CA AUDIT INTER NEW SYLLABUS

CHAPTER 8:ANALYTICAL PROCEDURES:IMPORTANT MCQ QUESTION BANK

1	In XYZ Ltd., after applying analytical procedures as comparison of the gross profit ratio with that of the previous year, it is discovered that there has been fall in the ratio. Therefore, it became necessary for the auditor to make further enquiries as it may be due to: (a) pilferage of inventories (b) misappropriation of a part of the sale proceeds (c)a change in the cost of sales without a corresponding increase in the sales price. **(d)All of the above**	**Ans.**
2	On verifying the balances of sundry account receivables by obtaining the confi rmation of their statements of account, it will be possible for the auditor to find out whether the discrepancy in the balance of an account receivable is due to : (a)failure to debit his account with the cost of goods supplied to him (b)non-adjustment of a remittance received from him. **(c)Both (a) and (b)** (d)None of the above	**Ans.**
3	In case of inventories of raw materials and stores at the end of the year any excesses or shortages therein shall be detected. The investigation of their causes might disclose that the shortages were the result of: (a) misappropriation of inventory (c)that the excess were due to requisitions having been entered before the inventories were issued. **(c)Both (a) and (b)** (d)None of the above	**Ans.**
4	When side agreements with respect to revenue recognition have been identifi ed as a signifi cant or fraud risk, it is_____________ that an analysis of sales compared to cash receipts or cost of sales would be appropriate to respond to that risk. **(a)unlikely** (b)likely (b)certain (d)probable	**Ans.**
5	If an entity has a known number of employees at fi xed rates of pay throughout the period, it may be possible for the auditor to use this data to estimate the total payroll costs for the period with a high degree of accuracy, thereby providing audit evidence for a signifi cant item in the fi nancial statements and reducing the need to perform _____________ on the payroll. **(a)tests of details** (b)tests of controls (b)compliance procedures (d)None of the above	**Ans.**
6	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 nonfi nancial** (d) All of the above	**Ans.**
7	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 procedures	**Ans.**
8	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**	**Ans.**
9	The basic assumption underlying the use of analytical procedures is: (a) It helps the auditor to study relationship among elements of fi nancial information **(b) Relationship among data exist and continue in the absence of known** condition to the contrary (c) Analytical procedures will not be able to detect unusual relationships (d) None of the above	**Ans.**
10	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 fi nancial statements** (b) To reduce specifi c detection risk (c) To direct attention to potential risk areas (d) To satisfy doubts when questions arise about a client's ability to continue	**Ans.**

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