Last minute revision of auditing MCQs

Sr. No.	Statements	Answers
1.	Auditing is required in case of A] profitable entity only B]non profitable entity only C] large size organization D]an enterprise whether profit oriented or not and irrespective of its size or legal form.	D
2.	Auditor has to give _________ on financial statements. A] an opinion B] a certificate C] a report and certificate D] comments	A
3.	Auditor has to give __________ assurance on financial statements. A]Absolute B] Reasonable C] Complete D] Maximum	B
4.	An audit is a systematic and independent examination of financial records of an organization to ascertain how far the financial statements as well as non-financial disclosures present a ___________ view of the concern. A] True and correct B] True and fair C] Correct and fair D] Correct and Absolute	B
5.	SA-200deals with A] Overall Objectives of the Independent Auditor B] Management representations C] Audit Evidence D] Audit documentation	A
6.	An examination of the_________to ascertains whether it is appropriate for the business and helps in properly recording all transactions. A] Books of accounts	C

	B] Financial statements C] Accounting and internal control system D] Past year audit report	
7.	The auditor should obtain ______________audit evidence through the performance of compliance and substantive procedures. A]Sufficient B] Appropriate C] Sufficient & Appropriate D] Reasonable	C
8.	____________ is responsible for maintaining an adequate accounting system incorporating various internal controls to the extent appropriate to the size and nature of the business. A] Management B] Shareholders C] Statutory Auditor D] Internal Auditor	A
9.	The audit report should contain a ___________opinion on the financial information A] clear& written B] Oral C] Ambiguous D] Implied	A
10.	_________are tests designed to obtain reasonable assurance that those internal controls on which audit reliance is to be placed are in effect. A] Substantive procedures B] Analytical procedures C] Compliance procedures D] Vouching and verification	C
11.	Substantive procedures are designed to obtain evidence as to the ___________of the data produced by the accounting system A] accuracy B] completeness C] validity D] completeness, accuracy and validity	D
12.	Inherent limitations are such features of audit that constrains the auditor	D

	A] to vouch the transaction. B] to obtain absolute assurance. C] to verify the asset. D] to express an opinion	
13.	Auditor's opinion is based on A] Conclusive evidence B] Persuasive evidence C] management representations only D]Oral evidence	B
14.	Auditors apply _____________to limit the number of transactions and balances selected for audit testing in order to perform the audit efficiently and cost effectively. A] statistical techniques B] vouching techniques C] sampling techniques D] Management techniques.	C
15.	Generally, ______________ is considered to be a more reliable form of audit evidence than internal evidence. A] Oral evidence B] External evidence C] Evidence obtained from management D] Evidence obtained from employees	B
16.	Which of the following statement is correct A] Through proper auditing techniques Auditor can eliminate inherent limitations completely. B] Inherent limitations cannot be completely eliminated but the effects of such limitations can be reduced to an appropriate level. C] Auditor should ignore inherent limitations and give Absolute assurance. D]There is no inherent limitations of auditing.	B
17.	Which of the following is /are fundamental accounting assumption/s A] Going concern B] Consistency C] Accrual D] All of the above.	D

18.	If fundamental accounting assumptions are not followed than A] Auditor should not give his opinion. B] No specific disclosures are required. C] Specific disclosures are required. D] Financial statements shall not be audited..	C
19.	The responsibility for the prevention and detection of fraud and error is of the________. A] management B] auditor C] government D] Shareholders	A
20.	The presence of internal control system______ but does not _______ the possibility of fraud and error. A] reduces, eliminate B] eliminates, reduces C] increases, remove D]eliminates, increase	A
21.	In spite of good efforts put by auditor in identifying the frauds, if he fails in doing so, it will___________. A] be construed as gross negligence of an auditor. B] be construed as auditor's error. C] not be construed as audit failure D] be construed as audit failure	C
22.	Which of the following statement is incorrect? A] The auditor should give reasonable assurance on financial statements. B] His opinion does not give absolute assurance to future viability of business. C] Auditor has to state whether financial statements represent true and fair view or not. D] It is the primary responsibility of the Auditor to detect fraud and error.	D
23.	Which of the following statements is false? A] The presence of internal control system eliminates the possibility of fraud and error. B] The main objective of auditing is to obtain reasonable assurance about whether the financial statements as a whole are	A

	free from material misstatement. C] Management is responsible for maintaining an adequate accounting system incorporating various internal controls to the extent appropriate to the size and nature of the business. D]Fraud by management is more difficult to detect than fraud by employee.	
24.	Which of the following is not an inherent limitation of auditing? A] Incorrect audit planning B] Use of Sampling C] Use of Professional Judgment D] Persuasive evidence instead of conclusive evidence.	A
25.	______________ is a systematic and independent examination of financial records for expressing an opinion on it. A] Accounting B] Auditing C] Sampling D] Vouching	B
26.	Which of the following is a function of auditing? A] To prepare financial statements. B] To maintain an adequate accounting system incorporating various internal controls to the extent appropriate to the size and nature of the business. C] To obtain reasonable assurance about whether financial statements as a whole are free from material misstatements. D] To prepare and submit accounts to government.	C
27.	Audit means an examination of______________, conducted with the purpose of establishing the fact that the accounting records present a true and fair view. A] books of accounts B] P & L accounts C] balance sheet D] bank statements	A
28.	__________ is an audit, which is made mandatory by law. A] Internal audit B] Routine audit C] Statutory Audit D] Balance sheet audit	C

29.	Which of the following statement is correct A] Auditor should not disclose any information relating to entity to a third party without specific authority or unless there is a legal or professional duty to disclose. B] Auditor should disclose all information relating to entity to a third party. C] Auditor should not disclose any information relating to entity to a third party even though there is a legal or professional duty to disclose. D] Auditor should disclose all information relating to entity in his audit report so third party can easily obtain the same.	A
30.	When the auditor delegates work to assistants or uses work performed by other auditors and experts _____ A] **he continues to be responsible for forming and expressing his opinion on the financial information.** B] **he is not responsible for forming and expressing his opinion on the financial information.** C] **he & other party continue to be responsible for forming and expressing his opinion on the financial information.** D] **other party continues to be responsible for forming and expressing his opinion on the financial information.**	A
31.	Audit in depth means A] concurrent audit B] surprise audit C] detailed audit D] Balance sheet audit	C
32.	Auditor has to A] assure future profitability and prospects of the company. B] assure that proper accounting system is installed in the organization. C] assure that adequate internal control system is established which prevents fraud and error. D] give opinion on truthfulness and fairness of financial statements.	D
33.	Professional skepticism is required A] at the time of audit planning B] at the time of vouching	D

	C] at the time of verification D] during whole audit process.	
34.	Which of the following error do not affect the trial balance A] Error of complete omission B] Error of principle C] Compensating error D] All of the above	D
35.	An __________ is an accounting **mistake** in which an entry is recorded in the incorrect account, violating the fundamental **principles** of accounting. A] **error of principle** **B]** error of complete omission C] Compensating error D] error of commission	A
36.	A **mistake** that consists of doing something wrong, such as including a wrong amount, or including an amount in the wrong place, is termed as A] **error of principle** **B]** error of complete omission C] Compensating error D] error of commission	D
37.	A **_____________** is an accounting **error** that offsets another accounting **error** A] **error of principle** **B]** error of complete omission C] Compensating error D] error of commission.	C
38.	When transaction is completely omitted from recording in books of original record, it is known as A] **error of principle** **B]** error of complete omission C] Compensating error D] error of commission.	B
39.	____________occurs if the financial transaction is recorded only partially. A] error of partial omission B] error of complete omission	A

	C] error of commission D] error of principle	
40.	Which of the following error/ s does/ do not allow trial balance to reconcile A] **Partial omission** **B] Posting a wrong amount in an account** **C]Posting on the wrong side of an account** **D] All of the above**	D
41.	Accounting is governed by ______ and auditing is governed by __________ A] Accounting standards, government laws B] Accounting standards, standards on auditing C] standards on auditing and government laws D] government laws and standards on auditing	B
42.	Sufficiency refers to ________of audit evidence. A] quality B] *quantum* C] appropriateness D] relevance	B
43.	Which of the following statement/s is/are correct A] Internal evidence is more reliable than external evidence. B] Documentary evidences i.e. evidences in the form of documents are more reliable than oral evidences. C] Evidence obtained by auditor is more reliable than evidence obtained from the entity. D] All of the above	D
44.	Which of the following statement is not true? A] Auditor should obtain *sufficient & appropriate* evidences. B] Sufficiency refers to *quantum* of audit evidence. C] Audit evidence must be reliable may be relevant or not. D] Appropriateness is the measure of the quality of audit evidence.	C
45.	Compliance procedure includes A] vouching of income and expenditure B] testing of control points C] analytical review D] verification of assets and liabilities	B

46.	Substantive procedures includes except A] vouching of income and expenditure B] verification of assets and liabilities C] analytical review D] testing of control points	D
47.	Written representation will be provided by ________. A] auditor B] share holders C] management D] audit staff	C
48.	Analytical review consists of A] studying significant ratios and trends and investigating unusual fluctuations in them. B] looking at a process or procedure being performed by others. C] examining books, documents and tangible assets. D] the response to an enquiry. For example, the auditor normally requests confirmation of debtors.	A
49.	Written representation will form part of A] Financial statements B] Shareholders' report C] Audit working papers D] Board of directors' report	C
50.	Audit working papers are A] the joint property of auditor and auditee B] the property of auditor C] the property of shareholders D] the property of employees	B
51.	___________involves the auditor's independent execution of procedures or controls that were originally performed as part of the entities internal control. A] **Re performance** **B] Recalculation** **C] Inquiry** **D] Analytical review**	
52.	Reliability of evidence depends upon A] source B] nature	

	C] **circumstances under which it is obtained** **D] All of the above**	
53.	Audit evidence to reach at reasonable conclusion can be obtained by performing A] Risk assessment procedures B] Compliance procedure / Test of controls C] Substantive procedures D] all of the above procedures	D
54.	Audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement at the financial statement and assertion levels, is known as A] Risk assessment procedures B] vouching C] verifying D] analytical procedures	A
55.	In compliance procedures, auditor has to check A] That the internal control system exists, **B]** That the internal control system is operating efficiently C] That the internal control system is in continuity throughout the period under audit D] All of the above	D
56.	Substantive procedures includes A] vouching B] verifying C] analytical procedures D] All of the above	D
57.	Substantive procedures are tests designed to obtain evidence as to the completeness, accuracy and validity of the data produced by the accounting system. A] completeness B] accuracy C] Validity D] All of the above	D
58.	Which of the following statement/s is/ are correct? **A] External evidence (E.g. 3rd party confirmations) is more reliable than internal evidence (Source).**	D

	B] Evidence obtained by the auditor himself is more reliable than obtained from the entity. **C] Documentary evidences i.e. evidences in the form of documents are more reliable than oral evidences (form).** **D] All of the above.**	
59.	Which of the following statement is true? A] Written representations provide concrete audit evidence. B] Auditor need not to obtain any audit evidence if written representations are obtained. C] Written representations they do not provide sufficient appropriate audit evidence on their own they help the auditor to confirm certain matters or to support other audit evidence. D] Written representations are part of the financial statements.	C
60.	Written representations are part of A] Financial statements B] Audit working papers C] Audit planning D] None of the above	B
61.	SA 580 deals with A] Written representation B] External confirmation C] Analytical Procedures D]Audit evidence	A
62.	Third party confirmations are a kind of___________. A] Internal evidence B] External evidence C] Oral evidence D] persuasive evidence	B
63.	SA 230 deals with A] Written representation B] External confirmation C] Audit Documentation D]Audit evidence	C
64.	The method of collecting audit evidence is known as A] Audit planning B] Audit technique C] Reporting	B

	D] Compliance procedures	
65.	Which of the following statement is correct? A] Working papers are the joint property of the auditor and client. B] An Auditor is bound to provide copies of the working papers to the CEO of the company. C] Auditor is not bound to provide copies of the working papers to anyone unless otherwise specified by law or regulation. D] None of the above.	C
66.	Audit risk is the risk that an auditor may give _______________ on the financial statements which is materially misstated. A] an inappropriate opinion B] a confirmation C] an appropriate opinion D] certificate	A
67.	Absolute certainty in auditing is __________. A] easily attainable. B] rarely attainable. C] the main object of auditing. D] a pre-condition for auditing.	B
68.	Audit planning consists of A] acquiring knowledge of client's accounting policy and internal control system & establishing expected degree of reliance, B] determining nature, timing and extent of audit procedure C] coordinating the work to be performed D] all of the above	D
69.	SA 500 deals with A] Overall Objectives of the Independent Auditor B] Management representations C] Audit Evidence D] Audit documentation	C