

## AUDITING I – QUESTION BANK

1. The main object of an audit is \_\_\_\_\_.
  - a. Expression of opinion on true & fair view
  - b. Detection and prevention of fraud and error.
  - c. Depends on the type of audit.
  - d. Both (a) and (b)
  
2. Which of the following is not true about auditor's duty?
  - a. The auditor should express an opinion on financial statements.
  - b. His opinion is not a guarantee to future validity of business.
  - c. He should examine whether recognized accounting principles have been consistently followed.
  - d. He is not at all responsible for detection and prevention of frauds and errors.
  
3. A sale of Rs. 1, 00,000/- to Deepali was entered as sale to Rupali. This is an example of \_\_\_\_\_.
  - a. Error of commission.
  - b. Error of omission.
  - c. Compensating error
  - d. Error of principle
  
4. Salary paid to Ranjita Rs.50,000/- is debited to her personal account. It is an error of \_\_\_\_\_.
  - a. Principle
  - b. Commission
  - c. Omission
  - d. Duplication
  
5. Concurrent audit is a part of \_\_\_\_\_.
  - a. Internal check system
  - b. Continuous audit
  - c. Internal audit system.
  - d. None of the above.
  
6. \_\_\_\_\_ means the auditor should not disclose the information of the client anywhere else outside.
  - a. Integrity
  - b. Sincerity
  - c. Confidentiality
  - d. Loyalty
  
7. The risk of management fraud increases in the presence of \_\_\_\_\_.
  - a. Frequent changes in supplies.
  - b. Improved internal control system
  - c. Substantial increase in sales
  - d. Management incentive system based on sales done in a quarter.
  
8. The Statutory Auditor has to communicate his judgment to \_\_\_\_\_.
  - a. Shareholder's

- b. Board of directors
  - c. Public
  - d. Central government.
9. Working papers are the property of the \_\_\_\_\_.
- a. Auditor
  - b. Client
  - c. Client & the auditor
  - d. None of the above
10. Manipulation of accounts is a \_\_\_\_\_.
- a. Management fraud
  - b. Employee fraud
  - c. Auditor fraud
  - d. Both a and c
11. Audited statements are helpful in \_\_\_\_\_.
- a. Settlement of disputes
  - b. Settlement of accounts
  - c. Resolving conflict among the employees
  - d. Resolving conflicts among the directors
12. Current file contains \_\_\_\_\_.
- a. Audit Report
  - b. Audit Programme & Audit Plan
  - c. Certificate from Banks about the balances
  - d. All of the above
13. \_\_\_\_\_ contains information pertaining to financial history, memorandum of association, articles of association of a company.
- a. Permanent audit file
  - b. Current audit file
  - c. Test audit file
  - d. All options are incorrect
14. Misappropriation of goods is conducted by \_\_\_\_\_.
- a. Auditors
  - b. Employees
  - c. Management
  - d. All of the above
15. Due to audit programme, the work \_\_\_\_\_.
- a. Becomes mechanical
  - b. gives shelter to inefficient assistants
  - c. responsibility is fixed
  - d. None of the above
16. Manipulation of accounts to show a better position is called as \_\_\_\_\_.
- a. Window dressing
  - b. Error of omission

- c. Error of commission
  - d. None of the above
17. The objective of auditing financial statements is to enable the auditor to express an opinion as to \_\_\_\_\_.
- a. Whether financial statements are prepared according to double entry system
  - b. Whether financial statements are prepared according to accounting policies of the management.
  - c. Whether financial statements are prepared as per identified Financial Reporting Frame work.
  - d. Whether financial statements are prepared as per income tax act.
18. Goods sent on consignment recorded as credit sales is an error of \_\_\_\_\_.
- a. Commission
  - b. Omission
  - c. Principle
  - d. None of the above
19. The error of omission is \_\_\_\_\_.
- a. Sale of goods recorded in the sales journal
  - b. Wages paid to Suresh, debited to Suresh A/c
  - c. Total of purchase journal is not posted to purchases A/c
  - d. None of the above
20. The error that will affect the Trial Balance is \_\_\_\_\_.
- a. Repairs to machinery is debited to Machinery A/c
  - b. Total sales journal is short by Rs. 2,500/-.
  - c. Carriage on machinery debited to Carriage A/c
  - d. None of the above
21. The error that will not affect the trial balance is \_\_\_\_\_.
- a. Wrong balancing of an A/c.
  - b. Wrong totaling of an A/c
  - c. Writing an amount in the wrong A/c but on correct side
  - d. None of the above
22. Total of purchase book is not posted to the ledger is an error of \_\_\_\_\_.
- a. Commission
  - b. Omission
  - c. Principle
  - d. None of the above
23. Sales journal overcast by Rs. 10,000/- is an error of \_\_\_\_\_.
- a. Commission
  - b. Omission
  - c. Principle
  - d. None of the above

24. Sales to Deepthi of Rs. 190/- posted to her A/c as Rs. 109/- is an error of \_\_\_\_\_.
- Commission
  - Omission
  - Principle
  - None of the above
25. A credit sales of Rs. 20,000/- is recorded in the purchase book is an error of \_\_\_\_\_.
- Commission
  - Omission
  - Principle
  - None of the above
26. Repairs to machinery is debited to machinery a/c is an error of \_\_\_\_\_.
- Commission
  - Omission
  - Principle
  - None of the above
27. Goods worth Rs. 5,000/- taken by the proprietor for personal use not recorded is an error of \_\_\_\_\_.
- Commission
  - Omission
  - Principle
  - None of the above
28. Prevention and detection of errors and frauds can be done by \_\_\_\_\_.
- Auditor
  - Accountant
  - Cashier
  - Management
29. The risk of fraud increases when \_\_\_\_\_.
- Working capital is low
  - Cash sales are high
  - Same auditor is appointed every year
  - Single person does the management of cash
30. Audit programme should be \_\_\_\_\_.
- Oral
  - Flexible to suit client
  - Rigid
  - None of the above
31. \_\_\_\_\_ is a type of internal evidence.
- debtors balance confirmation
  - bank balance confirmation
  - insurance policy
  - minute books

32. \_\_\_\_\_ are innocent mistakes.
- errors
  - fraud
  - misappropriation
  - All options are incorrect
33. When the effect of one error is compensated by another error, \_\_\_\_\_ error is said to have occurred.
- principal
  - casting
  - omission
  - All options are incorrect
34. Audit means \_\_\_\_\_.
- Recording business transactions
  - Preparing final accounts
  - Examination of books, accounts or vouchers
  - Decision making
35. Internal auditor of a company must be \_\_\_\_\_.
- Cost accountant
  - Chartered accountant
  - ICWA
  - Need not possess any professional qualification
36. Audit plan should be based on clients \_\_\_\_\_.
- profits
  - business
  - net worth
  - reputation
37. The audit that is made compulsory under statute is called \_\_\_\_\_.
- Statutory audit
  - Partial audit
  - Complete audit
  - Continuous audit
38. An audit is the \_\_\_\_\_ examination of financial information
- dependent
  - independent
  - correct
  - accurate
39. An audit program contains \_\_\_\_\_.
- audit report
  - audit procedure
  - correspondence with third parties
  - All options are incorrect

40. The Auditors Working Papers are divided into two parts namely \_\_\_\_\_.
- Permanent audit file and current audit file
  - Permanent audit file and temporary audit file
  - temporary audit file and current audit file
  - current audit file and transitory audit file
41. Concurrent Audit of the banks is an example of \_\_\_\_\_.
- Statutory audit
  - Continuous audit
  - Balance sheet audit
  - Both b and c
42. Audit in depth is a synonymous to \_\_\_\_\_.
- Complete audit
  - Completed audit
  - Final audit
  - Detailed audit
43. Balance sheet audit includes verification of \_\_\_\_\_.
- Assets
  - Liabilities
  - Income and expenditure
  - All of the above
44. Balance sheet audit does not include \_\_\_\_\_.
- Verification of assets and liabilities
  - Vouching of income and expenditure
  - Examination of adjusting entries
  - Routine checking and closing entries
45. Internal reports include \_\_\_\_\_.
- Annual report
  - Trade journal
  - Websites
  - Publications of professional bodies
46. Objective of audit planning is \_\_\_\_\_.
- Identification of potential problems
  - Inefficient work
  - Deadline of work
  - None of these
47. If the auditor is satisfied with the internal control then the extent of examination is \_\_\_\_\_.
- Reduced.
  - Increased
  - A&b
  - None of the above

48. Audit programme contains information about

- a. Audit plans
- b. Mistakes observed.
- c. Unsatisfactory account system
- d. None of the above

49. \_\_\_\_\_ papers are the link between the client records and the audit report.

- a. Working papers
- b. News
- c. Loose
- d. Rules

50. Audit programme is prepared by \_\_\_\_\_.

- a. The client
- b. The client and the auditor
- c. The auditor and the assistant
- d. The chief accountant.

51. \_\_\_\_\_ means to select and examine a representative sample from large number of similar items.

- a) Internal Audit
- b) Test Checking
- c) Vouching
- d) Verification

52) Accounting Controls have \_\_\_\_\_ impact on the reliability of the financial information:

- a) secondary
- b) indirect
- c) direct
- d) collateral

53) Which of the following is a separate component of Internal Control established to determine whether other internal controls are well designed and properly operated?

- a) Test Checking
- b) Internal Audit
- c) Vouching

d) Verification

54) Dividend income is vouched by reference to counterfoils of \_\_\_\_\_ warrants:

- a) receipts
- b) storage
- c) disposal
- d) dividend

55) Rental receipts should be verified w.r.t. \_\_\_\_\_ agreements:

- a) purchase
- b) tenancy
- c) sales
- d) dividend

56) Auditor should obtain Fixed deposit register and trace the entries made in it with the help of \_\_\_\_\_ certificates:

- a) old deposit
- b) recurring deposit
- c) current deposit
- d) fixed deposit

57) Salary is vouched on the basis of \_\_\_\_\_:

- a) Salary register
- b) Sales register
- c) Purchase register
- d) Shareholder register

58) At the time of recording the transaction, when the basic principles of accounting are not followed properly, it is called as:

- a) Error of principle
- b) Error of Omission



- c) Compensating Error
- d) Errors of Duplication

59) Goodwill is \_\_\_\_\_ fixed asset:

- a) intangible
- b) tangible
- c) positive
- d) negative

60) Outstanding expenses should be shown under \_\_\_\_\_ in the balance sheet.

- a) current liabilities
- b) current assets
- c) fixed liabilities
- d) fixed assets

61) Preliminary expenses , share / debenture issue expenses are \_\_\_\_\_ assets.

- a) fixed
- b) fictitious
- c) real
- d) actual

62) Auditor should obtain list of \_\_\_\_\_ while verifying proposed dividend:

- a) shareholders
- b) directors
- c) suppliers
- d) customers

63) Auditor should ensure that the \_\_\_\_\_ life of the patent has not yet been expired:

- a) legal
- b) Illegal

- c) unlawful
- d) unethical

64) Which of the following mean “selecting a sample number of transactions and checking them to ascertain accuracy and correctness of those transactions and to draw conclusions about all transactions of the similar kind”?

- a) Internal Audit
- b) Test Checking
- c) Verification
- d) Vouching

65) The purpose of which of the following Standard on Auditing is to provide guidelines for the design and selection of an audit sample and to evaluate the sample results?

- a) SA - 500
- b) SA - 400
- c) SA -580
- d) SA - 530

66) Administrative Controls have only \_\_\_\_\_effect on the financial information:

- a) secondary
- b) indirect
- c) direct
- d) collateral

67) The Sales Return has to be verified against copy of \_\_\_\_\_.

- a) Credit Note
- b) Debit Note
- c) Cash Memo
- d) Rental receipts

68) For checking the deposit in the bank account, auditor should check the \_\_\_\_\_ slip:

- a) withdrawal
- b) purchase
- c) pay-in
- d) sales

69) Dividend income is vouched by reference to counterfoils of \_\_\_\_\_ warrants:

- a) receipts
- b) storage
- c) disposal
- d) dividend

70) Salary is vouched on the basis of \_\_\_\_\_:

- a) Salary register
- b) Sales register
- c) Purchase register
- d) Shareholder register

71) In case liabilities are omitted or overstated / understated, the balance sheet will not represent a \_\_\_\_\_ view of the state of affairs of the company:

- a) correct
- b) true and fair
- c) proper
- d) clear

72) Auditor should verify \_\_\_\_\_ system while checking all liabilities:

- a) financial
- b) accounting
- c) cost
- d) internal control

73) Auditor should examine the contracts entered into by the company while checking \_\_\_\_\_ liabilities:

- a) Contingent
- b) Current
- c) Fixed
- d) Stable

74) Auditing is a \_\_\_\_\_ examination of books.

- a) accounts examined
- b) systematic
- c) employee
- d) Important

75) Investigation is \_\_\_\_\_ in scope.

- a) Wide
- b) Employee
- c) take place
- d) less

76) Financial statements include \_\_\_\_\_ and \_\_\_\_\_.

- a) Balance sheet, P & L A/c
- b) Window, dressing
- c) Principle, Rules
- d) Rules, order

77) The audit which is done for satisfaction of the owner is \_\_\_\_\_.

- a) cost audit
- b) internal audit
- c) statutory audit
- d) Financial audit

78) Audit of banks is an example of –

- a) Statutory audit
- b) Continuous audit
- c) Balance sheet audit
- d) Both (b) and (c)

79) Special audit can be ordered by –

- a) Central Government
- b) State Government
- c) Municipality
- d) Grampanchayat

80) The standard deals with audit planning

- a) AAS7
- b) SA315
- c) AAS9
- d) AAS3

81) Audit plan should be based on knowledge of \_\_\_\_\_ business.

- a) Auditor's
- b) Client's
- c) Both (a) and (b)
- d) Employee

82) Audit plan should be based on client's

- a) Profits
- b) Business

- c) Networth
- d) Reputation

83) In test checking clients staff becomes \_\_\_\_\_.

- a) Careless
- b) sampling
- c) stratification
- d) confident

84) Every private company having a turnover of ` \_\_\_\_\_ crores or more must conduct internal audit.

- a) 300 crores
- b) 200 crores
- c) 100 crores
- d) 400 crores

85) The statutory auditor should examine extent of \_\_\_\_\_ exhibited by internal auditor.

- a)Management
- b)Independence
- c)Central Government
- d)Auditor

86) Vouching is an essence of \_\_\_\_\_.

- a) Auditing
- b) Vouching
- c) Credit memo
- d) verification

87) Insurance premium paid is verified from \_\_\_\_\_ \_\_\_\_\_.

- a) Other operating expenses
- b) To obtain understanding of internal control system
- c) Receipt issued by insurance company
- d) Internal company

88) Verification involves

- a) Existence, possession and ownership
- b) Recording of assets in books of accounts
- c) Vouching on the basis of invoice
- d) Checking books

89) The main objective of financial audit is\_\_\_\_\_

- a) Expression of opinion
- b) Detection and prevention of fraud and error
- c) Designing internal control system
- d) checking books of account

90) Auditing begins where\_\_\_\_\_ends.

- a) Selling
- b) Inventory valuation
- c) Accounting
- d) Purchase

91) Auditor should have communication skills in following areas:

- a) Oral skills
- b) Written skills
- c) Both (a) and (b)
- d) He does not require any communication skills

92) Which of the following is not component of financial statement

- a) Profit and Loss Account
- b) Balance Sheet
- c) Notes to Accounts
- d) Board's Report

93) The auditor cannot obtain an absolute assurance due to\_\_\_\_\_

- a) Lack of accounting knowledge
- b) Lack of auditing knowledge
- c) Both (a) and (b)
- d) Inherent limitations of auditing

94) The auditor's \_\_\_\_\_ safeguard the auditor's ability to form an audit opinion without being

affected by any influences.

- a) Objectivity
- b) Independence
- c) Confidentiality
- d) Integrity

95) An audit which is compulsory by law is called as

- a) Government Audit
- b) Internal Audit
- c) Cost Audit
- d) Statutory Audit

96) Which of the following services is not prohibited for auditor of company



- a) Internal Audit
- b) Tax Audit
- c) Book-keeping
- d) Actuarial Service

97) 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

98) Auditing has all features except

- a) Done every financial year
- b) Based on conclusive evidence
- c) Mandatory for companies
- d) None of the above

99)\_\_\_\_\_ speaks about the Objective and Scope of Audit:

- a) SA-200
- b) SA- 500
- c) SA-800
- d) SA- 400

100) Statutory audit is compulsory under \_\_\_\_\_:

- a) Companies Act, 1999
- b) Companies Act, 2013
- c) Companies Act, 2002
- d) Companies Act, 2010

101) The remuneration of a statutory auditor is fixed by the:

- a) Employees
- b) CEO
- c) Shareholders
- d) President

102) According to \_\_\_\_\_, working papers are the property of the auditor:

- a) SA-430
- b) SA- 530
- c) SA-130
- d) SA-230

103) Expenses incidental to purchase of fixed assets are:

- a) debited to fixed asset a/c
- b) credited to current asset a/c
- c) debited to current liabilities a/c
- d) credited to goodwill a/c

104) Which of the following is not one of the selection methods:

- a) Error selection
- b) Random selection
- c) Systematic selection
- d) Haphazard selection

105) When books of accounts are made in such a way to show much better condition than the actual condition it is called as \_\_\_\_\_ :

- a) Secret reserves
- b) Window dressing
- c) Right information
- d) Correct information

106) Auditor should prepare an audit programme according to the \_\_\_\_\_ :

- a) nature and objective of audit
- b) place of the company
- c) location of the company
- d) position of the company

107) Which of the following means that books of accounts are made in such a way to show much better condition than the actual condition it is called as \_\_\_\_\_ :

- a) Secret reserves
- b) Window dressing
- c) Right information
- d) Correct information

108) A person of similar standing is called :

- a) Auditor
- b) Peer
- c) Professional
- d) CAG

109) Object of social audit is \_\_\_\_\_ :

- a) To appraise social contributions of a business
- b) To appraise society
- c) To examine financial record
- d) None to these.

110) Dividend can be paid out of profits \_\_\_\_\_ :

- a) after depreciation but before tax
- b) before depreciation
- c) before tax
- d) after tax & depreciation

111) The auditor has to inform the registrar about his acceptance of the appointment within \_\_\_\_\_ :

- a) 10 days
- b) 20 days
- c) 30 days
- d) 60 days

112) Public sector banks are regulated & controlled by \_\_\_\_\_ :

- a) Reserve Bank of India
- b) Regional Rural Bank
- c) NABARD
- d) Co-operative Bank

113) \_\_\_\_\_ helps an auditor to conduct an audit in an effective, efficient & timely manner :

- a) Accounting
- b) Internal control
- c) Internal check
- d) Planning

114) LFAR is mandatory for :

- a) Limited companies
- b) Insurance companies
- c) Banking companies
- d) Non-profit organization

115) Test checking is \_\_\_\_\_ :

- a) checking transactions which are listed
- b) checking vouchers only
- c) checking cash memos only
- d) checking select transactions

116) When a transaction is omitted from the books it is called as:

- a) Error of Omission
- b) Error of Commission
- c) Mathematical Errors
- d) Casting Errors

117) When the transaction has been entered in the books but wrongly it is called as :

- a) Errors of Omission
- b) Errors of commission
- c) Compensating Errors
- d) Error of Duplication

118) When the amounts of transactions are recorded wrongly it is called :

- a) Mathematical Errors
- b) Casting Errors
- c) Posting Errors
- d) Errors of Duplication

119) If errors are committed while taking the totals they are called :

- a) Mathematical Errors
- b) Casting Errors
- c) Posting Errors
- d) Errors of Duplication

120) When error is occurred while posting the entry in the books, it is called :

- a) Mathematical Errors
- b) Casting Errors
- c) Posting Errors
- d) Errors of Duplication

121) Full form of BRS is :

- a) Bank Returns System
- b) Bank Returns Statement
- c) Bank Reforms Statement
- d) Bank Reconciliation Statement

122)\_\_\_\_\_ means to select and examine a representative sample from large number of similar items:

- a) Sample
- b) Assets
- c) Liabilities
- d) Expenditure

123) Any document that support / represent and accounting transaction is termed as :

- a) Liability
- b) Voucher
- c) Asset
- d) Sample

124) Audit of small enterprises is generally :

- a) compulsory
- b) mandatory
- c) obligatory
- d) voluntary

125) In audit of partnership firm auditor's appointment is made as per the provisions of \_\_\_\_\_ :

- a) partnership deed
- b) law
- c) rules
- d) regulations

126) In case of recurring audits, working papers can be divided into \_\_\_\_\_ and current file pertaining to audit for current year :

- a) fixed audit file
- b) normal audit file
- c) permanent audit file
- d) regular audit file

127) Memorandum of Association is the part of \_\_\_\_\_ audit file :

- a) current
- b) temporary
- c) permanent
- d) regular

128) Trial balance is the part of \_\_\_\_\_ audit file:

- a) current
- b) fixed
- c) normal
- d) regular

129) Audit notebook is a written record of \_\_\_\_\_ that the auditor has:

- a) assets
- b) queries
- c) liabilities
- d) expenditure

130) When the goods are sent on consignment basis, its entry should be recorded in a separate \_\_\_\_\_ register :

- a) purchases
- b) sales
- c) memorandum

d) assets

131) Fictitious assets are to be:

a) written off

b) ignored

c) neglected

d) None of the above

132) Sales commission is generally calculated as a \_\_\_\_\_ of total sales made by salesman:

a) reduction

b) decrease

c) multiplication

d) percentage

133) The cancellation of appointment of concurrent auditor should be reported to :

a) RBI & ICAI

b) Shareholders

c) Employees

d) Management

134) For declaring interim dividend, which of the following audit is compulsory?

a) Environmental Audit

b) Interim Audit

c) Energy Audit

d) Cost Audit

135) Internal Check is part of \_\_\_\_\_ system :

a) internal control

b) only liabilities

c) Both of the above



d) None of the above

136) \_\_\_\_\_ are the controls that are related to the Accounting System:

a) Assets

b) Liabilities

c) Expenditure

d) Accounting Controls

137) The auditor has to \_\_\_\_\_ the internal controls system:

a) evaluate

b) neglect

c) ignore

d) All of the above

138) Study of internal controls enables the auditor to determine the extent to which \_\_\_\_\_ can be applied:

a) assets

b) test check

c) liabilities

d) none of the above

138) \_\_\_\_\_ is a review of the operations and records within a business, by specially designed staff:

a) Sample Testing

b) Test Checking

c) Internal Audit

d) None of the above

139) \_\_\_\_\_ is the system of allocation of responsibility and division of work whereby the work of an employee is checked continuously with the work of others:

a) Internal Check

b) Sample Testing

- c) Test Checking
- d) None of the above

140) In the internal check system the work is divided in such a way that no employee has \_\_\_\_\_ control over any transaction:

- a) Fair
- b) Exclusive
- c) Both of the above
- d) None of the above

141) \_\_\_\_\_ can give suggestions for improvement of internal control system:

- a) Customers
- b) Suppliers
- c) Auditor
- d) None of the above

142) Auditor of a partnership firm is appointed by the :

- a) customers
- b) suppliers
- c) partners
- d) all of the above

143) The scope of audit of a partnership firm is appointed by the :

- a) partners
- b) customers
- c) suppliers
- d) none of the above

144) It is compulsory under \_\_\_\_\_ for Joint Stock Companies to get their accounts audited at the end of every financial year:

- a) Companies Act, 2010

- b) Companies Act, 2005
- c) Companies Act, 1999
- d) Companies Act, 2013

145) Full form of AGM is :

- a) Annual General Meeting
- b) Asset General System
- c) Annual Goals Method
- d) Asset Growth Method

146) Auditor must inform the registrar in writing of his acceptance or refusal of the appointment within \_\_\_\_\_ days from the date of receipt of appointment letter:

- a) 40 days
- b) 50 days
- c) 60 days
- d) 30 days

147) First auditor is appointed by \_\_\_\_\_ of the company:

- a) Directors
- b) Customers
- c) Suppliers
- d) None of the above

148) Subsequent auditors are appointed by \_\_\_\_\_ of the company:

- a) Customers
- b) Shareholders
- c) CEO
- d) Suppliers

149) Audit planning is a \_\_\_\_\_ process:

- a) rare

- b) one time
- c) continuous
- d) none of the above

150) Audit programme is a \_\_\_\_\_ evidence in case of any suit files in the court:

- a) unreal
- b) fake
- c) unethical
- d) good