

1. Multiple Choice Questions.

- a. Audit has been derived from the latin word_____
 - i. Audire
 - ii. Audie
 - iii. Audi
 - iv. Aude
- b. Today who can act as an auditor of the company?
 - i. Chartered accountant
 - ii. Accountant
 - iii. Practicing Chartered accountant
 - iv. 12th pass accountant.
- c. Objective of an audit of financial statement is to enable the auditor to express an opinion whether financial statement are prepared in accordance with the
 - i. Provision of income tax.
 - ii. With an identified financial reporting framework.
 - iii. System of double entry book keeping.
 - iv. With accounting policies laid down by the management.
- d. In India, companies act _____ made it compulsory of audit of accounts.
 - i. 1956
 - ii. 1972
 - iii. 1965
 - iv. 1913
- e. During the audit the opening balance will be verified with
 - i. Current year balance sheet
 - ii. Current year trial balance
 - iii. Last year balance sheet.
 - iv. Last year ledger.
- f. Fraud through account can be taken place through
 - i. Not recording a transaction.
 - ii. Recording a dummy transaction.
 - iii. None of the above
 - iv. All of the above.
- g. The risk of fraud increase when:

- i. The auditor remain the same
 - ii. Management is in the hand of single person.
 - iii. Cash balance is very high.
 - iv. Bank balances remain low.
- h. Auditor can obtain the sufficient appropriate audit evidence through the performance of:
 - i. Vouching
 - ii. Compliance and substantive procedures.
 - iii. Reading of ledger
 - iv. None of the above.

- i. How many principles is there in AAS 1- Principle of audit.
 - i. 10
 - ii. 9
 - iii. 8
 - iv. 5
- j. Fraud through defalcation is:
 - i. Employee fraud,
 - ii. Management fraud
 - iii. Both of the above
 - iv. None of the above
- k. Auditing standards and auditing guidelines are issued the _____ board.
 - i. Government
 - ii. ICAI
 - iii. ICWA
 - iv. ICSI
- l. The errors which are committed by accounting clerks are called
 - i. Clerical error
 - ii. Errors of principal
 - iii. Both of the above
 - iv. None of the above
- m. Audit of Bank is which type of audit?
 - i. Continuous audit
 - ii. Balance sheet audit

- iii. Statutory audit
- iv. Internal audit
- n. Final audit means
 - i. Audit done at the beginning of the financial year.
 - ii. Audit done at the end of the financial year
 - iii. Audit between two accounting year.
 - iv. Audit by the management.
- o. Internal audit means:
 - i. Audit done at the beginning of the financial year.
 - ii. Audit done at the end of the financial year
 - iii. Audit between two accounting year.
 - iv. Audit by the management
- p. Interim audit means:
 - i. Audit done at the beginning of the financial year.
 - ii. Audit done at the end of the financial year
 - iii. Audit between two accounting year.
 - iv. Audit by the management
- q. Final audit is unsuitable for _____ type of organization
 - i. Small organization
 - ii. Large organization
 - iii. Mid size firm
 - iv. None of the above.
- r. Interim audit being conducted for the following reasons:
 - i. Quarterly results
 - ii. Interim dividend
 - iii. Change in the firm
 - iv. All of the above.
- s. Balance audit only include the following things:
 - i. Verification of assets and liabilities
 - ii. Vouching of income and expenditure
 - iii. Verification of expenses
 - iv. All of the above.
- t.

2. State whether true or false.

- a. Audit has been derived from the latin word audire.
- b. Primary objective of audit to detect and prevent the errors and frauds
- c. The term “fraud” refers to an intentional act by one or more individuals of management, employees or outsiders, severally or jointly, involving the use of deception to obtain an unjust or illegal advantage.
- d. In India, companies act 1956 made it compulsory of audit of accounts.
- e. During the audit the opening balance will be verified with the help of last year balance sheet.
- f. There are 10 principle listed in ASS1- Principles of audit.
- g. The auditor should dispose of the documents to meet the demands of his practice
- h. Planning helps an auditor to conduct an audit in an effective, efficient and timely manner.
- i. Auditor should disclose the information acquired in the course of audit to anyone.
- j. Auditor should not possess the knowledge of common business laws. Like mercantile law partnership act, sale of goods act etc.
- k. Auditor should act like a bloodhound and not a watch dog.
- l. Auditing begins where the accounting starts.
- m. Audit should be systematically planned.
- n. Audited accounts are free from errors and fraud.
- o. Auditor can take the help of valuer, branch auditor, lawyer etc..
- p. The auditor has to give an opinion on financial statements whether they are True and Fair view.
- q. The errors which are committed by accounting clerks are called error of principal.
- r. Bank audit is the internal audit.
- s. Annual audit is done at the beginning of the financial year.
- t. Final audit is unsuitable for large type of organization
- u. An interim audit is conducted in between two annual audits.

- v. Final audit cannot be completed very soon, if there has been an interim audit.
- w. A balance sheet audit is an audit of the accounts on the balance sheet
- x. Internal auditors are appointed by the management.
- y. Interim audit is not compulsory under the companies act.

3. Match the column

	Column A		Column B
1	Basis Principles listed in ASS1	a	Intentional error
2	Fraud	b	Systematic recording of transaction.
3	Manipulation of accounts	c	9
4	Book keeping	d	Management fraud

4. Match the column

1	Tax Audit	a	Internal audit
2	Audit by own staff	b	Compulsory Audit
3	Cost audit	c	Done at the end of the year
4	Statutory Audit	d	44AB
5	Final Audit	e	S 233 B
6.	Audit at regular interval	f	Voluntary audit
7	Audit of proprietor	g	Continuous audit

5. Check your answer

1. a. i , b.iii, c. ii, d. iv, e. iii, f. iv, g. ii, h .ii , I .ii, j. i, k. ii, l. i, m.iii, n. ii, o. iv, p.iii, q. iv, r. iv, s.i,
2. a. T, b. T, c .T, d. F, e. T, f. F, g .F, h. T. i. F, j. F, k. F, i. F, m. T, n. F, o. T, p. T, q. F, r. F, s. F, t. T, u. T, v. F , w.T , x. T , y.T , z.
3. 1- c, 2- a, 3- d, 4 - b
4. 1. d, 2. a, 3. e, 4.b, 5.c, 6. g, 7. f

6. Theory question:

1. Define audit and explain its objective in brief.

2. Explain and define the term audit.
3. Explain the term error and fraud
4. Explain various types of error found in the books of accounts.
5. Explain the term errors and procedure to detect error.
6. What is fraud and types of fraud?
7. Explain circumstances indicating errors and fraud.
8. What is advantage of audit?
9. Explain the term audit and its limitation.
10. Explain the principal of audit (AAS- 1)
11. Explain some quality of auditor.
12. Explain any four principal of audit.
13. Explain the term “worked performed by other” in context to auditing principal.
14. Explain fraud through accounts.
15. Explain the term continuous audit.
16. Cases where continuous audit is applied.
17. Explain the advantage of continuous audit.
18. Explain the disadvantage of continuous audit.
19. What do you mean by interim audit?
20. Why the interim audit is being conducted?
21. Explain the procedure of interim audit along with its advantage.
22. What are the disadvantages of interim audit?
23. Explain in brief Balancesheet audit.
24. What are the procedures to conduct Balancesheet audit.
25. What do you mean by concurrent audit?
26. Explain the term internal audit.
27. Explain any 5 standard on internal audit.
28. What are the advantage and disadvantage of internal audit?
29. Write short note – relationship between internal auditor and external auditor.