

1. Multiple choice question

- a. \_\_\_\_\_ is a substitute for detailed checking
  - i. Test Checking
  - ii. Internal control
  - iii. Internal check
  - iv. None of the above
- b. Test checking helps the auditor in
  - i. Complete work in less time
  - ii. it saves labour and cost
  - iii. all of the above
  - iv. none of the above
- c. While determining the sample size, the auditor should consider
  - i. risk,
  - ii. the error
  - iii. the tolerable error
  - iv. all of the above
- d. \_\_\_\_\_ is the maximum error in the population that the auditor would be willing to accept and still concludes that the result from the sample has achieved the audit objective.
  - i. Tolerable error
  - ii. Error
  - iii. Risk
  - iv. All of the above.
- e. The auditor should select sample items in such a way that the sample can be expected to be representative of the \_\_\_\_\_.
  - i. Population
  - ii. Sample
  - iii. All of the above
  - iv. None of the above
- f. \_\_\_\_\_ selection, which ensures that all items in the population have an equal chance of selection, for example by use of random number tables.
  - i. Haphazard
  - ii. Random
  - iii. Systematic

- iv. None of the above.
- g. \_\_\_\_\_ **selection**, which involves selecting items using a constant interval between selections, the first selection having a random start
  - i. Haphazard
  - ii. Random
  - iii. Systematic
  - iv. None of the above
- h. \_\_\_\_\_ selection, which may be an acceptable alternative to random selection, provided that the auditors attempts to draw a representative sample from the entire population with no intention to either include or exclude specific units.
  - i. Haphazard
  - ii. Random
  - iii. Systematic
  - iv. None of the above
- i. \_\_\_\_\_ is a process designed by management of an entity to provide reasonable assurance that an entity achieves its objectives.
  - i. Internal control
  - ii. Internal audit
  - iii. Sampling
  - iv. Test checking
- j. \_\_\_\_\_ tools to have an idea about internal controls system.
  - i. Organization charts
  - ii. procedure manuals
  - iii. job description
  - iv. All of above.
- k. The documentation processes between \_\_\_\_\_ and \_\_\_\_\_ should be well established for internal control of sales and debtors
  - i. acceptance of the order
  - ii. dispatch of goods
  - iii. customers orders
  - iv. challans
- l. \_\_\_\_\_ is an arrangement of duties in such a way that work of one employee is checked by another employee.

- i. Test Checking
  - ii. Internal check
  - iii. Test control
  - iv. None of the above
- m. An advance against wages and salaries register should be maintained by the \_\_\_\_\_ department.

- i. Production
- ii. sales
- iii. account
- iv none of the above.

2. State whether true and false

- a. Test check helps an auditor to complete work in less time because test of few transactions can be made.
- b. Test check is suitable method for the audit of small organizations.
- c. The auditor should select sample items in such a way that the sample can be expected to be representative of the population.
- d. The larger the tolerable error the greater the sample size will need to be.
- e. Random selection, which ensures that all items in the population have an equal chance of selection, for example by use of random number tables.
- f. Random selection, which involves selecting items using a constant interval between selections, the first selection having a random start.
- g. Haphazard selection, which may be an acceptable alternative to random selection, provided that the auditors attempts to draw a representative sample from the entire population with no intention to either include or exclude specific units.
- h. Internal Audit is a process designed by management of an entity to provide reasonable assurance that an entity achieves its objectives.
- i. Organization charts, procedure manuals, job description, and flow charts etc. are some of the tools to have an idea about internal controls system.
- j. The preparation and authorization of purchase orders should be under a worker.
- k. All appointments, removal and fixation or revision of wages rates and salaries should be in oral.

- l. An advance against wages and salaries register should be maintained by the accounts department.
- m. The jobs of preparation of wages and salary sheet should be divided among different s clerks
- n. At first the auditor should understand the internal audit with the purpose to have an idea of the flow of transactions.
- o. To understand the internal control system, it may be useful to choose a large transactions through the system.
- p. The objective of compliance tests is to provide a fair confidence to the auditor that the internal controls procedures are being effective as prescribed.
- q. Limitation of internal control is the potential for human error.
- r. The procedure for issuing purchase requisitions should not be specific for internal control for purchase.
- s. The preparation and authorization of purchase orders should be under a junior manager under internal control system of purchase.
- t. A senior official should be made responsible for granting credit or special discounts to customers under internal control for sales.

3. Match the column

Sr. no	A	B
1.	Test Checking	maximum error in the population that the auditor would be willing to accept
2.	Audit sampling	acceptable alternative to random selection
3.	Tolerable error	Less than 100 of item
4.	Random selection	selecting items using a constant interval between selections
5.	Systematic selection	Substitute of detailed cheking
6.	Haphazard selection	all items in the population have an equal chance of selection

4. Check your answer

1. a. i, b. iii, c. iv, d. i, e. i, f. ii, g.i, i. i, k. i & ii, l.ii, k. iii,

2. a. T, b. F, c. T, d.F, e. T, f.F, g.T, h.F, i. T, j.F, k. F, l. T, m. T n. F, o. F, p.F, q.T, r.F, s.F, t. T,

3. 1. 5, 2. 3, 3.1, 4.6, 5.4,6.2

5. Theory Question

- a. What do you mean by test checking?
- b. What points are to be taken into consideration while applying test check?
- c. What are advantages of test checking?
- d. What are disadvantages of test checking?
- e. Explain audit sampling.
- f. Explain sample risk in details.
- g. What are the methods of selecting sample?
- h. What do you mean by Internal Control?
- i. How you will review of internal control system.
- j. What are the Inherent Limitations of Internal Control?
- k. Explain internal control system for Purchase and creditors.
- l. Explain internal control system for Sales and Debtors.
- m. Explain internal control system for wages and salaries.
- n. Explain difference between Internal check and test check