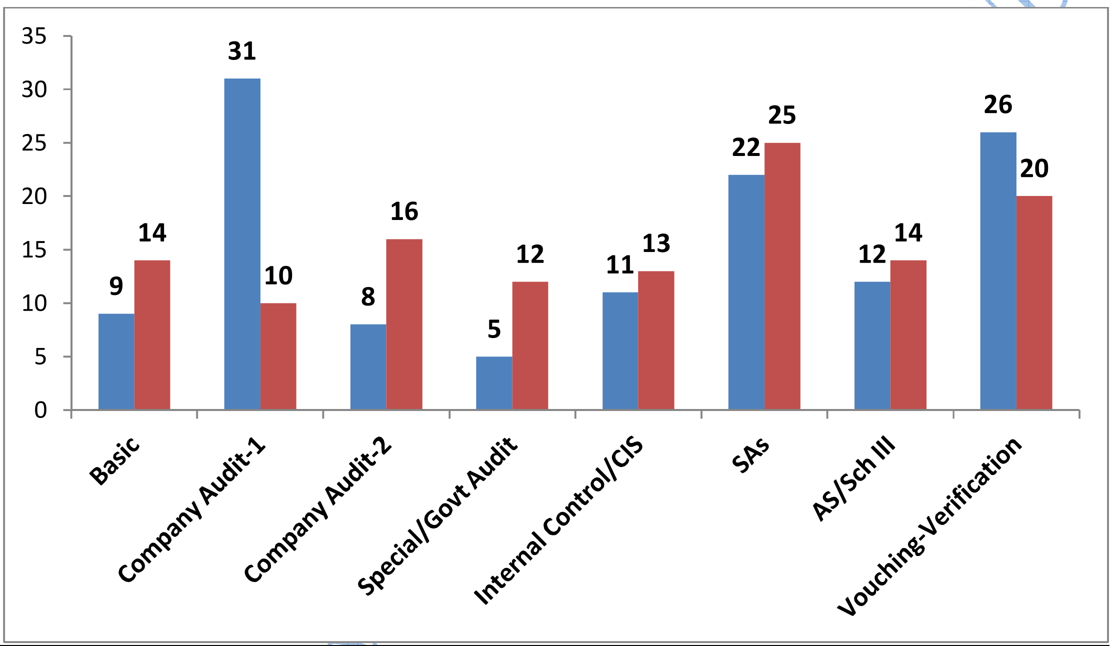
Chapter Name	Nov.-16	May.-16
Basic	9	14
Company Audit-1	31	10
Company Audit-2	8	16
Special/Govt Audit	5	12
Internal Control/CIS	11	13
SAs	22	25
AS/Sch III	12	14
Vouching-Verification	26	20
Total	**124**	**124**



Chapter -1 to 3

1. Inherent limitation of audit
2. Defalcation of cash with example
3. Assertion
4. Engagement Standard
5. Audit risk and inter relationship between components
6. Procedure to issue std. on auditing
7. Guidance Note and Statement

Chapter-4

1. Internal Audit sec. 138
2. Inherent limitation of Internal Control
3. Approaches for audit in CIS environment
4. CAAT
5. Check List and Audit Questionnaire

Chapter 5-6

1. Goodwill
2. Patent
3. Assets Abroad
4. Contingent Liability
5. Preliminary Expenses
6. Capital WIP
7. Cut-off Arrangement
8. Scrutiny of Bought Ledger
9. Endowment Insurance Policy
10. Assets acquired on Hire purchase
11. Repair to assets
12. Insurance claim

Chapter-7-8

Company Audit-I 7 II

- Sec. 138- Internal Audit
- Ceiling Limit
- Rotation within firm -139(3)
- Sec. 144- Restricted Service
- Branch Audit
- Cost Audit
- Audit of Bonus Share
- Audit of Payment of Dividend
- Reporting of Fraud

- Sec. 146- Right to attend General Meeting
- Issue of Shares at Discount

Chapter-9 Special Audit

- Audit of NGO
- Audit of Sole Trader
- Audit of Hospital

Govt. Audit:

1. Legal Framework for C&AG
2. Expenditure Audit
3. Audit of Commercial Accounts/Power of C&AG for relating to Govt Company's Audit

Standard on Auditing:

SA-210	Pre-Conditions
SA-220	Responsibility of Engagement Partner for Quality Control in Audit
SA-250	**Responsibility of Auditor in respect compliance of law and regulation**
SA-260	Matters to be communicated to TCWG Form of communication
SA 299	Joint auditor's Responsibility
SA-315	Meaning Risk Assessment Procedure Auditor to obtain Knowledge of Business
SA-402	Audit procedure in respect of entity using service organization
SA-510	Audit procedure for opening balances
SA-540	Accounting Estimates and Audit procedure
SA-560	Meaning of Subsequent Event
SA-570	Factors affecting Going Concern
SA-610	Using the work of an Internal Auditor
SA-706	Emphasis of Matter and other matter paragraph
SA-720	Other information

Disclaimer: This compilation is based on analysis of past examinations papers. Students are advised to read entire syllabus with more emphasis on topics suggested above.

State with reason- True or False:

1. The remuneration of subsequent auditor appointed under the companies act 2013 shall be fixed by the board.

ANS. Incorrect

2. Sales invoice is an example of external evidence.

ANS. Incorrect

3. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error.

ANS. Correct

4. Events occurring after the balance sheet date must be disclosed in the financial statements

ANS. Incorrect

5. If the auditor of the company has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company he shall immediately report the matter to the Audit Committee.

ANS. Correct

6. In case of failure of the Board to appoint the first auditor , it shall inform the members of the company

ANS. Correct

7. Copies of communication with other auditors experts and other third parties are part of permanent audit file.

ANS. Incorrect

8. The primary objective of an audit is to detect fraud and errors in financial statements

ANS. Incorrect

9. Audit procedure and Audit technique are not one and same thing.

ANS. Correct

10. Where a person appointed as an auditor of a company incurs any of the disqualification after his appointment he shall vacate his office as such auditor.

ANS. Correct

11. Branch auditor of company should give photocopies of his working papers on demand by company auditor.

ANS. Incorrect

12. The auditor in the interest of the users while explaining the nature of his reservation can describe the work of the expert with his name in the audit report without obtaining prier consent of the expert.

ANS. False

13. Analytical procedure are unable to help the auditor in determining the nature, timing and extent of other audit procedure at the planning stage.

ANS. True

14. A company which has been unable to negotiate borrowing from its bankers claims that it will be able to continue as a going concern.

ANS. False

15. The principle of confidentiality precludes auditor to disclose the information about the client to a third party at all circumstances without any exception.

ANS. False

16. It is no part of subsequent auditor duty to verify opening balances of ledger accounts of current years on the basis of balance sheet audited by previous auditor.

ANS. False

17. SA 710 on comparatives is applicable to corresponding previous year figures and not to comparative financial statement.

ANS. False

18. Contingent liabilities are provided for in the accounts if they crystallize between the end of the accounting year and the date of signing the audit report.

ANS. True

19. A branch auditor is a joint auditor accounting to SA 299 and his relationship with the company auditor is governed by the said Standard.

ANS. False

20. As per AS-13 Investment should be classified into Current investments and Marketable investments

ANS. False

21. If the auditor believes that the concern will not continue as going concern he should issue disclaimer of opinion.

ANS. False

22. Financial statements should show True and correct view of the affairs of the entity.

ANS. Incorrect

23. Compliance Procedure are tests designed to obtain audit evidence as to completeness accuracy and validity of the data produced by accounting system.

ANS. False

24. One of the techniques used for gathering evidence is substantial review.

ANS. False

25. Inherent and control risk and detection risk have same meaning.

ANS. Incorrect

26. While auditing the accounts of a company, it is obligatory that the auditor must adopt sampling Technique

ANS. False

27. The auditee Firm has no right to compel the auditor to provide copies of the working papers

ANS. True

28. Taking management representation is a convenient Economical and equally acceptable auditing method even where the direct access by auditor to audit evidence is possible

ANS. False

29. Management certificate obtained by the auditor enough for verification of inventories

ANS. False

30. When the auditor uses more professional judgment the degree of inherent risk is lower

ANS. True

31. There is a direct relationship between detection risk and combined level of inherent and control risk

ANS. False

32. There is direct relationship between materiality and the degree of audit risk.

ANS. False

33. The overall objective of audit changes in computer information System (CIS) environment

ANS. False

34. Auditing in depth implies that the auditor vouches almost all transactions in a manner that the chances of not checking any transaction are left at minimum.

ANS. False

35. The environment in which internal control operates has no relationship with the effectiveness of the specific control procedure

ANS. False

36. A company can not declare dividends without providing for deprecation.

ANS. True

37. The investments made by the company in Government Security like NSC, Government bonds etc. should be kept in personal custody of financial controller of the company.

ANS. False

38. Interest accrued but not due on Secured loans is required to be shown under appropriate sub heads under the head Secured loans.

ANS. False

39. The term fund and reserve can be used interchangeably

ANS. False

40. Rajat, an auditor recovers his fees on progressive basis is said to be indebted to company.
ANS. Incorrect

41. The first auditor of PQR ltd a Government company was appointed by the board of directors of company.
ANS. Incorrect

42. Mr. R a practicing Chartered Accountant is appointed as a Tax Consultant of MN ltd. In which his father Mr. C is The managing director.
ANS. correct

43. Deviation in accounting policies are to be reported in auditors reports
ANS. incorrect

44. While conducting audit of Government companies the auditors are paid their professional fees as prescribed by the Government.
ANS. False

45. Audit committee is to be formed by each and every company and the auditor has no compulsion to attend the meeting of the audit committee.
ANS. False

46. The auditor should study the Memorandum and article of Association to see the validity of his appointment.
ANS. False

47. A casual vacancy caused by resignation of the auditor can be filled by the Board of Directors.
ANS. False

48. Comptroller and Audit General of India can be removed by the Prime Minister of India on the recommendation of his Council of ministers.
ANS. False

49. Mr. X a Chartered Accountant is an employee of M/s M&N co. a firm of Chartered Accountants of India. The firm is the Auditors of ABC & Co. ltd. After auditing the accounts of the company the Auditor firm allowed Mr. X there employee to sign the audit report which he did.
ANS. False

50. The auditor disagreed with the management with regard to the acceptability of the Accounting Policies and the inadequacy of disclosures in the financial statements and issued a disclaimer.
ANS. False

51. Disclaimer of opinion is issued when an auditor confronts a different stand by management in respect of a material issued which auditor does not approve of
ANS. False

52. The auditor of a company is entitled to attend any General Meeting of the company as his duty.
ANS. False

53. An auditor may be removed from office before the expiry of his term by the company in General meeting.
ANS. False

54. CA Mr. X is the Auditor of PQ ltd. In which one of his relative is having substantial interest whether Mr. X is qualified to be an Auditor?
ANS. False

55. An auditor can be appointed as first auditor of a newly formed company simply because his name has been stated in the Article of Association.
ANS. False

56. All the joint auditors are jointly and severally responsible for the work which is not divided and carried on jointly by all the joint auditors.
ANS. True

57. Internal auditor of the company cannot also be its cost auditor.
ANS. True

58. Where the accounts of the company do not present a true and fair view the auditor should express disclaimer of opinion.
ANS. False

59. Government companies are also to be considered for the ceiling on number of auditor.
ANS. True

60. Auditors lien on his clients books and record is not unconditional.
ANS. True

61. An adverse report is one where an auditor gives an opinion subject to certain reservation.
ANS. False

62. A special resolution is required by company to authorized issue of shares at discount.
ANS. False

63. Interim dividend is not a part of dividend.
ANS. False

64. Auditor is not an Insurer
ANS. True

65. Surplus on the re- issue of forfeited shares standing to the credit of share forfeited account can be distributed as dividend.
ANS. False

66. The basic objective of audit does not changes with reference to nature, size or form of an entity.

ANS. True

67. Teeming and lading is one of the techniques of inflating cash payments.

ANS. False

68. Control Risk is the susceptibility of an account balance or class of transactions to misstatement that could be material either individually or, when aggregated with misstatements in other balances or classes, assuming that there were no related internal controls.

ANS. False

69. An auditor appointed under the Companies Act, 2013 shall provide to the company only such other services as are approved by the company in general meeting.

ANS. Incorrect

70. Every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company kept at the registered office of the company only.

ANS. Incorrect

71. Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company.

ANS. Correct

72. As defined under Companies Act, 2013, “Book and paper” and “Book or paper” include books of account only.

ANS. Incorrect

73. At every annual general meeting of a company, the Board of directors of the company shall lay before the company the financial statements for the financial year.

ANS. Correct

74. “Issued Capital” means such capital as the company issues from time to time for subscription. It is that part of authorised capital which is offered by the company for subscription and includes the shares allotted for consideration other than cash.

ANS. Correct

75. Standards on Review Engagements (SREs) - to be applied in the audit of historical financial information.

ANS. Incorrect

76. Narrative Record is a series of instructions and/or questions which a member of the auditing staff must follow and/or answer.

ANS. Incorrect

77. SA-700 deals with modification to the opinion in the Independent Auditor's Report.

ANS. Incorrect

78. Guidance Notes are mandatory in nature..

ANS. Incorrect

79. As per SA-240, misstatements in the financial statements can arise from fraud only.

ANS. Incorrect

80. Misappropriation of assets can be accomplished by embezzling receipts only.

ANS. Incorrect

81. The primary responsibility for the prevention and detection of fraud rests with the auditor.

ANS. Incorrect

82. Inspection consists of looking at a process or procedure being performed by others.

ANS. Incorrect

83. Audit note book constitutes the basic record for the auditor in respect of audit carried out by him.

ANS. Incorrect

84. Purchase invoice is an example of internal evidence.

ANS. Incorrect

85. The audit engagement letter is sent by the client to auditor.

ANS. Incorrect

86. Sufficiency is the measure of the quality of audit evidence.

ANS. Incorrect

87. Risk of material misstatement may be defined as the risk that the financial statements are materially misstated subsequent to audit.

ANS. Incorrect

88. Substantive procedure may be defined as an audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting material misstatements at the assertion level.

ANS. Incorrect

89. The remuneration of subsequent auditor appointed under the Companies Act, 2013 shall be fixed by the Board.

ANS. Incorrect

90. The risk of not detecting a material misstatement resulting from fraud is higher

than the risk of not detecting one resulting from error.

ANS. Correct

91. Events occurring after the balance sheet date must be disclosed in the financial statements.

ANS. Incorrect

92. As per section 138 of the Companies Act, 2013 private companies are not required to appoint internal auditor.

ANS. Incorrect

93. The term "internal audit" is defined as the "checks on day to day transactions which operate continuously as part of the routine system whereby the work of one person is proved independently or is complementary to the work of another, the object being the prevention or early detection of errors or fraud".

ANS. Incorrect

94. A Chartered Accountant holding securities of S Ltd. having face value of Rs. 950 is qualified for appointment as an auditor of S Ltd.

ANS. Incorrect

95. Manner of rotation of auditor will not be applicable to company A, which is having paid up share capital of Rs. 15 crores and having public borrowing from nationalized bank of ` 50 crore, because it is a Private Limited Company.

ANS. Incorrect

96. If an LLP (Limited Liability Partnership Firm) is appointed as an auditor of a company, every partner of a firm shall be authorized to act as an auditor.

ANS. Incorrect

97. The company shall place the matter relating to appointment of auditors for ratification by members at 5^{th} AGM only.

ANS. Incorrect

98. There is no need of written consent of the auditor for appointing him as an auditor in a company.

ANS. Incorrect

99. Letter of weakness is issued by the management.

ANS. Incorrect

100. Scrutiny of Bank Reconciliation statement is one of the audit techniques.

ANS. Correct

101. Check list is a complete and exhaustive description of the system as found in operation by the auditor.

ANS. Incorrect

102. If Internal control is satisfactory, external evidence is more reliable than internal evidence.

ANS. False

103. Components of audit risk does not includes sampling risk.

ANS. True

104. Test checks refers to the out of routine checks that are carried out in the normal course of audit.

ANS. True

105. When Inherent and control risk are low, an auditor can accept a lower detection Risk.

ANS.

106. Cut-off procedures are generally applied to trading transactions.

Ans. Correct

107. An unexplained decrease in the Gross profit ratio may result due to fictitious sales.

Ans. False

108. Emphasis of matter para in the auditor's report is a substitute of Disclaimer of opinion.

Ans.- False

109. Surprise checks are part of internal check

Ans. False

110. An auditors external expert are not subjected to quality control policies and procedures of an audit firm.

Ans. True

111. Rajat, an auditor recovers his fees on progressive basis is said to be indebted to company.

Ans. False

112. Mr. R a practicing Chartered Accountant is appointed as a Tax Consultant of MN ltd. In which his father Mr. C is the managing director.

Ans. True

113. Comptroller and Audit General of India can be removed by the Prime Minister of India on the recommendation of his Council of ministers.

Ans. False

114. The auditor should study the Memorandum and article of Association to see the validity of his appointment.

Ans. False

115. Procedural error arises as a result of transaction having been recorded in a fundamentally incorrect manner.

Ans. False

116. If Internal control is satisfactory, external evidence is more reliable than internal evidence.

Ans. False

117. The auditor shall not modify the opinion in the auditor's report.

Ans. False

118. An auditor has nothing to do with prudence or profitability of a company.

Ans. False

119. The member of XYZ ltd. preferred a complaint against the auditor stating that he has failed to send the auditor's report to them.

Ans. False

120. Cluster sampling is less effective than random sampling

Ans. Correct

121. The statutory auditor is required to verify inventory physically

Ans. False

Frequently Asked Terms

Surprise check	➢ Part of normal audit procedure ➢ An element of surprise can significantly improve the audit effectiveness. ➢ Element of surprise in audit may be both in regard to the time and area of audit. ➢ Mainly use to check whether the internal control is working effectively. ➢ It's a good moral check an employee. ➢ Effective for verification of cash, investment, inventory. ➢ Frequency of surprise check will be decided by audit.
Audit Programme	➢ It's a detailed plan of applying audit procedure in the given circumstances with instruction for the appropriate tech to be adopted for accomplishing the audit objectives. ➢ Set of instructions to the audit team. ➢ Helps in proper execution of work. ➢ Point to be consider for audit program (a) audit (b) objective (c) procedure to applied (d) extent of checking (e)timing of checking (f) allocation of work

General purpose Financial statement	➢ General purpose FS are financial statement prepared in accordance with a general purpose framework. ➢ A financial reporting framework designed to meet the common financial information need of a wide range of users is called general purpose framework. ➢ Normally include a BS, P&L, cash flow and notes to A/c. ➢ They are purposed following AS and as per applicable framework.
Arm length transaction	➢ Transaction conducted on such terms and conditions as between a willing sellers and a willing buyer who are unrelated and are acting independently of each other and pursuing their own best interest.
Cut-Off Procedure	➢ Accounting is a continuous process ➢ Transaction of one period to be separated from those in the ensuring period so that the results of the working of each period can be correctly ascertained. ➢ Technically this arrangement called Cut-off procedure ➢ Forms part of internal control system ➢ Generally applies to sales, purchase and inventory
Examination in Depth	➢ It implies examination of few selected transactions from the beginning to the end through the entire flow of the transaction, i.e. from initiation to the completion of the completion of the transaction by receipt or payment of cash and delivery or receipts of goods. ➢ It consists of checking of transaction at various stages through which it passed ➢ Also judged that person who has uses his authority for the transaction was authorised for the same.
Audit Trail	➢ It refers to a situation where it is possible to relate, on a one-to one basis, the original input with final output. ➢ Checking of recording of transaction at various stages from supporting documents ➢ In manual system complete trail is available but in EDP environment it may lost substantially. ➢ In case audit trail is missing, the auditor employs CAAT to ensure the validity of accounting data.

ALL THE BEST