

800+
M.C.Q.s



AUDIT

For CA-INTER
OLD/NEW Syllabus

**MULTIPLE CHOICE QUESTIONS
AUDITING & ASSURANCE
(CA-INTER, OLD & NEW SYLLABUS)
VOLUME-1**

800+

MULTIPLE CHOICE QUESTIONS

Question No.1 to 660 are for Both (New and Old)

Question No. 661 to 744 are for Only for Old Syllabus Students

Question 745- 856 are Only for New Syllabus Students

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
- 101. Audit of which of the following companies is excluded from ceiling limit of audit**
- a) Government Companies
 - b) Private Limited Company having paid up share capital Rs 100 Crore or more
 - c) Audit of Public Companies
 - d) Dormant Companies
- 102. A person shall not be appointed as auditor of co if he has been convicted by court for an offence involving fraud and a period of _____ years has not been elapsed since such conviction**
- a) 10 Years
 - b) 7 Years
 - c) 8 Years
 - d) 5 Years
- 103. Which of the following is not disqualification of company's auditor**
- a) Any person who is officer or employee of the company
 - b) Any person who is indebtedness to company exceeding Rs. 5,00,000
 - c) Any person who has been convicted by court for an offence involving fraud and a period of 10 years has not been elapsed since the date of such conviction
 - d) Any person who is officer or employee of holding co or subsidiary company of the company.
- 104. Audit of private limited company is exempted from ceiling on number of audits if its**
- a) Paid up share capital is less than Rs. 10 crore
 - b) Paid up share capital is less than 20 crore
 - c) Paid up share capital is less than Rs. 50 crore

d) Paid up share capital is less than Rs. 100 crore

105. First auditor of non- government company is appointed

- a) By BoD within 1 month of incorporation of Co
- b) By BoD within 30 days of incorporation of Co
- c) By Members within 90 days of incorporation of Co
- d) By Members within 60 days of incorporation of Co

106. First auditor of government company is appointed

- a) By BoD within 1 month of incorporation of co
- b) By CAG within 1 month of incorporation of co
- c) By CAG within 60 days of incorporation of Co
- d) By Members within 90 days of incorporation of Co

107. Subsequent auditor of non-government company is a appointed

- a) By Members in EGM by passing ordinary resolution
- b) By Members in AGM by passing special resolution
- c) By Members in AGM by passing ordinary resolution
- d) By BoD in Board Meeting

108. Subsequent auditor of government company is appointed by CAG within_____ days from commencement of FY which is subject to audit

- a) 60 days
- b) 180 days
- c) 120 days
- d) 150 days

109. The provision of section 139(1) are applicable to all companies except:

- a) Government Companies
- b) One person companies
- c) Dormant companies
- d) None of these

110. The auditor shall furnish his written consent and a certificate to the company

- a) Before his appointment
- b) Within 15 days of his appointment
- c) Not required to furnish
- d) None of these

111. Which of the following Form is filed by Co with RoC as intimation of appointment of subsequent auditor

- a) ADT-1
- b) ADT-2
- c) ADT-3
- d) ADT-4

112. ADT-1 is filed with RoC within

- a) Within 15 days of appointment of auditor
- b) Within 30 days of appointment of auditor
- c) Within 1 month of appointment of auditor
- d) Within 60 days of appointment of auditor

113. Tenure of subsequent auditor of non-government company is

- a) Till conclusion of next AGM
- b) Till conclusion of 5th AGM
- c) Till conclusion of 5 years.
- d) Till conclusion of 6th AGM

114. Tenure of subsequent auditor of government company is

- a) Till conclusion of next AGM
- b) Till conclusion of 5th AGM
- c) Till conclusion of 5 years
- d) Till conclusion of 6th AGM

115. If at AGM no auditor is appointed or reappointed, the following consequence will be there

- a) CG shall appoint the auditor
- b) CAG shall appoint the auditor
- c) Existing auditor shall continue to be auditor of company
- d) Due to casual vacancy, BoD shall appoint the auditor

116. Which of the following company is required to constitute an audit committee

- a) Listed Company
- b) Small Company
- c) One Person Company
- d) All of these

117. Before making any appointment or reappointment of auditor also including filling of casual vacancy recommendation of _____ shall be considered if company falls under section 177(1).

- a) Board of Director
- b) Audit Committee
- c) Tribunal
- d) Company Law Board

118. Any casual vacancy in the office of auditor of non-government company is filled by

- a) Members within 15 days
- b) Members within 30 days
- c) BoD within 15 days
- d) BoD within 30 days

119. Any casual vacancy in the office of auditor of government company is filled by

- a) BoD within 30 days
- b) CAG within 30 days

- c) CAG within 60 days
- d) Members within 90 days

120. If vacancy in the office of auditor of other than government company is caused by resignation by auditor, then appointment by BoD shall also be approved by company at general meeting within _____ months of the recommendation of BoD

- a) 1
- b) 3
- c) 5
- d) 6

121. Which of the following is not a case of casual vacancy in the office of auditor of company

- a) Death of person appointed as auditor
- b) Dissolution of partnership firm appointed as auditor
- c) Refusal of appointment by auditor
- d) If any disqualification is attracted to auditor after appointment of auditor

122. Any auditor appointed to fill a casual vacancy shall hold office of auditor of company

- a) Till conclusion of 6th AGM
- b) Till conclusion of next AGM
- c) Till he submits his audit report
- d) None of these

123. Pick the odd one out

- a) Section 139(6)
- b) Section 139 (1)
- c) Section 139(8)
- d) Section 139(10)

124. At any AGM, a retiring auditor may be re-appointed if

- a) He is not disqualified for re-appointment
- b) He has not given the company a notice in writing of his unwillingness to be re-appointed
- c) A special resolution has not been passed at that AGM appointing some other auditor or providing expressly that he shall not be re-appointed.
- d) All of above

125. Remuneration of auditor of company is fixed

- a) By company in general meeting
- b) By BoD of Co
- c) By CG
- d) By CAG

126. Remuneration of auditor of government company is fixed

- a) By company in general meeting
- b) By BoD of Co
- c) By CG

d) By CAG

127. At any AGM, a retiring auditor may be re-appointed if

- a) He is not disqualified for re-appointment
- b) He has not given the company a notice in writing of his unwillingness to be re-appointed
- c) A special resolution has not been passed at AGM appointing some other auditor or providing expressly that he shall not be reappointed.
- d) All of the above

128. Rotation of auditor is not applicable on

- a) Dormant Company
- b) One Person Company
- c) Small Company
- d) Both (b) and (c)

129. Rotation of auditor is applicable on unlisted public company if

- a) Its paid up share capital is more than Rs 10 Crore
- b) Its paid up share capital is equal to or more than Rs 10 Crore
- c) Its paid up share capital is more than Rs. 50 Crore
- d) Its paid up share capital is equal to or more than Rs 50 Crore.

130. Rotation of auditor is applicable of private limited company if

- a) Its paid up share capital is more than Rs 10 Crore
- b) Its paid up share capital is equal to or more than Rs 10 Crore
- c) Its paid up share capital is more than Rs 50 Crore
- d) Its paid up share capital is equal to or more than Rs 50 Crore

131. Rotation of auditor is always applicable on

- a) Listed Companies
- b) Government Companies
- c) Private Limited Companies
- d) All of these

132. If rotation of auditor is applicable on company, term of an individual auditor will be

- a) One term of 5 consecutive years
- b) Two terms having 5 consecutive years in each term
- c) Till conclusion of next AGM
- d) None of these

133. If rotation of auditor is applicable on company, term of partnership firm as auditor will be

- a) 10 Years
- b) Two terms having 5 consecutive years in each term
- c) Till conclusion of next AGM
- d) None of these

134. A break in the term for continuous period of _____ years shall be considered as fulfilling the requirement of rotation
- a) 1 Year
 - b) 5 Years
 - c) 10 Years
 - d) 20 Years
135. As on date of appointment no audit firm having a common partner or partners to audit firm, whose tenure has expired in a company, shall be appointed as auditor of the same company for a period of _____ years
- a) 1
 - b) 3
 - c) 5
 - d) 10
136. Which of the following services is not prohibited for auditor of company
- a) Internal Audit
 - b) Tax Audit
 - c) Book-keeping
 - d) Actuarial Service
137. Which of the following is prohibited service for auditor of company
- a) Tax Audit
 - b) Income Tax Representative
 - c) Tax Consultant
 - d) None of these
138. Pick the odd one out w.r.t. auditor of company
- a) Representing client before taxation authorities
 - b) Management Services
 - c) Internal Audit
 - d) Actuarial Service
139. Auditor shall not render prohibited services as specified u/s 144 of the Co Act, to
- a) The Company
 - b) Holding Company of the Company
 - c) Subsidiary Company of the Company
 - d) All of the above
140. Auditor shall not render prohibited services to the company or its holding company or its subsidiary company _____
- a) Directly
 - b) Indirectly
 - c) Directly or Indirectly
 - d) None of these

141. Which one of the following is incorrect

- a) Auditor of company can be appointed as internal auditor of holding company of the company.
- b) Auditor of company can be appointed as internal auditor of associate company of the company.
- c) Any relative of auditor cannot be appointed as internal auditor of the company
- d) Any partner of auditor cannot be appointed as internal auditor of the company.

142. Which of the following is not mentioned along with signing on audit report

- a) Membership number of individual/partner
- b) Firm's registration number in case of partnership firm as auditor
- c) Date
- d) Time

143. In case of removal of auditor under section 140 (1), an application for obtaining approval of such removal is made to

- a) CG
- b) CAG
- c) ROC
- d) NCLT

144. CG approval is required when auditor is to be removed

- a) After expiry of term
- b) Before expiry of term
- c) By order of tribunal
- d) All of the above

145. For removal of auditor before expiry of term of auditor, which of the following form is filed with CG for getting approval of such removal

- a) ADT-1
- b) ADT-2
- c) ADT-3
- d) ADT-4

146. Which of the following form is filed by auditor in case of his resignation

- a) ADT-1
- b) ADT-2
- c) ADT-3
- d) ADT-4

147. In case of resignation by auditor, ADT-3 shall be filed by auditor within _____ days of resignation

- a) 7
- b) 10
- c) 15
- d) 30

148. In case resigning auditor does not file ADT-3 as required, the minimum penalty shall be

- a) Rs 50,000

- b) Remuneration of auditor
- c) Rs 50,000 or remuneration of auditor, which is less
- d) Rs 50,000 or remuneration of auditor, whichever is higher

149. Under section 140(4), the retiring auditor is entitled to

- a) Make a representation against his removal
- b) Request the company to circulate the representation to members
- c) Personally communicate the members on one to one basis
- d) Both (a) and (b)

150. _____ may order that the representation received u/s 140(4) shall not be circulated and read out at meeting

- a) CAG
- b) ROC
- c) Tribunal
- d) CG

151. Under section 140(5), the power of order to change of auditor has been given to

- a) Tribunal
- b) CAG
- c) ROC
- d) BOD

152. Any auditor removed under section 140(5) shall not be appointed as auditor of any company for a period of _____ years from the date of order of Tribunal

- a) 10
- b) 8
- c) 5
- d) 3

153. Special notice is requires when auditor is to be removed

- a) After expiry of term
- b) Before expiry of term
- c) By order of Tribunal
- d) All of the above

154. If the branch office is situated in a country outside India, the accounts of the branch office shall be audited by

- a) The Company's Auditor
- b) By An Accountant
- c) By any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of that country
- d) Any of the above

155. Which of the following is incorrect

- a) Branch office in relation to company means any establishment described as branch by the company.

- b) The provisions of regarding reporting of fraud by the auditor shall not be applicable to the branch auditor.
 - c) The duties and power of the company's auditor with reference to the audit of the branch and branch auditor, if any, shall be as contained u/s 143(1) to 143(4).
 - d) The branch auditor shall prepare a report on the accounts of the branch examined by him and sent it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.
- 156. Auditor's right to access to books of account and vouchers of company extends to all the books**
- a) Kept at registered office
 - b) Kept at any other place
 - c) Kept at registered office or at any other place
 - d) He is not entitled to such a right
- 157. The auditor should comply with Auditing Standards. It is _____ of the auditor**
- a) Right
 - b) Duty
 - c) Moral responsibility
 - d) None of these
- 158. Under section 143(3), auditor has duty to report on internal financial controls of the company. However, this requirement shall not apply to**
- a) A listed company
 - b) A foreign company
 - c) One Person Company
 - d) A Public Company
- 159. Reporting on fraud is made by auditor to CG**
- a) Within 2 days of his knowledge of fraud
 - b) Within 15 days of his knowledge of fraud
 - c) Within 45 days of his knowledge of fraud
 - d) Within 60 days of his knowledge of fraud
- 160. Reporting on fraud is made by auditor to CG when fraud amount is**
- a) Exceeding Rs. 10 Lakhs
 - b) Exceeding Rs. 50 Lakhs
 - c) Exceeding Rs. 1 Crore
 - d) Rs. 1Crore or above
- 161. Reporting on fraud is made by auditor to CG in statement in the form**
- a) ADT-1
 - b) ADT-2
 - c) ADT-3
 - d) ADT-4
- 162. For the purpose of reporting on fraud to CG, CG means**
- a) ROC
 - b) CBI

- c) Director General
- d) Secretary of Ministry of Corporate Affairs.

163. Which of the following is not right of auditor:

- a) To attend general meetings
- b) To receive all notices and other communications relating to any general meeting
- c) To make a representation against his removal
- d) To be heard at such meeting on any part of the business which concerns him as the auditor

164. CARO (2016) is applicable on which of the following companies

- a) One Person Company
- b) Small Company
- c) Public Company
- d) Banking Company

165. A Private Limited Company is exempted from applicability of CARO (2016) if which of following conditions is satisfied

- a) Paid up Share Capital and Reserve & Surplus is not more than Rs. 1 Crore
- b) Borrowing from Bank/FI is not more than Rs. 1 Crore at any point of time during FY
- c) Revenue as per Schedule III is not more than Rs. 10 Crore during FY
- d) All of these

166. CARO (2016) is applicable from FY

- a) FY 2014-15
- b) FY 2015-16
- c) FY 2016-17
- d) FY 2017-18

167. Which of the following statement is incorrect

- a) CARO is applicable on reporting of consolidated financial statements
- b) One Person Companies and Small Companies are exempted from applicability of CARO
- c) If CARO is applicable of the company, it will also be applicable on audit of branch offices of the company
- d) Insurance Companies are exempted from applicability of CARO.

168. Which of the following is not reporting requirement w.r.t fixed assets under CARO (2016)

- a) Purchase and sale of fixed assets made during the FY
- b) Maintenance of proper records
- c) Physical verification by management at reasonable intervals
- d) Title deeds of immovable properties

169. Which of the following is reporting requirement w.r.t inventories under CARO (2016)

- a) Purchase and sale of inventories made during the FY
- b) Maintenance of proper records
- c) Physical verification by management at reasonable intervals
- d) All of these

- 170. Outstanding statutory dues as at last day of financial year concerned for a period of more than _____ months from the day they became payable, shall be indicated by the auditor.**
- a) 1
 - b) 2
 - c) 5
 - d) 6
- 171. In respect of loans, investments, guarantees and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide details thereof. This matter is to be reported under which clause of para 3 of the CARO (2016)**
- a) Clause (i)
 - b) Clause (ii)
 - c) Clause (iii)
 - d) Clause (iv)
- 172. With respect of cost records, what is the reporting requirement under CARO (2016)**
- a) Whether such accounts and record are properly audited
 - b) Whether such accounts and records have been made and maintained
 - c) Both (a) and (b)
 - d) None of these
- 173. Reporting on fraud is made by auditor under which of the following clause of para 3 of CARO (2016)**
- a) Clause (x)
 - b) Clause (xii)
 - c) Clause (xiii)
 - d) Clause (xiv)
- 174. Which of the following frauds are reported by auditor under CARO (2016)**
- a) Any fraud on the company by vendor of the company
 - b) Any fraud by the company or any fraud on the company by its officers or employees
 - c) All types of frauds
 - d) None of these
- 175. Any default in the repayment of loans or borrowings to _____ are reported by auditor under CARO (2016)**
- a) Bank, Financial Institution
 - b) Government
 - c) Debenture holders
 - d) All of above
- 176. Application of money raised by way of public offer is reported under which clause of CARO (2016)**
- a) Clause (vii)
 - b) Clause (viii)
 - c) Clause (ix)
 - d) Clause (x)

- 177. Application of money raised by way of preferential allotment or private placement is reported under which clause of CARO (2016)**
- a) Clause (xi)
 - b) Clause (xii)
 - c) Clause (xiii)
 - d) Clause (xiv)
- 178. Compliance with provision of section 192 of the Companies Act, 2013 w.r.t non cash transactions entered by company with directors or persons connected with him, is reported under which of the following clause of para 3 of CARO (2016)**
- a) Clause (xv)
 - b) Clause (xvi)
 - c) Clause (xi)
 - d) Clause (xii)
- 179. For the purpose of applicability of CARO(2016), status of company is considered**
- a) As on 1st day of FY
 - b) Though out the FY
 - c) As on Balance Sheet date of FY
 - d) As on Balance Sheet date of immediate preceding FY
- 180. How many matters are specified under CARO(2016) for reporting by Co's auditor**
- a) 12
 - b) 13
 - c) 15
 - d) 16
- 181. The auditor shall address audit report on the financial statement of company**
- a) To BoD of Company
 - b) To the Members of Company
 - c) To CG
 - d) To RoC
- 182. The date on auditor's report shall be**
- a) As on balance sheet date
 - b) Any date after balance sheet date
 - c) After balance sheet date but not earlier than the date of approval of financial statement of the entity
 - d) Date of AGM
- 183. Under section 148, the maintenance of cost accounting records are not required for**
- a) A micro enterprise or small enterprise
 - b) The company whose revenue from exports in Forex exceeds 75% of total revenue
 - c) Which is operating from SEZ
 - d) All of these

184. Cost audit will not be applicable to those companies

- a) Whose revenue from exports in Forex exceeds 75% of total revenue
- b) Which is operating from SEZ
- c) Which is engaged in generation of electricity for captive consumption through captive generation plant.
- d) All of these

185. Cost auditor of company is appointed by

- a) CG
- b) BoD
- c) Members
- d) CAG

186. Cost auditor of company shall be appointed by BoD within _____ days from commencement of FY

- a) 30
- b) 60
- c) 120
- d) 180

187. Intimation of appointment of cost auditor is filed by Co to CG in the form

- a) ADT-1
- b) CRA-1
- c) CRA-2
- d) CRA-3

188. Any casual vacancy in the office of cost auditor of company is filed by

- a) BoD within 1 month
- b) BoD within 30 days
- c) CG within 30 days
- d) CAG within 60 days

189. Cost Auditor performs cost audit in accordance with

- a) Standards on Auditing
- b) Basic principles of cost audit
- c) Cost Audit Standards
- d) Standards on Related Services

190. Cost audit report shall be submitted in Form

- a) CRA-1
- b) CRA-2
- c) CRA-3
- d) CRA-4

191. Cost audit report shall be submitted by Cost auditor to BoD within _____ days from closure of FY

- a) 90
- b) 120

- c) 150
d) 180
- 192. Company shall within _____ days from receipt of cost audit report furnish the CG with such report along with full information and explanation on every reservation or qualification contained therein, in Form _____.**
a) 30, CRA-4
b) 60, CRA-5
c) 120, CRA-6
d) 180, CRA-7
- 193. When credit purchases of Rs. 5100 is recorded on credit side and credit sales of Rs. 5100 is recorded on debit side, this kind of error is called _____.**
a) Error of omission.
b) Compensating error.
c) Error of principle.
d) Error of commission.
- 194. If, as a result of s misstatement resulting from fraud, the auditor encounters exceptional circumstances that bring into question his ability to continue performing the auditor shall-**
a) Withdraw from the engagement immediately.
b) Report to audit team regarding withdrawal.
c) Determine the professional and legal responsibilities applicable in the circumstances.
d) Ask the management for his withdrawal.
- 195. Which of the following is an example of inflating cash payments?**
a) Making payments against purchase vouchers.
b) Teeming and lading.
c) Not accounting for cash sales fully.
d) Making payments against inflated vouchers.
- 196. The type of errors, existence of which becomes apparent in the process of compilation of accounts is known as-**
a) Self-revealing errors.
b) Intentional errors.
c) Concealed errors.
d) Unconcealed errors.
- 197. Misappropriation of assets may occur because there is-**
a) Adequate record keeping with respect to assets.
b) Know history of violations of securities laws.
c) Lack of complete and timely reconciliations of assets.
d) Dispute between shareholders in a closely held entity.
- 198. The risk of management fraud increases in the presence of :**
a) Frequent changes in supplies

- b) Improved internal control system
- c) Substantial increases in sales
- d) Management incentive system based on sale done in a quarter.

199. Which of the following is an example of fraudulent financial reporting

- a) Defalcation of cash by cashier
- b) Misappropriation of inventory by store keeper
- c) Overvaluation of assets
- d) All of these

200. Which of the following frauds is more difficult to detect

- a) Fraud by employees
- b) Fraud by management & TCWG
- c) Both (a) and (b)
- d) None of these

201. Primarily prevention and detection of fraud are the responsibilities of

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

202. Which of the following is not a fraud through suppressing cash receipts:

- a) Not accounting for cash sales fully
- b) Not accounting for miscellaneous receipts
- c) Not accounting for bad debt recovered
- d) Making payment against fictitious vouchers.

203. Teeming and lading is a technique of fraud through

- a) Inflating cash payment
- b) Wrong casting in cash book
- c) Suppressing cash receipts
- d) None of these

204. Which of the following error will affect the trial balance

- a) Error of partial omission
- b) Error of principles
- c) Error of complete omission
- d) Compensatory errors

205. Which of the following SAs deals with auditor's responsibilities in agreeing the terms of audit engagement

- a) SA 210
- b) SA 220
- c) SA 230
- d) SA 240

- 206. The primary purpose of establishing quality control policies and procedures for deciding on client evaluation to**
- a) Ensure adherence to generally accepted auditing standards
 - b) Acceptance or continuance of client's relationship
 - c) Ensure audit fees is charged according to the type of audit work assigned
 - d) All of above
- 207. The auditor shall establish existence of preconditions for an audit of financial statements**
- a) Before confirming common understanding between the auditor and management of the terms of audit engagement.
 - b) After confirming common understanding between the auditor and management of the terms of audit engagement.
 - c) Before appointment of auditor
 - d) After the date of auditor's report.
- 208. Terms of auditing engagement are discussed through**
- a) Letter of appointment
 - b) Letter of acceptance
 - c) Engagement letter
 - d) Letter of weakness
- 209. Engagement letter is provided by**
- a) Management to auditor
 - b) Auditor to Management/TCWG
 - c) Internal auditor to External Auditor
 - d) CG to Auditor
- 210. Engagement letter is**
- a) Always required when auditor is appointed
 - b) Always required when auditor is reappointed
 - c) Not always required when auditor is reappointed but except for certain exceptions
 - d) (a) and (C)
- 211. Which of the following is not a term of engagement letter**
- a) Object and Scope of audit
 - b) Responsibilities of management and TCWG of the entity
 - c) Fact that audit process may be subject to peer review under Chartered Accountants Act, 1949
 - d) Audit Planning
- 212. The audit engagement letter generally should include to each of the following except**
- a) Limitation of auditing
 - b) Responsibilities of management with respect to audit work
 - c) Expectation of receiving a written representation letter
 - d) A description of the auditor's method of sample selection.

- 213. In which of the following circumstances a new engagement letter is required in recurring audit engagement**
- a) Any change in the senior management of the entity
 - b) Any change in the nature of business of the entity
 - c) Any change in legal requirement
 - d) All of the above
- 214. If auditor is requested by management to change the audit engagement to an engagement that conveys a lower level of assurance, then the auditor shall**
- a) Reject the management's request
 - b) Accept the management's request
 - c) Determine that there is a reasonable justification for doing so
 - d) Shall not entertain any such request
- 215. SA 260 deals with auditor's responsibilities w.r.t.**
- a) Communication with Those Charged with Governance of the entity
 - b) Communication with Owners of the entity
 - c) Communication with Management of the entity
 - d) All of these
- 216. The auditor shall communicate with TCWG a statement w.r.t. auditor's independence in case of audit of financial statements of**
- a) Any entity
 - b) Listed entities
 - c) Any entity except One Person Company and Small Company
 - d) None of these
- 217. Which of the following SAs deals with responsibilities of auditor regarding quality control procedures for an audit of financial statements**
- a) SA 200
 - b) SA 210
 - c) SA 220
 - d) SA 260
- 218. The objective of SA 220 is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that**
- a) The audit complies with professional standards and regulatory requirements
 - b) The auditor's report issued is appropriate in the circumstances
 - c) Both (a) and (b)
 - d) None of these
- 219. The partner who is responsible for the auditing engagement and its performance and for the report that is issued on behalf of the firm is called as:**
- a) Active partner
 - b) Performing partner
 - c) Engagement Partner

d) Working Partner

220. Which of the following partner can act as engagement partner

- a) Any Partner
- b) Any CA Partner
- c) Any CA Partner in full time or part time practice
- d) Any CA Partner in full time practice

221. Who will take responsibility for overall quality in an audit of financial statements

- a) All the partners of firm
- b) All CA partners of firm
- c) Engagement partner
- d) Engagement team

222. Which of the following information assist the auditor in accepting and continuing of client relationship

- a) The integrity of the principal owners, key management and TCWG of the entity
- b) Whether the firm and the engagement partner can comply with the relevant ethical requirements
- c) Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources
- d) All of these

223. Appointment of engagement quality control reviewer is mandatory in case of audit of financial statements of

- a) Any entity
- b) Any entity except One Person Company and Small Company
- c) Listed Entity
- d) None of these

224. Which of the following is not element of quality control in an audit of financial statements

- a) Leadership Responsibilities
- b) Assignment of Engagement Team
- c) Acceptance and Continuance of Client Relationship and Audit Engagements
- d) Signing on Audit Report

225. If any difference of opinion arise within engagement team or between engagement partner and quality control reviewer, the engagement team follow

- a) Engagement partner
- b) Engagement quality control reviewer
- c) Firm's policies and procedures
- d) Majority of members of engagement team

226. Auditing firms should establish quality control policies and procedures for personnel management in order to provide reasonable assurance that

- a) Employees promoted possess the appropriate characteristics to perform competently
- b) Personnel will have the knowledge required to fulfill responsibilities assigned
- c) The extent of supervision and review in a given instance will be appropriate

d) All of the above are reasons

227. The least important element in the evaluation of an audit firm's system of quality control would relate to

- a) Assignment of audit assistants
- b) Consultation with experts
- c) System for determining audit fees
- d) Confidentiality of client's information

228. In pursuing its quality control objectives with respect to independence, an auditing firm may use policies and procedures such as

- a) Emphasizing independence of mental attitude in firm training programs and in supervision and review of work
- b) Prohibiting employees from owning stock of public companies
- c) Suggesting that employees conduct their banking transactions with banks that do not maintain accounts with client firms
- d) Assigning employees who may lack independence to research positions that do not require participation in field audit work

229. Policies and procedures w.r.t human resources address which of the following issues

- a) Recruitment
- b) Capabilities
- c) Competence
- d) All of above

230. Which of the following SAs deals with auditor's responsibilities w.r.t. audit planning in an audit of financial statements

- a) SA 300
- b) SA 315
- c) SA 320
- d) SA 330

231. The auditor shall

- a) Establish audit strategy on the basis of overall audit plan.
- b) Develop overall audit plan on the basis of audit strategy
- c) Both (a) and (b)
- d) None of these

232. The audit plan is _____ detailed than the overall audit strategy.

- a) Less
- b) More
- c) Equal

233. Planning is _____ process of an audit that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement.

- a) Continuous

- b) Discreet
- c) Neither continuous nor discreet.

234. The auditor shall develop an audit plan that include a description of:

- a) The nature, timing and extent of planned risk assessment procedures.
- b) The nature, timing and extent of planned further audit procedures at the assertion level.
- c) Other planned audit procedures that are required to be carried out so that the engagement complies with SAs.
- d) All of the above

235. An auditor who accepts an audit but does not possess the industry expertise of the business entity should

- a) Engage experts
- b) Obtain knowledge of matters that relate to the nature of entity's business
- c) Inform management about it
- d) Take help of other auditors

236. Auditor can obtain knowledge of client's business from

- a) Discussion with people within client entity
- b) Publication relating to industry
- c) Previous experience
- d) All of these

237. Benefit(s) of audit planning is

- a) Helping auditor to devote appropriate attention on important areas of the audit
- b) Better preparation of engagement letter
- c) Effective communication with retiring auditor
- d) It ensure compliance with applicable law and regulation

238. Planning should be made to cover, among other things:

- a) acquiring knowledge of the client's accounting system, policies and internal control procedures
- b) establishing the expected degree of reliance to be placed on internal control
- c) coordinating the work to be performed
- d) all of above

239. Which of the following is incorrect

- a) In establishing the audit strategy the auditor shall identify characteristics of the engagement that define its scope.
- b) The auditor shall develop an audit plan that shall include a description of the nature, timing and extent of risk assessment procedures and further audit procedures which are proposed to be performed.
- c) The auditor shall establish audit strategy on the basis of overall audit plan.
- d) The auditor shall update and change the audit strategy and audit plan as necessary during course of the audit.

240. The overall audit strategy and the audit plan remain the _____ responsibility.

- a) Auditor's
- b) Management's

- c) Those charged with governance
 - d) All of the above
- 241. Prior to commencing field work, an auditor usually discusses the general audit strategy with the client's management. Which of the following details do management and the auditor usually agree upon at this time?**
- a) The specific matters to be included in the communication with the audit committee
 - b) The minimum amount of misstatements that may be considered to be reportable conditions
 - c) The schedules and analyses that the client's staff should prepare
 - d) The effects that inadequate controls may have over the safeguarding of assets
- 242. Which of the following is not a source of obtaining knowledge of client's business**
- a) Annual reports circulated among the shareholders
 - b) Communication from previous auditor
 - c) Client's policy and procedure manual
 - d) Discussion with client
- 243. The methodology of audit planning is**
- a) Not prescribed in any law
 - b) Prescribed in Companies Act, 2013
 - c) Prescribed in Chartered Accountants Act, 1949
 - d) Prescribed by the appointing authority.
- 244. _____ shall be involved in the planning of audit**
- a) Engagement partner
 - b) Other key members of engagement team
 - c) Both (a) and (b)
 - d) Either (a) or (b)
- 245. Which of the following is incorrect w.r.t audit programme**
- a) An audit programme consists of a series of verification procedures to be applied.
 - b) It is desirable in respect of each audit and more particularly for bigger audits an audit programme should be drawn up.
 - c) An audit programme is a summarized plan
 - d) There should be periodic review of the audit programme to assess whether the same continues
- 246. While determining materiality of any item financial statements, the auditor considers**
- a) Quantity of item
 - b) Quality of item
 - c) Legal or Regulatory consideration of item
 - d) All of these
- 247. Materiality in terms of amount or amounts set by the auditor for particular classes of transactions, account balances or disclosures is called as**
- a) Materiality for financial statement as a whole
 - b) Performance Materiality

- c) Item Materiality
- d) None of these

248. Determining a percentage to be applied to a chosen benchmark (in relation to materiality) involves the exercise of _____

- a) Independence
- b) Professional judgement
- c) Professional skepticism
- d) All of the above

249. In determining the level of materiality for an audit, what should not be considered?

- a) Prior year's errors
- b) The auditor's remuneration
- c) Adjusted interim financial statements
- d) Prior year's financial statements.

250. Which of the following is a type of audit procedure

- a) Risk Assessment Procedures
- b) Further Audit Procedures
- c) Both (a) and (b)
- d) None of these

251. Which of the following SAs deals with auditor's responsibilities w.r.t. risk assessment

- a) SA 315
- b) SA 320
- c) SA 330
- d) SA 450

252. Risk assessment procedures are performed by auditor

- a) To detect material misstatements in the financial statements
- b) To identify and assess material misstatements in the financial statements
- c) To identify and assess operational risk in the operations of the entity
- d) All of these

253. Components of risk of material misstatements are

- a) Inherent Risk and Control Risk
- b) Inherent Risk and Detection Risk
- c) Control Risk and Detection Risk
- d) Inherent Risk, Control Risk and Detection Risk

254. Audit Risk refers to risk that

- a) If financial statements are materially misstated then auditor may express an inappropriate opinion.
- b) Audit sample may be inappropriate
- c) Auditor may be unable to complete auditing engagement in timely manner
- d) All of these

- 255. The risk for the company that an auditor may issue an unqualified report due to auditor's failure to detect some misstatement either due to fraud or error is**
- a) Financial accounting risk
 - b) Analytical risk
 - c) Taxation risk
 - d) Audit risk
- 256. Components of audit risk are**
- a) Inherent Risk, Control Risk and Sampling Risk
 - b) Inherent Risk, Control Risk and Detection Risk
 - c) Inherent Risk and Control Risk
 - d) None of these
- 257. An identified and assessed risk of material misstatement that, in the auditor's professional judgement, requires special audit consideration is called as**
- a) Inherent Risk
 - b) Audit Risk
 - c) Sampling Risk
 - d) Significant Risk
- 258. Inherent Risk refers to**
- a) Risk of an inappropriate opinion
 - b) Risk of failure of internal control in the prevention or detection of material misstatements
 - c) Susceptibility of account balances or class of transaction to be materially misstated, assuming there were no internal controls
 - d) Risk of non-detection of material misstatements in financial statements
- 259. Control Risk refers to**
- a) Risk of an inappropriate opinion
 - b) Risk of failure of internal control in the prevention or detection of material misstatements
 - c) Susceptibility of account balances or class of transaction to be materially misstated, assuming there were no internal controls
 - d) Risk of non-detection of material misstatements in financial statements
- 260. If before considering the internal controls at the audited entity, there is a high probability of certain errors in the financial statements, we particularly speak of**
- a) a high sampling risk.
 - b) a high inherent risk
 - c) a high control risk
 - d) a high detection risk
- 261. Detection Risk refers to**
- a) Risk of an inappropriate opinion
 - b) Risk of failure of internal control in the prevention or detection of material misstatements
 - c) Susceptibility of account balances or class of transaction to be materially misstated, assuming there were no internal controls

d) Risk of non-detection of material misstatements in financial statements

262. The risk that an auditor's procedures will lead to the conclusion that a material misstatement does not exist in an account balance when, in fact, such misstatement actually does exist is

- a) Audit risk
- b) Sampling risk
- c) Control risk
- d) Detection risk

263. There is inverse relationship between

- a) Inherent risk and control risk
- b) Combined risk of inherent and control risk with risk of material misstatements
- c) Materiality and Audit Risk
- d) Detection Risk and Audit Risk

264. There is inverse relationship between

- a) Inherent Risk and Control Risk
- b) Combined risk of inherent and control risk with risk of material misstatements
- c) Combined risk of inherent and control risk with detection risk
- d) Sampling Risk and Non-Sampling Risk

265. Which of the following is not an assertion about classes of transactions and events for the period under audit:

- a) Occurrence
- b) Accuracy
- c) Classification
- d) Existence

266. Which of the following is not an assertion about classes account balances at the period end

- a) Existence
- b) Valuation
- c) Accuracy
- d) Rights and Obligations

267. XYZ Limited decided that it wanted to improve earnings. To do this, they understated their expenses by omitting unpaid expenses from the accrued liabilities account at year end. Which management assertion has been violated?

- a) Rights and obligations
- b) Completeness
- c) Existence
- d) Disclosure

268. Pick the odd one

- a) Occurrence
- b) Existence
- c) Right and obligation

d) Valuation

269. Pick the odd one

- a) Occurrence
- b) Accuracy
- c) Cut-off
- d) Valuation

270. Which of the following are performed as risk assessment procedures

- a) Observation
- b) Inquiry
- c) Analytical Review
- d) All of these

271. Significant risk refers to

- a) Audit Risk
- b) Sampling Risk
- c) Risk of material misstatements
- d) Risk of material misstatements requiring special audit considerations

272. Which of the following is not a component of Internal Control

- a) Information system
- b) Control environment
- c) Entity's risk assessment procedures
- d) Quality review

273. The auditor must have a thorough understanding of the entity, the client's business strategies, processes, and measurement indicators for critical success. This analysis helps the auditor

- a) Decide if they want to accept the engagement
- b) Identify risks associated with the client's strategy that could affect the financial statements
- c) Assess the level of materiality that is appropriate for the audit
- d) Identify the potential for fraud in the financial reporting process

274. Which of the following SA deals with auditor's responsibility to design and perform further audit procedures as a response on assessed risk

- a) SA 330
- b) SA 315
- c) SA 320
- d) SA 450

275. Which of the following is a further audit procedure as per SA 330

- a) Risk assessment procedure
- b) Internal check
- c) Substantive audit procedures
- d) Internal audit

276. Test of controls is performed by auditor

- a) To evaluate operating effectiveness of internal controls
- b) To detect material misstatements in financial statements
- c) To identify and assess risk of material misstatements in financial statements
- d) All of above

277. The auditor shall test controls

- a) For particular time
- b) Throughout the period
- c) (a) or (b)
- d) None of these

278. The auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to operating effectiveness of relevant controls when:

- a) The auditor's assessment of risks of material misstatements includes an expectation that controls are operating effectively
- b) Substantive procedures alone cannot provide sufficient appropriate audit evidence
- c) (a) or (b)
- d) None of these

279. In case of recurring audit engagement, it is a matter of professional judgment of auditor to determine whether it is appropriate to use audit evidence about the operating effectiveness of controls obtained in previous audit but auditor shall test the controls at least once in every

- a) Third audit
- b) Fourth audit
- c) Fifth audit
- d) Sixth audit

280. Factors which may warrant re-testing of controls in recurring audit engagement are

- a) Deficient general IT controls
- b) Deficient monitoring controls
- c) A deficient control environment
- d) All of these

281. Substantive audit procedures are performed by auditor

- a) To determine nature, timing and extent of test of controls
- b) To determine nature, timing and extent of substantive analytical procedures
- c) To detect material misstatements.
- d) To identify and assess detection risk

282. Substantive audit procedure comprises:

- a) Substantive analytical procedures
- b) Test of details
- c) Both (a) and (b)
- d) None of these

- 283. Nature, timing and extent of substantive audit procedures are determined by auditor on the basis of**
- a) Test of controls performed
 - b) Understanding of entity and its related environment
 - c) Test of details
 - d) All of these
- 284. Substantive procedures related to the financial statements closing process are**
- a) Verification of assets and liabilities
 - b) Agreeing or reconciling the financial statements with the underlying records
 - c) Examining material journal entries and other adjustments made during the course of preparing the financial statements
 - d) Both (b) and (c)
- 285. Which statement best describes the interaction of the systems and substantive approaches in the audit plan?**
- a) The systems approach focuses on testing controls to make sure they are effective, while the substantive approach is the detailed testing of specific accounts for accuracy
 - b) The systems approach focuses on detailed testing of specific accounts for accuracy, while the substantive approach is the testing controls to make sure they are effective
 - c) The systems approach focuses on the use of computer systems to aid in the audit while the substantive approach focuses on more manual tests
 - d) A thoroughly designed systems approach to auditing can eliminate
- 286. After testing a client's internal control activities, an auditor discovers a number of significant deficiencies in the operation of a client's internal controls. Under these circumstances the auditor most likely would**
- a) Issue a disclaimer of opinion about the internal controls as part of the auditor's report
 - b) Increase the assessment of control risk and increase the extent of substantive tests
 - c) Issue a qualified opinion of this finding as part of the auditor's report
 - d) Withdraw from the audit because the internal controls are ineffective
- 287. What is not included under the audit term "substantive procedures"?**
- a) Test made to obtain evidence of material errors
 - b) A general strategy and detained concerning the nature, timing and extent of audit procedures to be performed.
 - c) Analytical procedures to analyze trends and fluctuations
 - d) Test of the details of the transactions
- 288. The auditor shall apply procedures to examine overall presentation of financial statements and their compliance with relevant FRF, these are called as**
- a) Audit procedures responsive to risk assessed at assertion level
 - b) Overall response
 - c) Both (a) and (b)
 - d) Either (a) or (b)

- 289. Which of following SA deals with auditor's responsibility to design and perform audit procedures in such a way to enable the auditor to obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion**
- a) SA 500
 - b) SA 501
 - c) SA 330
 - d) SA 315
- 290. Sufficient audit evidence is a measurement of**
- a) Quality of audit evidence
 - b) Quantity of audit evidence
 - c) Both of (a) and (b)
 - d) None of these
- 291. Appropriate audit evidence is a measurement of**
- a) Quality of audit evidence
 - b) Quantity of audit evidence
 - c) Both of (a) and (b)
 - d) None of these
- 292. The auditor must obtain following audit evidence to draw reasonable conclusion**
- a) Sufficient audit evidence
 - b) Appropriate audit evidence
 - c) Sufficient and appropriate audit evidence
 - d) None of these
- 293. Which of the following is the least persuasive type of audit evidence?**
- a) Bank statements obtained from the client
 - b) Documents obtained by auditor from third parties directly
 - c) Carbon copies of sales invoices inspected by the auditor
 - d) Computations made by the auditor.
- 294. Following audit procedures are performed by auditor to obtain sufficient appropriate audit evidence**
- a) Risk assessment procedures
 - b) Test of controls
 - c) Substantive audit procedures
 - d) Both (b) and (c)
- 295. Which of the following is not a factor to determine sufficient audit evidence**
- a) Reliability of information
 - b) Materiality of item
 - c) Risk of material misstatements
 - d) Size and characteristics of the population
- 296. Which of the following is a factor to determine sufficient audit evidence**
- a) Materiality of item involved

- b) Risk of material misstatements
- c) Size and characteristics of the population
- d) All of these

297. Which of the following is a factor to determine appropriate audit evidence

- a) Reliability of information
- b) Relevancy of information
- c) Both (a) and (b)
- d) None of these

298. Depending upon nature audit evidence can be classified as

- a) Visual evidence
- b) Oral evidence
- c) Documentary evidence
- d) All of these

299. Depending upon source audit evidence can be classified as

- a) Internal audit evidence
- b) External audit evidence
- c) Both (a) and (b)
- d) None of these

300. Which of the following is not internal audit evidence

- a) Bank Reconciliation Statement
- b) Bank Statement
- c) Copy of Sales Invoice
- d) Voucher

301. Which of the following is not external audit evidence

- a) Bank Statements
- b) Purchase Invoice
- c) External Confirmation
- d) Salary Sheet

302. Techniques to obtain audit evidence are

- a) Inspection
- b) Recalculation
- c) External confirmation
- d) All of these

303. Pick the odd one

- a) Confirmation
- b) Inquiry
- c) Re-computation
- d) Ledger posting

304. Pick the odd one

- a) Bank reconciliation statement
- b) Copy of sales invoice
- c) Purchase invoice
- d) Minutes book

305. Which of following statement is incorrect

- a) Recalculation consists checking reasonableness of appropriates of accounting policies
- b) Inspection consists of examining records, documents whether internal or external in paper form or electronic form and physical examination of assets
- c) An external confirmation represents audit evidence obtained by auditor as direct written response to the auditor from a third party.
- d) Evaluating responses of inquiry is an integral part of inquiry process.

306. Observation consists

- a) Review of financial statements
- b) Looking at a process, procedure being performed by others
- c) Independent execution of procedure or controls that were originally performed as part of entity's internal control.
- d) All of these

307. Before using the work of an expert the auditor shall evaluate

- a) Competency of expert.
- b) Capability of expert
- c) Objectivity of expert
- d) All of above

308. Information regarding the competence, capabilities and objectivity of management's expert may come from a variety sources such as:

- a) Discussion with expert
- b) Personal experience with previous work of that expert
- c) Published papers or books written by that expert
- d) All of these

309. Pick the most appropriate. Auditing evidence is more reliable when

- a) Received from third party
- b) Received from reliable third party
- c) Received from audited organization resources
- d) Both a & b

310. Which is NOT a technique of obtaining evidence

- a) Correction
- b) Computation
- c) Confirmation
- d) Both a & b

311. Audit is usually conducted in three steps:

- 1. A pre-examination or opening meeting with the auditee marks the beginning of the process**
- 2. Involves a suitability audit of the documented procedures against the selected reference standard**
- 3. The auditor examines in depth the implementation of the quality system**

- a) True
- b) False
- c) Partially false
- d) None of the above

312. For better assessing the audit risk, auditor inquires different groups in the organizations EXCEPT:

- a) Board of governance and top level management
- b) Legal counsel
- c) Middle level management
- d) Stakeholders

313. Internal financial controls are policies and procedures adopted by company for

- a) Ensuring the orderly and efficient conduct of its business, including adherence to company's policies
- b) The safeguarding of assets
- c) The prevention and detection of frauds and errors
- d) All of these

314. _____ has been defined as the “checks on day to day transactions which operates continuously as part of routine system whereby the work of one person is provided independently or is complementary to the work of another, the object being the prevention or early detection of errors or fraud”

- a) Internal check
- b) Internal audit
- c) Surprise check
- d) Internal control.

315. _____ is a complete and exhausted description of the system as found in operation by the auditors.

- a) Check List
- b) Flow Chart
- c) Narrative Records
- d) Internal Control Questionnaire

316. _____ is a series of instruction and questions which the auditor should follow and answer.

- a) Narrative Records
- b) Check List
- c) Internal Control Questionnaire
- d) Flow Chart

317. _____ is a graphic presentation of each part of the entity's internal controls system.

- a) Narrative Records

- b) Check List
 - c) Internal Control Questionnaire
 - d) Flow Chart
318. _____ gives a bird's eye view of the system and flow of transactions.
- a) Narrative Records
 - b) Check List
 - c) Internal Control Questionnaire
 - d) Flow Chart
319. _____ is mainly intended to ascertain whether the system of internal control is operating effective.
- a) Surprise check
 - b) Analytical procedures
 - c) Test of details
 - d) None of these
320. Objectives of internal controls can only be reasonably achieved but not absolutely due to
- a) Inherent limitation of audit
 - b) Inherent limitation of internal controls
 - c) Inherent risk
 - d) Detection risk
321. Which of the following is inherent limitation of internal controls
- a) Role of human judgement
 - b) Ineffective operation of control
 - c) Collusion among employees
 - d) All of these
322. Internal control system provides reasonable assurance about the achievements of entity's objectives, except
- a) Reliability of financial reporting
 - b) Safeguarding of assets
 - c) Both (a) and (b)
 - d) None of these
323. _____ is sent by auditor to management and TCWG to communicate weakness in internal control system
- a) Letter of weakness
 - b) Engagement letter
 - c) Internal control questionnaire
 - d) Written representation
324. Which of the following SA deals with auditor's responsibility to communicate appropriately to TCWG and management deficiencies in internal control that the auditor has identified in an audit of financial statements

- a) SA 260
- b) SA 330
- c) SA 265
- d) SA 580

325. Significant deficiency in internal control means

- a) Deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement is of sufficient importance of auditor
- b) Deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement is of sufficient importance of management.
- c) Deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement is of sufficient importance of entity's owners.
- d) Deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement is of sufficient importance of TCWG

326. Which of the following section of Companies Act, 2013 deals with requirement of internal audit in companies

- a) Section 139
- b) Section 138
- c) Section 143
- d) Section 148

327. Which of the following person can be appointed as internal auditor of Co

- a) Chartered Accountant
- b) Cost Accountant
- c) Any Employee of Co
- d) Any of above (a) (b) (c)

328. Section 138 of the Companies Act, 2013 shall apply to

- a) Listed Company
- b) Prescribed class of companies
- c) Both (a) and (b)
- d) All the companies

329. Company shall comply with requirement of section 138 of the Companies Act, 2013 w.r.t. internal audit within _____ months from applicability of the section.

- a) 6
- b) 8
- c) 3
- d) 2

330. Which of the following is a routine audit procedure

- a) Vouching of transactions
- b) Analytical procedures
- c) Risk assessment procedures
- d) Verification of assets and liabilities

331. Which of the following statement is correct

- a) Surprise check is a part of routine checking
- b) Surprise check preferably done at least once during the audit
- c) Surprise check cannot exercise good moral check on client's staff
- d) It is necessary in all cases for the result of surprise check to be included in the audit report.

332. Surprise check may be with respect to

- a) Verification of cash
- b) Verification of investment
- c) Verification of inventory
- d) All of above

333. The frequency of surprise check is

- a) As prescribed under law
- b) As mentioned under SA
- c) To be determined by auditor
- d) At least 5% of total time devoted to audit

334. The results of surprise checks

- a) Are always to be included in audit report as these are always important
- b) May or may not be included in audit report depending upon the quantitative nature of findings
- c) Should be included in audit report if they are material and affecting the financial statements
- d) All of these

335. Examination in depth refers to

- a) Examining 100% items of a population
- b) Examining all the assets and liabilities
- c) Examination of a few selected transactions from the beginning to the end through the entire flow of transaction
- d) None of these

336. In continuous audit, audit work is commenced by auditor:

- a) Immediately after acceptance of audit engagement
- b) After closing of FY
- c) At any point of time as per auditor's judgement
- d) None of these.

337. Which of following is advantage of continuous audit:

- a) Earlier discovery of misstatements
- b) Client's accounts are always kept up to date
- c) Routine checking is completed in advance
- d) All of above

338. Which of following is disadvantage of continuous audit

- a) The attendance of the audit staff acts a moral check on the client's staff.
- b) Less pressure at year end

- c) The client's staff may alter entries in the books after checking thereof.
- d) All of above.

339. The first standard of field work recognizes that early appointment of the independent auditor has many advantages to the auditor and the client. Which of the following advantages is least likely to occur as a result of early appointment of the auditor?

- a) The auditor will be able to complete the audit work in less time
- b) The auditor will be able to perform the examination more efficiently
- c) The auditor will be able to better plan for the observation of the physical inventories
- d) The auditor will be able to plan the audit work so that it may be done expeditiously

340. In final audit, audit work is commenced by auditor:

- a) Immediately after acceptance of audit engagement
- b) After closing of FY
- c) At any point of time as per auditor's judgement
- d) None of these.

341. The advantages of final audit are:

- a) The possibility of figures being altered after work has been done is avoided
- b) Allocation of work to staff become easier
- c) There is no loss of link in the work as the entire audit work is completed in a single continuous basis.
- d) All of above

342. Instructions to client before start of actual audit are:

- a) Vouchers should be serially numbered.
- b) The accounts should be total up and the trial balance and final accounts to be kept ready.
- c) Schedule of deferred expenditures to be prepared.
- d) All of these

343. Some of the important content recorded in the audit notebook are:

- a) Name of business and its structure
- b) Errors and fraud discovered
- c) Date of commencement and completion of audit
- d) All of above

344. An audit programme is:

- a) List of examination and verification steps to be applied
- b) Examination in depth
- c) List of audit queries
- d) All of these

345. Responsibility fixing is a feature of

- a) Audit plan
- b) Audit
- c) Audit programme
- d) All of the above

346. Pick the odd one

- a) Audit programme helps in distribution of work amongst the people doing audit
- b) Audit programme is mechanical
- c) Audit program acts as a evidence against change of negligence
- d) Audit programme helps in covering all the areas where audit is required

347. Audit programme is a failure if

- a) Instructions are not followed property
- b) Audit plan is not made correctly
- c) The instructions are ambiguous
- d) All of the above

348. Pick the odd one

- a) A hard and fast audit programme may kill the initiative of efficient and enterprising assistants
- b) An audit programme can make the audit exercise rigid and mechanical.
- c) The principal can control the progress of the various audits in hand by examination of audit programme.
- d) There is a risk that if any matter escaped attention of auditor at the time of audit programming may remain unaudited during the entire audit.

349. _____ refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.

- a) Audit Techniques
- b) Audit Evidence
- c) Audit Documentation
- d) None of the above

350. _____ may be defined as one or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.

- a) Audit File
- b) Audit Evidence
- c) Completion Memorandum
- d) Both (a) and (b) above.

351. As per SQC-1 “An appropriate time limit within which to complete the assemble of the final audit file is ordinarily not more than _____ days after the date of auditor’s report.

- a) 30
- b) 60
- c) 90
- d) 45

352. As per SQC-1, auditor should retain audit documentation for at least _____ years

- a) 5
- b) 6
- c) 7
- d) 8

353. Which of the following factors may affect the form, content and extent of audit documentation:

- a) Size and complexity of the entity
- b) Identified risk of material misstatements
- c) Significance of audit evidence obtained
- d) All of above

354. Audit documentation can be made by auditor:

- a) Paper mode
- b) Electronic mode
- c) Both (a) and (b)

355. Who is the owner of audit working papers?

- a) Auditee
- b) Auditor
- c) (a) and (b)
- d) ICAI

356. Additional numbers of purposes served by audit documentation are:

- a) Enabling the engagement team to plan and perform the audit
- b) Enabling the engagement team to be accountable for its work
- c) To enable the engagement partner for direction, supervision and review the work performed by engagement team members.
- d) All of above

357. If in exceptional circumstances the auditor departs from Standards on Auditing, he shall _____

- a) Document the reason for departure
- b) Perform alternative procedures
- c) Both (a) and (b)
- d) Auditor is not allowed to depart from SAs.

358. Which of the following is not content of permanent audit file:

- a) Record of study and evaluation of internal control
- b) Audit planning and audit documentation
- c) Memorandum and Article of Association
- d) Notes relating to significant accounting policies

359. Which of the following is content of current audit file:

- a) Correspondence relating to acceptance of annual reappointment
- b) Copies of communication with experts or other auditors
- c) Audit evidence obtained
- d) All of above

360. Loan agreement are the integral parts of

- a) Permanent audit file
- b) Current audit file
- c) Temporary audit file
- d) None of the above

361. Working on trial balance is the part of

- a) Permanent audit
- b) Current audit file
- c) Temporary audit file
- d) None of the above

362. Pick the odd one

- a) Written representations and confirmation from clients.
- b) Audit planning and audit programme
- c) Correspondence relating to annual reappointment
- d) Memorandum and Article of Association of the Company.

363. From the initial client interview to the preparation of audit report an auditor must keep a record of all the work you do in

- a) Audit file
- b) Audit report
- c) Audit papers
- d) None of the above

364. Which of the following is not true of working papers?

- a) They record the audit evidence to provide support for the auditor's opinion
- b) They assist in review of the audit work
- c) They are a direct aid in the planning of the audit
- d) They provide proof of the correctness of the financial statements.

365. The audit working papers should contain information on planning the audit work, the nature, timing and extent of audit procedures performed, _____ and the conclusion drawn leading to an opinion.

- a) The results of the audit procedures
- b) The auditor's opinion of management
- c) All gratuities received by auditor
- d) Names of the employees who cooperated with the auditor.

366. The extent of what is included in working paper is

- a) Thoroughly specified in SAs
- b) Determined by each staff auditor
- c) Thoroughly specified under law
- d) A matter of professional judgement.

367. Which of the following factors would least likely affect the quantity and content of an auditor's working papers

- a) The nature of auditor's report
- b) The assessed level of control risk
- c) The possibility of peer review
- d) The content of management representation letter.

368. A current audit file would always contain which of following?

- a) Loan agreements, pension plans, agreements with parent company and subsidiaries
- b) Company documents such as corporate charter or articles of association and corporate bylaws.
- c) A record of the nature, timing and extent of audit procedures performed and the results of such procedures.
- d) Prior year analysis of fixed assets, long term debt, and terms of stock and bond issues.

369. Which of the following SAs deals with auditor's responsibilities w.r.t. audit documentation:

- a) SA 580
- b) SA 230
- c) SA 505
- d) SA 700

370. Audit documentation may be useful for

- a) Engagement team
- b) Quality control reviewer
- c) External inspector
- d) All of these

371. After assembly of audit file, the auditor _____

- a) May delete audit documentation if it is of no use
- b) May delete audit documentation if it is occupying much of its space
- c) Shall not delete audit documentation before its retention time period
- d) May delete audit documentation before its retention period if it is required by any law.

372. Audit note book

- a) Contains all details of work carried out
- b) Cannot be defense for auditor
- c) It is a record but not useful in formulating audit programme
- d) All of these

373. Which of following SAs deals with auditor's responsibilities w.r.t audit sampling:

- a) SA 200
- b) SA 580
- c) SA 530
- d) SA 500

374. When auditor decides to select less than 100% of the population for testing, the auditor is said using

- a) Audit sampling
- b) Representative sampling
- c) Poor judgement
- d) None of the above

375. The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions is called as _____

- a) Population

- b) Monitor
- c) Data center
- d) Source data

376. The individual items constituting a population is called as _____

- a) Transaction
- b) Sampling unit
- c) Sample
- d) Data

377. _____ is the risk that auditor's conclusion based on a sample may be different from conclusion if the entire population were subjected to the same audit procedure.

- a) Audit Risk
- b) Inherent Risk
- c) Control Risk
- d) Sampling Risk

378. Size of sample is affected by

- a) Tolerable error
- b) Expected error
- c) Sampling risk
- d) All of these

379. Type 1 sampling risk affects _____

- a) Audit efficiency
- b) Audit effectiveness
- c) Both (a) and (b)
- d) None of above

380. Type 2 sampling risk affects _____

- a) Audit efficiency
- b) Audit effectiveness
- c) Both (a) and (b)
- d) None of above

381. _____ is the risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.

- a) Inherent Risk
- b) Control Risk
- c) Sampling Risk
- d) Non-Sampling Risk

382. Which of the following item is not suitable for test checking?

- a) Purchase transactions
- b) Sale transactions
- c) Balance Sheet items

d) All of above

383. Precautions to be considered by auditor while performing audit engagement on the basis of test checking are

- a) Auditor should identify the items which are not suitable for test checking
- b) There should be no personal bias
- c) Examination in depth should be done
- d) All of above

384. Approaches to sampling are

- a) Non- Statistical Sampling
- b) Statistical Sampling
- c) Both (a) and (b)
- d) None of these

385. In non-statistical sampling, the sample size and its composition are determined on the basis of

- a) Personal experience of auditor
- b) Knowledge of auditor
- c) Judgement of auditor
- d) All of above

386. _____ is a method of audit testing which is more scientific than testing based entirely on the auditor's own judgement because it involves use of mathematical laws of probability in determining the appropriate sample size.

- a) Statistical Sampling
- b) Non statistical Sampling
- c) Haphazard Sampling
- d) Cluster Sampling

387. Judgmental sampling is

- a) Based on probability theory
- b) Not having any personal bias
- c) Widely accepted way of sampling
- d) None of these

388. The main advantage of using statistical sampling techniques is that such techniques:

- a) Mathematically measure risk
- b) Eliminate the need for judgmental sampling
- c) Defines the values of tolerable error
- d) All of them

389. Which of the following factor is (are) considered in determining the sample size for test of controls?

- a) Projected error
- b) Tolerable error
- c) Expected error
- d) Both (b) and (c)

- 390. Tolerable error, is the maximum monetary error that the auditor is prepared to accept in the population and still concludes that audit objectives has been achieved, is directly related to**
- a) Sample size
 - b) Audit risk
 - c) Materiality
 - d) Expected error
- 391. Which of the following is source of Non Sampling risk**
- a) Human Mistakes
 - b) Applying audit procedures not appropriate to the objectives of audit
 - c) Misinterpreting the sample results
 - d) All of the above
- 392. Which of the following is more scientific**
- a) Statistical
 - b) Non-Statistical
 - c) Both (a) and (b)
 - d) None of the above
- 393. In which of the following sampling, population is divided into number of groups**
- a) Block Sampling
 - b) Haphazard Sampling
 - c) Cluster Sampling
 - d) None of these
- 394. In which of the following sampling, sampling units are selected from population on the basis of random number tables**
- a) Systematic Sampling
 - b) Random Sampling
 - c) Cluster Sampling
 - d) Both (b) and (c)
- 395. In which of the following sampling, sampling units are selected from population at fixed intervals**
- a) Random Sampling
 - b) Systematic Sampling
 - c) Block Sampling
 - d) Cluster Sampling
- 396. In which of the following sampling, sampling units are selected from population in a defined block of consecutive items**
- a) Random Sampling
 - b) Systematic Sampling
 - c) Block Sampling
 - d) Haphazard sampling

397. In which of the following sampling, population is divided into number of groups

- a) Random Sampling
- b) Interval Sampling
- c) Block Sampling
- d) Cluster Sampling

398. Which of the following is a type of random sampling

- a) Simple Random
- b) Stratified Random
- c) Both (a) and (b)
- d) Haphazard Random

399. In random sample, each item of population

- a) Has equal chance of selection
- b) Has varying chances of selection depending upon the placing of items
- c) May have a chance of selection depends upon the auditor's professional judgement
- d) None of these

400. Simple random sample can be selected by

- a) Random number bias
- b) Help of computers
- c) Just by picking up a number without any order
- d) All of these

401. In stratified random sampling

- a) Sample is taken from whole of the population
- b) It requires special attention to judge contents of stratum
- c) There is application of different concept and not an extension of simple random sampling
- d) All of these

402. Tolerable error is _____ in population that auditor is willing to _____ for a given sample size.

- a) Minimum, Forego
- b) Maximum, Forego
- c) Minimum, Accept
- d) Maximum, Accept

403. The kind of relationship between tolerable error and sample size is

- a) Inverse
- b) Direct
- c) They both are same
- d) There is no relationship as such

404. Which of the following SAs deals with auditor's responsibilities to evaluate the effect of identified misstatements

- a) SA 330

- b) SA 500
- c) SA 505
- d) SA 450

405. Misstatements may result from:

- a) An inaccuracy in gathering or processing data from which financial statements are prepared
- b) An omission of an amount or disclosure
- c) An incorrect accounting estimate
- d) All of above

406. SA 450 considers the mis-statements resulting from

- a) Frauds
- b) Errors
- c) Frauds and errors both
- d) Mistakes

407. Misstatements that the auditor has accumulated during the audit and have not been corrected are called as

- a) Uncorrected misstatements
- b) Material misstatements
- c) Immaterial misstatements
- d) Tolerable errors

408. If aggregate of uncorrected misstatements is material, auditor shall express

- a) Unmodified Opinion
- b) Qualified /Adverse Opinion
- c) Disclaimer of opinion
- d) None of these

409. _____ means audit evidence obtained as direct written response from a third party in paper/electronic form.

- a) Internal Confirmation
- b) External Confirmation
- c) Written Representation
- d) All of above

410. Which of the following SAs deals with auditor's responsibilities to design and perform external confirmation procedures to obtain relevant and reliable audit evidence

- a) SA 580
- b) SA 330
- c) SA 500
- d) SA 505

411. A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information, is

- a) Negative Confirmation Request

- b) Exception
 - c) Positive Confirmation Request
 - d) Non-Response
- 412. A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request, is**
- a) Negative Confirmation Request
 - b) Positive Confirmation Request
 - c) Exception
 - d) Non Response
- 413. A response that indicates a difference between information requested to be confirmed, or contained in the entity's records, and information provided by the confirming party, is**
- a) Error
 - b) Exception
 - c) Fraud
 - d) All of above
- 414. A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered is called**
- a) Disagreement
 - b) Confirmation failure
 - c) Restriction on auditor's scope
 - d) Non-Response
- 415. The auditor should use negative confirmation request if**
- a) Population comprises a large number of small, homogeneous account balances or transactions
 - b) The auditor has assessed the risk of material misstatement as low
 - c) A very low exception rate is expected
 - d) All of above
- 416. Factors to be considered when designing confirmation request:**
- a) Prior experience of auditor
 - b) Assertions being addressed
 - c) Information to be confirmed
 - d) All of above
- 417. In case any exception is identified by auditor by conducting external confirmation, he shall perform**
- a) Alternative audit procedures
 - b) Additional audit procedures
 - c) Test of Controls
 - d) Both (a) and (b)
- 418. In case of non-response in the process of external confirmation, the auditor shall perform**
- a) Alternative audit procedures
 - b) Additional audit procedures

- c) Test of Controls
 - d) Both (a) and (b)
- 419. _____ should carefully plan and control external confirmation**
- a) Management
 - b) TCWG
 - c) Auditor
 - d) All of these in consultation with one another
- 420. _____ means evaluation of financial information through analysis of plausible relationships among both financial and non-financial data.**
- a) Risk assessment
 - b) Analytical Procedures
 - c) Substantive Procedures
 - d) Test of Controls
- 421. Which of the following SAs deals with auditor's responsibilities to design and perform analytical procedures as substantive analytical procedure?**
- a) SA 315
 - b) SA 330
 - c) SA 520
 - d) SA 500
- 422. What are analytical procedures?**
- a) Substantive tests designed to assess control risk.
 - b) Substantive tests designed to evaluate the validity of management's representative letter.
 - c) Substantive tests designed to study relationship between financial and non-financial.
 - d) All of the above.
- 423. Analytical procedures used 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) Indicate important aspects of business
 - d) All of above.
- 424. The basic assumption underlying the use of analytical procedures is**
- a) It helps the auditor to study relationship among elements of financial 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.
- 425. 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.

426. Analytical procedures used 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

427. The basic assumption underlying the use of analytical procedures is:

- a) It helps the auditor to study relationship elements of financial information.
- b) Relationship among data exist and continue in the absence of known conditions to the contrary
- c) Analytical procedures will not be able to detect unusual relationships.
- d) None of the above.

428. 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 financial statements
- b) To reduce specific detection risk
- c) To direct attention to potential risk areas
- d) To satisfy doubts when questions arise about a client's ability to continue

429. Which of the following is a technique available as substantive analytical procedure?

- a) External confirmation
- b) Ratio Analysis
- c) Trend Analysis
- d) Both (b) and (c)

430. Timing of analytical procedure is

- a) At Planning stage only
- b) Throughout the audit engagement
- c) At planning stage and in addition these are also required during completion phase.
- d) None of these

431. Reliability of data is influenced by

- a) Its source
- b) Its nature
- c) Circumstances under which it is obtained
- d) All of these

432. Which of the following is not a typical analytical procedure?

- a) Study of relationships of the financial information with relevant nonfinancial information
- b) Comparison of the financial information with similar information regarding the industry in which the entity operates
- c) Comparison of recorded amounts of major disbursements with appropriate invoices
- d) Comparison of the financial information with budgeted amounts

433. Which of the following SA deals with auditor's responsibilities in relation to fraud in an audit of financial statements

- a) SA 240
- b) SA 250

- c) SA 315
- d) SA 330

434. Examples of fraudulent financial reporting

- a) Inflating or suppressing purchases and expenses
- b) Inflating or suppressing sales and other items of income
- c) Overvaluation of assets
- d) All of above

435. Which of the following is not an example of suppressing cash receipts

- a) Teeming and Lading
- b) Payment against fictitious vouchers
- c) Not accounting for cash sales fully
- d) Not accounting for miscellaneous receipts.

436. Which of the following is not self-revealing error

- a) Wages paid for installation of machine debited in wages account.
- b) Omission to post a part of a journal entry to ledger
- c) A failure to record in the cash book, cash paid into or withdrawn from bank
- d) Goods purchased from Mr. A omitted to be recorded.

437. Teeming and Lading is a technique for

- a) Inflating cash payments
- b) Wrong casting in the cash book
- c) Suppressing cash receipts
- d) None of these

438. Which of following is fraud risk factor

- a) Incentive/Pressure
- b) Opportunities
- c) Attitude/Rationalization
- d) All of above

439. Which of the following is an indicator of fraud due to problematic or unusual relationship between auditor and management

- a) Unsupported or unauthorized transaction
- b) Unusual delays by the entity in providing requested information
- c) Last minute adjustments that significantly affect financial results
- d) All of above.

440. Which of the following is least likely to be included in an auditor's inquiry of management while obtaining information to identify the risks of material misstatement due to fraud?

- a) Are financial reporting operations controlled by and limited to one location?
- b) Does it have knowledge of fraud or suspect fraud?
- c) Does it have programs to mitigate fraud risks?
- d) Has it reported to the audit committee the nature of the company's internal control?

441. Which of the following is most likely to be presumed to present a fraud risk on an audit?

- a) Capitalization of repairs and maintenance expense into the property, plant and equipment asset account
- b) Improper revenue recognition
- c) Improper interest expense accrual
- d) Introduction of significant new products

442. Degree of detection risk is generally high which respect to

- a) Management's Fraud
- b) Employee's Fraud
- c) Error
- d) All of above.

443. Due to inherent limitations of audit, there is _____ that some mis-statements will _____

- a) Reasonable assurance, not be detected
- b) Unavoidable risk, not be detected
- c) Avoidable risk, not be detected
- d) Unavoidable risk , not be prevented

444. Fraud is an intentional act involving use of deception to obtain an unjust advantage and can be committed by

- a) TCWG
- b) Employees
- c) Third parties
- d) Any of these

445. In order to form an opinion, the auditor shall take into account:

- a) Whether sufficient appropriate audit evidence has been obtained
- b) Whether uncorrected misstatements are material, individually or in aggregate
- c) Evaluations
- d) All of above

446. In order to form the opinion, the auditor shall conclude as to whether the auditor has obtained _____ about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

- a) Reasonable assurance
- b) Absolute assurance
- c) Limited assurance
- d) None of the above

447. Which of the following is a not a type of modified opinion

- a) Qualified opinion
- b) Adverse opinion
- c) Disclaimer of opinion
- d) None of these

448. The auditor shall express _____ opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.
- a) Adverse
 - b) Qualified
 - c) Disclaimer
 - d) None of the above
449. When auditor concludes that financial statements as a whole are free from material misstatements and he has no reservation for any material item of the financial statements, he shall express
- a) Qualified opinion
 - b) Unmodified opinion
 - c) Adverse opinion
 - d) Disclaimer of opinion
450. When auditor concludes that financial statements are not free from material misstatements and effect of material misstatements is not pervasive, he shall express
- a) Unmodified opinion
 - b) Disclaimer of opinion
 - c) Qualified opinion
 - d) Adverse opinion
451. If auditor is unable to obtain sufficient appropriate audit evidence with respect to any material item(s) of the financial statements and possible effect if material but not pervasive, he shall express
- a) Unmodified opinion
 - b) Adverse opinion
 - c) Disclaimer of opinion
 - d) Qualified opinion
452. If auditor is unable to obtain sufficient appropriate audit evidence with respect to any material item(s) of the financial statements and possible effect if pervasive, he shall express
- a) Unmodified opinion
 - b) Adverse opinion
 - c) Disclaimer of opinion
 - d) Qualified opinion
453. Which of the following SAs deals with auditor's responsibilities for forming an opinion and reporting on financial statements
- a) SA 700
 - b) SA 701
 - c) SA 705
 - d) SA 706
454. Which of the following is title of auditor's report
- a) Auditor's Report
 - b) Independent Auditor's Report

- c) Audit Report on the Financial Statements
 - d) Reporting on the Financial statements
- 455. As per SA 700, which of the following is addressee of auditor's report**
- a) Those Charged With Governance of the Entity
 - b) Members of the Entity
 - c) It depends upon circumstances of the engagement
 - d) Central Government
- 456. If auditor concludes an unmodified opinion, which heading will auditor use for opinion section**
- a) Opinion
 - b) Unmodified Opinion
 - c) Unqualified Opinion
 - d) Reporting on True and Fair View
- 457. Under which of the following section auditor shall mention in his report that he has conducted audit engagement in accordance with SAs issued by ICAI and has complied with code of ethics and relevant ethical requirements**
- a) Opinion
 - b) SA and Code of Ethics
 - c) Compliance with Standards
 - d) Basis for Opinion
- 458. Which of the following is not content of basis of opinion section**
- a) Name of the entity
 - b) Statement that audit was conducted in accordance with SAs
 - c) Statement that auditor believes that audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.
 - d) Reference to the section of auditor's report that describes the auditor's responsibilities under the SAs.
- 459. Under which of the following heading, auditor shall report those matters in his report which are required to be reported by him as his duties as per the law and regulation basis upon which audit has been conducted**
- a) Opinion
 - b) Basis for Opinion
 - c) Reporting on the Audit of Financial Statements
 - d) Reporting on Other Legal and Regulatory Requirements
- 460. The date in auditor's report represent the date**
- a) Balance Sheet Date
 - b) Date when financial statements are approved by management of the entity
 - c) Date when audit report is signed by auditor
 - d) Date when audit report is submitted to management of the entity.
- 461. The place in auditor's report represent**
- a) Address of auditor

- b) Name of city, where audit report has been signed
- c) Name of city, where office of entity is situated
- d) None of these

462. If partnership firm is appointed as auditor, audit report shall be signed by

- a) Any partner of the firm
- b) Any practicing chartered accountant partner of the firm
- c) All the partners of the firm
- d) Any partner or any CA employee of the firm.

463. Which of the following is not mentioned along with signing in auditor's report

- a) Membership number of individual/partner
- b) Firm's Registration Number
- c) Date & Place
- d) Time

464. The opinion section of the auditor's report shall:

- a) Identify the entity whose financial statements have been audited;
- b) State that the financial statements have been audited;
- c) Identify the title of each statement comprising the financial statements
- d) All of the above

465. Which of the following SAs deals with auditor's responsibility to communicate key audit matters in the auditor's report

- a) SA 701
- b) SA 705
- c) SA 706
- d) SA 700

466. _____ are those matters that in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period.

- a) Significant Matters
- b) Key Audit Matters
- c) Noteworthy Audit Matters
- d) Remarkable Audit Matters

467. Key Audit Matters are selected from matters

- a) Communicated to members of engagement team
- b) Communicated to management of the entity
- c) Communicated to TCWG of the entity
- d) Communicated to CG.

468. In making determination of key audit matters, the auditor shall consider the following

- a) Areas of higher assessed risk of material misstatements or significant risk identified in accordance with SA 315

- b) Significant auditor judgements relating to area in the financial statements that involved significant management judgement, including accounting estimates that have been identified as having estimation uncertainty.
- c) The effect on audit of significant events or transaction that occurred during the period.
- d) All of the above

469. The auditor shall describe each key audit matter, using an appropriate subheading, in a separate section of the audit report under the heading_____

- a) Audit Matters
- b) Key Audit Matters
- c) Any appropriate heading as per the auditor's judgement
- d) None of the above.

470. Which of following statement is incorrect'

- a) Communicating key audit matters in the auditor's report is not a separate opinion on individual matters.
- b) SA 701 also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report.
- c) The purpose of communicating key audit matters to enhance the communicative value of the auditor's report by providing greater transparency about the audit that has been performed.
- d) Key audit matter is a substitute for expressing a modified opinion.

471. The auditor shall describe each key audit matter in the auditor's report unless

- a) Law or regulation precludes public disclosure about the matter
- b) In extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected outweigh the public interest benefits of such communication
- c) (a) or (b)
- d) None of these

472. Which of the following SAs deals with auditor's additional responsibilities w.r.t modified opinion

- a) SA 700
- b) SA 701
- c) SA 705
- d) SA 706

473. When auditor modifies the opinion the opinion the auditor shall give reason of modified opinion in a section under the heading

- a) Basis for Opinion
- b) 'Basis for Qualified Opinion' or 'Basis for Adverse Opinion' or 'Basis for Disclaimer of Opinion' as appropriate
- c) Reason for Modified Opinion
- d) None of these

474. The auditor's report shall not include a Key Audit Matter section in accordance with SA 701, in case of

- a) Disclaimer of Opinion
- b) Adverse Opinion

- c) Qualified Opinion
- d) All of the above

475. Which of the following SA deals with auditor's responsibility to communicate emphasis of matter and other matter paragraph in independent auditor's report

- a) SA 700
- b) SA 701
- c) SA 705
- d) SA 706

476. _____ is a paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgement, is of such importance that is fundamental to user's understanding of the financial statements.

- a) Emphasis of Matters Paragraph
- b) Other Matters Paragraph
- c) Key Audit Matter
- d) None of the above

477. _____ is a paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgement, is of such importance that is fundamental to user's understanding of audit, the auditor's responsibilities or the auditor's report.

- a) Emphasis of Matters Paragraph
- b) Other Matters Paragraph
- c) Key Audit Matter
- d) None of the above

478. To disclose the fact that financial statements of the prior period have been audited by predecessor auditor, the auditor shall introduce _____ paragraph in his report.

- a) Emphasis of Matter
- b) Other Matter
- c) Key Audit Matter
- d) None of the above

479. To disclose an early application by entity (where permitted) of a new accounting standards that has a pervasive effect on the financial statements in advance of its effective date, auditor shall introduce _____ paragraph in his report.

- a) Emphasis of Matter
- b) Other Matter
- c) Key Audit Matter
- d) Basis for Modified Opinion

480. Emphasis of matter paragraph shall in auditor's report

- a) Immediately following opinion section
- b) Immediately following Basis for opinion section
- c) Immediately following management's responsibility section

d) Immediately following auditor's responsibility section

481. Which of the following sequence in audit report is correct

- a) Title, Opinion section , Basis For Opinion section, Addressee, Key Audit Matter section
- b) Title, Addressee, Basis For Opinion section, Opinion section, Key Audit Matter section
- c) Title, Addressee, Key Audit Matter section, Opinion section, Basis For Opinion section
- d) Title, Addressee, Opinion section, Basis for opinion section, Key Audit Matter section.

482. Which of the following SA deals with deals with special consideration by auditor in obtaining sufficient appropriate audit evidence with respect to existence and condition of inventory, completeness of litigation and claim and presentation and disclosure of segment information:

- a) SA 500
- b) SA 501
- c) SA 505
- d) SA 510

483. The responsibility for determining the quantity and value of inventory rests with

- a) Management
- b) Auditor
- c) Auditor and Management both
- d) None of these

484. The auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by attending physical inventory count, unless impracticable, to

- a) Evaluate the management's instruction and procedures for recording and controlling the results of the entity's physical inventory counting
- b) Observe the performance of management's count procedures
- c) Inspect the inventory
- d) All of above

485. If auditor is unable to attend physical inventory counting due to unforeseen circumstances the auditor shall

- a) Obtain a written representation from management of entity
- b) Conduct external confirmation form third party
- c) Make or observe some physical count on an alternative date, and perform audit procedures on intervening transactions
- d) All of these.

486. If attendance at physical inventory counting is impracticable, the auditor shall

- a) Perform Alternative audit procedures
- b) Perform Additional audit procedures
- c) Obtain written representation from management of entity
- d) None of the above

487. The auditor shall design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement including:

- a) Inquiry of management and others within the entity
- b) Performing analytical procedures as are appropriate
- c) Reviewing minutes of meetings of members
- d) All of above

488. If management does not permit auditor to communicate with legal counsel or legal counsel refuses to respond to auditor, the auditor shall

- a) Express unmodified opinion
- b) Modify opinion
- c) Provide key audit matter section in his report
- d) All of these

489. With respect to segment information, the auditor shall obtain evidences regarding _____ of segment information as per _____.

- a) Preparation, Standard on auditing
- b) Disclosure, Standard on auditing
- c) Preparation, Financial reporting framework
- d) Presentation and Disclosure, Financial reporting framework.

490. Which of the following SA deals with the auditor's responsibilities relating to Opening balances when conducting an initial audit engagement:

- a) SA 500
- b) SA 510
- c) SA 710
- d) SA 540

491. An initial audit engagement in engagement in which :

- a) The financial statements for the prior period were not audited
- b) The financial statements for the prior period were audited by a predecessor auditor
- c) Either (a) or (b)
- d) None of (a) or (b)

492. Predecessor auditor is:

- a) Joint auditor
- b) Auditor of component'
- c) Internal auditor
- d) The auditor from a different audit firm, who audited the financial statements of an entity in the prior period and who has been replaced by the current auditor.

493. To obtain information relevant to opening balances including disclosures, the auditor shall

- a) Read the most recent financial statement, if any and auditor's report thereon
- b) Conduct written communication with predecessor auditor
- c) Inquire with management
- d) All of the above

494. Which of the following is true

- a) If auditor concludes that opening balances contain misstatements that materially affects the current period's financial statements, the auditor shall express disclaimer of opinion.
- b) If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express a qualified opinion or disclaimer of opinion, as appropriate, in accordance with SA 705.
- c) If auditor concludes that the current period's accounting policies are not consistently applied in relation to opening balances, or a change in accounting policies is not properly accounted for, or not adequately disclosed in accordance with applicable reporting framework, the auditor shall express a qualified opinion or an adverse opinion as appropriate, in accordance with SA 705.
- d) Both (b) and (c)

495. Which of the following SA deals with auditor's responsibilities regarding accounting estimates including fair value accounting estimates and related disclosure in an audit of financial statements

- a) SA 501
- b) SA 540
- c) SA 510
- d) SA 550

496. Accounting estimate is _____ of a monetary amount in _____ a precise means of measurement.

- a) Exact amount, in the absence of
- b) Approximation, in the absence of
- c) Exact amount, in the presence of
- d) Approximation, in the presence of

497. Which of the following is not an example of accounting estimate that may have high estimation uncertainty:

- a) Accounting estimates that are highly dependent upon judgement.
- b) Accounting estimates that are not calculated using recognized measurement techniques.
- c) Accounting estimate for outstanding expenses
- d) Accounting estimates where results of auditor's views of similar accounting estimates made in prior period financial statements indicate a substantial difference between original accounting estimate and actual outcome.

498. The susceptibility of an accounting estimate and related disclosure to an inherent lack of precision in its measurement is called as:

- a) Risk of material misstatements
- b) Estimate uncertainty
- c) Significant risk
- d) Inherent risk.

499. Which of the following is false

- a) The auditor shall obtain an understanding of requirements of standards of auditing to identify and assess risk of material misstatements for accounting estimates

- b) The auditor shall obtain sufficient appropriate audit evidence about whether the accounting estimate and their disclosure in financial statements is appropriate.
- c) For accounting estimates that give rise to significant risk, auditor shall examine adequacy of disclosure of their estimation uncertainty in the financial statements.
- d) The auditor shall obtain written representation from management whether management believes significant assumptions used by it in making accounting estimates are reasonable.

500. A lack of neutrality by management in the preparation and presentation of information is called:

- a) Management's point estimate
- b) Management's range
- c) Estimation uncertainty
- d) Management bias

501. Which of the following is not as example of accounting estimate

- a) Warranty obligation
- b) Outcome of long term contracts
- c) Selection of accounting policies
- d) Financial obligations/cost arising from litigation settlements and judgements.

502. Matters that the auditor may consider in evaluating the reasonableness of the assumptions used by management include:

- a) Whether individual assumptions appear reasonable
- b) Whether the assumptions are interdependent and internally consistent
- c) In the case of fair value accounting estimates, whether the assumptions appropriately reflect observable market place assumptions
- d) All of above

503. In case of accounting estimates, the auditor shall perform the following if he faces any significant risk:

- a) Examine alternative assumption
- b) Develop a range
- c) Consider whether management has been biased
- d) All of above

504. If there is any material difference between the auditor's range concluded by the auditor and the estimate made by management in the financial statements, which client refuses to adjust, the auditor shall express:

- a) An unmodified opinion
- b) A qualified opinion
- c) Either a qualified opinion or adverse opinion
- d) Either a qualified opinion or disclaimer of opinion

505. Which of the following SA deals with auditor's responsibilities regarding related party relationships and transactions when performing an audit of financial statements

- a) SA 540
- b) SA 550
- c) SA 560

d) SA 570

506. A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interest is called as:

- a) Arm's length transaction
- b) Related party transaction
- c) Significant transaction
- d) None of these

507. Related party transaction may be conducted

- a) In the normal course of business
- b) Not under normal market terms and conditions
- c) With no exchange consideration
- d) All of these

508. A related party transaction may have the following features:

- a) A person or entity under common control
- b) Owners who are close family members
- c) Common key management
- d) All of these

509. Which of the following is not a record or document that may provide information about related party relationships and transactions:

- a) Entity income tax return
- b) Internal auditor's report
- c) Memorandum of Association
- d) Life insurance policies acquired by the entity.

510. To identify and assess risk of material misstatements due to fraud or error that could result the entity's related party relationships and transaction the auditor shall:

- a) Inquiry with management and others within the entity
- b) Perform other risk assessment procedures
- c) Both (a) and (b)
- d) None of these

511. If auditor identifies significant related party transactions, not conducted on the terms and conditions like normal rate and market conditions then, he should evaluate-

- a) Business rationale behind these transactions
- b) Consistency of terms with management's explanation
- c) Accounting and disclosure of such transactions in financial statements
- d) All of these

512. Statement(1)

As per SA-550, auditor should examine whether related party transactions have been appropriately accounted for and disclosed in the financial statements as per financial reporting framework; though he need not check authorization of such transactions by management.

Statement (2)

Auditor should consider whether management has appropriately accounted and disclosed the related party transactions in their financial statements as per applicable financial framework as it might affect his audit opinion.

- a) Only Statement (1) is true
- b) Only Statement (2) is true
- c) Both the statements are true
- d) None of the Statements is true

513. Statement(1)

Regarding related party relationships and transactions with them, auditor shall not obtain any written representation; rather obtain extra evidences independently as he cannot rely on written representations when it comes to related party transactions.

Statement (2)

As per SA-550, he should maintain documentation regarding name and nature of related party relationships.

- a) Only Statement (1) is true
- b) Only Statement (2) is true
- c) Both the statements are true
- d) None of the Statements is true

514. As per Accounting Standard 18, the facts to be disclosed in the financial statements by the auditor shall include-

- a) Related party name and nature of relationship
- b) If there is a transaction between related parties, the nature of transaction, the price at which it has been made and amount of transaction outstanding at the balance sheet date.
- c) Both a and b
- d) None of these

515. For identifying existence of related parties, apart from obtaining written representation from management and TCWG, the auditor should also consider-

- a) Keyman insurance policies
- b) Income tax returns
- c) Internal auditor's reports
- d) None of these

516. SA-_____pertains to management's responsibilities to examine whether related party transactions have been appropriately accounted for and disclosed in the financial statements.

- a) SA-240
- b) SA-550
- c) SA-560
- d) None of these

517. SA-_____relates to auditor's responsibilities regarding subsequent events

- a) SA-550
- b) SA-560
- c) SA-570
- d) None of these

518. Subsequent events as per SA 560 are-

- a) Events occurring between the date of financial statements and the date of auditor's report
- b) Facts that become known to the auditor after the date of auditor's report
- c) Both a and b
- d) None of these

519. The auditor shall obtain sufficient and appropriate evidence that all events after the balance sheet date but before or up to the date of _____that require adjustment or disclosure in _____have been identified.

- a) Board's approval; Board report
- b) Board's approval; financial statements
- c) Auditor's report; Board report
- d) Auditor's report; financial statements

520. Regarding subsequent events, auditor shall comply with the requirements given in SA-560. State which of the following is not correct in this regard?

- a) The auditor shall inquire the management and those charged with governance regarding the subsequent events.
- b) Auditor should read the entity's subsequent interim financial statements, if any
- c) The auditor may inquire entity's lawyer regarding the pending cases and outcomes therefrom.
- d) Auditor need not consider whether subsequent event may have an impact on going concern assumption.

521. Statement (1)

Generally, auditor has no obligation to perform any audit procedures regarding the financial statements after the date of auditor's report.

Statement (2)

In case auditor comes to know about a fact after the date of auditor's report, he should not consider the same.

- a) Only Statement (1) is true
- b) Only Statement (2) is true
- c) Both the statements are true
- d) None of the Statements is true

522. In case facts become known to the auditor after the date of audit report but before the date financial statements are issued, then auditor shall-

- a) Discuss with management and TCWG the matter whether there is need to amend financial statements and treatment in financial statements.
- b) Should not ask the management and TCWG to amend the financial statements in any case because it may give rise to many complications.
- c) He should ask the management and TCWG to inform about the situation to everyone in receipt of previously issued financial statements and amend the financial statements.
- d) He need not provide a new report even if facts are such that had it been known to the auditor at the date of audit report, it might have affected his audit report.

523. Statement (1)

If auditor comes to know about the facts which are of such nature that had those been known to the auditor at the date of audit report, it might have affected his audit report, and he asks the management and TCWG to amend the financial statements but management does not amend the financial statements, then, he should provide a new report.

Statement (2)

If he comes to know about the facts after the date financial statements are issued, then, he does not have any obligation because financial statements have already been issued to third parties. At the most he can provide a public notice.

- a) Only Statement (1) is true
- b) Only Statement (2) is true
- c) Both the statements are true
- d) None of the Statements is true

524. A limited company is having a pending case filed against it on 31th March, 2018. A decision has been received from the court on 14th April, 2018. i.e. after the balance sheet date.

- a) It is a subsequent event
- b) It should be considered by the management while preparing the financial statements.
- c) Auditor needs to check whether it has been dealt with in the financial statements as per applicable financial reporting framework.
- d) All of these

525. When after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall

- a) Discuss the matter with management and TCWG
- b) Determine whether the financial statements need amendment
- c) Inquire how management intends to address the matter in the financial statements
- d) All of the above

526. Statement (1)

Under the going concern assumption, an entity is viewed as continuing in business forever.

Statement (2)

General purpose financial statements are prepared on a going concern basis if management neither intends to liquidate the entity nor to cease the operations

- a) Only Statement (1) is true
- b) Only Statement (2) is true
- c) Both the statements are true
- d) None of the Statements is true

527. In case financial statements have not been prepared on a going concern basis,-

- a) The fact need not be appropriately disclosed
- b) The auditor shall comply with SA-570
- c) Both a and b
- d) None of these

528. Statement (1)

As per SA-570, the auditor need not consider whether there is material uncertainty about the entity's ability to continue as a going concern because it is management's responsibility to consider the same.

Statement (2)

The absence of any reference to going concern uncertainty in the auditor's report may be viewed as a guarantee as to the entity's ability to continue as a going concern.

- a) Only Statement (1) is true
- b) Only Statement (2) is true
- c) Both the statements are true
- d) None of the Statements is true

529. As per SA-570, the auditor shall

- a) Consider the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- b) Plan and perform his audit considering professional skepticism.
- c) Remain alert throughout the audit
- d) All of these

530. The following type of indicators may give rise to a doubt on going concern assumption adopted by management:

- a) Financial indicators
- b) Operating indicators
- c) Other indicators
- d) All of these

531. If the management has prepared financial statements based on going concern assumption but auditor concludes that use of going concern basis is inappropriate, then auditor shall-

- a) Express a qualified opinion
- b) Express an adverse opinion
- c) Disclaim his opinion

d) Either option (a) or option (b)

532. If auditor concludes that use of going concern basis of accounting is appropriate but a material uncertainty exists which is adequately disclosed in the financial statements, then auditor shall-

- a) Express a qualified opinion
- b) Express an adverse opinion
- c) Either option (a) and option (b)
- d) None of these

533. If going concern basis of accounting is appropriate, however, there is a material uncertainty which is not disclosed in the financial statements, then auditor shall express-

- a) Qualified opinion
- b) Adverse opinion
- c) (a) or (b)
- d) Disclaimer of opinion

534. The auditor's report shall include a separate section under the heading "material uncertainty relating to going concern" in case-

- a) Adequate disclosure of a material uncertainty has been made in the financial statements
- b) Adequate disclosure of material uncertainty is not made in the financial statements
- c) Management may be unwilling to make or extend his assessment
- d) All of these

535. If auditor identifies events or conditions that may cast significant doubt on going concern, he shall communicate the same to-

- a) Management
- b) TCWG
- c) Option (a) and option (b) both
- d) Either (a) or option (b)

536. The matters relating to going concern may-

- a) Be a key audit matter as per SA 701
- b) Should not be a key audit matter as per SA-701 because these are dealt only in SA-570
- c) Key audit matters must not include going concern matters
- d) None of these

537. While performing audit procedures to obtain audit evidence for management's use of going concern assumption, the auditor shall consider same time period as covered by management in its assessment, but such period shall not be less than

- a) 3 Months
- b) 6 Months
- c) 10 Months
- d) 12 Months

- 538. Which of the following is financial event or condition which may cast significant doubt on the entity's ability to continue as going concern**
- a) Loss of franchise
 - b) Shortage of supplies
 - c) Negative operating cash flows
 - d) Non-compliance with statutory requirement
- 539. Which of the following is operating event or condition which may cast significant doubt on the entity's ability to continue as going concern**
- a) Loss of major market segment
 - b) Loss of key customer
 - c) Inability to pay creditors on due date
 - d) (a) and (b)
- 540. The auditor found that entity has recurring losses and has negative net worth, these are indicators of-**
- a) Operating nature
 - b) Financial nature
 - c) Other indicators
 - d) All of these
- 541. If auditor concludes that management's use of going concern basis of accounting is appropriate but material uncertainty exists which has been properly disclosed by management in financial statement, the auditor shall**
- a) Introduce EOM para in his report in accordance with SA 706
 - b) Introduce separate section in his report under the heading 'Material Uncertainty Related to Going Concern'
 - c) Introduce OM para in his report in accordance with SA 706
 - d) Qualify his opinion in accordance with SA 705
- 542. In case of management's unwillingness to make or extend its going concern assumption, the auditor shall**
- a) Consider the implications for the auditor's report
 - b) Withdraw from engagement
 - c) Introduce EOM para in his report in accordance with SA 706
 - d) Introduce OM para in his report in accordance with SA 706
- 543. When any event or condition is identified by auditor which may cast significant doubt on the entity's ability to continue as going concern, the auditor's additional procedure shall include the following**
- a) Communicating the facts to the regulatory authority of the entity
 - b) Communicate the matter to the Central Government
 - c) Request written representation from management or TCWG regarding their future action and feasibility of these plan
 - d) All of the above

544. SA _____ deals with using the work of another auditor
- a) 600
 - b) 610
 - c) 620
 - d) 500
545. SA 600 is applicable to
- a) Component's auditor
 - b) Joint auditors
 - c) Predecessor auditors
 - d) Option (a) and (c) both
546. Component includes
- a) Branch
 - b) Subsidiary
 - c) Division
 - d) All of the above
547. _____ should advice _____ regarding use to made of his report, timetable for completion of his work and significant accounting, auditing and reporting requirement----
- a) Principal auditor, expert
 - b) Auditor, expert
 - c) Joint Auditor, other joint auditor
 - d) Principal auditor, another auditor
548. Principal auditor may require supplementary test to be performed by----
- a) Another auditor
 - b) Himself
 - c) Either option (a) or option (b)
 - d) None of these as he cannot require conducting supplement test because audit has already been done by another auditor
549. If there is modification in another auditor's report, then principal auditor ---
- a) Need not consider another auditor's report
 - b) Should consider another auditor's report but will not consider that while preparing his own audit report
 - c) Consider whether modification in his own audit report is required
 - d) Ask the management to discuss with another auditor why he modified his audit report
550. Which of the following is incorrect
- a) There should be sufficient liaison between principal auditor and the other auditor.
 - b) The other auditor, knowing the context in which his work is to be used by the principal auditor, should co-ordinate with the principal auditor
 - c) Other auditor also includes internal auditor
 - d) The principal would not be responsible in respect of the work entrusted to the other auditor

551. Principal auditor should_____his audit opinion if he cannot use another auditor's work and is not able to perform sufficient additional procedures-

- a) Qualify
- b) Disclaim
- c) Adverse
- d) Qualify or disclaim

552. Statement (1)

Principal auditor may use the work of another auditor in accordance with SA 600 and there is no need to mention about division of responsibility in his audit report.

Statement (2)

SA 600 is applicable to all the components whether material or immaterial as components by their very nature need to be considered by the principal auditors

- a) Only statement 1 is true
- b) Only statement 2 is true
- c) Both the statements are true
- d) None of the statement is true

553. Which of the following SA deals with auditor's responsibilities for using the work of internal auditor

- a) SA 600
- b) SA 610
- c) SA 620
- d) SA 402

554. SA 610 deals with the external auditor's responsibilities if using the work of internal auditors. This includes

- a) Using the work of internal audit function in obtaining audit evidence
- b) Using internal auditors to provide direct assistance under the direction, supervision and review of external auditor.
- c) (a) and (b)
- d) None of these

555. The external auditor shall determine whether work of internal audit function can be used for purpose of audit by evaluating of following

- a) The extent to which internal audit function's organization status and relevant policies and procedures support the objectivity of internal auditors
- b) The level of competence of the internal audit function
- c) Whether the internal audit function applies a systematic and disciplined approach including quality control
- d) All of the above

556. The external auditor shall perform audit procedures on the body of work of internal auditor that the external auditor plan to use to determine its adequacy for the purpose of audit, including evaluating whether

- a) The work of internal auditor had been properly planned, performed, supervised, reviewed and documented

- b) Sufficient appropriate evidence had been obtained to draw reasonable conclusions
- c) Both (a) and (b)
- d) Internal auditor has necessary competency

557. If using internal auditor to provide direct assistance is not prohibited by law or regulation and external auditor plans to use internal auditors to provide direct assistance on the audit, the external auditor shall consider

- a) The amount of judgement involved in planning and performing relevant audit procedures and evaluating the audit evidence gathered
- b) The risk of material misstatement assessed
- c) Threats to the objectivity and level of competence to internal auditors
- d) All of the above

558. Which of the following is incorrect

- a) The external auditor may use internal auditor to provide direct assistance w.r.t. area that involve significant judgements in audit
- b) The external auditor shall not use internal auditor to provide direct assistance w.r.t. area where risk of material misstatements is highly assessed by auditor
- c) Both (a) and (b)
- d) None of these

559. Statement (1)

Auditor's expert is an individual and organization possessing expertise in a field including accounting and auditing whose work is used by auditor in obtaining evidences.

Statement (2)

Auditor's expert as per SA 620 needs to be an external expert so as to maintain his independence.

- a) Only statement 1 is true
- b) Only statement 2 is true
- c) Both the statements are true
- d) None of the statement is true

560. SA 620 deals with auditors responsibilities regarding using the work of –

- a) Managements expert
- b) Auditors expert
- c) Option (a) or (b)
- d) Both option (a) and option (b)

561. Statement 1

If auditor uses the work of auditor expert, his responsibility to express opinion is reduced to the extent he has used expert's work.

Statement 2

As per SA, the sole objective of auditor is to determine whether to use the work of auditor's expert or not.

- a) Only statement 1 is true
- b) Only statement 2 is true
- c) Both the statements are true
- d) None of the statement is true

562. Auditor's expert may be

- a) Auditor's internal expert
- b) Auditor's external expert
- c) (a) or (b)
- d) Management's expert

563. Auditor's internal expert may be

- a) Any partner of auditor's firm
- b) Any staff of auditor's firm
- c) (a) or (b)
- d) Management's expert

564. Which of the following is correct

- a) An auditor's internal expert is subject to quality control policies and procedures of firm in accordance with SQC-1
- b) An auditor's internal expert is subject to quality control policies and procedures of firm in accordance with SQC-1
- c) Both (a) and (b)
- d) None of these

565. Which of the following is source of information for evaluating competency, capability and objectivity of auditor's expert

- a) Personal experience with previous work of that expert
- b) Discussion with that expert
- c) Expert's qualification, membership of professional body
- d) All of the above

566. Which of the following is not a content of written agreement which is entered with expert before appointing him

- a) The nature, scope and objectives of expert's work
- b) The Scope and objectives of audit
- c) The nature, timing and extent of communication between auditor and expert
- d) Form of any report to be provided by that expert

567. Auditor should be aware of _____ that may _____ expert's independence----

- a) Relationships, hamper
- b) Education, increase
- c) Education, decrease
- d) Knowledge, enhance

- 568. The auditor should agree with auditor's expert_____before relying on him.**
- a) In writing
 - b) Orally
 - c) Either option (a) or option (b)
 - d) Option (a) and subsequently option (b)
- 569. If the auditor evaluates whether the auditors expert work is adequate, he shall consider----**
- a) Reasonableness of experts findings and consistency with other evidences
 - b) Reasonableness of assumptions used by expert
 - c) Reasonableness and accuracy of source data
 - d) All of these
- 570. Auditor shall not refer to the work of auditor's expert in the report containing---**
- a) Unmodified opinion
 - b) Modified opinion
 - c) Both option (a) and option (b)
 - d) Either option (a) or option (b)
- 571. SA_____relates to comparative information.**
- a) 520
 - b) 705
 - c) 710
 - d) 720
- 572. _____financial statements include comparative information which are included for comparison with current financial statements but if audited are referred to in the auditor's opinion----**
- a) Comparative
 - b) Prior period
 - c) Corresponding
 - d) All of these
- 573. _____ framework means comparative information is included as an integral part of current period financial statements---**
- a) Corresponding figures
 - b) Comparative financial statements
 - c) Both option (a) and option (b)
 - d) Either option (a) or option (b)
- 574. As per SA 710, the auditor shall also consider—**
- a) SA 510
 - b) SA 560
 - c) SA 720
 - d) Both (a) and (b)

575. In SA-710, if there is a doubt of material misstatement in comparative information, then auditor shall not-

- a) Apply professional skepticism
- b) Perform additional audit procedures
- c) Obtain sufficient appropriate evidences regarding existence of material misstatements
- d) None of these

576. If the prior year's financial statements were audited by another auditor, then current year auditor shall as per SA 710, state in other matters paragraph---

- a) That last year financial statements are audited by predecessor auditor
- b) Type of opinion expressed by him
- c) Date of that report
- d) All of these

577. If last year financial statements are unaudited, then as per SA 710 the auditor shall state in _____ section of audit report that corresponding financial statements are unaudited---

- a) Auditor's responsibility
- b) Opinion
- c) Emphasis of matter
- d) Other matters

578. Statement (1)

If client has disclosed comparative information as per corresponding figures framework, the auditor shall not refer to corresponding figures in any case.

Statement (2)

In the case of comparative financial statements, the audit opinion shall refer to each period for which financial statements are presented and on which opinion is expressed.

- a) Only statement 1 is true
- b) Only statement 2 is true
- c) Both the statements are true
- d) None of the statement is true

579. SA 720 deals with the auditor's responsibility in relation to _____ in _____

- a) Comparative information, financial statements
- b) Other information, annual report
- c) Financial information, financial statements
- d) Other information, last year's financial statements

580. As per SA 720, the documents containing audited financial statements refers to----

- a) Agenda of general meeting
- b) Annual reports
- c) Audit reports
- d) All of these

581. As per SA 720, other information can be _____ information which is included in a document containing audited financial statements and auditor's report thereon---

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

582. Statement (1)

As per SA 720, inconsistency means other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented.

Statement (2)

As per SA 720, misstatement of fact refers to other information that contradicts information contained in the audited financial statements.

- a) Only statement 1 is true
- b) Only statement 2 is true
- c) Both the statements are true
- d) None of the statement is true

583. If auditor concludes that revision of other information is necessary but management refuses to make the revision, then auditor shall include this matter in---

- a) Opinion paragraph
- b) Other matter paragraph
- c) Emphasis of matter paragraph
- d) None of these

584. If auditor after reading the other information as per SA 720 becomes aware of an apparent material misstatement of fact, the auditor shall---

- a) Discuss the matter with management
- b) Request the management to consult with a qualified third party
- c) Shall consider the advice received from entity's legal counsel
- d) All of these

585. SA 580 relates to

- a) External Confirmation
- b) Audit Materiality
- c) Written Representation
- d) Going Concern

586. Written representation are obtained from

- a) TCWG
- b) Management
- c) Third Parties
- d) TCWG or Management

587. Written representation is a written statement by management provided to auditor

- a) To confirm certain matters
- b) To support other audit evidence
- c) (a) or (b)
- d) None of these

588. Statement 1

Written representation do not include financial statements and supporting records etc.

Statement 2

Written representation should be addressed to the management and TCWG

- a) Only Statement 1 is true
- b) Only Statement 2 is true
- c) Both the statements are true
- d) None of the Statements is true

589. If auditor concludes that there is a sufficient doubt about the integrity of management such that written representation are not reliable or management does not provide the necessary written representation, he shall

- a) Express unmodified opinion
- b) Disclaim an opinion
- c) Express adverse opinion
- d) Withdraw from engagement.

590. Pick the odd one out

- a) Written representation is a written statement by management or TCWG of the entity to the auditor
- b) Written representation shall be dated before the date of auditor's report
- c) Written representations do not include financial statements or supporting books and records
- d) Written representation is a substitution of audit procedures

591. Audit materiality is to be considered from

- a) Qualitative angle
- b) Quantitative angle
- c) Both (a) and (b)
- d) None of these

592. Which of the following SA prescribes auditor's responsibilities for materiality in planning and performing an audit

- a) SA 320
- b) SA 300
- c) SA 330
- d) SA 500

593. As per SA 320, materiality is to be applied

- a) In planning the audit
- b) In performing an audit
- c) In planning and performing an audit
- d) In planning, performing and concluding an audit

594. Materiality of item depends upon

- a) Size of item
- b) Nature of item
- c) Statutory provision
- d) All of these

595. Factors that may affect identification of an appropriate benchmark include

- a) Elements of financial statements
- b) Nature of entity
- c) Entity's ownership structure
- d) All of these

596. Performance materiality means the amount or amounts set by the auditor at _____ the amount of materiality level for the financial statements as a whole.

- a) Less than
- b) More than
- c) Equal to
- d) Any of above

597. _____ deals with principle for effective conduct of joint audit.

- a) SA 220
- b) SA 600
- c) SA 299
- d) SA 610

598. SA 299 does not deal with the relationship between

- a) Principal auditor and component's auditor
- b) Auditor and expert
- c) Auditor and internal auditor
- d) All of these.

599. SA 299 deals with the auditor's responsibilities regarding joint audits at following stages

- a) Audit planning and risk assessment
- b) Performance of work and coordination stage
- c) Conclusion and reporting stage
- d) All of these

600. When joint auditors are appointed, they should

- a) Divide audit work among themselves on the basis of instruction of client
- b) Divide the audit work among themselves by mutual discussion

- c) Divide audit work among themselves as per law
- d) None of these

601. Division of work among joint auditors should be

- a) In writing
- b) Properly documented
- c) Communicated to client
- d) All of above

602. If joint auditors are in disagreement with respect to the opinion to be covered by audit report, they shall

- a) Express their opinion in a separate audit report
- b) Notify to the client
- c) Express their opinion in a common audit report through a note
- d) Notify ROC regarding disagreement in audit opinion.

603. In case separate audit reports are issued by joint auditors, the reference of audit reports separately issued by others is made under the heading

- a) Emphasis of matter
- b) Basis for modified opinion
- c) Other matter
- d) Auditor's responsibilities

604. All the joint auditors are jointly and severally responsible for

- a) Examining that financial statements of the entity comply with requirements of relevant statutes
- b) Presentation and disclosure of the financial statements as required by the applicable FRF
- c) Ensuring that the audit report complies with requirements of relevant statutes, the applicable SA and other pronouncement issued by the ICAI
- d) All of above

605. Which of the following statements is incorrect

- a) The joint auditors shall obtain common engagement letter and common management representation letter
- b) Joint auditors are not entitled to rely on the work of other joint auditors
- c) After identification and allocation of work among joint auditors, the work allocation document shall be signed by all the joint auditors and the same shall be communicated to TCWG of the entity.
- d) Before finalizing their audit report, the joint auditors shall discuss and communicate with each other their respective conclusions.

606. SA 402 deals with responsibilities of

- a) User Auditor
- b) Service Auditor
- c) User Auditor and Service Auditor
- d) Service organization and user auditor both

607. In case client outsources some aspects of their business to other organization, SA _____ is to be considered and applied by the auditor

- a) 320
- b) 500
- c) 402
- d) 450

608. As per SA 402, service auditor is an auditor who provides _____ about _____ of a service organization.

- a) Audit report, financial statements
- b) Audit report, controls
- c) Assurance report, financial statements
- d) Assurance report, controls

609. As per SA 402, _____ report shall provide better assurance than _____ report to the user auditor.

- a) Type 2, Type 1
- b) Type 1, Type 2
- c) Type A, Type B
- d) Type B, Type A

610. As per SA 402, user auditor is an auditor who audits and reports

- a) On the internal controls of user entity
- b) On the financial statements of user entity
- c) On the controls of service organization
- d) On the financial statements of a user entity and those of service organization both

611. The user auditor shall obtain an understanding about

- a) The nature of service provided by SO
- b) The materiality of transactions processed by SO
- c) The degree of interaction between service organization and user entity
- d) All of these

612. If user auditor is not able to obtain information from service organization or about the transactions being processed by service organization, he shall

- a) Modify his audit report
- b) Express an unqualified opinion
- c) Express an unqualified opinion but mentions the same in EOM section
- d) Express his audit opinion and mention the same in OM section.

613. The report on description and design of controls at service organization is termed as

- a) Type 1 Report
- b) Type 2 Report
- c) Type A Report
- d) Type B Report

614. The report on description , design and operating effectiveness of controls at service organization is termed as

- a) Type 1 Report
 - b) Type 2 Report
 - c) Type A Report
 - d) Type B Report
- 615. Which of the following is a method of reporting in Type 1 or Type 2 Report by service auditor**
- a) Inclusive method
 - b) Carve out method
 - c) Both (a) and (b)
 - d) None of these
- 616. When Type1 or Type 2 Report of service auditor includes information of internal controls of sub service organization, such method is called**
- a) Inclusive method
 - b) Carve out method
 - c) Combined method
 - d) Exclusive method
- 617. When Type1 or Type 2 Report of service auditor excludes information of internal controls of sub service organization, such method is called**
- a) Inclusive method
 - b) Carve out method
 - c) Combined method
 - d) Exclusive method
- 618. Which of the following SA deals with auditor's responsibility to consider law and regulation in an audit of financial statements**
- a) SA 230
 - b) SA 240
 - c) SA 250
 - d) SA 260
- 619. With respect to examining the compliance with law and regulations that do not have direct effect on the determination of amounts and disclosures in the financial statement**
- a) Auditor's responsibility is to obtain sufficient and appropriate audit evidence
 - b) Auditor's responsibility is limited to undertake specified audit procedures
 - c) Auditor's responsibility is to report on these non-compliances, no matter how immaterial these can be
 - d) Auditor's responsibility is not there to report with respect to non-compliance with these laws
- 620. With respect to examining the compliance with law and regulations that have direct effect on the determination of amounts and disclosures in the financial statement**
- a) Auditor's responsibility is to obtain sufficient and appropriate audit evidence
 - b) Auditor's responsibility is limited to undertake specified audit procedures
 - c) Auditor's responsibility is to report on these non-compliances, no matter how immaterial these can be
 - d) Auditor's responsibility is not there to report with respect to non-compliance with these laws

- 621. Primary responsibility to ensure compliance with applicable law and regulation is of**
- a) External auditor
 - b) Internal auditor
 - c) TCWG and management
 - d) Legal expert
- 622. Which of the following is indicator of non-compliance with law and regulation**
- a) Unusual cash payment
 - b) Unauthorized transactions or improperly recorded transactions
 - c) Payments made in tax haven countries
 - d) All of above
- 623. If auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with law and regulations, the auditor shall**
- a) Obtain an understanding of nature of the act and circumstances in which it has occurred
 - b) Discuss the matter with management and TCWG
 - c) Evaluate the possible effect on the financial statements'
 - d) All of above
- 624. If non-compliance with law and regulation is material and affecting the financial statements, the auditor shall express**
- a) Unmodified opinion
 - b) Qualified/Adverse opinion
 - c) Disclaimer of opinion
 - d) Qualified/Adverse opinion with EOM section in audit report
- 625. If auditor is unable to determine whether non-compliance has occurred because of limitation imposed by circumstances rather than by management or TCWG, the auditor shall**
- a) Evaluate the effect on the auditor's opinion in accordance with SA 705
 - b) Withdraw from engagement
 - c) Communicate the matter to ROC
 - d) Communicate the matter to ROC and CG.
- 626. If auditor identifies non-compliance with law and regulation, the auditor shall report such non-compliance**
- a) To TCWG
 - b) In Audit Report
 - c) To Regulatory Authority and Enforcement Authorities
 - d) All of above
- 627. Local self –government means the administration of a locality, a village, town or any other area smaller than**
- a) State
 - b) Country
 - c) City
 - d) Region

628. Municipal Government in India covers following

- a) Municipal Corporation
- b) Municipal Council
- c) Cantonment Committee
- d) All of these

629. Local bodies receive following grants from state administration

- a) General Purpose Grants
- b) Specific Purpose Grants
- c) Statutory Grants
- d) All of these

630. Which of the following is not objective of audit of local bodies

- a) Reporting on the fairness of the content and presentation of financial statements
- b) Reporting on office infrastructure and maintenance of local bodies
- c) Reporting on the adherence to legal and/or administrative requirements
- d) Detection and prevention of error, fraud and misuse of resources

631. _____ is generally in charge of the audit of municipal accounts.

- a) CAG
- b) CG
- c) Local Fund Audit Wing of the State Government
- d) ROC

632. In India, the function of government audit is discharged by the independent statutory authority of _____ through the agency of _____.

- a) CG, ROC
- b) CAG, Indian audit and Account Department
- c) Both (a) and (b)
- d) None of these

633. CAG of India is appointed by

- a) Prime Minister of India
- b) Parliament
- c) President of India
- d) CBI

634. CAG can resign any time through a resignation letter addressed to

- a) Prime Minister of India
- b) Parliament
- c) CBI
- d) President of India

635. The CAG shall be paid salary equivalent to

- a) Judge of High Court
- b) Judge of Supreme Court

- c) Prime Minister
- d) President of India

636. _____ is competent to make laws to determine salary and other conditions of service

- a) The Parliament
- b) President of India
- c) Prime Minister of India
- d) CBI

637. The CAG shall hold office

- a) For 6 Years
- b) Up to the age of 65 Years
- c) (a) or (b) whichever is earlier
- d) (a) or (b) whichever is later

638. The CAG shall audit

- a) Receipts of Union or State
- b) Account of Store and Stock
- c) Grants and Loans given from Consolidated Fund of
- d) All of these

639. Which of the following is not power of CAG

- a) To inspect any office of accounts under the control of the union or a State Government
- b) To require that any account, book, paper and other documents which deal with or are otherwise relevant to the transaction under audit, be sent to specified places
- c) To attend Parliament Session
- d) To put such questions or make such observations as he may consider necessary to the person in charge.

640. CAG has a right to order conduct of supplementary audit within _____ days from the date of receipt of audit report

- a) 30
- b) 60
- c) 90
- d) 120

641. Which of the following section of the Companies Act, 2013 provides right to the CAG to conduct test audit of accounts of Government Companies

- a) 143(5)
- b) 143(6)
- c) 143(7)
- d) 143(12)

642. Which of the following is not a standard for audit of public expenditure

- a) Audit of Rules and Orders
- b) Audit of Sanction
- c) Audit of Propriety

- d) None of these
643. According to _____, the auditor try to bring out cases of improper, avoidable, or infructuous expenditure even though the expenditure has been incurred in conformity with the existing rules and regulation.
- a) Propriety Audit
 - b) Audit of Sanction
 - c) Audit of Performance
 - d) Audit against Provision of Funds
644. Public money should not be utilized for the benefit of a particular person or a section of the community or for the person who is sanctioning the expenditure. These are the principles covered in
- a) Performance Audit
 - b) Audit against rules and orders
 - c) Propriety Audit
 - d) Performance Audit
645. In the case of Government audits, performance audit covers the following
- a) Efficiency Audit
 - b) Economy Audit
 - c) Effectiveness Audit
 - d) All of these
646. While auditing a cinema hall, the auditor needs to verify that
- a) Entrance to the cinema hall during show is only through printed tickets
 - b) Tickets are serially numbered and bound into books
 - c) That for advance booking a separate series of tickets is issued
 - d) All of above
647. Reports of CAG relating to the accounts of the Union/State shall be submitted to the _____ who shall cause to be laid
- a) President/Governor
 - b) Prime Minister/Chief Minister
 - c) Union Finance Minister/State Finance Minister
 - d) All of the above
648. _____ aims at ascertaining that the expenditure incurred has been on the purpose for which the grant and appropriation had been provided and that the amount of such expenditure does not exceed the appropriation made
- a) Audit against provision of funds
 - b) Propriety audit
 - c) Audit of sanction
 - d) Audit against rules and orders
649. Which assertion is common among income statement and balance sheet captions:
- (a) Existence

- (b) Valuation
- (c) Completeness
- (d) Measurement

650. Direct confirmation procedures are performed during audit of accounts receivable balances to address the following balance sheet assertion:

- (a) Rights and obligations
- (b) Existence
- (c) Valuation
- (d) Completeness

651. Where no reply is received during the performance of direct confirmation procedures as part of audit of accounts receivable balances, the auditor should perform:

- (a) No additional testing
- (b) Additional testing including agreeing the balance to cash received; agreeing the detail of the respective balance to the customer's remittance advice
- (c) Additional testing including preparing a detailed analysis of the balance, ensuring it consists of identifiable transactions and confirming that these revenue transactions actually occurred
- (d) Both (b) and (c)

652. Obtaining trade receivables ageing report and analysis and identification of doubtful debts is performed during audit of accounts receivable balances to address the following balance sheet assertion:

- (a) Valuation
- (b) Rights and obligations
- (c) Existence
- (d) Completeness

653. Observing inventory being counted and personally performing test counts to verify counts is performed during audit of inventory balances to address the following balance sheet assertion:

- (a) Rights and obligations
- (b) Valuation
- (c) Completeness
- (d) Existence

654. Wages paid to workers would always qualify as:

- (a) Revenue expenditure
- (b) Capital expenditure
- (c) Revenue or capital expenditure depending upon facts and circumstances
- (d) None of the above

655. During the course of audit of intangible assets, expenditure incurred during following phase is generally not capitalized:

- (a) Development phase
- (b) Research phase

- (c) None of the above
- (d) Both (a) and (b)

656. Search for unrecorded liability is performed during audit of current liabilities to address the following balance sheet assertion:

- (a) Valuation
- (b) Rights and obligations
- (c) Existence
- (d) Completeness

657. Cut-off testing is performed during audit of sales to address the following income statement assertion:

- (a) Occurrence
- (b) Measurement
- (c) Completeness
- (d) All of the above

658. ABC's investee company-XYZ declares final dividend for financial year 2016-2017 in the meeting of board of directors held on April 10, 2017. In which financial year should ABC account for the dividend income:

- (a) Proportionately i.e. considering 10 days of financial year 2017-18 and 355 days of financial year 2016-17
- (b) Financial year 2016-17
- (c) Financial year 2017-18
- (d) Equally between financial year 2016-17 and financial year 2017-18

659. All inventory units held by the audit entity and that should have been recorded, has been recognized in the financial statements. The assertion involved is:

- (a) Existence
- (b) Completeness
- (c) Rights and obligations
- (d) Valuation

660. Which of the following is not an example of revenue expenditure-

- (a) Salaries and wages of employees engaged directly or in-directly in production
- (b) Repairs, maintenance and renewals of fixed assets
- (c) Legal and professional expenses
- (d) Development expenditure on land

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661. As per section 128 of the Companies Act, 2013, 'Book and paper' and 'Book or paper' include
- a) Books of account
 - b) Deeds and vouchers
 - c) Writings, documents, minutes and registers
 - d) All of these
662. The books of account etc, must give a true and fair view of the state of the affairs of the company, including its branch office as per section:
- a) 128
 - b) 129
 - c) 133
 - d) 143(2)
663. The company shall intimate to the Registrar on an annual basis at the time of filling of financial statement:
- a) The name and internet protocol of the service provider
 - b) The location of the service provider(whenever applicable)
 - c) Where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider
 - d) All of these
664. The books of account etc. of the company shall be kept at the _____ of the company.
- a) Corporate office
 - b) Branch office
 - c) Registered office
 - d) Head office
665. All or any of the books of account and other relevant papers may be kept at such other place in India as the Board of directors may decide. In such a case, the company shall within _____ days of the decision of the Board, file with the _____ a notice in writing----
- a) 10, Registrar
 - b) 10, NCLT
 - c) 7, Registrar
 - d) 7, NCLT
666. Every company shall preserve in good order the books of account together with the relevant vouchers. The time period of preservation shall be not less than _____ financial years immediately preceding the relevant financial year ----
- a) 7
 - b) 8
 - c) 9
 - d) 10

667. The person responsible for compliance of section 128-----

- a) Managing director
- b) Whole-time director in charge of finance
- c) Chief Financial officer
- d) All of these

668. The books of account etc. maintained within India shall be open for inspection by _____ under section 128.

- a) Any director
- b) Any member
- c) Auditor
- d) All of these

669. As per section _____, the financial statements shall comply with the accounting standards.

- a) 128
- b) 129
- c) 133
- d) 143(2)

670. If the financial statements do not comply with the accounting standards, the company shall disclose in its financial statements,

- a) The deviation from the accounting standards
- b) The reasons for such deviation, and
- c) The financial effects, if any, arising out of such deviation
- d) All of these

671. The financial statements shall be in the form or forms as may be provided for different class or classes of companies in Schedule _____

- a) I
- b) II
- c) III
- d) IV

672. Sec. 129(1) shall apply to----

- a) Insurance company and banking company
- b) Company engaged in the generation or supply of electricity
- c) Both a and b
- d) None a and b

673. Under section 130, an application for reopening of accounts is made by----

- a) CG or the Income-tax authorities
- b) The securities and Exchange Board or any other statutory regulatory body or authority
- c) Any person concerned
- d) Any of these

674. Under section 130, an order for reopening of accounts is made by----

- a) Account of competent jurisdiction

- b) The tribunal
- c) A court of competent jurisdiction or the tribunal
- d) A court of competent jurisdiction and the tribunal both

675. No order shall be made in respect of re-opening of books of account relating to a period earlier than _____ financial years immediately preceding the current financial year.

- a) 3
- b) 5
- c) 7
- d) 8

676. Under section 131, directors may prepare revised financial statement or a revised report in respect of any of the _____ preceding FYs after obtaining approval of the _____.

- a) 3, Tribunal
- b) 3, CG
- c) 8, tribunal
- d) 8, CG

677. Under section 131, tribunal shall give notice to _____ and shall take into consideration to the representations, if any.

- a) CG
- b) The income tax authorities
- c) Either a or b
- d) CG and the Income Tax authorities

678. As per the requirements of section 131, detailed reasons for revision of financial statement or report shall also be disclosed in

- a) The Board's report
- b) The audit report
- c) The annual report
- d) All of these

679. Stages in prescribing accounting standards are performed in chronological order as follows:

- a) ICAI-CG-NFRA
- b) NFRA-ICAI-CG
- c) CG-ICAI-NFRA
- d) ICAI-NFRA-CG

680. The financial statement, including consolidated financial statement, if any, shall be submitted to the _____ after they have been approved or signed.

- a) Managing director
- b) Auditor
- c) Members
- d) ROC

681. The auditor's report shall be attached to _____

- a) Annual report

- b) Board report
- c) Cost audit report, if any
- d) Every financial statement

682. Board report shall contain explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made---

- a) By the auditor in his report
- b) By the company secretary in practice in his secretarial audit report
- c) Option (a) or (b)
- d) Option (a) and (b)

683. The director's responsibility statement shall disclose as to whether the directors had taken proper and sufficient care—

- a) For the maintenance of adequate accounting records in accordance with the provisions of this Act
- b) For safeguarding the assets of the company
- c) For preventing and detecting fraud and other irregularities
- d) All of these

684. In the case of _____, the director's responsibility statement shall disclose as to whether the directors, had laid down internal financial controls to be followed by the company and whether such internal financial controls are adequate and were operating effectively

- a) a listed company
- b) Prescribed classes of companies
- c) Both (a) and (b)
- d) All companies

685. The Board's Report shall contain the following information and details

- a) Conservation of energy
- b) Technology absorption
- c) Foreign exchange and outgo
- d) All of these

686. Authorized capital means _____ amount of capital, set out in _____, which can be issued by the company

- a) Minimum, MoA
- b) Minimum, AoA
- c) Maximum, MoA
- d) Maximum, AoA

687. _____ is required in the _____ to issue the shares at premium.

- a) No provision, articles
- b) Provision, articles
- c) Provision, MOA
- d) None of these

688. Where "Securities Premium Account" is used for any purpose other than the purposes permitted under the Act, then, the provisions of the Act as are applicable to _____ - shall apply.

- a) Forfeiture of shares
- b) Buy back of share capital
- c) Alteration of share capital
- d) Reduction of share capital

689. Issue of shares at a discount is prohibited in the case of

- a) Public companies
- b) Private companies
- c) All companies, whether public or private
- d) Listed companies

690. Issue of _____ shares does not fall within the purview of Sec.53 of the Companies Act, 2013.

- a) Sweat equity
- b) Bonus
- c) Option on
- d) All of these

691. Issue of sweat equity shares must be authorized by _____

- a) Board Resolution
- b) Articles
- c) Passing SR
- d) Passing OR

692. A company may buy-back its own shares or other specified securities out of---

- a) Free reserves
- b) Securities premium account
- c) Proceeds of fresh issue of shares or other specified securities
- d) Any of these

693. The ratio of debt (secured as well as unsecured debt) owed by the company must not be more than _____ the aggregate of paid up capital and free reserves after such buy-back.

- a) Twice
- b) Thrice
- c) Four times of
- d) Five times of

694. _____ is required to be passed in the _____ for alteration of share capital.

- a) OR, GM
- b) SR, GM
- c) OR, AGM
- d) SR, AGM

695. Reduction of share capital requires passing of _____ and confirmation of _____ also.

- a) OR, TRIBUNAL
- b) SR, TRIBUNAL
- c) OR, COURT

d) SR, COURT

696. Reduction of share capital shall not be affected if the company has defaulted in----

- a) Repayment of any deposits accepted by it
- b) Payment of interest payable on such deposits
- c) Either (a) or (b)
- d) Both (a) and (b)

697. Forfeiture must be

- a) Bonafide
- b) Authorized by SR
- c) Approved by Court
- d) All of these

698. An option on shares arises when a person has _____ under an agreement with the company.

- a) Privilege
- b) Obligation
- c) A duty
- d) A right

699. Issue of bonus share is authorized by-----

- a) Passing an OR in the General Meeting
- b) Passing SR in the General Meeting
- c) Passing OR in the Annual General Meeting
- d) Passing SR in the Annual General Meeting

700. Bonus share may be issued out of-----

- a) Free reserves
- b) Securities premium account
- c) Capital redemption reserve account
- d) Any of these

701. Bonus shares _____ - fully paid up----

- a) Must be
- b) May be
- c) May or may not be
- d) Should generally be

702. _____ shall carry voting right----

- a) Debentures
- b) No debenture
- c) Convertible debenture
- d) Redeemable debentures

703. _____ issuing the debentures shall create _____

- a) Every company, debentures redemption reserve
- b) Listed company, debenture redemption reserve

- c) Public company, debentures redemption reserve
- d) Private company, debentures redemption reserve

704. The company shall create debentures redemption reserve equivalent to _____ of the value of debentures.

- a) 25%
- b) 40%
- c) 50%
- d) 60%

705. The duties and functions of debenture trustee-----

- a) To protect the interest of debenture holders
- b) To redress the grievances of debenture holders
- c) Both option (a) and option (b)
- d) None of these

706. Before allotment of debentures prospectus should have been duly filed with-----

- a) Central government
- b) SEBI
- c) Registrar
- d) All of these

707. If debentures are issued at premium, the amount of premium should be credited to premium on debentures account and the balance to the credit of this account should be subsequently transferred to _____

- a) Capital Reserve Account
- b) General Reserve Account
- c) P & L Appropriation Account
- d) Any of these

708. The interest paid on debentures _____ disclosed as a separate item in _____.

- a) Must be, balance sheet
- b) Should be, notes to accounts
- c) Must be, P & L account
- d) Need not be in the P & L account

709. Debentures may be issued as a collateral security to-----

- a) The creditors
- b) Bankers
- c) Other parties
- d) Any of these

710. In the case of dividend, first of all dividend is _____ by _____---

- a) Declared, Board
- b) Declared, Members
- c) Recommended, Board

d) Recommended, Members

711. The members_____the rate or amounts recommended by the Board----

- a) May reduce
- b) May reduce but cannot increase
- c) May increase
- d) May reduce or may increase

712. Statement 1

Dividend can be paid out of moneys provided by Central Government or State Government in pursuance of a guarantee given by it.

Statement 2

Depreciation may or may not be provided so as to compute the profits for the purpose of declaration of dividend----

- a) Only Statement 1 is true
- b) Only Statement 2 is true
- c) Both the statements are true
- d) None of the statement is true

713. Dividend shall be declared or paid by the company from---

- a) Free Reserves
- b) Capital Reserves
- c) Revaluation reserves
- d) All of these

714. Dividend shall be payable----

- a) Only in cash
- b) In cash or in kind
- c) Either in cash or in electronic mode
- d) Option (c) or by issue of cheque

715. The dividend shall be deposited in a separate bank account within_____days of declaration of dividend.

- a) 5
- b) 7
- c) 30
- d) 60

716. Any money transfer to unpaid dividend account of accompany which remains unpaid for_____shall be transferred with a company to a fund called Investor Education and Protection Fund.

- a) 30 days
- b) 1 year
- c) 5 years
- d) 7 years

- 717. The criminal liability for misstatements in prospectus is given u/s _____ of the Companies Act, 2013**
- a) 34
 - b) 35
 - c) 36
 - d) 37
- 718. If a prospectus include any statement which is misleading, every person who authorized the issue of such prospectus shall be liable u/s**
- a) 147
 - b) 447
 - c) 35
 - d) None of these
- 719. Under section 35 of the companies Act, the person liable for misstatement means**
- a) The Company
 - b) Director of the Company
 - c) Promoter of the Company
 - d) All of these
- 720. Section 447 prescribes punishment for fraud, it is applicable on**
- a) Directors
 - b) Auditors
 - c) Members
 - d) Any Person
- 721. Under section 447 if fraud involves public interest, the minimum imprisonment is _____ years and maximum imprisonment is _____ years.**
- a) 3,14
 - b) 3,10
 - c) 5,14
 - d) 5,10
- 722. If any person is found guilty of fraud, the maximum finr that can be imposed u/s 447 is _____ the amount involved in the fraud.**
- a) Two times
 - b) Three times
 - c) Four times
 - d) Five times
- 723. The auditor should gather which of the following information about CIS environment of the entity before developing audit plan**
- a) How CIS function is organized
 - b) The computer hardware and software used by the entity
 - c) Nature of processing
 - d) All of these

724. Which of the following is not specific risk relating to internal control in CIS environment

- a) Unauthorized changes to system or program
- b) Unauthorized changes to data in master file
- c) Risk of non -recording of any transaction
- d) Potential loss of data

725. The use of computer may result in the design of system that provides _____ evidence than those using manual procedures.

- a) Less visible
- b) More visible
- c) More persuasive
- d) Conclusive

726. System characteristics that may result from nature of CIS processing include

- a) Absence of input documents
- b) Lack of visible transaction trail
- c) Lack of visible output
- d) All of these

727. Different design and procedural aspects of CIS are

- a) Consistency of performance
- b) Programmed control procedures
- c) Both (a) and (b)
- d) None of these

728. Which of the following is not general CIS control

- a) Control over inputs
- b) Organization and Management Controls
- c) Computer Operation Control
- d) System Software Control

729. Application System Development and Maintenance Controls are designed to control over

- a) Inputs
- b) Testing, implementation and documentation of new or revised system
- c) Outputs
- d) Processing

730. Computer Operation Controls are designed to control the operation of the system and to provide reasonable assurance that

- a) Only authorized programs are used
- b) Processing errors are detected and corrected
- c) System are used for authorized purpose by authorized personnel
- d) All of these

731. _____ are designed to establish an organizational framework over CIS activities.

- a) Computer operation control

- b) Data entry and program control
- c) Organization and Management Controls
- d) System software control.

732. Which of following is CIS application control

- a) System Software Control
- b) Control Over Processing
- c) Data Entry and Program Control
- d) None of these.

733. Control Over Output provide assurance that

- a) Results of processing are accurate
- b) Access to output is restricted to authorized personnel
- c) Output is provided to appropriate authorized personnel on a timely basis
- d) All of these

734. _____ refers to a situation where it is possible to relate, the original input with the final output on one to one basis.

- a) Audit Trail
- b) Input Output Ratio
- c) Programmed control procedure
- d) None of these

735. In CIS environment these is absence of audit trail due to factors such as

- a) Direct data entry into the system
- b) Direct posting of transactions to master file
- c) Elimination of reports as information is supplied on-line
- d) All of these

736. In the _____, the auditor concentrate on input and ignores the procedures of how computer process the data or transaction.

- a) White box approach
- b) Computer Assisted Audit Techniques
- c) Black box approach
- d) None of these

737. The auditor can usually audit around the computer when

- a) The system id simple
- b) The system is complex
- c) System uses generalized software that is well tested and widely used by many institution
- d) (a) or (c)

738. Situation where auditing through computer must be used

- a) The computer processes a large volume of input and produces a large volume of output
- b) The logic of system is complex
- c) The significant parts of internal control system are embodied in the computer system itself

- d) All of these
739. _____ are those techniques which undertake assistance of computer for being applied to an audit in a computerized environment.
- Computer Assisted Audit Techniques
 - Audit Trail
 - Compliance Test
 - None of these
740. The use of CAATs may be useful because of following reason
- Appearance of audit trail
 - Absence of input documents
 - Visible output
 - None of these
741. Benefits of CAATs
- Time saving
 - Audit effectiveness
 - Lower sampling risk
 - All of these
742. Following are CAATs
- Test Data
 - Programmes under the control of auditor
 - Both (a) and (b)
 - None of these
743. In auditing through computer, the computer is used as _____ of audit
- Tool
 - Target
 - Help
 - Any of these
744. Computer Assisted Audit Techniques are used by _____ to check validity of _____ used by _____.
- Client, Programmes, Client
 - Client, Programmes, Auditor
 - Auditor, Programme, Client
 - Auditor, Input, Client

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745. Who can be appointed as auditor of Co-Operative Society

- a) Chartered Accountant within the meaning of the Chartered Accountants Act, 1949
- b) Person holding a government diploma in co-operative accounts and accountancy
- c) Person who has served as an auditor in the co-operative department of government to act as an auditor.
- d) Any of the above

746. Auditor of Co-Operative Society is appointed by

- a) Managing Committee of Co-Operative Society
- b) Registrar of Co-Operative Society
- c) Members of Co-Operative Society
- d) None of these

747. The auditor of Co-Operative Society submits his audit report to

- a) The Members of Co-Operative Society
- b) The Registrar of Co-Operative Society
- c) The Co-Operative Society
- d) Both (b) and (c)

748. The audit fees to the auditor of Co-Operative Society are paid by _____ on the basis of _____.

- a) Society, Statutory scale of fees prescribed by the Registrar
- b) Registrar, Statutory scale of fees prescribed by the Registrar
- c) Society, Decision of Managing Committee of Society
- d) Society, Resolution passed by its Members.

749. In case of a society where the liability of a member of society is limited, no member of a society other than a registered society can hold such portion of the share capital of the society as exceed a maximum of

- a) 20% of the total number of shares
- b) Value of Shareholding to Rs. 1,000
- c) (a) or (b)
- d) None of these

750. Which of the following is correct

- a) A registered society shall not make a loan to any person other than a member.
- b) With the special sanction of the Registrar, a registered society may make a loan to another registered society.
- c) The State Government may further put such restrictions as it thinks fit on the loaning powers of the society
- d) All of these

751. A Society may invest its funds

- a) In stock market through stock exchange

- b) In the Central or Other Co-Operative Bank
- c) In the shares, securities, bonds or debentures of any other society whether limited liability or unlimited liability
- d) None of these

752. A Society may invest its funds

- a) In any of the securities specified in section 20 of the Indian Trusts Act, 1882
- b) In the shares, securities, bonds or debentures of any other society with limited liability
- c) In any co-operative bank, other than a Central or State Co-Operative bank, as approved by the Registrar on specified terms and conditions.
- d) Any of the above

753. _____% of the profits should be transferred to Reserve Fund, before distribution as dividend or bonus to members.

- a) 10
- b) 20
- c) 25
- d) 30

754. A registered society may, with the sanction of the Registrar, contribute an amount not exceeding _____ of _____ for any charitable purpose.

- a) 10%, Net profits remaining after the compulsory transfer to the reserve fund
- b) 10%, Net profits before compulsory transfer to the reserve fund
- c) 5%, Net profits remaining after the compulsory transfer to the reserve fund
- d) 5%, Net profits before compulsory transfer to the reserve fund

755. Society may use the Reserve Fund

- a) In the business of a society, as working capital
- b) May invest as per the provision of the Co-Operative Societies Act, 1912
- c) May be used for some public purposes likely to promote the objective of the society
- d) Any of the above

756. Special Report to the Registrar is required

- a) If auditor detect fraud
- b) Personal profiteering by members of the managing committee in transaction of the society
- c) Mis-management
- d) All of the above

757. Who can be appointed as auditor of Multi State Co-Operative Society

- a) Chartered Accountant within the meaning of the Chartered Accountants Act, 1949
- b) Person holding a government diploma in co-operative accounts and accountancy
- c) Person who has served as an auditor in the co-operative department of government to act as an auditor.
- d) Any of the above

758. The First Auditor of Multi State Co-Operative Society shall be appointed by _____ within _____.

- a) Registrar of Society, One month of date of registration of such society
- b) Board, One month of date of registration of such society
- c) Members, 90 days of date of registration of such society
- d) Central Registrar, One month of date of registration of such society.

759. Subsequent Auditor of Multi State Co-Operative Society is appointed

- a) At Board's Meeting
- b) By Central Registrar
- c) At AGM
- d) By Secretary of the Society

760. Subsequent Auditor of Multi State Co-Operative Society shall hold office of auditor until

- a) Submission of audit report
- b) Conclusion of 6th AGM
- c) Conclusion of 5 Years
- d) Conclusion of next AGM

761. The audit report on the financial statements of society shall contain schedule with particular of

- a) All transactions which appears to be contrary to the provisions of the Act, Rules or Byelaws of society
- b) All sums, which ought to have been, but have not brought into account by the society
- c) Any material, or property belonging to society which appears to the auditor to be bad or doubtful of recovery
- d) All of the above

762. _____ has power to direct Special Audit in certain cases of Multi-State Co-Operative Society

- a) Central Government
- b) Central Registrar
- c) Managing Committee
- d) Members of Society

763. Under which of the following circumstances order of Special Audit is passed

- a) The affairs of any MSCO are not being managed in accordance with self-help and mutual aid and co-operative principles or prudent commercial practices or with sound business principles; or
- b) Any MSCO is being managed in a manner likely to cause serious injury or damage to the interests of the trade industry or business to which it pertains; or
- c) The financial position of any MSCO is such as to endanger its solvency.
- d) Any of the above

764. The Special Auditor shall submit his report to

- a) Managing Committee of Society
- b) Members of Society
- c) Central Government
- d) Central Registrar

765. Which of the following may request to Central Registrar to conduct an inquiry

- a) Central Government
- b) A Creditor
- c) At least 10% of members of the Board
- d) At least 15% of the total number of members.

766. Inquiry by Central Registrar may be conducted into the

- a) Constitution
- b) Working
- c) Financial Condition
- d) Any of the above

767. LLP, whose turnover does not exceed Rs. _____ or whose contribution does not exceed Rs. _____, is not required to get its accounts audited.

- a) 40 Lakhs, 25 Lakhs
- b) 50 Lakhs, 25 Lakhs
- c) 40 Lakhs, 20 Lakhs
- d) 60 Lakhs, 30 Lakhs

768. Who of the following can be appointed as auditor of LLP

- a) A Chartered Accountant
- b) A Chartered Accountant in Practice
- c) A Cost Accountant
- d) A Chartered Accountant or A Cost Accountant

769. The auditor LLP is appointed by designated partner

- a) At any time for the first FY but before the end of first FY
- b) At least 30 days prior to the end of each FY (Other than first FY)
- c) Both (a) and (b)
- d) Within 180 days from commencement of FY which is subject to audit

770. If designated partners of LLP have failed to appoint auditor then auditor of LLP is appointed by

- a) Registrar
- b) Central Government
- c) Local Fund Audit Wing of State Government
- d) Partner of LLP

771. The auditor of LLP shall hold office of auditor till the period

- a) The new auditor is appointed
- b) Auditor is reappointed
- c) (a) or (b)
- d) 180 days from closure of FY.

772. Every LLP shall file an annual return duly authenticated with the _____ within _____ days of closure of its FY

- a) Registrar, 30
- b) Registrar, 60
- c) Central Government, 30

d) Local Fund Audit Wing of State Government, 60

773. LLP shall file Annual return with Registrar in _____

- a) Form 11
- b) Form 12
- c) Form 13
- d) Form 14

774. LLP are required to maintain books of accounts which shall contain

- a) Particulars of all sums of money received and expended by the LLP and the matters in respect of which the receipt and expenditure take place
- b) A record of the assets and liabilities of the LLP
- c) Statements of cost of goods purchased , inventories, work-in progress, finished goods and costs of goods sold
- d) All of these

775. LLP is required to submit Statement of Account and Solvency with the _____ within a period _____

- a) Central Government, 6 Months of FY to which the Statement of Account and Solvency relates
- b) Registrar, 6 Months of FY to which the Statement of Account and Solvency relates
- c) Registrar, 30 Days from end of 6 months of the FY of FY to which the Statement of Account and Solvency relates.
- d) Local Fund Audit Wing of State Government, 6 Months of FY to which the Statement of Account and Solvency relates

776. Which of the following document of LLP is not available for inspection by any person

- a) Agreements entered by LLP
- b) Incorporation Document
- c) Statement of Account and Solvency
- d) Annual Return

777. The fees for inspection of document of LLP is

- a) Rs 100 and Rs 10 per page for certified copy or extract of any document
- b) Rs 50 and Rs 5 per page for certified copy or extract of any document
- c) Rs 50 and Rs 10 per page for certified copy or extract of any document
- d) Rs 100 and Rs 5 per page for certified copy or extract of any document

778. Which of the following is not type of bank

- a) Commercial Banks
- b) Regional Rural Bank
- c) Payment Bank
- d) None of these

779. _____ are the most wide spread banking in India

- a) Small Finance Banks
- b) Co-Operative Banks

- c) Commercial Banks
- d) Development Banks

780. Main functions of Commercial banks are

- a) Accepting Deposits
- b) Granting Advances
- c) Both (a) and (b)
- d) None of these

781. The functioning of banking industry in India is regulated by the _____

- a) Finance Ministry
- b) Reserve Bank of India
- c) President of India
- d) CAG

782. _____ acts as Central Bank of India

- a) Reserve Bank of India
- b) State Bank of India
- c) Central Bank of India
- d) Union Bank of India

783. Important functions of RBI are

- a) Issuance of currency
- b) Regulation of currency issue
- c) Acting as banker to Central and State Governments
- d) All of the above

784. No bank can commence business of banking or open new branches without obtaining license from

- a) President of India
- b) Finance Ministry
- c) Reserve Bank of India
- d) State Bank of India

785. Which of the following are principal enactments which govern the functioning of various types of banks

- a) Banking Regulation Act, 1949
- b) Companies Act, 2013
- c) Information Technology Act, 2000
- d) All of these

786. Which of the following section of the banking Regulation Act, 1949 deal with from and content of financial statements of banking company

- a) Section 128
- b) Section 129
- c) Section 29
- d) Section 28

787. Auditor of nationalized bank is appointed by

- a) BoD of the Bank
- b) Reserve Bank of India
- c) CAG
- d) Central Government

788. Auditor of the State Bank of India is appointed by

- a) BoD of the SBI
- b) CAG
- c) Reserve Bank of India
- d) Central Government

789. The auditors of Subsidiaries of SBI are to be appointed by

- a) Reserve Bank of India
- b) CAG
- c) Central Government
- d) SBI

790. The auditor of regional rural banks is appointed by

- a) Bank concerned with the approval of the Central Government
- b) Bank concerned without any previous approval of the Central Government
- c) RBI
- d) CAG

791. The matters which the banks require their auditors to deal with in the Long Form Audit Report is to be specified by

- a) CAG
- b) RBI
- c) Central Government
- d) Banking Regulation Act, 1949

792. The LFAR is to be submitted before _____ every year

- a) 30th September
- b) 31st July
- c) 30th June
- d) 31st May

793. Advances comprises of funded amounts by way of

- a) Term loans
- b) Cash Credits, Overdrafts, Demand Loans
- c) Bills Discounted and Purchased
- d) All of the above

794. In case of banking companies, Accounts showing stress signals are classified as

- a) SMA 0
- b) SMA 1
- c) SMA 2

d) None of these

795. In case of banking companies, Accounts overdue between 31 to 60 days, are classified as

- a) SMA 0
- b) SMA 1
- c) SMA 2
- d) None of these

796. In case of banking companies, Accounts overdue between 31 to 60 days, are classified as

- a) SMA 0
- b) SMA 1
- c) SMA 2
- d) None of these

797. NPA Loans of Banking Companies are classifies as

- a) Substandard
- b) Doubtful
- c) Loss
- d) Any of the above, depending upon circumstances

798. Assets which does not disclose any problem and does not carry more than normal risk attached to the business, are classifies as

- a) Standard Assets
- b) Substandard Assets
- c) Good Assets
- d) Genuine Assets

799. Assets which has been classifies as NPA for a period not exceeding 12 months, are classified as

- a) Standard Assets
- b) Substandard Assets
- c) Doubtful Assets
- d) Loss Assets

800. Assets which has been classifies as NPA for a period exceeding 12 months, are classified as

- a) Standard Assets
- b) Substandard Assets
- c) Doubtful Assets
- d) Loss Assets

801. Asset in respect of which loss has been identified by the bank or internal auditor/external auditor or the RBI inspection, but the amount has not been written off, wholly or partly, is classifies as

- a) Substandard Asset
- b) Doubtful Asset
- c) Written off Asset
- d) Loss Asset

802. Which of the following is not classified as NPA

- a) Impaired
- b) Sub-standard
- c) Doubtful
- d) Loss

803. Erosion in the value of security can be reckoned as significant when the realizable value of the security is less than _____% of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be

- a) 20
- b) 50
- c) 60
- d) 75

804. In case of classification of advance as standard assets, provision is required by the bank

- a) .40%
- b) .50%
- c) .75%
- d) .80%

805. In case of classification of commercial real estate advance, as standard assets provision is required by the bank

- a) .40%
- b) .50%
- c) .75%
- d) 1.00%

806. In case of classification of advance as sub-standard assets, provision is required by the bank for secured portion

- a) 10%
- b) 15%
- c) 20%
- d) 25%

807. In case of classification of advance as sub-standard assets, provision is required by the bank for unsecured portion

- a) 10%
- b) 15%
- c) 20%
- d) 25%

808. In case of classification of advance as doubtful assets, provision is required by the bank for unsecured portion

- a) 100%
- b) 75%
- c) 60%
- d) 50%

- 809. In case of classification of advance as doubtful assets (up to one year), provision is required by the bank for secured portion**
- a) 10%
 - b) 25%
 - c) 40%
 - d) 100%
- 810. In case of classification of advance as doubtful assets (more than one year but up to 3 year), provision is required by the bank for secured portion**
- a) 10%
 - b) 25%
 - c) 40%
 - d) 100%
- 811. In case of classification of advance as doubtful assets (more than 3 years), provision is required by the bank for secured portion**
- a) 10%
 - b) 25%
 - c) 40%
 - d) 100%
- 812. In case of classification of advance as loss assets, provision is required by the bank**
- a) 100%
 - b) 75%
 - c) 60%
 - d) 50%
- 813. _____ refers to the security offered by the borrower for bank finance or the one against which credit has been extended by the bank.**
- a) Primary Security
 - b) Collateral Security
 - c) Healthy Security
 - d) None of these
- 814. _____ is an additional security. Security can be in any form i.e. tangible or intangible asset, movable or immovable asset**
- a) Primary Security
 - b) Collateral Security
 - c) Healthy Security
 - d) None of these
- 815. Most common types of securities accepted by banks are the following**
- a) Personal Security of Guarantor
 - b) Immovable Property
 - c) Life Insurance Policies

d) All of these

816. Which of the following is not a type of mortgage

- a) Registered Mortgage
- b) Equitable Mortgage
- c) Both (a) and (b)
- d) None of these

817. _____ can be effected by a registered instrument called the “Mortgage Deed” signed by the mortgagor.

- a) Registered Mortgage
- b) Equitable Mortgage
- c) Both (a) and (b)
- d) None of these

818. _____ is effected by a mere delivery of title deeds or other documents of title with intent to create security thereof

- a) Registered Mortgage
- b) Equitable Mortgage
- c) Both (a) and (b)
- d) None of these

819. _____ involves bailment or delivery of goods by the borrower to the lending bank, with the intention of creating a charge thereon as security for the advance

- a) Mortgage
- b) Pledge
- c) Hypothecation
- d) Assignment

820. _____ is the creation of an equitable charge, which is created in favour of the lending bank by execution of agreement in respect of movable securities belonging to the borrower

- a) Mortgage
- b) Pledge
- c) Hypothecation
- d) Assignment

821. _____ is a transfer of an existing or future debt, right or property belonging to a person in favour of another person.

- a) Mortgage
- b) Pledge
- c) Hypothecation
- d) Assignment

822. _____ is a statutory right of a creditor to adjust, wholly or partly, the debit balance in the debtor’s account against any credit balance lying in another account of the debtor.

- a) Adjustment

- b) Agreement
- c) Set-off
- d) Deduction

823. _____ is creation of legal charge with consent of the owner, which gives lender a legal right to seize and dispose /liquidate the asset under lease.

- a) Set-off
- b) Lien
- c) Disposal
- d) Release

824. An advance will be classified as NPA, if

- a) It ceases to generate income for a bank
- b) Interest and/or installment of principal in respect of such an advance have been remain overdue or out of order for a specified period of time (exceeding 90 days as on balance sheet date)
- c) (a) or (b)
- d) None of these

825. An account should be treated as 'Out-of-Order' if

- a) Outstanding balance remains continuously in excess of the sanctioned limit/drawing power
- b) There are no credits continuously for 90 days as on the balance sheet date or the credits are not enough to cover the interest debited during the same period
- c) (a) or (b)
- d) None of these

826. Where it appears that an account has inherent weakness and few credits near balance sheet tries to make it regular, the account should be classified as _____

- a) Standard Asset
- b) Non-Performing Asset
- c) Loss Asset
- d) None of these

827. Which of the following statement is incorrect w.r.t classification of advance as NPA

- a) All the facilities granted by bank to borrower will have to be treated as NPA and not the particular facility or part thereof.
- b) In case of consortium advance, asset classification should be based on the record of recovery of individual member of banks.
- c) In case of advance with moratorium period for payment of interest, payment of interest becomes due only after the expiry of moratorium period, therefore such interests do not become overdue and hence do not become NPA with reference to date of debit of interest.
- d) The credit facilities backed by State Government though overdue, will be classified as NPA only when the State Government repudiates its guarantee when invoked.

828. The credit facilities backed by _____ though overdue, will be classified as NPA only when the _____ repudiates its guarantee when invoked

- a) Central Government

- b) State Government
- c) RBI
- d) Any Guarantor

829. Loan granted for short duration crop shall be classified as NPA if interest and/or instalments of principal is overdue for

- a) One crop season
- b) Two crop season
- c) Exceeding 90 days
- d) Exceeding 120 days

830. Loan granted for long duration crop shall be classified as NPA if interest and/or instalments of principal is overdue for

- a) One crop season
- b) Two crop season
- c) Exceeding 90 days
- d) Exceeding 120 days

831. Credit card account shall be classified as NPA, if _____ amount due, as mentioned in the credit card statement is not paid fully within _____ days from next statement date

- a) Total, 90
- b) Minimum, 30
- c) Minimum, 90
- d) None of these

832. Which of the following is not exception to norms for classification of assets as NPA

- a) Temporary Deficiencies
- b) Natural Calamities w.r.t. short term agricultural advance
- c) Advances against Term Deposits, NSC, KVP, IVP
- d) Facilities Backed by State Government

833. Banks should recognize income from NPA

- a) On cash basis
- b) On accrual basis
- c) As the policy of the Bank
- d) Substandard assets on accrual basis, and other NPAs on cash basis.

834. Interest income from advances though overdue but not classifies as NPA as secured against Term Deposits, NSC, KVP, IVP may be recognize

- a) On cash basis
- b) On accrual basis
- c) Substandard assets on accrual basis, and other NPAs on cash basis.
- d) On Secured portion accrual basis and on secured portion on cash basis.

835. Interest income from advances though overdue but not classifies as NPA as secured against guarantee of the Central Government, recognized as

- a) On cash basis
- b) On accrual basis
- c) Substandard assets on accrual basis, and other NPAs on cash basis
- d) On Secured portion accrual basis and on secured portion on cash basis

836. The auditor can obtain sufficient appropriate audit evidence about advances by study and evaluation of the internal controls relating to advances, and by:

- a) Examining loan documents
- b) Examining the existence, enforceability and valuation of the security
- c) Checking compliance with RBI norms including classification and provisioning
- d) All of the above

837. If a loan/advance is treated as NPA for the first time, interest accrued which had not been realized but credited to the income account should be reversed by transfer to a separate account called _____

- a) Suspense Account
- b) Income Reversal Account
- c) Interest Suspense Account
- d) Account Suspense

838. In carrying out audit of advance, the auditor is primarily concerned with obtaining evidence about the following

- a) Amounts included in balance sheet in respect of advances are outstanding at the date of the balance sheet
- b) Advances represents amount due to bank
- c) There are no unrecorded advances
- d) All of the above

839. _____ basically refers to a business environment where the processes, operations, accounting and even decisions are carried by using computer system.

- a) Automated environment
- b) Computer environment
- c) IT environment
- d) None of these

840. Some of the key features of an automated environment are

- a) Enables faster business operations
- b) Better security and controls
- c) Provide latest information
- d) All of above

841. Which of the following is not IT related risk

- a) Unauthorized access to data
- b) Unauthorized changes to system of program
- c) Sampling Risk
- d) Lack of adequate segregation of duties

842. Types of Controls in an Automated Environment

- a) General IT Controls
 - b) Application Controls
 - c) IT Dependent Manual Controls
 - d) All of above
843. _____ are policies and procedures that relates to many applications and support the effective functioning application controls
- a) General IT Controls
 - b) IT Dependent Manual Controls
 - c) Both (a) and (b)
 - d) None of these
844. Which of the following the auditor should consider to obtain an understanding of the company's automated environment
- a) Information system being used
 - b) Key Persons
 - c) Outsourced activities
 - d) All of the above
845. General IT Controls that maintain integrity of information and security of data commonly include controls over following
- a) Inputs
 - b) Access Security
 - c) Processing
 - d) Output
846. Which of the following is not method for testing of controls in automated environment
- a) Inspect the configuration defined in an application
 - b) Inspect technical manual/user manual of system and application
 - c) Analytical Review
 - d) Observe how a user processes transactions under different scenarios.
847. Which of the following is an automated control?
- a) Program change
 - b) System generated report
 - c) Application control
 - d) Configuration
848. General IT control that ensure backups, performance monitoring, recovery from failures commonly include controls over
- a) Program Change
 - b) Access Security
 - c) Data Center and Network Operations
 - d) Application System acquisition, development and maintenance

- 849. The objective of which of the following is to ensure that modified system continue to meet financial reporting objectives**
- a) Data Center and Network Operation
 - b) Program Change
 - c) Access Security
 - d) Application system, acquisition, development and maintenance
- 850. The objective of which of the following is to ensure that access to programs and data is authenticated and authorized to meet financial reporting objectives**
- a) Data Center and Network Operations
 - b) Program Change
 - c) Access Security
 - d) Application system, acquisition, development and maintenance
- 851. The objectives of which of the following is to ensure that system are developed, configured and implemented to meet financial reporting objectives**
- a) Data Center and Network Operations
 - b) Program Change
 - c) Access Security
 - d) Application system, acquisition, development and maintenance.
- 852. The combination of processes, tools and techniques that are used to tap vast amounts of electronic data to obtain meaningful information is called _____**
- a) Data Analytics
 - b) Data base
 - c) Information system
 - d) None of these
- 853. Edit checks and validation of input data, sequence number checks, user limit checks, reasonableness checks, mandatory data fields, these are examples of**
- a) General IT Control
 - b) Manual Application Controls
 - c) Automated Application Controls
 - d) None of these
- 854. IT dependent controls are basically _____**
- a) Manual Control
 - b) Automated Control
 - c) Both (a) and (b)
 - d) None of these
- 855. Which of the following is General IT control?**
- a) IT Environment
 - b) Application Control
 - c) Access Security
 - d) IT Department Control

856. _____ can be used in testing of electronic records and data residing in IT systems using spreadsheets and specialized audit tools to perform fraud investigation analysis of journal entries as required by SA 240 and selection of audit sample.

- a) Data base
- b) Data analytics
- c) Information system
- d) None of these

ALL THE VERY BEST

Answers of Multiple Choice Questions

1	a	51	b	101	d	151	c	201	a	251	a
2	a	52	a	102	a	152	c	202	d	252	b
3	c	53	d	103	d	153	a	203	c	253	a
4	d	54	c	104	d	154	d	204	a	254	a
5	a	55	d	105	b	155	b	205	a	255	d
6	c	56	b	106	c	156	c	206	b	256	b
7	c	57	c	107	c	157	b	207	a	257	d
8	d	58	d	108	b	158	c	208	c	258	c
9	c	59	b	109	a	159	d	209	b	259	b
10	d	60	a	110	a	160	d	210	d	260	c
11	d	61	a	111	a	161	d	211	d	261	d
12	d	62	b	112	a	162	d	212	d	262	d
13	c	63	b	113	d	163	a	213	d	263	c
14	c	64	c	114	a	164	c	214	c	264	c
15	d	65	a	115	c	165	d	215	a	265	d
16	d	66	c	116	a	166	b	216	b	266	c
17	b	67	c	117	b	167	a	217	c	267	b
18	d	68	d	118	d	168	a	218	c	268	a
19	a	69	c	119	b	169	c	219	c	269	d
20	b	70	a	120	b	170	d	220	d	270	d
21	d	71	a	121	c	171	d	221	c	271	d
22	d	72	c	122	b	172	b	222	d	272	d
23	c	73	d	123	d	173	a	223	c	273	b
24	b	74	c	124	d	174	b	224	d	274	a
25	a	75	d	125	a	175	d	225	c	275	c
26	b	76	a	126	a	176	c	226	b	276	a
27	b	77	a	127	d	177	d	227	c	277	c
28	d	78	d	128	d	178	a	228	a	278	c
29	d	79	c	129	b	179	c	229	d	279	a
30	b	80	b	130	d	180	d	230	a	280	d
31	c	81	d	131	a	181	b	231	b	281	c
32	a	82	c	132	a	182	c	232	b	282	c
33	b	83	d	133	b	183	a	233	a	283	a
34	a	84	d	134	b	184	d	234	d	284	d
35	c	85	b	135	c	185	b	235	b	285	a
36	a	86		136	b	186	d	236	d	286	b
37	d	87	c	137	d	187	c	237	a	287	b
38	b	88	c	138	a	188	b	238	d	288	b
39	b	89	d	139	d	189	c	239	c	289	a
40	a	90	b	140	c	190	c	240	a	290	b
41	c	91	a	141	a	191	d	241	c	291	a
42	c	92	d	142	d	192	a	242	b	292	c
43	b	93	b	143	a	193	b	243	a	293	c
44	d	94	d	144	b	194	c	244	c	294	d
45	a	95	c	145	b	195	d	245	c	295	a
46	a	96	b	146	c	196	a	246	d	296	d
47	a	97	a	147	d	197	c	247	b	297	c
48	d	98	b	148	c	198	d	248	b	298	d
49	a	99	c	149	d	199	c	249	b	299	c
50	a	100	c	150	c	200	b	250	c	300	b

301	d	351	b	401	b	451	d	501	c	551	d
302	d	352	c	402	d	452	c	502	d	552	d
303	d	353	d	403	a	453	a	503	d	553	b
304	c	354	c	404	d	454	b	504	c	554	c
305	a	355	b	405	d	455	c	505	b	555	d
306	b	356	d	406	c	456	a	506	a	556	c
307	d	357	c	407	a	457	d	507	d	557	d
308	d	358	b	408	b	458	a	508	d	558	a
309	b	359	d	409	b	459	d	509	c	559	d
310	a	360	a	410	d	460	c	510	c	560	b
311	a	361	b	411	c	461	b	511	d	561	d
312	d	362	d	412	a	462	b	512	b	562	c
313	d	363	a	413	b	463	d	513	b	563	c
314	a	364	d	414	d	464	d	514	c	564	a
315	c	365	a	415	d	465	a	515	d	565	d
316	c	366	d	416	d	466	b	516	b	566	b
317	d	367	a	417	b	467	c	517	b	567	a
318	d	368	c	418	a	468	d	518	c	568	a
319	a	369	b	419	c	469	b	519	d	569	d
320	b	370	d	420	b	470	d	520	d	570	a
321	d	371	c	421	c	471	c	521	a	571	c
322	d	372	a	422	c	472	c	522	a	572	a
323	a	373	c	423	d	473	b	523	d	573	a
324	c	374	a	424	b	474	a	524	d	574	d
325	d	375	a	425	a	475	d	525	d	575	d
326	b	376	b	426	d	476	a	526	b	576	d
327	d	377	d	427	b	477	b	527	d	577	d
328	c	378	d	428	a	478	b	528	d	578	b
329	a	379	b	429	d	479	a	529	d	579	b
330	a	380	a	430	c	480	b	530	d	580	b
331	b	381	d	431	d	481	d	531	b	581	c
332	d	382	c	432	c	482	b	532	d	582	d
333	c	383	d	433	a	483	a	533	c	583	b
334	c	384	c	434	d	484	d	534	a	584	d
335	c	385	d	435	b	485	c	535	b	585	c
336	a	386	a	436	a	486	a	536	a	586	d
337	d	387	d	437	c	487	a	537	d	587	c
338	c	388	a	438	d	488	b	538	c	588	a
339	a	389	d	439	b	489	d	539	d	589	b
340	b	390	c	440	a	490	b	540	b	590	d
341	d	391	d	441	b	491	c	541	b	591	c
342	d	392	a	442	a	492	d	542	a	592	a
343	d	393	c	443	b	493	a	543	c	593	c
344	a	394	d	444	d	494	d	544	a	594	d
345	c	395	b	445	d	495	b	545	a	595	d
346	b	396	c	446	a	496	b	546	d	596	b
347	d	397	d	447	d	497	c	547	d	597	c
348	c	398	c	448	a	498	b	548	c	598	d
349	c	399	a	449	b	499	a	549	c	599	d
350	a	400	d	450	c	500	d	550	c	600	b

601	d	651	d	701	a	751	b	801	d	851	d
602	a	652	a	702	b	752	d	802	a	852	a
603	c	653	d	703	a	753	c	803	b	853	c
604	d	654	c	704	a	754	a	804	a	854	a
605	b	655	b	705	c	755	d	805	d	855	c
606	a	656	d	706	c	756	d	806	b	856	b
607	c	657	c	707	a	757	a	807	d		
608	d	658	c	708	c	758	b	808	a		
609	a	659	b	709	d	759	c	809	b		
610	b	660	d	710	c	760	d	810	c		
611	d	661	d	711	b	761	d	811	d		
612	a	662	a	712	a	762	a	812	a		
613	a	663	d	713	a	763	d	813	a		
614	b	664	c	714	d	764	c	814	b		
615	c	665	c	715	a	765	b	815	d		
616	a	666	b	716	d	766	d	816	d		
617	b	667	d	717	a	767	a	817	a		
618	c	668	a	718	b	768	b	818	b		
619	b	669	b	719	d	769	c	819	b		
620	a	670	d	720	d	770	d	820	c		
621	c	671	c	721	b	771	c	821	d		
622	d	672	d	722	b	772	b	822	c		
623	d	673	d	723	d	773	a	823	b		
624	b	674	c	724	c	774	d	824	c		
625	a	675	d	725	a	775	c	825	c		
626	d	676	a	726	d	776	a	826	b		
627	a	677	d	727	c	777	b	827	d		
628	d	678	a	728	a	778	d	828	a		
629	d	679	d	729	b	779	c	829	b		
630	b	680	b	730	d	780	c	830	a		
631	c	681	d	731	c	781	b	831	c		
632	b	682	d	732	b	782	a	832	d		
633	c	683	d	733	d	783	d	833	a		
634	d	684	d	734	a	784	c	834	b		
635	b	685	d	735	d	785	d	835	a		
636	a	686	c	736	c	786	c	836	d		
637	c	687	a	737	d	787	a	837	c		
638	d	688	d	738	d	788	b	838	d		
639	c	689	c	739	a	789	d	839	a		
640	b	690	a	740	b	790	a	840	d		
641	c	691	c	741	d	791	b	841	c		
642	d	692	d	742	c	792	c	842	d		
643	a	693	a	743	b	793	d	843	a		
644	c	694	a	744	c	794	a	844	d		
645	d	695	b	745	d	795	b	845	b		
646	d	696	c	746	b	796	c	846	c		
647	a	697	a	747	d	797	d	847	d		
648	a	698	d	748	a	798	a	848	c		
649	c	699	a	749	c	799	b	849	b		
650	b	700	d	750	d	800	c	850	c		

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