**264. While determining materiality of any item financial statements, the auditor considers**

**a)** Quantity of item

**b)** Quality of item

**c)** Legal or Regulatory consideration of item

**d)** All of these

**265. Materiality in terms of amount or amounts set by the auditor for particular classes of transactions, account balances or disclosures is called as**

**a)** Materiality for financial statement as a whole

**b)** Performance Materiality

**c)** Item Materiality

**d)** None of these

**266. Determining a percentage to be applied to a chosen benchmark (in relation to materiality) involves the exercise of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**a)** Independence

**b)** Professional judgement

**c)** Professional skepticism

**d)** All of the above

**267. 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.

**268. Audit materiality is to be considered from**

**a)** Qualitative angle

**b)** Quantitative angle

**c)** Both (a) and (b)

**d)** None of these

**269. Which of the following SA prescribes auditor’s responsibilities for materiality in planning and performing an audit**

**a)** SA 320

**b)** SA 300

**c)** SA 330

**d)** SA 500

**270. As per SA 320, materiality is to be applied**

**a)** In planning the audit

**b)** In performing an audit

**c)** In planning and performing an audit

**d)** In planning, performing and concluding an audit

**271. Materiality of item depends upon**

**a)** Size of item

**b)** Nature of item

**c)** Statutory provision

**d)** All of these

**272. Factors that may affect identification of an appropriate benchmark include**

**a)** Elements of financial statements

**b)** Nature of entity

**c)** Entity’s ownership structure

**d)** All of these

**273. Performance materiality means the amount or amounts set by the auditor at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the amount of materiality level for the financial statements as a whole.**

**a)** Less than

**b)** More than

**c)** Equal to

**d)** Any of above

**274. If the misstatement influences the decision of the user of financial statement, then**

**a)** The item is said to be material

**b)** The auditor shall apply additional procedures

**c)** Both a and b

**d)** None of the above

**275. State which of the following is not true with reference to SA 320?**

**a)** Audit materiality is not inversely proportional to the audit risk

**b)** Higher the audit materiality, lower is the audit risk

**c)** An item is said to be material, if the misstatement influences the decision of the user of financial statement then

**d)** Even a small value items can be considered material if taken on cumulative basis

**276. State which of the following statement is correct?**

**a)** Inherent risk refers to wrong evaluation of internal control or internal control is unable to check the misstatement.

**b)** Detection risk refers to the risk which is unavoidable in nature

**c)** Control risk refers to audit is unable to find any misstatement

**d)** None of the above

**277. The materiality differs from client to client and transaction to transaction, the auditor fixes the materiality level in the following ways, except**

**a)** Disclosure

**b)** Class of transaction

**c)** Account Balance

**d)** Nature and size of audit

**278. Benchmark approach may not include**

**a)** Net Asset value

**b)** Total revenue

**c)** Net liability value

**d)** Gross profit

**279. The concept of materiality is applied by the auditor for both**

**(i) Planning and performing the audit,**

**(ii) Evaluating the effect of identified misstatements on the audit**

**(iii)Uncorrected misstatements**

**(iv) None of the above**

**a)** Both i and ii

**b)** Only i, ii, and iii

**c)** Both iii and iv

**d)** All of the above

**280. Which of the following is an important consideration for an auditor to evaluate whether the financial statements reflect a true or fair view or not.**

**a)** Materiality

**b)** Benchmark

**c)** Audit plan

**d)** Audit note

**281. The auditor shall determine materiality for the financial statements as a whole. When,**

**a)** At the time of initially planning of the audit

**b)** At the time of evaluating the results of audit procedures

**c)** Establishing the overall audit strategy

**d)** There is one or more particular classes of transactions

**282. \_\_\_\_\_\_\_\_\_\_\_\_ also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.**

**a)** Benchmark

**b)** Undetected misstatements

**c)** Performance materiality

**d)** Overall audit strategy

**283. If an entity is financed solely by debt rather than equity, users may put more emphasis on\_\_\_\_\_\_\_\_\_**

**a)** Entity’s gross earnings

**b)** Entity’s net earnings

**c)** Assets, and claims on them

**d)** Both a and c

**284. \_\_\_\_\_\_\_\_\_ from continuing operations is often used for profit-oriented entities**

**a)** Total equity or net asset value

**b)** Profit before tax

**c)** Gross profit and total expenses

**d)** Total revenue