

1. \_\_\_\_\_ is a systematic examination of the books and records of a business.
- A. Auditing.
  - B. Vouching.
  - C. Verification.
  - D. Checking.

ANSWER: A

2. 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 of India.

ANSWER: D

3. Which of the following is not a kind of audit?
- A. Statutory and private audit.
  - B. Government and continuous audit.
  - C. Continuous, final, Interim, Cash, Cost and Management audit.
  - D. None of these.

ANSWER: D

4. An audit which is compulsory by the law \_\_\_\_\_.
- A. Government audit.
  - B. Internal audit.
  - C. Cost audit.
  - D. Statutory audit.

ANSWER: D

5. Instruction of audit issued by controller and auditor general of India \_\_\_\_\_.
- A. statutory audit.
  - B. final audit.
  - C. management audit.
  - D. government audit.

ANSWER: D

6. Audit done by the employees of the business undertaking is called \_\_\_\_\_.

- A. final audit.
- B. management audit.
- C. government audit.
- D. government audit.

ANSWER: B

7. This kind of audit is conducted generally between two annual audit \_\_\_\_\_.

- A. internal audit.
- B. interim audit.
- C. final audit.
- D. continuous audit.

ANSWER: B

8. Management audit otherwise called as \_\_\_\_\_.

- A. final audit.
- B. efficiency audit.
- C. cost audit.
- D. cash audit.

ANSWER: B

9. A number of checks and controls exercised in a business to ensure its efficient working is known as \_\_\_\_\_.

- A. Internal check.
- B. Internal control.
- C. Internal audit.
- D. Interim check.

ANSWER: B

10. Voucher relates to \_\_\_\_\_.

- A. cash receipt.
- B. cash payment.
- C. credit transactions.
- D. all the above.

ANSWER: D

11. Internal check is meant for \_\_\_\_\_.

- A. prevention of frauds.
- B. detection of frauds.

C. helping audit is depth.

D. detection of errors.

ANSWER: A

12. Internal auditor is appointed by \_\_\_\_\_.

A. the management.

B. the shareholders

C. the government.

D. he statutory body.

ANSWER: A

13. Auditing begins where \_\_\_\_\_ ends.

- A. Selling.
- B. inventory valuation.
- C. Accounting.
- D. Purchases.

ANSWER: C

14. A kind of audit conducted for a part of the accounting year is called \_\_\_\_\_.

- A. Periodical audit.
- B. Partial audit.
- C. Cost audit.
- D. Interim audit.

ANSWER: A

15. For which of the following, Audit is optional?

- A. Trusts.
- B. Joint stock companies.
- C. Proprietorship concern.
- D. None of the above.

ANSWER: C

16. The audit that is made compulsory under statute is called \_\_\_\_\_.

- A. Statutory audit.
- B. Partial audit.
- C. Complete audit.
- D. Continuous audit.

ANSWER: A

17. The receipt of goods must be entered in \_\_\_\_\_.

- A. goods inward book.
- B. goods outward book
- C. receipt of Stores.
- D. ceipt issue and balance of stores

ANSWER: A

18. Auditing standards differ from auditing procedures in that procedures relate to \_\_\_\_\_.

- A. Measure of performance.

- B. Audit principles.
- C. Acts to be performed.
- D. Audit judgments.

ANSWER: C

19. Confirmation of the court is necessary for \_\_\_\_\_.
- A. increasing the share capital.
  - B. . reduction of share capital.

C. conversion of shares into stock.

D. issue of new shares.

ANSWER: B

20. Profit prior to incorporation may be utilized to \_\_\_\_\_.

A. write of goodwill

B. pay interest on purchase consideration

C. writing off fixed assets.

D. all the above.

ANSWER: A

21. An audit programme is \_\_\_\_\_.

A. a description, memorandum or an outline of the work to be done in a business.

B. the rules and regulations prescribed for writing up the books of accounts.

C. to gain knowledge of clients accounting system.

D. a trial work.

ANSWER: B

22. An auditor of a company will be held liable under the companies act \_\_\_\_\_.

A. if he destroys, mutilates, secrets etc., any documents, vouchers, books etc., with a view to deceive any person.

B. if he has examined all the documents of the company.

C. if he has not contravened the provisions of sec.227.

D. if he is an auditor of the company.

ANSWER: A

23. The main object of the audit of the cash book may be \_\_\_\_\_.

A. to verify the assets and liabilities.

B. to know that all receipts and payments have been properly recorded.

C. to check the internal control system in business.

D. to check the bank balance.

ANSWER: B

24. The purpose of the audit of wage payment is to determine that \_\_\_\_\_.

A. the work is executed completely for which the workers are paid wages.

B. the workers are paid the correct amount of wages under proper authorization.

C. the workers are working regularly.

D. none of the above.

ANSWER: B

25. One of the audit procedures to check the issue of share capital of the newly formed company is

\_\_\_\_\_.

- A. the memorandum of association and articles of association.
- B. the share transfer register.
- C. the issue of debenture.
- D. none of the above.

ANSWER: A

26. Capital reserves are created out of profits of \_\_\_\_\_.

- A. a revenue nature.
- B. a capital nature.
- C. a secret reserve.
- D. contingency reserve.

ANSWER: B

27. A good audit report must at least meet one of the following qualifications \_\_\_\_\_.

- A. it should offer constructive and timely suggestions to the management.
- B. it should not point out mistakes.
- C. it should not be based on factual information.
- D. it should not be based on balance sheet.

ANSWER: A

28. The work of one clerk is automatically check by another clerk is called \_\_\_\_\_.

- A. Internal control.
- B. Internal check.
- C. Internal audit.
- D. None of the above.

ANSWER: B

29. The owners of the company are called \_\_\_\_\_.

- A. Debenture holders.
- B. Debtors.
- C. Shareholders.
- D. None of the above.

ANSWER: C

30. Verification is \_\_\_\_\_.

- A. the art of recording the business transaction.
- B. an examination of the books of accounts.
- C. the act of establishing the accuracy of entries in the books of accounts.
- D. none of the above.

ANSWER: C

31. Depreciation is \_\_\_\_\_.

- A. the decrease in the value of an asset.
- B. the increase in the value of an asset.
- C. an appreciation to the company.
- D. a credit to shareholders.



ANSWER: A

32. The main objects of investigation is \_\_\_\_\_.

- A. to discover errors and frauds.
- B. to prevent errors and frauds.
- C. to verify statements.
- D. all the above.

ANSWER: D

33. Internal controls and internal check are \_\_\_\_\_.

- A. one and the same.
- B. different.
- C. internal control includes internal check.
- D. None of the above.

ANSWER: C

34. Share may be issued \_\_\_\_\_.

- A. at par.
- B. at premium.
- C. at discount.
- D. all the above.

ANSWER: D

35. The liabilities of an auditor can be \_\_\_\_\_.

- A. Civil.
- B. Criminal.
- C. Civil and Criminal.
- D. Official.

ANSWER: C

36. An auditor is like a \_\_\_\_\_.

- A. Watchman.
- B. foolish dog.
- C. mad dog.
- D. watch dog.

ANSWER: B

37. Special audit is necessary for \_\_\_\_\_.

- A. inefficient concern.
- B. processing concern.
- C. trading concern.
- D. manufacturing concern.

ANSWER: A

38. The first auditors appointed hold office \_\_\_\_\_.

- A. for a period of one year.
- B. for a period of two years.
- C. for a period of three years.

D. till the conclusion of the first annual general meeting.

ANSWER: D

39. Audit of company account is \_\_\_\_\_.

A. compulsory.

B. unnecessary.

C. avoidable.

D. depends upon directors.

ANSWER: A

40. The company's auditor is expected to give \_\_\_\_\_.
- A. his expert opinion about the accounts.
  - B. a factual position about the accounts.
  - C. a critical review of the accounts.
  - D. financial assistance.

ANSWER: A

41. Internal auditor of a company must be \_\_\_\_\_.
- A. Cost accountant.
  - B. Chartered accountant.
  - C. ICWA.
  - D. need not possess any professional qualification.

ANSWER: B

42. Auditors of a joint stock company are appointed by \_\_\_\_\_.
- A. directors of the company.
  - B. annual general meeting.
  - C. election at the annual general meeting.
  - D. debenture holders.

ANSWER: C

43. A company auditor can be removed by \_\_\_\_\_.
- A. board of directors.
  - B. managing director.
  - C. any director.
  - D. general meeting.

ANSWER: D

44. A vacancy caused by resignation of an auditor is filled by \_\_\_\_\_.
- A. board of directors.
  - B. managing director.
  - C. general meeting.
  - D. central government.

ANSWER: C

45. Audit in depth means \_\_\_\_\_.
- A. audit of each and every item.
  - B. intensive audit of each and every item.

C. intensive audit of a few items.

D. audit of a few selected items.

ANSWER: C

46. Concurrent audit is a part of \_\_\_\_\_.

A. internal check system.

B. continuous audit.

C. internal audit system.

D. final audit.

ANSWER: C

47. In India balance sheet audit is synonymous to \_\_\_\_\_.

- A. Annual audit.
- B. Continuous audit.
- C. Detailed audit.
- D. Statutory audit.

ANSWER: A

48. Audit in depth is synonymous for \_\_\_\_\_.

- A. complete audit.
- B. completed audit.
- C. final audit.
- D. detailed audit.

ANSWER: D

49. Balance sheet audit included verification of \_\_\_\_\_.

- A. assets.
- B. liabilities.
- C. income and expenditure accounts where appropriate.
- D. all of the above.

ANSWER: D

50. 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 organisation has a good internal control system.
- D. It is expensive.

ANSWER: C

51. Which of the following is not a fact of EPA?

- A. Economic audit.
- B. Efficiency audit.
- C. Expenditure audit.
- D. Effectiveness audit.

ANSWER: C

52. Balance sheet 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.

ANSWER: D

53. When issuing unqualified opinion the auditor who evaluated the audit findings should be satisfied that the \_\_\_\_\_.

- A. amount of known misstatement is documented in working papers.

- B. estimates of the total likely misstatement is less than materiality level.
- C. estimated of the total likely misstatement is more than materiality level.
- D. estimates of the total likely misstatement cannot be made.

ANSWER: B

54. In determining the level of materiality for an audit what should not be considered?

- A. Prior years errors.
- B. The auditor remuneration.
- C. Adjusted interim financial statement.
- D. Prior year financial statements.

ANSWER: B

55. Analytical procedures issued in the planning stage of an audit, generally \_\_\_\_\_.

- A. helps to determine the nature, timing and extent of other audit procedures.
- B. directs attention to potential risk areas.
- C. indicate important aspects of business.
- D. all of the above.

ANSWER: D

56. Of the following, which is the least persuasive type of audit evidence?

- A. Bank statements obtained from the client.
- B. Documents obtained by auditor from third parties directly.
- C. Carbon copies of sales invoices inspected by the auditor.
- D. Computations made by the auditor.

ANSWER: C

57. Which of the following Auditing Assurance Standard deals with Audit planning?

- A. AAS-7.
- B. AAS-8.
- C. AAS-9.
- D. AAS-3.

ANSWER: B

58. Audit Programme is prepared by \_\_\_\_\_.

- A. the auditor.
- B. the client.
- C. the audit assistants.
- D. the auditor and his audit assistants.

ANSWER: D



59. The working papers which auditor prepares for financial statements audit are \_\_\_\_\_ .

- A. evidence for audit conclusions.
- B. owned by the client.
- C. owned by the auditor.
- D. retained in auditor office until a change in auditors.

ANSWER: C

60. Which of the following best describes the primary purpose of audit programmed preparation?

- A. To detect errors or fraud.
- B. To comply with GAAP.
- C. To gather sufficient appropriate evidence.
- D. To assess audit risk.

ANSWER: C

61. 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.

ANSWER: D

62. The auditor permanent working paper file should not normally, include \_\_\_\_\_

- A. extracts from clients bank statements.
- B. past years financial statements.
- C. attorney letters.
- D. debt agreements.

ANSWER: A

63. Who is responsible for the appointment of statutory auditor of a limited company?

- A. Directors of the company.
- B. Members of the company.
- C. The central government.
- D. The state government.

ANSWER: B

64. Which of the following sections deals with qualification of the auditor?

- A. Section 226(1) and Section 226(2).
- B. Section 224(1) and Section 224(2).
- C. Section 226(3) and Section 226(4).
- D. Section 224(3) and Section 224(4).

ANSWER: A

65. Which of the following statement is not true?

- A. A partnership firm can be appointed as a statutory auditor of limited company.
- B. Appointment can be made in the name of the firm.
- C. Majority of the partners should be practicing in India.
- D. All partners should be chartered account.

ANSWER: C

66. The board of directors shall appoint first auditor of a company \_\_\_\_\_.
- A. within one month of completion of capital subscription state of the company.
  - B. within one month of the promotion of the company.
  - C. within one month of the commencement of the business of the company.
  - D. within one month of incorporation of the company.

ANSWER: D

67. In case the directions fail to appoint first auditors, the shareholders shall appoint them at \_\_\_\_\_ by passing a resolution.

- A. a general meeting.
- B. first annual general meeting.
- C. statutory meeting.
- D. annual general meeting.

ANSWER: A

68. The auditor of a government company is appointed by the C & AG. His remuneration is fixed by \_\_\_\_\_.

- A. the C & AG.
- B. the shareholders.
- C. the shareholders at an annual general meeting.
- D. the board of directors.

ANSWER: B

69. The section which contains provisions regarding remuneration of the auditor is \_\_\_\_\_.

- A. Section 224(9).
- B. Section 224(7).
- C. Section 224(8).
- D. Section 224(6).

ANSWER: C

70. The authority to remove the first auditor before the expiry of term is with \_\_\_\_\_.

- A. the shareholders in a general meeting.
- B. the shareholders in the first annual general meeting.
- C. the board of directors.
- D. the central government.

ANSWER: A

71. Which of the following statement is not correct regarding removal of first auditor before expiry of the term?

- A. He is removed at a general meeting.
- B. The shareholders are authorized to do so.
- C. The approval of the central government is required for such removal.
- D. The provision for such removal are contained in section 224(7).

ANSWER: C

72. The retiring auditor does not have a right to \_\_\_\_\_.

- A. make written representations.

- B. get his representation circulated.
- C. be heard at the meeting.
- D. speak as a member of the company.

ANSWER: D

73. Who out of the following cannot be appointed as a statutory auditor of the company?
- A. Erstwhile director.
  - B. Internal auditor.

C. Relative of a director.

D. Only (2) and (3).

ANSWER: B

74. A statutory auditor has a right of access at all times to \_\_\_\_\_.

A. books and accounts of a company.

B. books, account and documents of the company.

C. books, accounts and vouchers of the company.

D. notices and documents of the company.

ANSWER: C

75. The auditor has a right to \_\_\_\_\_.

A. obtain information and explanation.

B. obtain information and explanation from the employees and officers.

C. obtain information and explanation necessary for the purpose of audit.

D. both (2) and (3).

ANSWER: A

76. The branch auditor is appointed by \_\_\_\_\_.

A. shareholders in an annual general meeting.

B. shareholders in general meeting.

C. board of directors in board meeting.

D. any of the above.

ANSWER: B

77. Auditor of a \_\_\_\_\_ company does not have right to visit foreign branches of the company.

A. unlimited liability.

B. manufacturing.

C. banking.

D. non-profit making.

ANSWER: B

78. Special audit is conducted at the order of the central government. Which section gives such powers?

A. Section 233(A).

B. section 233(B)

C. Section 242(A).

D. Section 242(B).

ANSWER: C

79. Who among the following can be appointed as special auditor by the central government?

<http://www.commercepk.com/mcqs-complete-solved-multiple-choice-question-with-answer-key/>

- A. The statutory auditor.
- B. Chartered accountant in practice.
- C. Any chartered accountant who is not in practice.
- D. Both (1) and (2).

ANSWER: B

80. As per C & AG Act, 1971 the tenure of the comptroller and Auditor General is \_\_\_\_\_ a. four years.
- A. four years.

- B. five years.
- C. six years.
- D. seven years.

ANSWER: C

81. Audit of transactions does not include \_\_\_\_\_.

- A. propriety audit.
- B. efficiency cum performance audit.
- C. audit of receipts.
- D. audit of expenditure.

ANSWER: B

82. The income tax department has sent MR. X refund of Advance tax. The government Auditor detected this while conducting \_\_\_\_\_.

- A. audit of expenditure.
- B. performance audit.
- C. audit of stores and stock.
- D. audit of receipts.

ANSWER: A

83. Audit of rent, deposits and remittances does not cover \_\_\_\_\_.

- A. audit of borrowings.
- B. audit of amortization of debt.
- C. Audit of sanctions.
- D. remittance audit.

ANSWER: C

84. Audit reports on PSU are \_\_\_\_\_.

- A. submitted to the president/governor for being laid before the parliament
- B. sent to concerned ministries/departments.
- C. submitted to bod of concerned psu.
- D. submitted to pwd department.

ANSWER: B

85. Who among the following is eligible to be appointed as an audit of Government Company?

- A. A chartered accountant in practice.
- B. A chartered accountant whether in practice or not.
- C. An auditor appointed by the A & AG.
- D. An unsound mind person.

ANSWER: A



86. The statutory auditor of a Government Company submits his report to \_\_\_\_\_.

- A. the BOD of the company
- B. the C & AG.
- C. the legislature.
- D. the company secretary.

ANSWER: B

87. Which of the following statement is not distinguishing feature for computer based processing and manual processing?

- A. Errors in a CIS environment are less systematic as compared to error in manual processing.
- B. The potential for human error in the CIS environment is greater as compared to manual system.
- C. In a computer based accounting system, audit trail is in electronic form.
- D. Computer processing offers management a variety of analytical tools.

ANSWER: A

88. When computer programmed or files can be accessed from terminals, access can be limited to authorized individuals by \_\_\_\_\_.

- A. appointing a librarian.
- B. controlling passwords.
- C. appointing EEP auditor.
- D. Both (a) and (b).

ANSWER: D

89. General Controls will be ineffective when EDP Department \_\_\_\_\_.

- A. participates in computer software acquisition decisions.
- B. design documentations for computerized operations.
- C. originate changes in master files.
- D. provide physical security for programme files.

ANSWER: C

90. Which of the following activities would most likely be performed by EDP department?

- A. Authorizing transactions.
- B. Parity checks.
- C. Distributing output.
- D. Correction of transaction errors.

ANSWER: C

91. Which of the following will not affect audit in a CIS environment?

- A. The objective of expression of opinion on financial statements.
- B. Compliance procedures adopted by the auditor.
- C. Performance of substantive procedures.
- D. Evaluation of inherent risk and control risk.

ANSWER: A

92. Which of the following statement is not true of the test data approach in a test of computerized accounting system?

- A. Test data tests only those controls which the auditor wished to rely.

- B. Test data should consist of data related to all controls prevalent in the organisation.
- C. The result of test data indicates that all the application and general controls are functioning properly.
- D. Test data processed by the client computer programmed under the auditors control.

ANSWER: B

93. Which of the following CAAT allow fictitious transactions planted by the auditor to be processed along with real ones on client system?

- A. Integrated test facility.

- B. Test data approach.
- C. Generalized audit software.
- D. Parallel simulation.

ANSWER: A

94. An auditor is least likely to use computer software to \_\_\_\_\_.

- A. access client data files.
- B. assess control risk.
- C. performing analytical procedures.
- D. none of the above.

ANSWER: D

95. The auditor should examine subsequent realization of revenue such as dividends, interest, and commission etc to \_\_\_\_\_.

- A. identify cases of unrecorded revenue.
- B. ensure proper disclosure in the balance sheet .
- C. recomputed accrued income on the data of balance sheet.
- D. performance of procedures.

ANSWER: A

96. To test whether sales have been recorded, the auditor should draw a sample from a file \_\_\_\_\_.

- A. purchase orders.
- B. sales orders.
- C. sales invoices.
- D. bill of lading.

ANSWER: C

97. For vouching of which item, the auditor is most likely to examine cost records?

- A. Commission earned.
- B. Bad debts recorded.
- C. Credit sales.
- D. Sale of scrap.

ANSWER: D

98. The Guidance Note on Revenue issued by the ICAI does not deal with \_\_\_\_\_.

- A. sales revenue.
- B. revenue rendering service.
- C. revenue from sale of fixed assets.
- D. income from interest, dividend etc.

ANSWER: C

99. In case of unclaimed wages, auditor should examine whether \_\_\_\_\_.

- A. the amount has been deposited in a separate bank account.
- B. deposited with the cashier.
- C. held in a safe deposit box.
- D. held with the company accountant.

ANSWER: A

100. In order to vouch, which of the expenses, the auditor will examine Bill of entry?

- A. Custom.
- B. Excise duties.
- C. Sales tax.
- D. Income tax.

ANSWER: A

101. In case of sales return, the auditor should examine which documents?

- A. Credit notes, advice notes and inward return notes.
- B. Debit notes, advice notes and inward return notes.
- C. Purchase invoices, advice notes and inward return notes.
- D. Credit notes, inspection report and inward return notes.

ANSWER: D

102. Which of the following is most crucial to a purchase department?

- A. Reducing the cost of acquisition.
- B. Selecting supplies.
- C. Authorizing the acquisition of goods.
- D. Assuring the quality of goods.

ANSWER: C

103. The creditors accounts generally, have credit balance. Debit balance may be due to \_\_\_\_\_.

- A. advance paid against an order.
- B. goods returned.
- C. wrong debit to supplier account.
- D. any of the above.

ANSWER: D

104. Which of the following is not true with regard to verification of assets?

- A. It invoices substantiation of occurrence of transactions.
- B. Its objective is to establish existence, ownership, possession, valuation and disclosure of assets.
- C. The auditor has to form an opinion on different aspects.
- D. The auditor has to form an opinion on managerial aspects.

ANSWER: A

105. Which of the following statements is not true?

- A. Valuation of assets is the responsibility of management.
- B. The auditor can rely on a certificate issued by an authorized valuator as to the valuation of assets in the balance sheet.
- C. The auditor should have the asset as per generally accepted accounting principles.

D. Valuation is not part of auditor duty.

ANSWER: C

106. For granting subsidy to the sick units, the audit required would be \_\_\_\_\_.

- A. financial audit.
- B. internal audit.
- C. management audit.
- D. statutory audit.

ANSWER: A

107. Surprise checks are part of \_\_\_\_\_.

- A. an auditor working papers.
- B. an audit programme.
- C. an auditors report.
- D. an accounting standard.

ANSWER: B

108. Statutory auditor of a company in the case of a casual vacancy may be appointed by the \_\_\_\_\_.

- A. board of directors.
- B. managing director.
- C. extraordinary general meeting.
- D. government concerned.

ANSWER: A

109. The auditor of a company is not supposed to issue a qualified report when \_\_\_\_\_.

- A. goodwill worth Rs. 100000 built up when the company is not shown in the balance sheet.
- B. goodwill is shown in the balance sheet although it has been totally lost.
- C. balance sheet and profit and loss account show a true and correct view of the company. affairs and are drawn in conformity with law.
- D. proper books of accounts as required by law have been refused access to some of these books.

ANSWER: D

110. Consider the following activities: valuation, verification, vouching.

- A. 3,1,2.
- B. 3,2,1.
- C. 2,3,1.
- D. 1,2,3.

ANSWER: A

111. Which of the following pairs are correctly matched?

- A. Test Check - Random Checking.
- B. Internal Check - A system of automatic checking.
- C. Internal control - Includes internal check and internal audit.
- D. Investigation - General examination of all accounting records.

ANSWER: D

112. Audit Note Book is a \_\_\_\_\_.

- A. personal notebook of an auditor.



- B. record of important points and enquires which an auditor has to refer to his clients.
- C. records of mistake and errors detected during the course of audit of account books.
- D. record of work performed by an auditor.

ANSWER: C

113. By observing, testing and assessing, an auditor examines the system of \_\_\_\_\_.
- A. internal audit.
  - B. internal control.

C. continuous audit.

D. statutory audit.

ANSWER: B

114. An auditor of a partnership firm is appointed as per \_\_\_\_\_.

A. status.

B. government orders.

C. agreement .

D. convention.

ANSWER: C

115. . A company auditor may be removed in the meeting of the \_\_\_\_\_.

A. board of directors when the managing director is also present.

B. board of directors.

C. majority shareholders.

D. general body of share holders.

ANSWER: D

116. Management audit is conducted by \_\_\_\_\_.

A. the statutory auditor.

B. government auditor.

C. cost auditor.

D. none of these.

ANSWER: D

117. Internal auditor is appointed by the \_\_\_\_\_.

A. shareholders of the company.

B. statutory auditor.

C. Institute of internal auditors of India.

D. Board of directors of the company.

ANSWER: D

118. In case of audit of statutory report, an auditor is expected to give his report on the \_\_\_\_\_.

A. Number of shares allotted, amount received in cash and summarized, Receipt and payment account.

B. Authorized capital, subscribed capital and paid-up capital.

C. Profit and loss account, Balance sheet and Directors report.

D. Director qualification calls in arrears and calls in advance.

ANSWER: A

119. Sampling is used in the case of \_\_\_\_\_.

- A. collection of debts by the accountant.
- B. test checks by the auditor.
- C. checking pass-book entries by the accountant.
- D. suppression by the works managers.

ANSWER: B

120. A continuous audit is not suitable where the \_\_\_\_\_.
- A. transactions are few but complicated.

- B. there is no urgency to finalize the accounts on a particular date.
- C. internal work is being carried on in a satisfactory manner.
- D. system of internal check in operation is not satisfactory.

ANSWER: C

121. Management audit is \_\_\_\_\_.

- A. an independent appraisal of the total a management process.
- B. a statutory requirement.
- C. an investigation into the conduct of director.
- D. an independent appraisal of competitiveness of business.

ANSWER: A

122. Management audit is ordered by the \_\_\_\_\_.

- A. workers of a company.
- B. government.
- C. board of directors.
- D. SEBI.

ANSWER: C

123. The remuneration of an auditor of partnership firm is fixed by \_\_\_\_\_.

- A. The Partnership Act.
- B. The Companies Act.
- C. The Government.
- D. None of these.

ANSWER: D

124. As far as a company is concerned, which one of the following pairs is not correctly matched?

- A. Internal audit - Obligatory.
- B. Statutory audit - Mandatory.
- C. Continuous Audit - Optional.
- D. Management - Voluntary.

ANSWER: A

125. A file which contains rules governing the organisation under audit is known as \_\_\_\_\_.

- A. Convert file.
- B. Permanent file.
- C. Routine file.
- D. Precedence file.

ANSWER: B

126. Special audit of the accounts of a company is directed by \_\_\_\_\_.

- A. shareholders of the company.
- B. comptroller and auditor general of india.
- C. company law board.
- D. central government.

ANSWER: D

127. Section 224 of the companies Act, 1956 deals with \_\_\_\_\_.

- A. special audit.
- B. secretarial audit.
- C. cost audit.
- D. appointment and remuneration of auditor.

ANSWER: D

128. Interim audit refers to an audit conducted \_\_\_\_\_.

- A. in between the two different accounting years.
- B. in between two statutory annual audits within the same accounting period.
- C. in between one statutory audit and an internal audit in the same accounting period.
- D. in between one statutory audit, one management audit and one internal audit.

ANSWER: B

129. Audit techniques are concerned with \_\_\_\_\_.

- A. examination of those evidences which have been traced by audit procedures.
- B. application of generally accepted accounting principles to particular phases or a financial statement.
- C. accuracy and validity of management authorization to the account section employees.
- D. methods of conducting a business affair and reporting in annual report.

ANSWER: A

130. The main purpose of an independent audit is to \_\_\_\_\_.

- A. check and correct frauds and errors.
- B. help in detecting frauds and errors.
- C. determine if the financial statements fairly represent the actual financial position and the working results of the organization.
- D. help in formulating future plans.

ANSWER: C

131. Management refers to \_\_\_\_\_.

- A. examination of books and audit of accounts done by the management.
- B. The periodic assessment of companys activities by the statutory auditor.
- C. periodic assessment of company managerial planning, organizing, actuating and controlling compared to norm of successful operation.
- D. auditor assessment of the financial statement of the entity

ANSWER: C

132. The most important objective of internal audit is \_\_\_\_\_.

- A. early detection of errors and fraud.
- B. facilitating final audit.
- C. early finalization of annual account.

D. ensuring systematic accounting.

ANSWER: A

133. Test Checking reduces the \_\_\_\_\_.

- A. power of an auditor.
- B. expenses of auditor.
- C. work of an auditor.
- D. liability of an auditor.

ANSWER: C

134. An employee cannot be an auditor of the company because \_\_\_\_\_.
- A. he cannot find his own mistakes.
  - B. a person cannot audit his own account.
  - C. he may give bias and subjective views.
  - D. it is prohibited by company law.

ANSWER: C

135. Except in special cases the retiring auditor is automatically \_\_\_\_\_.
- A. re-appointed.
  - B. dismissed.
  - C. disqualified.
  - D. suspended.

ANSWER: D

136. An auditor can be held liable under CA act 1949 for \_\_\_\_\_.
- A. breach of control.
  - B. negligence.
  - C. criminal officer.
  - D. professional misconduct.

ANSWER: A

137. \_\_\_\_\_ Audit is a comprehensive critical review of all aspects or processes of management.
- A. Company.
  - B. Management.
  - C. Conventional .
  - D. Computerized.

ANSWER: D

138. \_\_\_\_\_ refers to such audit programme where plans for the auditor are not fixed.
- A. Special audit.
  - B. Fixed audit.
  - C. Pre-determined audit.
  - D. none of these.

ANSWER: D

139. Audit at the end of the year is known as \_\_\_\_\_.
- A. specific audit.
  - B. general audit.



C. government audit.

D. periodical audit.

ANSWER: B

140. Accountancy work is done throughout the accounting period although auditing work is done

\_\_\_\_\_.

A. after the end of accounting period.

B. in the middle of accounting period.

C. from the second month of accounting period.

D. after the end of one month.

ANSWER: A

141. A special auditor has to submit his report to the \_\_\_\_\_.

A. management

B. state government.

C. central government.

D. none of these.

ANSWER: D

142. Balance sheet audit is useful where \_\_\_\_\_.

A. the concern is a small one.

B. the internal check is weak.

C. the concern is a big one.

D. the concern is banned.

ANSWER: A

143. The main object of audit of account of a joint stock company is \_\_\_\_\_.

A. detection and prevention of frauds.

B. detection and prevention of errors.

C. detection and prevention of errors and frauds.

D. To find whether the financial statements are drawn up according to the companies act.

ANSWER: D

144. Auditing means where \_\_\_\_\_ ends.

A. accounting.

B. inventory valuation.

C. business.

D. selling.

ANSWER: A

145. The internal auditor of a joint stock company \_\_\_\_\_.

A. need not possess the qualification laid down in the companies act.

B. should be a chartered accountant.

C. should be a chartered accountant or a cost accountant.

D. should hold some other professional qualification.

ANSWER: A

146. Internal check is meant for \_\_\_\_\_.

- A. prevention of frauds.
- B. detection of frauds.
- C. helping audit in depth.
- D. the existence of a good system of internal check reduces to a great extent.

ANSWER: A

147. Test checking implies \_\_\_\_\_.

- A. checking only a few items in detail.

- B. checking each and every item.
- C. checking a representative sample of items.
- D. checking a part of books.

ANSWER: C

148. A voucher is a document \_\_\_\_\_.
- A. it support of an entry made in the books of accounts.
  - B. it is an extra-ordinary meeting
  - C. when all other directors are out of station.
  - D. one person can never constitute the quorum.

ANSWER: A

149. In an audit of inventories, an auditor would least likely verify that \_\_\_\_\_.
- A. all inventory owned by the clients is on hand at time of the count.
  - B. the client has used proper inventory pricing.
  - C. the financial statement presentation of inventories is appropriate.
  - D. damaged goods and obsolete items have been properly accounted for.

ANSWER: A

150. A file which contains rules governing the organisation under audit is known as \_\_\_\_\_.
- A. Convert file.
  - B. Permanent file.
  - C. Routine file.
  - D. Precedence file.

ANSWER: B

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