1. \_\_\_\_\_\_\_\_\_\_\_\_\_ is an independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal structure, where such as examination is conducted with a view to express an opinion. a) Auditing b) Investigation c) Verification d) Checking

2. 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) All of these

3. To ensure the financial statements as a whole are free from material misstatements is the

a) Scope of audit

b) Aspects to be covered under the audit

c) Objective of audit

d) All of the above

4. The audit should be organized to cover adequately all aspects of the enterprise relevant to the financial statements being audited, is one of the merit consideration is regard to

a) Scope of audit

b) Aspects to be covered under the audit

c) Objectives of audit

d) None

5. Auditor gives \_\_\_\_\_\_\_\_ regarding the financial statements

a) True and fair view

b) Correct view

c) Fair view

d) Completely true

6. Auditing begins where\_\_\_\_\_\_\_\_\_\_ends.

a) Selling

b) Inventory valuation

c) Accounting

d) Purchase

7. Which type of organizations use auditing services?

a) Non-profit-organizations

b) Business

c) Governments

d) All of the above

8. Auditing should be

a) Independent

b) Compulsory

c) On the request of government

d) None of the above

9. Users of financial statements includes

a) Management, Shareholders, Employees

b) Financial Institution, Suppliers, Customers

c) Government

d) All of the above

10. An audit which is governed by law is called as

a) Government Audit

b) Internal Audit

c) Statutory Audit

d) Cost Audit

11. The scope of work of the audit is specified by the management for

a) External Auditor

b) Branch Auditor

c) Joint Auditor

d) Internal Auditor

12. Who is responsible to express opinion on the true and fair view of the financial statements

a) External Auditor

b) Joint Auditor

c) Internal Auditor

d) Both (a) and (b)

13. State which of the following statement is not true with reference to the scope of audit

a) To form an opinion, the auditor should be satisfied that accounting information is reliable and sufficient as the basis for the preparation of the financial statements

b) All aspects of the enterprise to be covered in audit

c) The professional skill required of an auditor includes that of a technical expert for determining physical condition of certain assets

d) None

14. The principal aspects to be covered in an audit concerning final statements of account are

i. An examination of the system of accounting and internal control

ii. Reviewing the system and procedures

iii. Checking of the arithmetical accuracy of the books of account

iv. The audit should be organized to cover adequately all aspects of the enterprise relevant to the financial statements being audited

a) Only (iv)

b) Both (iii) and (iv)

c) Except (iv)

15. The chief utility of audit lies in reliable financial statements on the basis of which the state of affairs may be easy to understand. Apart from this obvious utility, other advantages of audit are

a) It safeguards the financial interest of persons who are not associated with the management

b) Audit ascertains whether the necessary books of accounts and allied records have been properly kept.

c) Government may require audited and certified statement before it gives assistance or issues a license for a particular trade

d) All of the above

16. It naturally calls on the part of the auditor to have a through and sound knowledge of generally accepted principles of accounting before he can review the financial statements.

Which of the following discipline matches the above statement?

a) Auditing and Financial Management

b) Auditing and Statistics & Mathematics

c) Auditing and Accounting

d) All of the above

17. \_\_\_\_\_\_\_\_\_\_\_\_\_ along with other discipline such as accounting and law, equips you with all knowledge that is required to enter into auditing as a profession.

a) Auditing

b) Taxation

c) Finance

d) Taxation and Finance both

18. Independence comprises

a) Independence by mind

b) Independence in appearance

c) Both (a) and (b)

d) None of these

19. Chartered Accountants have an important role in

a) Entity

b) Society

c) Audit Firm

d) Audit Committee

20. Which of the following categories of people use the work of Chartered Accountnat

a) Investors

b) Government

c) The public at large

d) All of the above

21. The term financial statement shall exclude

a) Notes to accounts

b) Annexure

c) Both (a) and (b)

d) None of the above

22. Which of the following companies will be exempted from complying with Schedule III of the Companies Act, 2013

a) Banking Companies

b) Unlisted Companies

c) Private Limited Companies having turnover less than Rs. 10 Crore

d) All of the above

23. Which of the following requires that the auditor should examine the accounts with a view to verify that all assets, liabilities, income and expenses are stated as amounts which are in accordance with accounting principles and policies which are relevant and no material amount, item or transaction has been omitted

a) Going Concern

b) Consistency

c) The Concept of true and fair

d) Auditor’s Independence

24. What constitute a ‘true and fair’ view is a matter of auditor’s judgement in the particular circumstances of a case. In more specific terms, to ensure true and fair view, an auditor has to see

a) Accounting policies have been followed consistently

b) The charge, if any, on assets are disclosed

c) Material liabilities should not be omitted

d) All of the above

25. Which of the following helps in better understanding of accounting information and meaningful comparison?

a) Accrual

b) Going Concern

c) Assertions

d) Consistency

26. There is no single list of accounting policies which are applicable to all circumstances

a) Correct

b) Incorrect

27. The auditor shall report on the accounts examined by him

a) To the shareholders

b) To the general public

c) To CAG

d) To CG

28. If auditor maintains high degree of independence, it will result in

a) Attention of media

b) Reward by CG

c) Enhanced reliability on financial statements

d) Good relationship with the entity.

29. Which of following is the responsibilities of management

a) Preparation and presentation of the financial statement in accordance with applicable financial reporting

b) Design, implement and maintain of internal control

c) Safeguard of the assets

d) All of the above

30. Which of the following involves detailed examination of some specific areas?

a) Auditing

b) Vouching

c) Investigation

d) Verification

31. Auditor should have knowledge of

a) Accounting

b) Auditing

c) Law applicable on the entity

d) All of these

32. 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

33. Function of audit is to

a) Detect errors

b) Detect fraud

c) Safeguard the interest of stakeholders

d) All the above

34. Which is NOT the function of an auditor?

a) To give a true and fair view

b) To take care of all the statutory acts applicable

c) To do arithmetic checking

d) To prepare accounts

35. The basic requirement which is absent is auditing is

a) Exact accounts

b) Certainty in financial statements

c) Conclusive evidence

d) All of the above

36. Which of the following statement is not true

a) The auditor shall express an opinion on financial statements

b) Auditor’s opinion is not guarantee to future viability of business

c) Auditor is responsible for prevention and detection of fraud and error in financial statements

d) Auditor should examine whether recognized accounting principles have been followed

37. Auditor should be done by

a) A professional accountant

b) A certified management accountant

c) A competent and independent person

d) A chartered accountant

38. Which of the following is least likely to be required in an audit?

a) Test appropriateness of journal entries and adjustment

b) Review accounting estimates for biases

c) Evaluate the business rationale for significant, unusual transactions

d) Make a legal determination of whether fraud has occurred

39. It is not uncommon in auditing

a) Giving the satisfaction to the owner regarding the profits made

b) Protecting the rights of shareholders

c) Helping to give true and fair profits of the organization

d) All of the above

40. Auditing has all features except

a) Done every financial year

b) Based on conclusive evidence

c) Mandatory for companies

d) None of the above

41. 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 the financial statements

d) He should examine whether recognized accounting principle have been followed consistently

42. The primary objective of the ordinary examination of financial statement by an auditor is the expression of an opinion on

a) The competence of management in accounting matters which is implied by whether the opinion is qualified or not

b) The conformity of the statements with the book of account

c) The conformity of the financial statements with generally accepted auditing standards applied on a basis consistent with that of the prior year

d) The fairness with which the financial statements present cash flows and results of operations

43. The principal objective of an audit is the examination of financial statements of an enterprise with a view for the auditor to form and express an independent opinion on the truth and fairness for the benefit of which one of the following?

a) The members

b) Corporate Governance

c) The Corporate Affairs Commission

d) Government authorities

44. Apart from the technical qualities, the auditor should also possess which of the following personal qualities

a) Confidentiality of client information

b) Reliability and trust

c) Effective communication skills

d) All of the above

45. The factor which distinguishes an error from fraud and other irregularity is

a) Whether it is a dollar amount or a process

b) Intent

c) Materiality

d) Whether it is caused by the auditor or the client

46. Which of the following statement is TRUE?

a) An external auditor is required for all types of entity

b) External auditors are appointed by an entity’s management

c) Staff auditors make a report for the baseline employees

d) Staff auditors work is to identify potential risk areas for a company

47. Pick the odd one

a) Those Charged with Governance

b) Management

c) Employees

d) Auditor

48. Pick the odd one

a) Preparation of financial statements

b) Designing, implementation and maintenance of internal control system

c) Reporting on true and fair view of financial statements

d) Compliance with the applicable law and regulation

49. Pick the odd one

a) Balance Sheet

b) Audit Report

c) Profit & Loss Account

d) Cash Flow Statement

50. When the auditor is an employee of the organization being audited (Auditee), the audit is classified as

a) Internal audit

b) External audit

c) Both (a) and (b)

d) None of these