

Senior Auditors Paper for 2016

1. Audit of banks is an example of

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

e) All of the above

2. Concurrent audit is a part of

- a) Internal check system
- b) Continuous audit

c) Internal audit system

d) None

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3. In Pakistan, balance sheet audit is synonymous to

a) Annual audit

- b) Continuous audit
- c) Detailed audit
- d) Statutory audit

4. Audit in depth is synonymous for

- a) Complete audit
- b) Completed audit
- c) Final audit

d) Detailed audit

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Senior Auditors Past Paper for 2016

5. Balance sheet audit includes verification of

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

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6. 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

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

- a) Economic audit
- b) Efficiency audit
- c) Expenditure audit**
- d) Effectiveness audit

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8. The Delhi Government had constructed six bungalows for its ministers. They are lying unoccupied for last three years. This would be a matter of concern for

- a) Propriety Auditor
- b) Performance Auditor
- c) Financial Auditor

d) None of the above

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10. 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

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11. Which of the following statement is not correct about materiality?

- a) Materiality is a relative concept
- b) Materiality judgments involve both quantitative and qualitative judgments
- c) Auditor's consideration of materiality is influenced by the auditor's perception of the needs of an informed decision maker who will rely on the financial statements

d) At the planning state, the auditor considers materiality at the financial statement level only

12 ____ the audit risk, ____ the materiality and ____ the audit effort

a) Lower, Higher, Lower

- b) Lower, Lower, Higher
- c) Higher, Lower, Lower
- d) Lower, Higher, Higher

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13. When issuing unqualified opinion, the auditor who evaluates the audit findings should be satisfied that the www.fb.com/Wetoppers

a) Amount of known misstatement is documented in working papers

b) Estimates of the total likely misstatement is less than materiality level

c) Estimate of the total likely misstatement is more than materiality level

d) Estimates of the total likely misstatement cannot be made www.fb.com/Wetoppers

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

a) Prior year's errors

b) The auditor's remuneration

c) Adjusted interim financial statements

d) Prior year's financial statements

15. 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) indicates important aspects of business

d) All of the above

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16. WHICH OF THE FOLLOWING IS THE MOST APPROPRIATE POTENTIAL REACTION OF THE AUDITOR TO HIS? ASSESSMENT THAT THE RISK OF MATERIAL MISSTATEMENT DUE TO FRAUD IS HIGH IN RELATION TO EXISTENCE OF INVENTORY? www.fb.com/Wetoppers

- A) VISIT LOCATION ON SURPRISE BASIS TO OBSERVE TEST COUNTS
- B) REQUEST INVENTORY COUNT AT A DATE CLOSE TO YEAREND
- C) VOUCH GOODS SENT ON APPROVAL VERY CAREFUL Y www.fb.com/Wetoppers

D) PERFORM ANALYTICAL PROCEDURES.

17. WHICH OF THE FOLLOWING IS NOT LIKELY TO BE A FRAUD RISK FACTOR RELATING TO MANAGEMENT'S? CHARACTERISTICS

A) TAX EVASION

- B) FAILURE TO CORRECT KNOWN WEAKNESS IN INTERNAL CONTROL SYSTEM
- C) ADOPTION OF CONSERVATIVE ACCOUNTING PRINCIPLES www.fb.com/Wetoppers
- D) HIGH MANAGEMENT TURNOVER

18. PROFESSIONAL SKEPTICISM REQUIRES THAT THE AUDITOR ASSUME THAT MANAGEMENT IS

A) REASONABLY HONEST

B) NEITHER HONEST NOR DISHONEST

27. Who should prepare the annual capital expenditure budgets of the company in order to keep effective?

- (a) Someone directly responsible to the shareholders
- (b) Someone directly responsible for goods delivery to customers
- (c) Someone directly responsible to the board of directors**
- (d) Someone directly responsible to deal with the suppliers

28. Which one of the following should be included in the letter of representation?

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(a) Existence of any immaterial mistake in the statements

- (b) Existence of any fraud or error in the statements
- (c) Company's growth trend in the future in figures
- (d) Market value of the company stock

Non current assets manufactured or constructed by the 29. company itself should reflect which types of costs in the costing records?

(a) Direct costs plus relevant overhead but not include any profit

- (b) Direct costs plus relevant overhead & any profit earned on it
- (c) Indirect costs plus relevant overhead but not include any profit
- (d) Indirect costs plus relevant overhead and any profit earned on it

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30 An Automobile Company hires auditors at the year end. Auditors are at the stage of verification and vouching of company's financials. Before examining the equity section they develop general aspects concerning the owner's equity. In your opinion which one of the following aspects may NOT be considered by the auditors during this assessment?

- (a) Share capital is properly classified and described in the accounts

(b) Capital stock is enough to execute the company's financial needs

- (c) Reserves are properly classified and presented
- (d) Movements in reserves are properly authorized

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Which one of the following aspects of assets must be verified?

- (a) Cost and authorization
- (b) Value and existence
- (c) Beneficial investment
- (d) Presentation in the accounts

Which one of the following may not be any matter relevant to verification of assets?

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- (a) Taxation
- (b) Vouching
- (c) Insurance
- (d) The letter of representation

Which one of the following may NOT consist of any verification methods?

- (a) Closing balance
- (b) Acquisitions
- (c) Disposals
- (d) Reconciliation

What auditors seek in the register of non current assets for each major group of assets?

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- (a) Details of each item its cost and residual value
- (b) Details of each item its cost and accumulated depreciation
- (c) Details of each item its cost and depreciation
- (d) Details of each item its cost and capital investment expected returns

How often Inventory levels should be checked against the inventory records in order to keep its control effectively?

- (a) Rarely

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- (b) Periodically
- (c) Never
- (d) Daily

36. How often the Bank reconciliations should be prepared?

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(a) Weekly

(b) Monthly

(c) Quarterly

(d) Annually

37. Following descriptions are the examples of substantive testing EXCEPT:

(a) Test of account balances to verify the correctness of the amounts

(b) Verification that an operating system and/or applications are configured appropriately to the companies needs

(c) Review of minutes of directors' meetings and inquiry

(d) Use of statistical sampling to determine the accuracy of financial statement figures

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37. The auditors are required to perform tests of controls when

(a) The internal controls are operating inefficiently

(b) Substantive procedures alone provide sufficient appropriate audit evidence at the assertion level.

(c) Substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level.

(d) Analytical procedures alone do not provide sufficient appropriate audit evidence at the assertion level.

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38. Nature of audit procedure refers to which one of the following description?

(a) It refers to the purpose i.e. (tests of controls or substantive procedures) and their type that is inspections observation inquiry confirmation recalculation re-performances or analytical procedures. www.fb.com/Wetoppers

(b) It refers when audit procedures are to be performed or the period or date to which the audit evidence applies.

(c) It refers to sample size or number of observations of a control activity (quantity of audit evidence).

(d) It refers to the nature of testing and their procedures that is designing structuring and compiling work to be done

39. Analytical procedures are carried out for which one of the following purposes?

(a) To reduce detection risk

(b) To assess inherent risk

(c) To reduce control risk

(d) To determine detection risk

40. Test of controls comprise of testing of all EXCEPT

(a) Design

(b) Implementation

(c) Operating efficiency

(d) Operating effectiveness

41. Stratification is a process of dividing a population into sub-populations which have www.fb.com/Wetoppers

- (a) Heterogeneous characteristics
- (b) Nothing in common
- (c) Lot of sampling units
- (d) Homogeneous characteristics**

42. The auditor should select sample in such a way that:

- (a) All important items should be selected
- (b) All items containing misstatement should be selected
- (c) All items in the population are selected
- (d) All items in population have an opportunity of being selected**

43. Where the auditor relies more on the system of internal control the circumstance warrant: www.fb.com/Wetoppers

- (a) He spends more time on audit
- (b) Effectiveness of the audit is affected**
- (c) Efficiency of the audit is affected
- (d) Reliability of the results of the tests is affected

44. Sample risk and sample size have

- (a) A direct relationship
- (b) An inverse relationship**
- (c) No relation
- (d) None of the given options

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45. Tolerable error and sample size have

- (a) A direct relationship
- (b) An inverse relationship**
- (c) No relation
- (d) None of the given options

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46. Which of the following is needed to be verified at the time of verification of Account Balances?

- (a) Look over any significant reconciling items of an unusual nature
- (b) Inspect about outstanding stale cheques
- (c) Acquire direct bank confirmation
- (d) All of the given options**

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47. Which of the following is not needed to be verified at the time of verification of Equity?

- (a) Share capital's classification
- (b) Movement in share capital
- (c) Preliminary expenses are properly write off**
- (d) Movements in reserves

48. Which of the following is the component of audit risk?

- (a) Inherent risk
- (b) Control risk
- (c) Detection risk
- (d) All of the given options**

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49. Audit sampling conducted

(a) On selected number of items

(b) On Whole population

(c) On specific no of items

(d) All of the given options

50. DBMSes & Databa ses are same things.

(a) false (b) true

51. A company has hired auditors who have performed the audit process in accordance with the auditing standards but they fail to present its report. According to the Company law 1984 the auditors shall be liable for which one of the following liabilities?

(a) Criminal liability

(b) Liability for misfeasance

(c) Liability for negligence

(d) Accounting liability

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52 A leather goods manufacturing company has started its operations in year 2001. After five years of conducting successful business it has become a listed company recently. Now the company is required to hire its first auditors but neither the directors nor the members could appoint the auditors during the past 4 months since the incorporation of the company. Select among the following authorities who can appoint the auditors in this situation? (Companies Ordinance 1984)

(a) Company secretary

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(b) Company registrar

(c) Commission

(d) Institute of Chartered Accountants of Pakistan (ICAP)

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Fixation of remuneration of auditors can be determined by the following authorities EXCEPT: (Companies Ordinance 1984)

(a) Directors

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(b) Company secretary

(c) Commission

(d) Members

Internal control is primarily established within a company to do which of the following?

(a) To prevent fraud in the company affairs

(b) To provide reasonable assurance that the company's objectives will be achieved

(c) To catch all errors that may occur in the company

(d) To aid in the effective auditing of the company

Which one of the following primary assertions is satisfied when an auditor ensures that there are no unrecorded assets liabilities transactions or events or undisclosed items in the client's financial records?

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(a) Valuation

(b) Completeness

(c) Existence

(d) Rights and obligations

Which of the following statements is true?

(a) The auditing profession is unregulated

(b) The auditing profession is regulated only by its own professional body www.fb.com/Wetoppers

(c) Outside bodies sometimes become involved in the regulation of the audit profession

(d) The auditing profession is regulated only by the government

57 Which one of the following is considered as the formal opinion or disclaimer thereof issued by an independent auditor as a result of audit or evaluation performed on a legal entity?

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- (a) Financial report
 - (b) Financial statement
 - (c) Director's report
 - (d) **Auditor's report**

58. A manufacturing company wants to hire external auditors who examine the activities operations procedures and processes of each department of the company. The company follows the local and international laws rules ad regulations and also has set standards for the efficiency and effectiveness. The company shall have to provide the access of all kind of operational information that will be required to the auditors as audit evidences. Considering the above situation select the most suitable type of audit which the company should opt?

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- (a) Compliance audit
 - (b) **Operational audit**
 - (c) Technology audit
 - (d) Financial audit

59. The purpose of engagement letter includes the following [b]EXCEPT [b]:

- (a) To defines the auditor's responsibilities clearly
- (b) To minimize misunderstandings between the client and auditors
- (c) To educate the client
- (d) **To help the auditor in preparing audit report**

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61. Which one of the following is the method of assessing the internal control system of an entity? www.fb.com/Wetoppers

- (a) **Audit procedures**
- (b) Audit evidence
- (c) Compliance audit
- (d) Technical analysis

62. Who is responsible for designing and preparing the financial statements? www.fb.com/Wetoppers

- (a) Auditor
- (b) **Management**
- (c) Accountant
- (d) Company secretary

63. Which one of the following persons are responsible for the preparation of Audit engagement letter? www.fb.com/Wetoppers

- (a) **Auditor**
- (b) Client
- (c) Company registrar
- (d) Company secretary

64. DBMSes & Databa ses are same things.

- (a) **false** www.fb.com/Wetoppers
- (b) true

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