

MULTIPLE CHOICE QUESTIONS

Chapter – 1

AUDITING UNDER DIGITAL ENVIRONMENT

| Statement | Ans. |
|--|------|
| 1. Digital Audit is ----- to identify gaps and risks for continuous improvement and to ensure regulatory compliance. (a) Audit Related controls (b) Technology related controls (c) Risk Related controls (d) Compliance related controls | (b) |
| 2. The working of Insurance Company in health insurance sector, which of following technologies has likely been used. (a) Internet of things (b) Data analytics (c) Robotic process automation (d) Power BI | (c) |
| 3. Which type of cyber attack is referred to situation described in para [B]? (a) Ransomware (b) Trojan (c) Denial of service attacks (d) Fileless Malware | (a) |
| 4. Which is not part of risk assessment procedures to assess cyber security risks? (a) Making inquiries regarding processes and controls relating to privileged account Access (b) Making inquiries regarding processes and controls relating to patch management Program (c) Making inquiries regarding processes and controls relating to vendor risk management Program (d) Performing external network penetration testing | (d) |

Chapter – 2

AUDIT OF CFS

| Statement | Ans. |
|---|------|
| 1. Aspects to be verified in Partnership deed include (e) Rate of interest allowable on Partners' Capitals and Loans (f) Remuneration payable to partners (g) Pattern of contribution to Losses by Partners (h) All of the above | (d) |
| 2. Incomplete records may arise due to (a) Lack of agreement between partners (b) Single Entry System of Accounting (c) Insisted by Companies Act (d) None of the above | (b) |
| 3. Powers and duties of the Managing Committee or Board of Trustees for a Trust can be verified through (a) MOA (b) AOA (c) Bye- laws or Trust Deed (d) Both (a) and (c) | (c) |
| 4. Verification of printed tickets are serially numbered and bound into books in a Cinema hall is a (a) Income verification (b) Expenses Verification (c) Internal Control Verification (d) None of the above | (c) |
| 5. Verification of bills issued to all the patients from whom any amount was recoverable according to the Rules and Regulations of the Hospital. Is Audit of (a) Income verification (b) Expenses Verification (c) Asset Verification (d) None of the above | (a) |
| 6. In Audit of Hotels, Restaurant bills can be cross verified by reference to (a) MOT's (b) AOT's (c) JOT's (d) KOT's | (d) |
| 7. In Compilation Engagements, CA provides (a) No Assurance (b) Reasonable Assurance (c) Absolute Assurance (d) None of the above | (a) |
| 8. Determination of the amount of Equity attributable to Minorities at the date on which investment in Subsidiary is made is forming part of _____ adjustments (a) Permanent Consolidation Adjustments (b) Current Period Consolidation Adjustments (c) Either (a) or (b) (d) None of the above | (a) |
| 9. Verification of day's collection is deposited into Bank on the following day is (a) Debit Book Verification (b) Cash Book Verification (c) Credit Book verification (d) None of the above | (b) |
| 10. _____ 'Consolidated Financial Statements' lay down principles and procedures for preparation and presentation of consolidated financial statements under As and Ind As respectively (a) AS 21 and Ind AS 110 (b) AS 12 and Ind AS 115 (c) AS 21 and Ind AS 117 (d) AS 20 and Ind AS 112 | (a) |

Chapter – 3**AUDIT OF BANKS**

| Statement | Ans. |
|--|------|
| 1. Scheduled Banks can be classified into (a) Nationalised Banks (b) Non Nationalised Banks (c) Corporate Banks (d) both (a) and (b) | (d) |
| 2. As per Banks Book Keeping System, Daily Trial Balances are extracted from (a) Financial Statements (b) Bank Account (c) General Ledger (d) Trial Balance | (c) |
| 3. Vouchers which contain both Debit and Credit to different accounts are called as (a) Primary Vouchers (b) Secondary Vouchers (c) Composite Vouchers (d) Debit Vouchers | (c) |
| 4. Computerised system is not put to unauthorized use is a (a) Control Feature (b) Structural Feature (c) Input Feature (d) Reporting Feature | (a) |
| 5. SOD process is done by (a) Data Manager (b) Systems Administrator (c) both (a) and (b) (d) None of the above | (b) |
| 6. Risk of foreign customers and counter-parties failing to settle their obligations is called as (a) Credit Risk (b) Country Risk (c) Interest Rate Risk (d) Currency Risk | (b) |
| 7. Loss arising from the changes in the Bank's ability to sell / dispose off an asset is (a) Liquidity Risk (b) Modeling Risk (c) Operational Risk (d) Price Risk | (a) |
| 8. Risk of loss arising from adverse changes in market prices is (a) Liquidity Risk (b) Modeling Risk (c) Operational Risk (d) Price Risk | (d) |
| 9. Oversight and involvement by TCWG in the Control Process is a part of (a) General Risk Management System (b) Specific Risk Management System (c) IT Risk Management System (d) Effective Risk Management System | (d) |
| 10. Cash Credit Facilities are secured by ____ of Stocks (a) Pledge (b) Lien (c) Hypothecation (d) Assignment | (c) |

Chapter – 4

AUDIT OF NBFC's

| Statement | Ans. |
|--|------|
| 1. A registered Non-Banking Financial Company shall have a minimum Net owned fund of _____ (a) ₹ 3 Crores (b) ₹ 2 Crores (c) ₹ 4 Crores (d) ₹ 5 Crores | (b) |
| 2. For NBFCs accepting / holding public deposit, ensure that audited Statement of Accounts together with a copy of Auditor's Report and Director's Report thereon are submitted to the RBI within _____ from the date of holding the AGM. (a) 10 days (b) 15 days (c) 12 days | (b) |
| 3. A Non-Banking Financial Company means _____ (a) A Financial Institution which is a Company (b) A Non-Banking Institution which is a company with principle business of receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner (c) Such other Non-Banking institution or class of such institutions as the Reserve Bank with the previous approval of the Central Government (d) All of the above | (d) |
| 4. A NBFC-Micro finance institution shall have minimum Net owned fund of _____ (a) ₹ 3 Crores (b) ₹ 2 Crores (c) ₹ 4 Crores (d) ₹ 5 Crores | (d) |
| 5. NBFC has been classified based on categories in to _____ and based on activities in to _____ (a) 3,6 (b) 4,5 (c) 7,7 (d) 2,4 | (a) |
| 6. Loan extended under Micro Finance to a Borrower with a Rural Household Annual Income not exceeding _____ or Urban and Semi-Urban Household Income not exceeding _____ (a) ₹ 2,00,000, ₹ 1,80,000 (b) ₹ 75,000, ₹ 1,80,000 (c) ₹ 1,00,000, ₹ 1,60,000 (d) ₹ 1,00,000, ₹ 2,00,000 | (c) |
| 7. Cases of Cash Shortages more than _____ if detected by Management/ Auditor/ Inspecting Officer and not reported on the occurrence by the persons handling cash shall be reported as Fraud. (a) ₹ 5,000 (b) ₹ 15,000 (c) ₹ 7,500 (d) ₹ 10,000 | (a) |
| 8. The NBFC has accepted Public Deposits without issuing any advertisement, it is required to file a "Statement in Lieu of Advertisement" with the RBI. (a) True (b) False | (a) |
| 9. The systematically important NBFC shall have asset size of ₹ 300 crores or more. (a) True (b) False | (b) |
| 10. The RBI Act provides for compulsory registration with the Reserve Bank for all NBFCs, irrespective of their holding of public deposits (a) True (b) False | (a) |

Chapter – 5**PUBLIC ENTERPRISES AUDIT**

| Statement | Ans. |
|--|------|
| 1. The scope and extent of Public Enterprises Audit is determined by————— (a) Institute of Chartered Accountants of India (b) Ministry of Finance (c) Comptroller and Auditor General (d) None of the above | (c) |
| 2. Within from the receipt of Audit Report, Supplementary Audit shall be conducted. (a) 45days (b) 15 days (c) 60 days (d) 90days | (c) |
| 3. The forward planning systems include concepts like————— (a) Management By Objectives (b) Zero Base Budgeting (c) Activity Based Costing (d) All of the above | (d) |
| 4. The Procedures not adopted by Auditors of PSU appointed by C&AG – (a) an authority to review and comment upon the report of Statutory Auditor (b) a right to conduct a supplementary or test audit (c) conduct audit as per directions of C& AG (d) assessment of internal control and compliance with legal and internal rules and regulations | (d) |
| 5. ————— element of Government Audit includes audit of provisions of funds, sanctions, compliances and propriety. (a) Fiscal Accountability (b) Managerial Accountability (c) Personnel Accountability | (a) |
| 6. The Public Enterprises required to maintain Commercial Accounts are generally classified into – (a) Departmental Enterprises (b) Statutory Bodies, Corporations (c) Government Companies (d) All of the above | (d) |
| 7. ————— element of Government Audit includes audit of efficiency, economy and effectiveness with which Public Enterprises operate and fulfill their objectives and goals (a) Fiscal Accountability (b) Managerial Accountability (c) Personnel Accountability (d) Ethical Accountability | (b) |
| 8. The audit report of Government Company shall include ————— (a) Any Directions issued by C&AG, (b) Any Actions taken thereon based on earlier notes, (c) Any impact on the Accounts and Financial Statement of the Company. (d) All of the above | (d) |
| 9. The Supplementary Audit shall be carried out by ————— (a) Statutory Auditor (b) Internal Auditor (c) C &AG (d) Auditor of Public enterprises | (c) |
| 10. Which is not scope of Comprehensive Audit (a) Comparison of overall capital cost of the project with the approved planned costs (b) System of Repairs & Maintenance, and its role in machine capacity utilisation. (c) adherence to accounting principles (d) all of the above | (c) |

Chapter – 6

INTERNAL AUDIT

| Statement | Ans. |
|--|------|
| 1. Internal Check is part of Internal Control system. The given Statement is (a) True (b) False | (a) |
| 2. Attitude of board of directors concerning the importance of internal control is reflected in (a) Accounting controls (b) Control environment (c) Control procedures (d) Supervision | (b) |
| 3. In comparison to the independent auditor, an internal auditor is more likely to be concerned with (a) Cost Accounting system (b) Internal Control system (c) Legal Compliance (d) Accounting System | (b) |
| 4. Control risk is assessed at (a) Overall financial statements level (b) Fraud risk factor level (c) Financial statement assertion level (d) Control environment level | (c) |
| 5. This Audit can be done by the employees of the entity _____. (a) Tax audit. (b) Internal Audit. (c) Cost Audit (d) Statutory Audit | (b) |
| 6. 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. | (a) |
| 7. 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. | (b) |
| 8. The independence of an internal auditor will most likely be assured if he reports to the (a) General Manager (b) President System (c) Audit Committee (d) CEO | (c) |
| 9. 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. | (b) |
| 10. Internal check is meant for _____. (a) Prevention of frauds. (b) Detection of frauds. (c) Helping audit is depth. (d) Detection of errors. | (a) |

Chapter – 7**INVESTIGATION & FORENSIC AUDIT**

| Statement | Ans. |
|---|------|
| 1. Investigation should be carried out by – (a) Chartered Accountants (b) Cost Accountants (c) Expert team (d) Company Secretary | (c) |
| 2. The investigator in his report – (a) Expresses his opinion (b) Report on factual findings (c) Expresses negative assurance (d) Does not establish any fact | (b) |
| 3. The term due diligence or the financial due diligence is relevant in the context of – (a) Corporate restructuring (b) Mergers and acquisitions (c) Amalgamations (d) All of these | (d) |
| 4. A fraud audit is – (a) A consulting Service (b) A form of audit (c) Representation service (d) Any of these | (a) |
| 5. The services provided by forensic accountant may be – (a) Business valuations (b) Divorce proceedings (c) Personal injury (d) Any of these | (d) |
| 6. Forensic audits ———— (a) Do not require specialization and training (b) Requires specialized skills (c) Requires general knowledge of legal framework and technique (d) Option (b) and Option (c) both | (b) |
| 7. Under Forensic Audit , the Forensic Accountant based on information gathered and collection of evidence, expresses his opinion (a) True (b) False | (a) |
| 8. ———— technique allows auditors to undertake data extraction, querying, manipulation, summarization and analytical tasks. (a) Generalized Audit Software (b) Computer–assisted audit techniques (c) Digital Forensics Techniques (d) Data mining Techniques | (a) |
| 9. ———— involves sensing the things imagining if the data sets have any meaning – (a) Cross drive analysis (b) Live analysis (c) Deleted files (d) Packet sniffing | (d) |
| 10. ———— correlates information found on multiple hard drives (a) Cross drive analysis (b) Live analysis (c) Deleted files (d) Stochastic sniffing | (a) |

Chapter – 9

CA ACT & PROFESSIONAL ETHICS

| Statement | Ans. |
|---|------|
| 1. Management consultancy services as per the council resolution shall include – (a) Broking and underwriting (b) Portfolio management (c) Investment counseling (d) None of the above | (c) |
| 2. In case, any person falsely claim to be a member of ICAI he shall be penalized u/s _____ of the Chartered Accountants Act, 1949 – (a) 21 (b) 22 (c) 24 (d) 27 | (c) |
| 3. Under section 21B of the Chartered Accountants Act, 1949 the council shall constitute _____ consisting of the president or the vice-president of the council as the presiding officer – (a) Board of discipline (b) Disciplinary committee (c) Appellate tribunal (d) None of these | (b) |
| 4. u/s 22A, _____ shall constitute an appellate authority under Chartered Accountants Act, 1949 – (a) Council of ICAI (b) President of ICAI (c) Central government (d) President of India | (c) |
| 5. Any member of the institute who is aggrieved by any order of board of discipline or disciplinary committee may within _____ from the date on which order is communicated to him prefer an appeal to the authority – (a) 30 days (b) 60 days (c) 90 days (d) 120 days | (c) |
| 6. The in-charge of any office shall be a chartered accountant who either attends a set office or resides in the city where such office is situation at least for _____ days in a year – (a) 180 (b) 182 (c) 184 (d) 186 | (b) |
| 7. In case the death of sole proprietor occurs, the firm name shall be kept in abeyance by ICAI and the purchaser of goodwill can use the firm name only if institute's permission is taken within _____ of _____ (a) 1 year, sale (b) 1 year, death (c) 6 months, sale (d) 6 months, death | (b) |
| 8. If there is a change in the constitution of partnership firm of a chartered accountant in practice, chartered accountants can communicated this information by _____ - (a) Advertisement in press not bolder than substance (b) Advertisement in institute's journal and newsletter (c) Personal communication with the persons residing in the same city (d) Any of these | (a) |
| 9. A chartered accountant in practice shall be entitled to perform a test function if he is engaged as a lecture in an university, affiliated college, coaching organization, private tutorship provided the direct teaching hours do not exceed _____ - (a) 25 hours a week (b) 30 hours a week (c) 120 hours a month (d) 180 hours a month | (a) |

Chapter – 10**Review by Authorities –PEER REVIEW**

| Statement | Ans. |
|--|------|
| 1. If reviewer is not satisfied with the presentation submitted to him by the practice unit it shall submit —— report to Board – (a) Unqualified (b) Modified (c) Final (d) Interim | (b) |
| 2. If the reviewer finds no deficiency or noncompliance, he is required to submit —— report to —— (a) Preliminary, practice unit (b) Preliminary, board (c) Peer review, practice unit (d) Peer review, board | (d) |
| 3. The reviewer is required to carry out a compliance review of following general controls except – (a) Independence (b) Control environment (c) Outside consultation (d) Office administration | (b) |
| 4. The Peer review of a practice unit which has undertaken a statutory audit of a mutual fund shall be conducted —— (a) Once in 3 years (b) Once in 4 years (c) Once in 5 years (d) As per discretion of Peer Review Board | (a) |
| 5. Strict confidentiality norms should be maintained in the process of peer review by – (a) Peer reviewers (b) Members of the board (c) Any assistant (d) All of these | (d) |
| 6. Which of the following is not true in the context of peer reviewer – (a) He should be in practice (b) He should have undergone the training as prescribed by Board (c) He need not furnish a declaration at time of acceptance of appointment (d) None of these | (c) |
| 7. The Peer Review Board shall be constituted by —— (a) Council of ICAI (b) Auditing and Assurance Standards Board of ICAI (c) Quality Review Board | (a) |
| 8. The reviewer who conducts peer review should not cover – (a) Quality of reporting (b) Engagement of due diligence (c) Both Option (a) and Option (b) (d) None of these | (b) |
| 9. Peer review is examination of system and procedures to assure whether they have been put in place by —— (a) Management (b) Those charged with governance (c) Practice unit (d) All of these | (c) |
| 10. The Peer Review Board shall intimate the reviewer and seek his consent within —— days – (a) 7 (b) 15 (c) 30 (d) 60 | (a) |

Chapter – 10

Review by Authorities –QUALITY REVIEW

| Statement | Ans. |
|---|------|
| 1. As per provisions of section _____ of the chartered accountants Act, 1949 _____ shall constitute a Quality Review Board – (a) 28A, Central Government (b) 28A, Council (c) 28B, Central Government (d) 28B, Council | (a) |
| 2. _____ members of the Quality Review Board are nominated by ICAI and chairperson and other _____ members are nominated by the Central Government – (a) 4, 6 (b) 6, 4 (c) 5, 5 (d) 3, 7 | (c) |
| 3. The technical reviewer should have minimum _____ years of post qualification experience as a chartered accountant – (a) 5 (b) 10 (c) 15 (d) 20 | (c) |
| 4. Reviewer should have handled as a signing partner/proprietor at least _____ statutory audit assignments as a Central Statutory Auditor of Banks/Public Limited Companies/Government Companies/Private Limited Companies having annual turnover of _____and above during the last _____ Financial Years. (a) 2, 25 crores, 5 (b) 3, 50 crores, 10 (c) 3, 75 crores, 10 | (b) |
| 5. Quality review shall cover review of quality of audit services of audit firms including – (a) Management audit (b) Operational audit (c) Both of them (d) None of them | (d) |
| 6. For carrying out the quality review assignment, the technical reviewer should undertake a maximum of _____ –onsite visit to the statutory audit firm which shall not extend beyond _____ (a) 1, 7 days (b) 1, 10 days (c) 2, 7 days each (d) 2, 10 days each | (a) |
| 7. The technical reviewer after completion of quality review is required to submit a _____ report to the _____ – – (a) Preliminary, board (b) Preliminary, audit firm (c) Final, board (d) Final, audit firm | (b) |
| 8. When the technical reviewer concludes that a modification in the report is required he should include the following – (a) A description of the reasons for modification (b) Suggestions (c) A and B both (d) A is mandatory but B is discretionary | (c) |
| 9. The Central Government is empowered to constitute a Quality Review Board consisting of a chairperson and _____ other members – (a) 10 (b) 11 (c) 12 (d) 15 | (a) |

Chapter – 11**COMPANY AUDIT – AUDIT REPORTS**

| Statement | Ans. |
|---|------|
| 1. CARO 2016 is not applicable to – (a) One person company (b) Foreign company (c) Branch of company (d) All of these | (a) |
| 2. Maintenance of cost records have been prescribed by _____ under section 148, subsection 1 of the Act, the auditor shall report under clause _____ of CARO 2016 whether such accounts and records have been made and maintained – (a) Central Government, (v) (b) Central Government, (vi) (c) Central Government, (vii) (d) ROC, (vii) | (b) |
| 3. Interim Dividend is not a part of Dividend. The given Statement is (a) True (b) False | (b) |
| 4. In circumstances which arouse Auditors suspicion, he should (a) Exercise due care and skill in detection of material errors and frauds (b) Acts as a detective agent (c) Withdraw from the engagement (d) Continue his normal verification procedures | (a) |
| 5. Declaration of Dividends shall be approved by Share Holders by (a) Ordinary Resolution (b) Special Resolution (c) Common Resolution (d) Circular Resolution | (a) |
| 6. Prudence and efficiency of the manner of conduct of business is basic purpose in (a) Statutory Audit (b) Internal Audit (c) Propriety Audit (d) Tax Audit | (c) |
| 7. When the Company defaults in maintaining the Register u/s 189, the Auditor (a) Would be responsible for failure to track down the frauds (b) Would not be responsible for failure to track down the frauds (c) May be responsible for failure to track down the frauds (d) None of the above | (b) |
| 8. Sources of Dividend can be Out of current profits, arrived at (a) Before providing Depreciation (b) Before providing Interest (c) After providing for depreciation (d) Both (a) and (b) | (c) |
| 9. Under Clause 3(x) of CARO,2016, Auditor has to report about (a) Fraud by the Company (b) Fraud on the Company (c) Both (a) and (b) (d) None of the above | (b) |
| 10. Audit Report contains (a) Details of Facts (b) Details of Frauds (c) Expression of Opinion (d) Expression of Suggestions | (c) |

Multiple Choice Questions on

Standards on Auditing

1. _____ was set up with a view to bring in harmony in the profession of accounting on an international scale
 - (a) International Federation of Auditors
 - (b) National Federation of Accountants
 - (c) International Committee of Accountants
 - (d) International Federation of Accountants
2. IFAC Board has established the _____ to develop and issue, high quality Auditing and Assurance Standards for use around the world
 - (a) International Auditing and Assurance Standards Board
 - (b) International Assurance and Auditing Board
 - (c) Auditing and Assurance Standards Board
 - (d) None of the above
3. ICAI is a founder member of
 - (a) UNO
 - (b) IFAC
 - (c) IAASB
 - (d) None of the above
4. In India, Standards on Auditing are issued by –
 - (a) IAASB
 - (b) AASB
 - (c) ASB
 - (d) IndAS Board
5. Before finalising Standards on Auditing, this will be issued
 - (a) Editable Draft
 - (b) Experts Draft
 - (c) Exposure Draft
 - (d) All of the above
6. For Issuing Exposure Draft_ Will be formulated
 - (a) Study Groups
 - (b) Research Group
 - (c) CA Group
 - (d) Teachers Group
7. Standards on Auditing are issued under the Authority of
 - (a) Council of ICAI
 - (b) Central Government
 - (c) State Government
 - (d) None of the above
8. Assurance Services are divided into
 - (a) Audit of Historical Financial Statements
 - (b) Review of Historical Financial Statements
 - (c) Assurance Engagements other than (a) and (b)
 - (d) All of the above
9. Standards on Auditing are to be complied while performing
 - (a) Audit of Historical Financial Statements
 - (b) Review of Historical Financial Statements
 - (c) Assurance Engagements other than (a) and (b)
 - (d) All of the above
10. Standards on Review Engagements are to be complied while performing
 - (a) Audit of Historical Financial Statements
 - (b) Review of Historical Financial Statements
 - (c) Assurance Engagements other than (a) and (b)
 - (d) All of the above
11. Standards on Assurance Engagements are to be complied while performing
 - (a) Audit of Historical Financial Statements
 - (b) Review of Historical Financial Statements
 - (c) Assurance Engagements other than (a) and (b)
 - (d) All of the above
12. Standards on Related Services are to be complied while performing
 - (a) Audit of Historical Financial Statements
 - (b) Review of Historical Financial Statements
 - (c) Assurance Engagements other than (a) and (b)
 - (d) Related Services
13. SQC refers to
 - (a) Standards on Quality Control
 - (b) Standards on Quality Compliance
 - (c) Standards on Quality Comprehensive
 - (d) None of the above
14. SQC shall apply to services covered by
 - (a) Engagement Standards
 - (b) Accounting Standards
 - (c) Statements issued by ICAI
 - (d) All of the above
15. Engagement Standards comprises of
 - (a) Accounting Standards
 - (b) IndAS
 - (c) Statement on Peer Review
 - (d) None of the above

16. Engagement Standards comprises of
- SA's & SAE's
 - SRE's
 - SRS's
 - All of the above
17. Standards on Review Engagements shall be applied on
- Review of Future Financial Information
 - Review of Projected Financial Information
 - Review of Audited Financial Information
 - Review of Historical Financial Information
18. Level of assurance provided in a Review Report is correspondingly _____ than that given in an Audit Report
- More
 - Less
 - Reasonable
 - High
19. In a Compilation Engagement, CA has to comply with
- SA's & SAE's
 - SRE's
 - SRS's
 - All of the above
20. Each Standards on Auditing will contain its own
- Objectives
 - Requirements
 - Reporting Format
 - Both (a) and (b)
21. The Auditor complies with the requirements of an SA
- Not in all cases even when they are relevant in the circumstances of the audit.
 - In all cases where they are relevant in the circumstances of the audit.
 - Only in cases when it is mandatory to comply
 - Only if it is specified in Companies Act
22. If necessary Auditor may depart from the requirement of SA's. The given statement is
- True
 - False
23. When Auditor departs from a relevant requirement, he has to perform _____ procedures to achieve the aim of that requirement
- Substantive
 - Risk Assessment
 - Compliance
 - Alternate
24. This is designed to provide guidance to Members on matters which may arise in the course of their professional work
- Standards on Auditing
 - Standards on Accounting
 - Guidance Notes
 - Technical Guides
25. Generally Guidance Notes issued by ICAI are
- Mandatory in nature
 - Recommendatory in Nature
 - Obligatory in Nature
 - None of the above
26. General Clarifications issued by ICAI are
- Mandatory in nature
 - Recommendatory in Nature
 - Obligatory in Nature
 - None of the above
27. General Clarifications are issued by AASB
- With a view to help in Practice
 - With a view to clarify any issues from the Standards
 - With a view to promote debate on the topic
 - None of the above
28. M/s XYZ & Co. Auditors of Goodwill Education Foundation, a recognized Non-Profit Organization feel that the Standards on Auditing need not be applied as Goodwill Education Foundation is a Non Profit making concern. This contention is
- Valid
 - Not Valid
29. There shall be few differences between Standards issued by IAASB and Standards Issued by AASB. This statement is
- Valid
 - Not Valid
30. Material Departure from the requirements of Standards on Auditing
- Are to be disclosed in Audit Report
 - Need not be disclosed
 - Are to disclosed to the management
 - Are to be disclosed to ICAI
31. Determining a percentage to be applied to a chosen benchmark (in relation to materiality) involves the exercise of _____

- (a) Independence
 (b) Professional Judgment
 (c) Professional skepticism
 (d) All of the above
32. Which of the following factors is (are) considered in determining the sample size forests of control?
 (a) Projected error
 (b) Tolerable error
 (c) Expected error
 (d) Both (b) and (c)
33. Which of the following is not an analytical procedure?
 (a) Tracing of purchases recurred in the purchase book to purchase invoices.
 (b) Comparing aggregate wages paid to number of employees
 (c) Comparing the actual costs with standard costs
 (d) All of them are analytical procedure
34. The auditor shall express _____ opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.
 (a) Adverse
 (b) Qualified
 (c) Disclaimer
 (d) None of the above
35. What are analytical procedures?
 (a) Substantive tests designed to assess control risk
 (b) Substantive tests designed to evaluate the validity of management's representation letter
 (c) Substantive tests designed to study relationships between financial adnoun–financial data
 (d) All of the above
36. 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
37. Tolerable error, is the maximum monetary error that the auditor is prepared to accepting the population and still conclude that audit objective has been achieved, is directly related to
 (a) Sample size
 (b) Audit risk
 (c) Materiality
 (d) Expected error
38. Which of the following is source of Non Sampling risk :
 (a) Human Mistakes
 (b) Applying audit procedures not appropriate to the objectives of audit
 (c) Misinterpreting the sample results
 (d) All of the above
39. SQC 1 “Quality Control for Firms that perform Audits and Review of Historical Financial Information, and other Assurance and related services” requires firms to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is
 (a) Ordinarily not more than 60 days after the date of the auditor's report.
 (b) Ordinarily not more than 30 days after the date of the auditor's report.
 (c) Ordinarily not more than 90 days after the date of the auditor's report.
 (d) Ordinarily not more than 120 days after the date of the auditor's report.
40. SQC 1 requires firms to establish policies and procedures for the retention of
 (a) Audit File
 (b) Engagement documentation.
 (c) Final Audit file
 (d) Audit Documentation
41. SQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is :
 (a) No shorter than eight years from the date of the auditor's report, or, if later, the date of the group auditor's report.
 (b) No shorter than six years from the date of the auditor's report, or, if later, the date of the group auditor's report.

- (c) No shorter than seven years from the date of the auditor's report, or, if later, the date of the group auditor's report.
- (d) No shorter than ten years from the date of the auditor's report, or, if later, the date of the group auditor's report.
42. The completion of the assembly of the final audit file after the date of the auditor's report is
- (a) An administrative process that does not involve the performance of new audit procedures but certainly involves the drawing of new conclusions.
- (b) An administrative process that involves the performance of new audit procedures or the drawing of new conclusions.
- (c) An administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions.
- (d) A statutory process.
43. Loan or guarantee to or from the concerned client is an example of –
- (a) Self-review threats
- (b) Self-interest threats
- (c) Advocacy threats
- (d) Intimidation threats
44. When an auditor deals with shares or securities of the audited company is an example of :
- (a) Self-review threats
- (b) Self-interest threats
- (c) Advocacy threats
- (d) Intimidation threats
45. _____ refers to an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.
- (a) Professional skepticism
- (b) Professional Judgment
- (c) Integrity
- (d) Objectivity
46. According to SA 210 "Agreeing the Terms of Audit Engagements", The auditor shall agree the terms of the audit engagement :
- (a) With management and those charged with governance, as appropriate.
- (b) With management
- (c) With those charged with governance
- (d) With management or those charged with governance, as appropriate.
47. The agreed terms of the audit engagement shall be recorded in
- (a) an audit engagement letter
- (b) an audit engagement letter or other suitable form of written agreement
- (c) any suitable form of written agreement
- (d) None of the above
48. If law or regulation prescribes in sufficient detail the terms of the audit engagement ,
- (a) The auditor need not record them in a written agreement, except for the fact that such law or regulation applies and that management acknowledges and understands its responsibilities.
- (b) The auditor need not record them in a written agreement
- (c) the auditor needs to record them in a written agreement
- (d) None of the above
49. A request from the client for the auditor to change the engagement may result from–
- (a) a change in circumstances affecting the need for the service,
- (b) a misunderstanding as to the nature of an audit or related service originally requested
- (c) a restriction on the scope of the engagement, whether imposed by management or caused by circumstances.
- (d) All of the above
50. The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of:
- (a) Adherence to professional standards and regulatory and legal requirements,
- (b) Whether the quality control system has been appropriately designed and effectively implemented, and
- (c) Whether the firm's quality control policies and procedures have been appropriately applied, so that reports that are issued by the firm or engagement partners are appropriate in the circumstances.
- (d) All of the above

51. The firm's system of quality control should include policies and procedures addressing which of the following element:
- Leadership responsibilities for quality within the firm.
 - Ethical requirements.
 - Acceptance and continuance of client relationships and specific engagements.
 - All of the above
52. Once the overall audit strategy has been established, _____ can be developed to address the various matters identified in the overall audit strategy, taking into account the need to achieve the audit objectives through the efficient use of the auditor's resources.
- audit strategy
 - audit plan
 - audit plan and audit strategy
 - audit note book
53. _____ refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.
- Audit documentation
 - Audit File
 - Audit Note Book
 - Completion Memorandum
54. Audit programmers, Analyses, Issues memoranda, Summaries of significant matters are examples of :
- Audit Evidence
 - Audit Documentation
 - Audit File
 - Final Audit File
55. The auditor shall assemble the audit documentation in _____ and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.
- audit note book
 - completion memorandum
 - audit file
 - any of the above
56. After the assembly of the final audit file has been completed
- The auditor shall delete or discard the audit documentation of any nature before the end of its retention period.
 - The auditor may delete or discard audit documentation of any nature before the end of its retention period.
 - The auditor may not delete or discard audit documentation of any nature before the end of its retention period.
 - The auditor shall not delete or discard audit documentation of any nature before the end of its retention period.
57. Judging the significance of a matter requires _____ of the facts and circumstances.
- objective analysis
 - subjective analysis
 - Both subjective and objective analysis
 - qualitative analysis
58. An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of _____ exercised in performing the work and evaluating the results.
- professional skepticism
 - professional integrity
 - professional judgment
 - Professional sincerity
59. Audit evidence is necessary to support the auditor's opinion and report. It is _____ in nature and is primarily obtained from audit procedures performed during the course of the audit.
- cumulative
 - regressive
 - selective
 - objective
60. Components of risk of material misstatement at the assertion level are :
- Inherent risk and detection risk
 - inherent risk and control risk
 - control risk and detection risk
 - inherent risk, control risk and detection risk
61. _____ refer to the audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.
- Audit assessment procedures
 - substantive procedures
 - test of control
 - Risk assessment procedures

62. When more persuasive audit evidence is needed regarding the effectiveness of a control,
- it may be appropriate to increase the extent of testing of the control and reduce the extent of the degree of reliance on controls.
 - it may be appropriate to decrease the extent of testing of the control as well as the degree of reliance on controls.
 - it may be appropriate to decrease the extent of testing of the control and increase the extent of the degree of reliance on controls.
 - it may be appropriate to increase the extent of testing of the control as well as the degree of reliance on controls.
63. When deviations from controls upon which the auditor intends to rely are detected,
- the auditor shall not make any inquiries to understand these matters and their potential consequences
 - the auditor shall make specific inquiries to understand these matters and their potential consequences
 - the auditor shall make general inquiries to understand these matters and their potential consequences
 - the auditor shall make both general as well as specific inquiries to understand these matters and their potential consequences
64. Which of the following statement is correct :
- Substantive analytical procedures are generally more applicable to large volumes of transactions that tend to be predictable over time
 - Substantive analytical procedures are generally less applicable to large volumes of transactions that tend to be predictable over time
 - Substantive analytical procedures are generally more applicable to small volumes of transactions that tend to be predictable over time
 - All statements are correct
65. Because the assessment of the risk of material misstatement takes account of internal control,
- The extent of substantive procedures may need to be increased irrespective of the results from tests of controls.
 - The extent of substantive procedures may need to be increased when the results from tests of controls are satisfactory.
 - The extent of substantive procedures may need to be decreased when the results from tests of controls are unsatisfactory.
 - The extent of substantive procedures may need to be increased when the results from tests of controls are unsatisfactory.
66. Which of the following Assertion is not related to assertion about presentation and disclosure:
- Occurrence and rights and obligations
 - Completeness
 - Classification and understandability
 - Valuation and allocation
67. Which statement is correct regarding written representations
- Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal.
 - Written representations provide sufficient appropriate audit evidence on their own about any of the matters with which they deal.
 - Written representations neither provide necessary audit evidence nor they provide sufficient appropriate audit evidence.
 - Written representations are not related to audit evidence.
68. Standard on Quality Control (SQC) 1 sets out the responsibilities of the ____ for establishing policies and procedures regarding compliance with relevant ethical requirements :
- Firm
 - engagement partner
 - Senior Audit Assistant
 - All the above
69. SA 220 sets out the ____ responsibilities with respect to relevant ethical requirements.
- firm's
 - Senior Audit Assistant
 - engagement partner's
 - All the above
70. SA 220 recognizes that the ____ is entitled to rely on a firm's systems in meeting its responsibilities with respect to quality control procedures.
- engagement partner
 - engagement team

- (c) firm
(d) Senior Audit Assistant
71. There are two interlinked perspectives of independence of auditors, one, independence of mind, and two,
(a) objectivity
(b) Professional competence
(c) Integrity
(d) Independence in appearance.
72. Direct financial interest or materially significant indirect financial interest in a client is an example of
(a) Self-review threats
(b) Self-interest threats
(c) Advocacy threats
(d) Intimidation threats
73. _____ are self-evident, and occur when auditors form relationships with the client where they end up being too sympathetic to the client's interests.
(a) Familiarity threats
(b) Self-interest threats
(c) Advocacy threats
(d) Intimidation threats
74. Professional skepticism is necessary to the critical assessment of
(a) audit documentation
(b) audit evidence.
(c) audit procedures
(d) All of the above
75. Planning an audit involves establishing the overall audit strategy for the engagement and
(a) Developing an audit plan.
(b) developing an audit program
(c) developing detailed strategy
(d) any of the above
76. The auditor shall develop an audit plan that shall include a description of:
(a) The nature, timing and extent of planned risk assessment procedures
(b) The nature, timing and extent of planned further audit procedures at the assertion level.
(c) Other planned audit procedures that are required to be carried out so that the engagement complies with SAs.
(d) All of the above
77. With reference to SA 300, the auditor shall document:
(a) The overall audit strategy
(b) The audit plan
(c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes.
(d) All of the above
78. SA-700 requires the use of specific headings, which are intended to assist in making auditor's reports that refer to audits that have been conducted in accordance with SAs more recognizable. Which of the following is that specific heading:
(a) Key audit matters
(b) Basis of opinion
(c) Date
(d) All of the above
79. The most difficult type of misstatement to detect fraud is based on _____.
(a) Related party purchases.
(b) Related party sales.
(c) Omission of a sales transaction from being recorded.
(d) None of the above
80. Professional skepticism requires that the auditor to have a _____.
(a) Honest approach.
(b) Reasonable approach.
(c) Questioning Mind.
(d) Suspicion.
81. Audit engagement letter assures the auditor that
(a) Auditor will obtain sufficient appropriate audit evidence.
(b) Management representation letter.
(c) Access to all books, accounts and vouchers required for audit purpose.
(d) Co-operation from other auditors
82. Which of the following SA deals with Audit planning?
(a) SA-700.
(b) SA-300.
(c) SA-530.
(d) SA-230.
83. Audit Programmed is prepared by _____.
(a) The auditor.
(b) The client.
(c) The audit assistants.
(d) The Government.

84. Which of the following is not an advantage of the preparation of working paper?
- To provide a basis for review of audit work.
 - To provide a basis for subsequent audits
 - To ensure audit work is being carried out as per Programmed.
 - To advise another client on similar issues.
85. Which of the following factors likely to be identified as a fraud risk factor by the auditor?
- Incentive Pressure
 - Bank reconciliation statement includes deposits in transit.
 - Plant and machinery is sold at a loss.
 - The company has made political contributions.
86. Which of the following statements is correct concerning the required documentation in working papers of fraud risk assessment undertaken by the auditor?
- All risk factors should be considered and documented along with response to them.
 - Document the identification of fraud risk factors along with response to them.
 - Document material fraud, risk factors and response to them.
 - No documentation is required.
87. Which of the following is not likely to be a fraud risk factor relating to management's characteristics
- Tax evasion
 - Failure to correct known weakness in internal control system
 - Adoption of conservative accounting principles
 - High management turnover
88. Professional skepticism requires that the auditor assume that management is
- reasonably honest
 - Neither honest nor dishonest
 - Not necessarily honest
 - Dishonest unless proved otherwise
89. Which of the following information should a successor auditor obtain during the inquiry of the predecessor auditor before accepting engagement?
- Information about integrity of management
 - Disagreement with management concerning auditing procedures
 - Review of internal control system.
 - Organisation structure
- (i) and (ii)
 - (ii) and (iii)
 - (i), (ii) and (iii)
 - (i) and (iii)
90. The audit engagement letter, generally, should include a reference to each of the following except
- limitations of auditing
 - responsibilities of management with respect to audit work
 - Expectation of receiving a written management representation letter.
 - A description of the auditor's method of sample selection.
91. Audit engagement letter is the best method of documenting
- the required communication of significant deficiencies in internal control
 - Significantly higher control risk than that assessed in prior audit.
 - Objective and scope of auditor's work
 - Notification of any changes in the original arrangements of the audit.
- (i) and (ii)
 - (i) and (iii)
 - (ii) and (iv)
 - (iii) and (iv)
92. An auditor who accepts an audit but does not possess the industry expertise of the business entity should
- engage experts
 - obtain knowledge of matters that relate to the nature of entity's business
 - inform management about it
 - take help of other auditors
93. The least important element in the evaluation of an audit firm's system of quality control would relate to
- assignment of audit assistants
 - system of determining audit fees
 - consultation with experts
 - confidentiality of client's information
94. The primary purpose of establishing QC policies and procedures for deciding on client evaluation is to
- ensure adherence to generally accepted accounting standards

- (b) acceptance or retention of clients
(c) ensure audit fees is charged according to the type of audit work assigned
(d) none of the above
95. Which of the following is not a quality control consideration on accepting a new client?
(a) Availability of audit assistants with necessary skill and competence.
(b) Provision of other services to the client which may impair independence
(c) Predecessor auditor's advice as to whether audit fees were paid promptly
(d) Review of audit work done by one partner by the other
96. An auditor obtains knowledge about a new client's business and its industry to
(a) Make constructive suggestions concerning improvements to the client's internal control system.
(b) Evaluate the appropriateness of audit evidence obtained
(c) Understand the events and transactions that may have an effect on client's financial statements.
(d) None of the above
97. When issuing unqualified opinion, the auditor who evaluates 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) Estimate of the total likely misstatement is more than materially level
(d) Estimates of the total likely misstatement cannot be made
98. 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
99. Which of the following statements is most closely associated with analytical procedure applied at substantive stage?
(a) It helps to study relationship among balance sheet accounts
(b) It helps to discover material misstatements in the financial statements
(c) It helps to identify possible oversights
(d) It helps to accumulate evidence supporting the validity of a specific account balance
100. Analytical Procedure is a
(a) Risk Assessment Procedure
(b) Substantive Procedure
(c) Compliance Procedure
(d) All of the above
101. What are analytical procedures?
(a) Substantive tests designed to assess control risk
(b) Substantive tests designed to evaluate the validity of management's representation letter
(c) Substantive tests designed to study relationships between financial and nonfinancial data
(d) All of the above
102. What is the primary objective of analytical procedures used in the overall review stage of an audit?
(a) To help to corroborate the conclusions drawn from individual components of financial statements
(b) To reduce specific detection risk
(c) To direct attention to potential risk areas
(d) To satisfy doubts when questions arise about a client's ability to continue
103. Which of the following factors is most important in determining the appropriations of audit evidence?
(a) The reliability of audit evidence and its relevance in meeting the audit objective
(b) The objectivity and integrity of the auditor
(c) The quantity of audit evidence
(d) The independence of the source of evidence
104. Which of the following statements is not true with respect to written representations obtained as per SA580?
(a) Authenticated copy of relevant minutes of meetings may be regarded as management representation.
(b) It should always be considered as conclusive evidence
(c) It may be dated prior to the report date
(d) It should be addressed to the auditor

105. What would most appropriately describe the risk of incorrect rejection in terms of substantive testing?
- The auditor concludes balance is materially correct when in actual fact it is not
 - The auditor concludes that the balance is materially misstated when in actual fact it not
 - The auditor has rejected an item for sample which was material
 - None of the above
106. Which of the following affects audit effectiveness?
- Risk of over reliance
 - Risk of incorrect rejection
 - Risk of incorrect acceptance
 - Both (a) and (c)
107. The working papers which auditor prepares for financial statements audit are
- evidence for managements intention
 - owned by the client
 - owned by the auditor
 - retained in auditor's office until a change in auditors
108. Audit programmer prepared to
- To detect errors or fraud.
 - To comply with GAAP
 - To carry outa the Audit in effective manner
 - To assess audit risk
109. The auditor's permanent working paper file shall not contain
- extracts from client's bank statements
 - past year's financial statements
 - attorney's letters
 - Capital Structure of the Company
110. For what minimum period should audit working papers be retained by audit firm?
- For the time period the entity remains a client of the audit firm.
 - For a minimum period of Seven years
 - For a period auditor opines them to be useful in servicing the client
 - For the period the audit firm is in existence.
111. Which of the following factors would least likely affect the quantity and content of an auditor's working papers
- The assessed level of control risk
 - The possibility of peer review
 - The nature of auditor's report
 - The contents of management representation letter
112. Which of the following statement is true regarding an auditor's working papers?
- They document the level of independence maintained by the auditor
 - They should be considered as the principle support for the auditor's report
 - They should not contain details regarding weaknesses in the internal control system
 - They help the auditor to monitor the effectiveness of the audit firm's quality control
113. With regard to Audit working papers, which of the following not true
- Auditor should provide access to the client
 - Successor auditors may have access to working papers of the predecessor auditors.
 - Branch Auditors shall provide working papers to Principal Auditors.
 - All of the above
114. The current file of the auditor's working papers, generally, should include
- Queries raised during audit and its responses
 - Computation of Bonus paid in previous year
 - Copies of all prior year financial statements
 - all the above
115. Knowledge of the entity's business does not help the auditor to
- reduce inherent risk
 - identify problem areas
 - Evaluate reasonableness of estimates
 - Evaluate appropriates of GAAP.
116. Statistical sampling techniques helps the auditor to
- mathematically measure risk
 - eliminate the need for judgmental sampling
 - defines the values of tolerable error
 - All of the them.
117. This method of sample selection is least suitable for extrapolating results to the population
- Systematic sampling
 - Random sampling
 - Haphazard sampling
 - None
118. Most important feature of Audit Sampling is
- Sample should be drawn from various population