to his account
 - (c) The total of the sales journal has not been posted to the Sales Account
 - (d) None of these
6. Which of the following errors is an error of principle?
 - (a) Rs. 600 received from Ganpat has been debited to his account
 - (b) Purchase of Rs. 2,000 has been entered in the sales journal
 - (c) Repairs to building have been debited to Building Account
 - (d) None of these
7. Errors of recording do not allow
 - (a) Correct totalling of the Balance Sheet
 - (b) Correct totalling of the Trial Balance
 - (c) The Trial Balance to agree
 - (d) None of these

8. Which of the following error will affect the Trial Balance?
- Repairs to buildings have been debited to buildings
 - The total of purchases journal is Rs. 2,000 short
 - Freight paid on new machinery has been debited to the Freight Account
 - None of these
9. Which of the following errors will not affect the Trial Balance?
- Wrong balancing of an account
 - Writing an amount in the wrong account but on the correct side
 - Wrong totalling of an account
 - None of these
10. The total of Sales Book was not posted to the ledger. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
11. Sales Book was overcast by Rs. 500, This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
12. The total of a folio in the Sales Book Rs. 1,000 was carried forward as Rs. 100. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
13. Sales to Ram Rs. 143 posted to his account as Rs. 134. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
14. Sales to Meena Rs. 143 posted to Meena as Rs. 143. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
15. Goods of the value of Rs. 376 were returned by Ram and were taken into stock on the same date but no entry was made in the books. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
16. A credit sale wrongly passed through the purchases book. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
17. Repairs of newly purchased second-hand machinery debited to Repairs Expense Account. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
18. Repairs to Machinery had been charged to Machinery A/c. This is
- Error of Omission
 - Error of Commission
 - Error of Principle
 - None of the above
19. Cartage paid for newly purchased machinery, posted to Cartage Account. This is

- (a) Error of Omission (b) Error of Commission
(c) Error of Principle (d) None of the above
20. Goods taken away by the Proprietor for personal use not recorded anywhere. This is
(a) Error of Omission (b) Error of Commission
(c) Error of Principle (d) None of the above
21. Which of the following errors will affect the trial balance.
(a) Repairs to building wrongly debited to Building A/c
(b) Total of purchase Journal is short by Rs. 1000
(c) Freight paid on purchase of new machinery debited to freight account -
(d) None of the above
22. If a purchase return of Rs. 84 has been wrongly posted to the debit of the sales return account, but had been correctly entered in the suppliers account, the total of the trial balance would show
(a) the credit side to be Rs. 84 more than debit side.
(b) the debit side to be Rs. 84 more than credit side
(c) the credit side to be RS. 168 more than debit side.
(d) the debit side to be Rs 168 more than credit side.
23. A purchase of Rs. 1,870 by cheque has been wrongly posted in the cash book as Rs. 1,780. This has the effect of
(a) Increasing the bank balance by Rs. 90
(b) Decreasing the bank balance by Rs. 90
(c) Increasing the bank balance by Rs. 180
(d) Decreasing the bank balance by Rs. 180
24. After preparing the trial balance the accountant finds that the total of the credit side is short by Rs. 1,500. This difference will be
(a) Credited to suspense account
(b) Debited to suspense account
(c) Adjusted to any of the debit balance a/c
(d) Adjusted to any of the credit balance a/c
25. The accountant of the firm M/s ABC is unable to tally the following trial balance.

No.	Account heads	Debit (Rs.)	Credit (Rs.)
1	Sales		12,500
2	Purchases	10,000	
3	Miscellaneous expenses		2,500
	Total	10,000	15,000

The above difference in trial balance is due to

- (a) wrong placing of sales account
(b) Incorrect totalling
(c) wrong placing of miscellaneous expenses account

- (d) wrong placing of all accounts.
26. _____ is basically responsible for prevention and detection of errors and frauds,
- (a) Auditor
 - (b) Accountant
 - (c) Management
 - (d) Cashier
27. Which of the following is not true about opinion on financial statements ?
- (a) The auditor should express an opinion on financial statements
 - (b) 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
28. 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
29. As per AAS-4, 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
30. Which of the following is not a limitation of audit as per AAS 4 ?
- (a) An auditor cannot rely upon experts
 - (b) Auditor cannot check all transactions
 - (c) Audit evidence is not conclusive
 - (d) Auditor cannot discover all frauds
31. How many principles are listed in AAS 1 which govern auditor's professional obligation?
- (a) Nine
 - (b) Fourteen
 - (c) Seven
 - (d) Eight
32. The risk of fraud increases when
- (a) .the working capital is high
 - (b) the cash sales are high
 - (c) the auditors remain the same
 - (d) Management is in the hands of a single person
33. Which of the following factors likely to be identified as a fraud factor by the auditor ?
- (a) The company is planning an initial public offer of shares to raise additional capital for expansion
 - (b) Bank reconciliation statement includes cheques deposited but not credited
 - (c) Lawyers are not changed frequently
 - (d) There is under-payment for services

34. Professional skepticism requires that the auditor assume that management is
- (a) reasonably honest
 - (b) Neither honest nor dishonest
 - (c) Not necessarily honest
 - (d) Dishonest unless proved otherwise
35. Audit of banks is an example of-
- (a) Statutory audit
 - (b) Balance sheet audit
 - (c) Concurrent audit
 - (d) All of the above
36. Balance sheet audit includes verification of-
- (a) Assets
 - (b) Liabilities
 - (c) Income and expense accounts where appropriate
 - (d) All of the above
37. 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
38. 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
39. Which of the following statements is not correct about materiality ?
- (a) Materiality provides a quantitative cut-off point
 - (b) Materiality is a matter of professional judgement
 - (c) AAS-13 deals with materiality
 - (d) Auditor should consider materiality when drafting the audit report
40. State which of the following statements is false -
- (a) The detection of errors and frauds is no longer an audit objective
 - (b) An audit does not guarantee that the accounts are free from frauds and errors
 - (c) The auditor is not primarily responsible for all the frauds in the accounts audited by him
 - (d) The detection of errors and frauds is the primary audit objective
41. 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
42. In case of audit of partnership or sole proprietorship :
- (a) The auditor's duties are defined purely by the contract between him and the client
 - (b) The auditor need not be as careful as in case of companies
 - (c) The audit must be as extensive as in case of companies

(d) The auditor can decide his own duties

ANSWERS

1

1. (d)	7. (d)	13. (b)	19. (c)	25. -(c)	31. (a)	37. (c)
2. (c)	8. (b)	14. (b)	20. (a)	26. (c)	32. (d)	38. (d)
3. (c)	9. (b)	15. (a)	21. (b)	27. (c)	33. (a)	39. (d)
4. (c)	10. (a)	16. (b)	22. (d)	28. (b)	34. (b)	40. (d)
5. (c)	11. (b)	17. (c)	23. (a)	29. (c)	35. (d)	41. (b)
6. (b)	12. (b)	18. (c)	24. (a)	30. (a)	36. (d)	42. (a)

AUDIT PROCEDURES

1 MULTIPLE CHOICE QUESTIONS

1. The auditor should plan his work to enable him to conduct an effective audit in. manner.
(a) A professional (b) A proper
(c) A confident (d) An efficient and timely
2. Audit Plans should be based on knowledge of the client's
(a) Profits (b) Net worth
(c) Business (d) Reputation
3. An Audit Programme may be
(a) Statutory (b) Permanent
(c) Fixed or Flexible (d) Standard
4. _____ Papers is the link between the client's records and the auditor's report,
(a) News (b) Working
(c) Loose (d) Ruled
5. Working Papers are the property of the
(a) Client (b) Client and the auditor
(c) Auditor (d) None of the above
6. Which of the following Auditing Assurance Standard deals with Audit Planning ?
(a) AAS7 (b) AAS 8
(c) AAS 9 (d) AAS 3
7. Audit programme is prepared by
(a) The client (b) The client and the auditor
(c) The auditor and his assistants (d) The chief accountant
8. Audit Working Papers record -
(a) The audit plan (b) The audit procedures performed
(c) The conclusions drawn from the evidence obtained
(d) All the above
9. Current Audit File relating to audit of a partnership firm will not contain
(a) Audit Plan (b) Audit Programme
(c) Partnership Deed (d) Letters of confirmation
10. Which of the following is not an advantage of the preparation of working paper ?
(a) To provide a basis for review of audit work
(b) To provide a basis for subsequent audits
(c) To ensure audit work is being carried out as per programme
(d) To provide a guide for advising another client on similar issues
11. An auditor cannot have any lien on the books of accounts of the company audited by him,
(a) As laid down in section 224 of the Companies Act

- (b) As laid down by the rules of the Inst. of C.A of India
- (c) As laid down in AAS 3
- (d) Since the books cannot be removed from the registered office of the company

12. Consider the stages in audit given below

1. Ascertain type of audit
2. Vouch receipts and payments
3. Obtain Documents from Client
4. Prepare Audit Programme

What is the correct sequence of the above stages

- (a) 1,2,3,4
- (b) 1,3,4,2
- (c) 2,3,1,4
- (d) 1,4,3,2

13. Current file and permanent file are together known as

- (a) Audit plan
- (b) Audit programme
- (c) Audit procedures
- (d) Audit working papers

14. Consider the following documents

1. Audit notebook
2. Audit report
3. Audit programme
4. Audit plan

What is the correct sequence in which the documents are prepared ?

- (a) 1,2,3,4
- (b) 3,1,4,2
- (c) 2,3,1,4
- (d) 4,3,1,2

ANSWERS

1

1. (d)	3. (c)	5. (c)	7. (c)	9. (c)	11. (d)	13. (d)
2. (c)	4. (b)	6. (b)	8. (d)	10. (d)	12. (b)	14. (d)

2. INTERNAL CONTROL AND CHECK

1 MULTIPLE CHOICE QUESTIONS

1. 'Audit Sampling' enables the auditor to _____ audit evidence about some characteristic of the items selected.
(a) Ignore (b) Obtain and evaluate
(c) Manipulate (d) None of the above
2. When designing an audit sample, the auditor should consider -
(a) The specific audit objectives
(b) The population from which the auditor wishes to sample
(c) The sample size
(d) All the above
3. The risk that, although the sample result does not support the auditor's assessment of control risk, the actual compliance rate would support such an assessment, is known as -
(a) Risk of Over Reliance (b) Risk of Under Reliance
(c) Risk of Incorrect Rejection (d) Risk of Incorrect Acceptance
4. The risk that, although the sample result supports the auditor's assessment of control risk, the actual compliance rate would not support such an assessment is known as -
(a) Risk of Under Reliance (b) Risk of Incorrect Rejection
(c) Risk of Incorrect Acceptance (d) Risk of Over Reliance
5. The risk that, although the sample result supports the conclusion that a recorded account balance or class of transactions is materially misstated, in fact it is not materially mis-stated is known as -
(a) Risk of Incorrect Rejection (b) Risk of Over Reliance
(c) Risk of Under Reliance (d) Risk of Incorrect Acceptance
6. The risk that, although the sample result supports the conclusion that a recorded account balance or class of transactions is not materially mis-stated, in fact it is materially misstated is known as -
(a) Risk of Over Reliance (b) Risk of Under Reliance
(c) Risk of Incorrect Acceptance (d) Risk of Incorrect Rejection
7. The risk of over reliance and the risk of incorrect acceptance
(a). Affect audit effectiveness
(b) May lead to an erroneous opinion on the financial statements
(c) Both (a) and (b) above

- (d) None of (a) or (b) above
8. The risk of under reliance and the risk of incorrect rejection
- (a) Affect audit efficiency
 - (b) Lead to additional work being performed by the auditor, or me entity
 - (c) Neither (a) nor (b) above
 - (d) Both (a) and (b) above
9. Tolerable error is the _____ error in the population that the auditor would be willing to accept, and still conclude that the result from the sample has achieved the audit objective.
- (a) Minimum
 - (b) Reasonable
 - (c) Maximum
 - (d) Insignificant
10. In substantive procedures, the tolerable error is the
- (a) Maximum rate of deviation from a prescribed account balance that the auditor would be willing to accept
 - (b) Minimum monetary error in an account balance that the auditor would be willing to accept
 - (c) Minimum rate of deviation from a prescribed account balance that the auditor would be willing to accept
 - (d) Maximum monetary error in an account balance that the auditor would be willing to accept
11. In tests of control, the tolerable error is the
- (a) Maximum rate of deviation from a prescribed control procedure that the auditor would , be willing to ignore
 - (b) Minimum rate of deviation from a prescribed control procedure that the auditor would be willing to accept
 - (c) Maximum rate of deviation from a prescribed control procedure that the auditor would be willing to accept
 - (d) Minimum rate of deviation from a prescribed control procedure that the auditor would be willing to ignore
12. This method of selecting sample ensures that all items in the population have an equal chance of selection.
- (a) Random Selection
 - (b) Systematic Selection
 - (c) Haphazard selection
 - (d) None of above
13. This method of sample selection involves selecting items using a constant interval between selections, the first interval having a random start,
- (a) Random Selection
 - (b) Systematic Selection
 - (c) Haphazard selection
 - (d) None of above
14. 'Letter of Weakness' deals with weaknesses in
- (a) Statutory Audit
 - (b) Internal Controls
 - (c) Financial Position
 - (d) None of the above
15. The following is suitable for test checking.

- (a) Opening and closing entries
- (b) Bank Reconciliation Statements
- (c) Transactions on which auditor must report under the Companies Act
- (d) Payments made by a bank, during audit of a bank

16. AAS which deals with Audit Sampling

- (a) 15
- (b) 6
- (c) 7
- (d) None of the above

17. Internal auditors are appointed by

- (a) Board of Directors in a Board meeting
- (b) Shareholders in annual general meeting
- (c) The management
- (d) The central government

18. What is the correct sequence of the following stages

1. Statutory Audit
2. Internal Audit
3. Internal Check

- (a) 1,2,3
- (b) 2,3,1
- (c) 3,2,1
- (d) 3,1,2

ANSWERS

1

1. (b)	4. (d)	7. (c)	10. (d)	13. (b)	16. (a)
2. (d)	5. (a)	8. (d)	11. (c)	14. (b)	17. (c)
3. (b)	6. (c)	9. (c)	12. (a)	15. (d)	18. (c)

VOUCHING

1 MULTIPLE CHOICE QUESTIONS

1. The following points should be noted or checked by the auditor in vouching :
 - (a) Checking the Voucher
 - (b) Checking the Supporting Documents
 - (c) Checking the Entry in the Books
 - (d) All the above
2. Checking serial no. of vouchers during vouching helps the auditor to
 - (a) Detect errors of principle
 - (b) Detect errors of omission
 - (c) Detect compensating errors
 - (d) None of the above
3. Checking the head of account debited or credited during vouching helps the, auditor to
 - (a) Detect errors of principle
 - (b) Detect errors of omission
 - (c) Detect compensating errors
 - (d) None of the above
4. Checking the amount in words during vouching of cash transactions helps the auditor to
 - (a) Detect errors of principle
 - (b) Detect errors of commission
 - (c) Detect misappropriation
 - (d) None of the above
5. Verifying the signature of the authorised official on the voucher during vouching helps the auditor to check the
 - (a) Occurrence of the transaction
 - (b) Validity of the transaction
 - (c) Amount of the transaction
 - (d) Period of the transaction
6. Checking the serial no. of vouchers on the voucher during vouching helps the auditor to obtain evidence that
 - (a) The transaction took place
 - (b) There are no unrecorded transactions
 - (c) The transaction is recorded in the books on the right date
 - (d) The transaction is valid
7. Checking the date of voucher on the voucher during vouching mainly helps the auditor to obtain evidence that
 - (a) The transaction relates to current year
 - (b) The transaction is legal
 - (c) All the transactions are recorded in the books
 - (d) Transactions take place every day
8. Verifying the signature of the person preparing the voucher helps the auditor to
 - (a) Fix responsibility for errors in making entry of the voucher
 - (b) Fix responsibility for errors in preparing the voucher
 - (c) Ensure that the voucher is posted in the ledger
 - (d) Ensure that the voucher has proper supporting documents
9. Checking the signature of the payee during vouching of cash payments helps the auditor to •

- (a) Verify that the payment is properly authorised
 - (b) Verify that the cheque was signed by an authorised person
 - (c) Verify that the cash received is acknowledged
 - (d) Identify from whom cash was received
10. Serial no. of supporting bill from supplier attached with a voucher helps the auditor to
- (a) Detect entry of duplicate bill in the register
 - (b) Verify that all the bills are entered serially
 - (c) Verify that all the vouchers are entered serially
 - (d) None of the above
11. Verifying the signature on the supporting purchase bill attached to a voucher helps the auditor to
- (a) Identify the person who received the payment for the bill
 - (b) Fix responsibility for errors in preparing the bill
 - (c) Identify the person who made the payment of the bill
 - (d) Prove that the bill is genuine and valid
12. Checking the date of entry of voucher in the books mainly helps the auditor to obtain evidence that
- (a) Entry was made on the same day as that of the voucher
 - (b) There are no missing vouchers
 - (c) The vouchers are filed every day
 - (d) The accountant was not absent on that day
13. Which of the following documents is not relevant for vouching sales
- (a) Daily Cash Sales Summary
 - (b) Delivery Challans
 - (c) Credit Memos
 - (d) Sale Dept. Attendance Record
14. To check whether all sales have been recorded, auditor should check
- (a) Salesmen's payroll
 - (b) Sales bills
 - (c) Sales orders
 - (d) Goods Received Notes
15. In order to vouch which of the transactions, the auditor will examine Bill of Lading ?
- (a) Sales within the State
 - (b) Sales outside the State
 - (c) Exports
 - (d) Sales on approval
16. In order to vouch which of the transactions, the auditor will examine Bill of Entry?
- (a) Local Purchases
 - (b) Purchases on consignment basis
 - (c) Imports
 - (d) Cash Purchases
17. In case of sales return, the auditor should examine which documents ?
- (a) Credit notes and delivery Challans
 - (b) Debit notes and cash memos
 - (c) Purchase invoices and goods received notes
 - (d) Credit notes and goods received notes
18. Grade the following audit evidence in terms of reliability (starting with lowest reliability)
1. Oral explanations

2. Documents
 3. External documents
 4. Internal documents when internal controls are strong
 5. Internal documents
- (a) 2,1,4,3,5 (b) 1,2,5,4,3
(c) 5,4,2,1,3 (d) 1,2,3,4,5

ANSWERS

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1. (d)	4. (c)	7. (a)	10. (a)	13. (d)	16. (c)
2. (b)	5. (b)	8. (b)	11- (d)	14. (b)	17. (d)
3. (a)	6. (b)	9. (c)	12. (a)	15. (c)	18. (b)

VERIFICATION

1. MULTIPLE CHOICE QUESTIONS

1. The following points should be noted or checked by the auditor in verification of an asset
 - (a) Checking the Voucher
 - (b) Checking the transactions
 - (c) Checking the Entry in the Books
 - (d) Checking existence, ownership, non-omission and disclosure
2. While checking the cut-off procedures, the Auditor should ensure that -
 - (a) Sales bills are raised for all goods despatched till the last day of the accounting year,
 - (b) No sales bills are raised unless the goods were actually despatched and sold during the accounting year.
 - (c) Both the above
 - (d) None of the above
3. Auditor should verify stocks which are not lying with the concern e.g. goods on consignment,
 - (a) Through physical verification at consignee's godown
 - (b) Through observing the physical verification carried out by the consignee
 - (c) By obtaining and examining the confirmation from the consignee
 - (d) By obtaining and examining the confirmation from the consignor
4. Closing stock with consignee is to be shown as the asset of
 - (a) The consignor
 - (b) The consignee
 - (c) Both the above
 - (d) None of the above
5. Stock of Goods on Consignment should be valued at
 - (a) Invoice price
 - (b) Cost or market price whichever is lower
 - (c) Price at which goods were sent to the consignee
 - (d) None of the above
6. Prior Period Expenses are
 - (a) Expenses of the current year paid in previous year
 - (b) Expenses of the previous year paid in current year
 - (c) Expenses of the previous year paid in previous year
 - (d) Expenses of the current year paid in next year
7. Prior Period Expenses are
 - (a) Expenses credited to the current year's profit and loss account, though relating to earlier years
 - (b) Expenses debited to the current year's profit and loss account, though relating to next year
 - (c) Expenses debited to the current year's profit and loss account, though relating to earlier years

- (d) Expenses debited to the previous year's profit and loss account, though relating to the current year
8. If the market value of the security is less than the outstanding amount of loan taken,
- Difference should be shown as loans and advances
 - Difference should be shown as current liability
 - Difference should be shown as unsecured loan
 - None of the above
9. A mortgage duly registered under the Transfer of Property Act is known as
- Equitable mortgage
 - Legal mortgage
 - Hypothecation
 - Pledge
10. _____ involves depositing the title deeds of the property with the lender as security,
- Equitable mortgage
 - Legal mortgage
 - Hypothecation
 - Pledge
11. Deferred credits from machinery suppliers
- Are credits payable over more than one year
 - Arise because of financing provided by the vendor or by a refinancing agency
 - Involve signing bills of exchange counter guaranteed by buyer's bank
 - All of the above
12. An auditor is verifying valuation of building which has been self-constructed by the client. Which of the following documents is least relevant to the auditor for verification purposes ?
- Bills of contractor
 - Minutes of meeting of board of directors
 - Certificates of engineer and architect
 - Loan agreement
13. Equity shares of XY Ltd. held by ABC Ltd. are in the custody of Stock Holding Corporation of India Limited (SHCIL). The auditor may verify this investment by
- Reviewing last year's working papers.
 - Obtaining a certificate from a responsible official of the ABC Ltd.
 - Obtaining a certificate from SHCIL
 - Obtaining a certificate from XY Ltd.
14. While reconciling a client's annual physical inventory with book stock, an auditor observed that for certain items the stock in hand was more than that shown in the books. This could be the result of the client's failure to record –
- Purchase returns
 - Sales returns,
 - Goods with consignor
 - Purchase discounts
15. Goods Received Notes support entries in
- Sales book and sales return book
 - Purchase book and sales return book
 - Cash book and purchase book
 - Sales book and purchase return book
16. Which of the following assets cannot be subjected to physical verification

- (a) Debtors
- (c) Building

- (b) Land
- (d) Machinery

ANSWERS

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1. (d)	4. (a)	7. (c)	9. (b)	11. (d)	13. (c)	15. (b)
2. (c)	5. (b)	8. (c)	10. (a)	12. (b)	14. (b)	16. (a)
3. (c)	6. (b)					