Select True or False:

Audit risk can be reduced to zero. a) True b) False

2. Auditor shall be independent of auditee only in terms of financial interest in auditee. a) True b) False

3. The audit risk, for the purpose of Standards on Auditing, includes risk that the auditor may express an opinion that the financial statements are materially misstated when they are not. a) True b) False

4. An internal control which is well designed and operating would eliminate the risk of material misstatement in the financial statements. a) True b) False

5. As per Standards on Auditing, the auditor is expected to be an expert in the authentication of documents. a) True b) False

Choose all the correct options from the following: 1

Professional judgment is necessary, and in particular, for the decisions relating to: a) Accepting the audit engagement b) Materiality and audit risk c) Assessing the reasonableness of the estimates made by management in preparing the financial statements d) Communicating the matters with those charged with governance

2. Ethical requirements relating to an audit of financial statements is specified under SA 200 and includes: a) Confidentiality and Objectivity b) Profitability c) Accuracy d) Integrity

3. In the event that the requirement of applicable laws and regulations differ from the requirements of SAs, an audit conducted in accordance with the law and regulation will: a) Not automatically comply with SA b) Will automatically comply with SA c) Be enough for an auditor to conclude and express the audit option d) Require an auditor to obtain legal advice

4. Profession skepticism means: a) Being alert b) Questioning mind c) Both (a) and (b) d) None of the above

5. Which of the following statement is incorrect? a) Reasonable assurance means absolute level of assurance b) Reasonable assurance gives high level of assurance c) Limited assurance is also known as negative assurance d) Application of Standards on Auditing is mandatory in the audit of financial statements

6. Risk of material misstatement in an audit of financial statements may exist at: a) Overall financial statements level b) Assertion level c) Both (a) and (b) d) Either (a) or (b)

7. The inherent limitations of an audit arise from: a) The nature of financial reporting b) The nature of audit procedures c) The need for the audit to be conducted within a reasonable period of time and at a reasonable cost d) All of the above

8. Identify the correct sentence from the following, considering the audit of financial statements carried out by an Independent Auditor: a) An Audit of financial statements is an official investigation of auditee’s financials statements b) An audit is not an official investigation into alleged wrongdoing c) An Auditor is given with certain legal powers like power to search which may be necessary for concluding the audit d) None of the above