

AUDIT (CA INTER) MULTIPLE CHOICE QUESTIONS

1. **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
2. **Auditor gives _____ regarding the financial statements**
 - a) True and fair view
 - b) Correct view
 - c) Fair view
 - d) Completely true
3. **Auditing begins where _____ ends.**
 - a) Selling
 - b) Inventory valuation
 - c) Accounting
 - d) Purchase
4. **Which type of organizations use auditing services?**
 - a) Non-profit-organizations
 - b) Business
 - c) Governments
 - d) All of the above
5. **Auditing should be**
 - a) Independent
 - b) Compulsory
 - c) On the request of government
 - d) None of the above
6. **Independence comprises**
 - a) Independence by mind
 - b) Independence in appearance
 - c) Both (a) and (b)
 - d) None of these
7. **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.
8. **Auditor should have knowledge of**
 - a) Accounting

- b) Auditing
- c) Law applicable on the entity
- d) All of these

9. 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

10. Function of audit is to

- a) Detect errors
- b) Detect fraud
- c) Safeguard the interest of stakeholders
- d) All the above

11. 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

12. The basic requirement which is absent in auditing is

- a) Exact accounts
- b) Certainty in financial statements
- c) Conclusive evidence
- d) All of the above

13. 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

14. Auditor should be done by

- a) A professional accountant
- b) A certified management accountant
- c) A competent and independent person
- d) A chartered accountant

15. 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

16. 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

17. Auditing has all features except

- a) Done every financial year
- b) Based on conclusive evidence
- c) Mandatory for companies
- d) None of the above

18. 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

19. 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

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

- a) Whether it is caused by officer of the entity or employee of the entity
- b) **Intention**
- c) Materiality
- d) Whether it is caused by the auditor or the client

21. 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

22. Pick the odd one

- a) Those Charged with Governance
- b) Management
- c) Employees
- d) Auditor

23. 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

24. Pick the odd one

- a) Balance Sheet
- b) Audit Report
- c) Profit & Loss Account
- d) Cash Flow Statement

25. 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

26. Professional skepticism requires the auditor assume that management is

- a) Reasonably honest
- b) Neither honest nor dishonest
- c) Not necessarily honest
- d) Dishonest unless proved otherwise

27. Professional skepticism requires that the auditor should be _____ indicating _____

- a) Ignorant, Possible misstatements
- b) Alert, Possible misstatements
- c) Alert, Management bias
- d) Ignorant, Possible misstatements.

28. Professional skepticism includes being alert to, for example

- a) Audit evidence that contradicts other audit evidence obtained
- b) Overlooking unusual circumstances
- c) Conditions that may indicate possible fraud
- d) All of above

29. Holding financial interest in a client and close business relationship with him give rise to _____

- a) Self-review threat
- b) Advocacy threat
- c) Familiarity threat
- d) Self-interest threat

30. If the professional becomes a witness where the part to litigation is his client, it will result in _____

- a) Self-review threat
- b) Advocacy threat
- c) Familiarity threat

d) Self-interest threat

31. If the auditor is having long association with client it will give rise to _____

- a) Self- review threat
- b) Advocacy threat
- c) Familiarity threat
- d) Self-interest threat

32. If the professional who is preparing the books of accounts is also auditing the financial statements, it shall give rise to

- a) Self-review threat
- b) Advocacy threat
- c) Familiarity threat
- d) Self-interest threat

33. If the auditor is facing threat from the client to be dismissed if he refuses to act as per their wishes, it shall give rise to _____

- a) Familiarity threat
- b) Intimidation threat
- c) Advocacy threat
- d) Self-review threat

34. Standards on Auditing are applicable on

- a) Auditing Engagement
- b) Review Engagement
- c) Assurance Engagement
- d) Related Service Engagement

35. Standards on Auditing are issued by

- a) Accounting Standard Board
- b) Quality Review Board
- c) Auditing & Assurance Standard Board
- d) Board of Studies

36. In the financial audit, the auditor expresses opinion on

- a) True and Fair view of financial statements
- b) True and Correct view of financial statements
- c) Effective operation of internal control system
- d) Business operation of the entity

37. Which of the following is not component of financial statement

- a) Profit and Loss Account
- b) Balance Sheet
- c) Notes to Accounts
- d) Board's Report

38. Pick the odd one

- a) Checking the vouchers
- b) Preparation of vouchers
- c) Evaluation of internal control
- d) None of the above

39. Which of the following is not type of engagement standard

- a) Standards on Auditing
- b) Standard on Quality Control
- c) Standards on Review Engagement
- d) Standards on Assurance Engagement

40. In which of the following engagement opinion is not expressed

- a) Related Services Engagement
- b) Auditing Engagement
- c) Review Engagement
- d) Assurance Engagement

41. In which of the following engagement an opinion is expressed on a subject matter other than the historical financial information

- a) Auditing Engagement
- b) Review Engagement
- c) Assurance Engagement
- d) Related Services Engagement

42. Which of the following is not code of ethics

- a) Objectivity
- b) Integrity
- c) Communication skills
- d) Professional competence and due care

43. Pick the odd one

- a) Standards on Auditing
- b) Standard on Quality Control
- c) Standards on Review Engagement
- d) Standards on Assurance Engagement

44. How many Standards on Auditing have been issued

- a) 32
- b) 34
- c) 36
- d) 38

45. Standards on Auditing are _____

- a) Mandatory
- b) Optional

- c) Discretionary
- d) All of these

46. General purpose financial statements are prepared as per

- a) General purpose financial reporting framework
- b) Special purpose financial reporting framework
- c) Both (a) and (b)
- d) None of these

47. Designing, implementation and maintenance of internal control system are the responsibilities of

- a) Management of entity
- b) External Auditor of entity
- c) Both (a) and (b)
- d) Internal Auditor of entity

48. Auditing engagement can be performed w.r.t.

- a) Profit making entity
- b) Non-profit making entity
- c) Corporate entity only
- d) Any entity

49. Scope of financial audit is

- a) Financial information
- b) Non-financial information
- c) Both (a) and (b)
- d) None of these

50. _____ along with other disciplines such as accounting and law equips you with all the knowledge that is required to enter into auditing as a profession.

- a) Auditing
- b) Taxation
- c) Finance
- d) Taxation and Finance both

51. No business or institution can effectively carry on its activities without the help of proper _____

- a) Audit
- b) Records and accounts
- c) Neither (a) nor (b)
- d) Both (a) and (b)

52. _____ increases the revenue earning capacity of the business

- a) Capital expenditure
- b) Revenue expenditure
- c) Both (a) and (b)
- d) Both (a) and (b) and deferred revenue expenditures

53. The purpose of providing depreciation is

- a) Adherence to matching concept
- b) Keeping the capital invested in fixed asset intact
- c) Compliance with statutory requirement and presenting true and fair view
- d) All of these

54. As per SA-200 “Overall Objectives of the Independent Auditor,” in conducting an audit of financial statements, the overall objectives of the auditor are:

- a) To obtain reasonable assurance
- b) To report on the financial statements
- c) Both (a) and (b) above
- d) None of the above

55. The auditor cannot obtain an absolute assurance due to _____

- a) Lack of accounting knowledge
- b) Lack of auditing knowledge
- c) Both (a) and (b)
- d) Inherent limitations of auditing

56. The auditor’s _____ safeguard the auditor’s ability to form an audit opinion without being affected by any influences.

- a) Objectivity
- b) Independence
- c) Confidentiality
- d) Integrity

57. SA Series 500-599 cover the aspects of _____

- a) Introductory matters
- b) General Principles and Responsibilities
- c) Audit Evidence
- d) Audit Conclusion and Reporting

58. SA Series 700-799 cover the aspects of _____

- a) Introductory matters
- b) General Principles and Responsibilities
- c) Audit Evidence
- d) Audit Conclusion and Reporting

59. SA Series 200-299 cover the aspects of _____

- a) Introductory matters
- b) General Principles and Responsibilities
- c) Audit Evidence
- d) Audit Conclusion and Reporting

60. SA Series 600-699 cover the aspects of _____

- a) Using the work of others

- b) Audit Evidence
- c) Risk Assessment and Auditor's Response
- d) Audit Conclusion and Reporting

61. The _____ have been issued with a view to securing compliance by members on matters which, in the opinion of the Council, are critical for proper discharging of their functions.
- a) Statements
 - b) Guidance Notes
 - c) Standards on Audit
 - d) All of these
62. _____ are designed to provide guidance to members on the matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues that may pose difficulty.
- a) Statements
 - b) Guidance notes
 - c) Standards on Audit
 - d) All of these
63. Guidance notes are
- a) Mandatory
 - b) Recommendatory
 - c) None of these
64. Internal audit may cover the aspects _____
- a) Financial
 - b) Non-Financial
 - c) Both (a) and (b)
 - d) None of these
65. Internal auditor is appointed by
- a) Management
 - b) The shareholders
 - c) CG
 - d) External auditor
66. The area of work is determined by management
- a) Insurance audit
 - b) Sole proprietorship audit
 - c) **Internal audit**
 - d) Bank audit
67. _____ audit assists the management in finding out new ideas for marketing and other business areas.
- a) Secretarial audit
 - b) Insurance audit

- c) Internal audit
- d) Tax audit

68. An audit which is compulsory by law is called as

- a) Government Audit
- b) Internal Audit
- c) Cost Audit
- d) Statutory Audit

69. For which of the following entities statutory audit of financial statement is not conducted

- a) Banking Companies
- b) Insurance Companies
- c) Partnership Firm
- d) One Person Company

70. Accounting and Internal Control system are the responsibilities of:

- a) TCWG & Management of entity
- b) External Auditor of entity
- c) Internal Auditor of the entity
- d) All of above

71. Compliance with Laws and Regulations which are applicable of the entity, is the responsibility of _____

- a) TCWG and Management of entity
- b) External Auditor of entity
- c) Internal Auditor of entity
- d) All of above

72. Which of the following is not basic principle of auditing

- a) Integrity, Objectivity and Independency
- b) Confidentiality
- c) Written Representation
- d) Audit Planning

73. Which of the following is basic principle of auditing

- a) Audit Documentation
- b) Audit Evidence
- c) Skills and competence
- d) All of above

74. Which of the following is exception of confidentiality by auditor

- a) If permitted by client to disclose any information
- b) If there is any legal professional duty of auditor to disclose any information
- c) Both (a) and (b)
- d) None of these

75. Auditor must have sound knowledge of

- a) Accountancy

- b) Auditing
- c) Client's Nature of Business
- d) All of above

76. As per SA 200, which level of assurance the auditor shall obtain that financial statements are free from material misstatements

- a) Reasonable Assurance
- b) Absolute Assurance
- c) Moderate Assurance
- d) None of these

77. Reasonable assurance is _____ level of assurance but it is not _____ assurance.

- a) High, Absolute
- b) Absolute, Guaranteed
- c) Moderate, Absolute
- d) None of these

78. The inherent limitations of an audit arise from

- a) Involvement of judgement
- b) Test Checking
- c) Time Limitation
- d) All of above

79. Which of the following statement is incorrect

- a) Sampling is a major inherent limitation of audit.
- b) Auditor is not an insurer
- c) Auditor's primary responsibility is to detect errors and frauds in financial statements
- d) Auditor needs to be independent

80. Which of the following is responsibility of auditor

- a) To ensure that financial statement comply with applicable financial reporting framework
- b) To express an opinion on true and fair view of the financial statements.
- c) To ensure compliance with laws and regulations applicable on the entity
- d) To design, implement and maintain system of internal control.

81. Advantage of independent examination are

- a) Credibility of financial statement is enhanced.
- b) It is helpful in settling tax liability
- c) It acts as moral check on the employees from committing fraud.
- d) All of above

82. Accounting policy refers to

- a) Specific accounting principle
- b) Method of applying accounting principle
- c) Both (a) and (b)
- d) None of these

83. Under which of the following circumstances accounting policy can be changed

- a) If it is required by law
- b) For compliance with accounting standards
- c) On the opinion of management for better presentation of financial statement
- d) All of above

84. Fundamental accounting assumptions are

- a) Going Concern
- b) Consistency
- c) Accrual
- d) All of above

85. Which of the following section of Companies Act, 2013 deals with eligibility, qualification and disqualification of auditor

- a) Section 140
- b) Section 141
- c) Section 142
- d) Section 143

86. Which of the following section of the Companies Act, 2013, defines meaning of Chartered accountant

- a) 2(17)
- b) 2(77)
- c) 2(87)
- d) 2(7)

87. Which of the following is eligible for appointment as auditor of company

- a) Any Chartered Accountant
- b) A Company whose all the directors are chartered accountants
- c) Chartered Accountant holding valid certificate of practice
- d) All of these

88. A partnership firm can be appointed as auditor of Company if

- a) All the partners of partnership firm are chartered accountants
- b) If at least one partner of partnership firm is chartered accountant
- c) If majority of partners of the firm is of chartered accountants
- d) If at least 2/3rd partners of the firm are chartered accountants

89. In case of partnership firm as auditor of company, audit report shall be signed by:

- a) Any partner of the partnership firm
- b) Any CA employee of the firm
- c) All CA partner of the firm
- d) Any CA partner of the firm

90. Which of the following statement is incorrect

- a) Limited liability partnership firm can be appointed as auditor of company
- b) A Body corporate can be appointed as auditor of company

- c) A person who is chartered accountant within the meaning of the Chartered Accountants Act, 1949 and holding valid certificate of practice can be appointed as auditor of company.
- d) None of these.

91. Which of the following is disqualified for appointment as auditor of company

- a) Any officer or employee of Co
- b) Any officer or employee of holding co of the Co
- c) Any officer or employee of subsidiary co of the Co
- d) All of these

92. Which of the following is not covered within the meaning of relative u/s 2(77) of the Co Act, 2013

- a) Step Father
- b) Step Mother
- c) Step Sister
- d) Step Daughter

93. Which of the following is covered within the meaning of relative u/s 2(77) of the Co Act, 2013

- a) Brother's wife
- b) Step brother
- c) Sister's husband
- d) Step daughter

94. Which of the following is incorrect

- a) Any partner of officer of company shall not be appointed as auditor of company
- b) Any employee of officer of company shall not be appointed as auditor of company
- c) Any partner of employee of company shall not be appointed as auditor of company
- d) Any employee of employee of company can be appointed as auditor of company

95. An individual is disqualified for appointment as auditor of Co

- a) If he is holding security of co having total face value exceeding Rs. 1 Lakh
- b) If he is holding security of co having total face value exceeding Rs. 1,000/-
- c) If he is holding any security of company, irrespective of face value of security
- d) None of these

96. An individual is disqualified for appointment as auditor of co if

- a) His father is holding security of co having total face value of Rs 1 Lakh
- b) His father is holding security of co having total face value exceeding Rs. 1 Lakh
- c) His sister's husband is holding security of co having total face value exceeding Rs. 1 Lakh
- d) His step daughter is holding security of co having total face value exceeding Rs. 1 Lakh

97. If a relative acquires security exceeding Rs 1 Lakh, then auditor shall take corrective action within _____ days of such acquisition so as to maintain the limit of Rs 1 Lakh.

- a) 60
- b) 30
- c) 60
- d) 120

98. An individual is disqualified for appointment as auditor of co if he is indebtedness to co

- a) Rs. 5,00,000
- b) Exceeding Rs. 5,00,000
- c) Exceeding Rs. 1,00,000
- d) Any amount

99. Which of the following transaction is not covered within the meaning of business relationship for the purpose of disqualification of auditor

- a) Commercial transactions which are in the nature of professional services permitted to be rendered by an auditor under the Co Act, 2013 and Chartered Accountants Act, 1949 and rules or regulations made under those Acts
- b) Commercial transaction which are in the ordinary course of business of the company at arm's length price
- like sale of product or services to the auditor, as customer, in the ordinary course of business.
- c) Both (a) and (b)
- d) None of these

100. A person shall not be appointed as auditor of co, if

- a) His relative is director of the company
- b) His relative is in the employment of company as key managerial personnel
- c) Both (a) and (b)
- d) His relative is manager of subsidiary company of the company