

Which of the following should be done with the copies of cancelled invoices in sales system?

 **Select correct option:**

Should be discarded

Should be retained

Should be dispatched to the suppliers

Should be dispatched to the customers

CORRECT

 [Click here to Save Answer & Move to Next Question](#)

Auditing Standards require that all cheques and postal orders should be restrictively crossed for the control purposes. According to your knowledge, this control procedure explains which one of the following statements?

 **Select correct option:**

Can be presented on the cash counter

Account payee only, and negotiable

Account payee only, not negotiable

Cheque may not be paid for a specific time period

Correct

According to the requirements of auditing standards, the record of cash receipts by post should be made immediately for which one of the following items?

 **Select correct option:**

- Cheques, cash and postal orders received **CORRECT**
- Cash and cheque received
- Postal orders received
- Cash, cheque and goods received

 [Click here to Save Answer & Move to Next Question](#)

Which one of the following testing objectives refers to the assertion “Completeness” in obtaining audit evidence?

 **Select correct option:**

All transactions and events that should be recorded have been recorded

- Transactions arising during the period are reflected i
- The amounts at which assets and liabilities are state
- Assets and liabilities included on the balance sheet a

The term ‘Reconciliation’ refers to which one of the following statements in the context of auditing?

 **Select correct option:**

Reconciliation refers to a process that compares two sets of financial records to make sure they are in agreement

- CORRECT**
- A special Congressional procedure often used to imp
- Reconciliation refers to an audit test that compares t
- Reconciliation refers to a process that of preparing f

 [Click here to Save Answer & Move to Next Question](#)

What auditors seek in the register of non current assets for each major group of assets?

 **Select correct option:**

- Details of each item, its cost and residual value
- Details of each item, its cost and accumulated depre
- Details of each item, its cost and depreciation **CORRECT**
- Details of each item, its cost and capital investment e

 [Click here to Save Answer & Move to Next Question](#)

which one of the following ways the record of cheques and cash received may be kept?

 **Select correct option:**

- Computer database
- Cash registers
- Rough cash book
- Copies of Cash notes

CORRECT



[Click here to Save Answer & Move to Next Question](#)

Which one of the following is TRUE about Auditing requirements for transparency of the Payroll system of a company?

 **Select correct option:**

The duties of the wages staff should preferably be rotated during the year

- The duties of the wages staff should preferably be rotated during the year
- The duties of the wages staff should preferably be assigned to one person
- The duties of the wages staff should preferably be assigned to a few people
- The duties of the wages staff should preferably be assigned to a large number of people

CORRECT



[Click here to Save Answer & Move to Next Question](#)

When should cash payments receipts of each day be recorded?

 Select correct option:

Should be recorded next day in the cash book

Should be recorded promptly in the cash book

CORRECT

Should be recorded monthly in the cash book

Should not be recorded in the cash book



[Click here to Save Answer & Move to Next Question](#)

According to the requirements of International Auditing Standards (ISAs), the authority to write off a bad debt should be in which form?

 Select correct option:

Verbal

Written

CORRECT

Photo copied

Using a legal paper



[Click here to Save Answer & Move to Next Question](#)

GRN (Goods Received Note) should be checked against which of the following documents?

 **Select correct option:**

- Purchase Order 
- Sales Order
- Purchase requisition
- Invoice received

 [Click here to Save Answer & Move to Next Question](#)

“Input VAT” refers to which one of the following statements?

 **Select correct option:**

- It refers to the tax which a company would charge on its sales
- It refers to the tax which a company would charge on its purchases
- It refers to the tax which the company is charged with when it makes its purchases 
- It refers to the tax which the company is charged with when it makes its sales

 [Click here to Save Answer & Move to Next Question](#)

Which one of the following may NOT be the control procedure at key stages of the sales cycle?

 **Select correct option:**

- Receipt of goods
- Receivables
- Bad Debts
- Invoicing and credit notes

Correct



[Click here to Save Answer & Move to Next Question](#)

Petty cash book should be maintained by which one of the following personnel?

 **Select correct option:**

- Teller
- Operations manager
- Accountant
- Petty cashier

Correct



[Click here to Save Answer & Move to Next Question](#)

The term 'Reconciliation' refers to which one of the following statements in the context of auditing?

 **Select correct option:**

Reconciliation refers to a process that compares two

Correct

Reconciliation refers to a process that compares two sets of financial records to make sure they are in agreement

A special Congressional procedure often used to imp

Reconciliation refers to an audit test that compares t

Reconciliation refers to a process that of preparing f



[Click here to Save Answer & Move to Next Question](#)

How unused cheques should be handled in order to exercise effective internal control?

Select correct option:

Should be held in a secure place

Correct

Should be sent to the central bank

Should be discarded immediately

Should be sent to the clearing agency



[Click here to Save Answer & Move to Next Question](#)

Mr. Ali works in an organization on piece rate system. The pay he received monthly is best described by the term:

Select correct option:

Remuneration.

Salary.

Wages. **Correct**

All of the given.

 [Click here to Save Answer & Move to Next Question](#)

Which statement from the following is true for describing the Sinking Funds?

 **Select correct option:**

That type of funds which are kept aside by the orga

That type of funds which are kept aside by the orga

That type of funds which are kept aside by the orga

That type of funds which are kept aside by the orga **Correct**

 **Question Timeout: Now loading next question...**

[Click here to Save Answer & Move to Next Question](#)

which one of the following ways the record of cheques and cash received may be kept?

 **Select correct option:**

- Computer database
- Cash registers
- Rough cash book
- Copies of Cash notes

Correct



[Click here to Save Answer & Move to Next Question](#)

Which one of the following tests may be applied to the goods returned notes?

 **Select correct option:**

- Adherence to authority limits
- Evidence of approval of requisitions
- Evidence of a sequence check
- Proof of issuance date

Correct



[Click here to Save Answer & Move to Next Question](#)

Auditor adopts different control procedures for testing of sales system of a company. Which control procedure is Not used in testing the sales system?

 **Select correct option:**

- Orders
- Dispatches
- Return inwards
- Return outwards

Correct



[Click here to Save Answer & Move to Next Question](#)

Which one of the following is an appropriate evidence for verifying the existence of inventory?

 **Select correct option:**

- Checking valuation of that inventory
- Identifying the slow-moving inventory
- Obtaining a letter of representation from the management
- Observing the counting of inventory

 **Question Timeout: Now loading next question...**

[Click here to Save Answer & Move to Next Question](#)

Any cancellation of sale/purchase invoice leads toward further cancellation of which one of the following:

 **Select correct option:**

Credit note

Dispatch note

Requisition note

Return inwards note

Correct



[Click here to Save Answer & Move to Next Question](#)

What auditors seek in the register of non current assets for each major group of assets?

 **Select correct option:**

Details of each item, its cost and residual value

Details of each item, its cost and accumulated depreciation

Details of each item, its cost and depreciation

Details of each item, its cost and capital investment

Correct



[Click here to Save Answer & Move to Next Question](#)

For getting strong control over cash system salesmen and other personals are required to remit cash and report sales at:

 **Select correct option:**

-
-
-
-

Correct



[Click here to Save Answer & Move to Next Question](#)

Which of the following items are observed while verification of the interest of the owners in net assets of the company?

 **Select correct option:**

-
-
-
-

Correct



[Click here to Save Answer & Move to Next Question](#)

Mathematical accuracy of documents or records can be performed for the purpose of obtaining audit evidence with which one of the following resources?

 **Select correct option:**

Company resources

Information technology

Correct

Auditor resources

Mechanical devices



[Click here to Save Answer & Move to Next Question](#)

Following are usual methods of recording workers attendance EXCEPT:

 **Select correct option:**

Manual method

Mechanical method

Correct

Electronic method

Technical method



[Click here to Save Answer & Move to Next Question](#)

Inventory should be identified and marked with accordance to relevant information, this information can be related to;

 **Select correct option:**

- Size
- Grade
- Origin
- All of above

Correct



[Click here to Save Answer & Move to Next Question](#)

A telecom company has hired auditors who have been inquiring and analyzing the company's records since a week. For this purpose, they calculate figures or multiple accounts to check accuracy. In your opinion, auditors are using which one of the following types of audit-testing procedures?

 **Select correct option:**

- Inspection
- Enquiry
- Computation
- Analytical procedures

Correct



[Click here to Save Answer & Move to Next Question](#)

Please Save & Share Your Quiz to Help Others 😊

Quiz No. 5 – ACC311 Fundamentals of Auditing – Fall 2012

The access should be _____ for controlling the assets and records in better way.

▶ Select correct option:

- grunted
- Prohibited
- Banned
- Restricted

Correct

▶ Click here to Save Answer & Move to Next Question

Which one of the following is of least concern to an auditor regarding the client's internal control system?

▶ Select correct option:

- Efficiency and effectiveness of operations
- Controls related to the reliability of financial reporting
- Controls over classes of transactions
- Auditors are equally concerned with each of the given

Correct

▶ Click here to Save Answer & Move to Next Question

For better results an ICQ should carry basic information as: I. Yes and No answer II. Comments with Yes and No answer are not applicable III. Consists of open ended questions only IV. All respondents should properly literate

 **Select correct option:**

- I & II only
- II & III only
- III & IV only
- IV & I only

Correct

 [Click here to Save Answer & Move to Next Question](#)

The powers of an auditor include the following EXCEPT:

 **Select correct option:**

- Right of access to books of account and vouchers
- Right to receive information and explanations
- Right to make report on declaration of solvency in ca
- Right of access to books and papers of branch

Correct

 [Click here to Save Answer & Move to Next Question](#)

Following are usual methods of recording workers attendance EXCEPT:

 Select correct option:

- Manual method
- Mechanical method
- Electronic method
- Technical method

Correct



[Click here to Save Answer & Move to Next Question](#)

Common size analysis is an important tool which is used to analyze the financial statements. Which one of the followings best describes the said analysis method?

 Select correct option:

- Items were expressed in dollar amounts of some figure
- Items were expressed in percentage of some figure**
- Items were expressed in percentage of some figure
- Items were expressed according to previous history
- All of above

Correct



[Click here to Save Answer & Move to Next Question](#)

Which one of the following audit techniques ordinarily provides an auditor with the least assurance about the operating effectiveness of an internal control activity?

 **Select correct option:**

Inquiry of client personnel

Inspection of documents and reports

Observation of client personnel

Preparation of system flowcharts

Correct



Click here to Save Answer & Move to Next Question

Following statements are true about the legal requirements of books of accounts for the companies EXCEPT: (Companies Ordinance, 1984)

 **Select correct option:**

Books of accounts should be preserved for 10 years

Books of accounts are to be kept at the registered office

Directors can review the books of account during the financial year

If a company fails to maintain books of account according to the Companies Ordinance, it may lead to the demolition of the entity

If a company fails to maintain books of account according to the Companies Ordinance, it may lead to the demolition of the entity

Correct

[Click here to Save Answer & Move to Next Question](#)

Highlight the statements which truly described the method of re-performance by auditor EXCEPT;

Select correct option:

To inspect the documents

To verify control over cash receipt

To Prepare Final accounts

Correct

Prepare Bank reconciliation

[Click here to Save Answer & Move to Next Question](#)

When should the petty cash book entries be made for keeping effective control?

Select correct option:

At the day end

Next day

Monthly

Promptly

Correct

 [Click here to Save Answer & Move to Next Question](#)

Which one of the following is FALSE about Internal Control Evaluation Checklists (ICEC)?

 **Select correct option:**

ICEC is developed to overcome the shortcomings of Internal Control Questionnaire

The rules of constructing ICEC is different than construction of Internal Control Questionnaire

It is designed to determine; whether desirable internal controls are present

It is normally employed where system's information has already been recorded

Correct

Which one of the following is NOT one of the five major components of internal control?

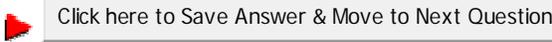
 **Select correct option:**

Risk assessment

Staffing **Correct**

Control procedures/activities

Information and communication system



Which one of the following tests may be applied to the goods returned notes?

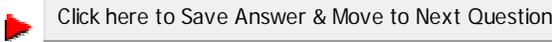
 **Select correct option:**

Adherence to authority limits

Evidence of approval of requisitions

Evidence of a sequence check **Correct**

Proof of issuance date



Which one of the following documents is NOT included in purchase system while applying different control procedures on it?

 **Select correct option:**

Goods received note

Good returned note

Goods dispatched note

GRN Invoice

Correct

▶ Question Timeout: Now loading next question...

[Click here to Save Answer & Move to Next Question](#)

Which one of the following is an example of designing control procedure for achieving control objectives?

▶ Select correct option:

- List all the orders in a transaction cycle & generate appropriate test of skills
- List all the invoices in a transaction cycle & generate appropriate test of details
- List all the documents in a transaction cycle & generate appropriate test of controls
- List all the returns in a transaction cycle & generate appropriate evidence for their existence

Correct

▶ [Click here to Save Answer & Move to Next Question](#)

Sound internal control helped out the auditor to entertain some relaxation, such as:

 **Select correct option:**

- Reduces the volume of transactions testing required
- Helped the auditor to check available records
- Helped the auditor to express his opinion at the end
- All of the given options

Correct Page 58



[Click here to Save Answer & Move to Next Question](#)

Work in process inventory is directly comparable with;

 **Select correct option:**

- Input supplied
- Total units produced in actual
- Total capacity of machine
- Required output

Correct



[Click here to Save Answer & Move to Next Question](#)

Test of controls comprise of testing all of the following three things EXCEPT:

 **Select correct option:**

- Design
- Implementation
- Operating efficiency
- Operating effectiveness

Correct



[Click here to Save Answer & Move to Next Question](#)

An auditor's flow chart of an entity's information system is a diagrammatic representation. It depicts what kind of information?

 **Select correct option:**

- Program for tests of control
- Understanding of the system
- Understanding of the types of irregularity that are p
- Documentation of the study and evaluation of the sy

Correct



[Click here to Save Answer & Move to Next Question](#)

Test of control is a brief method to obtain the audit evidence. It comprises of three things such as:

 **Select correct option:**

- Design, implement & get results
- Design, implement & Analyze the results
- Design, implement & Checked the Operating effectiveness**
- Design, implement & Checked the Operating efficiency

Correct

 [Click here to Save Answer & Move to Next Question](#)

ACC311 Fundamentals of Auditing Solved MCQs

During audit of the financial statements, the auditors are concerned with the verification and determination of which one of the following items?

Statements, accuracy, and feasibility

Date, accuracy, and reliability

Policies, value, and reliability

Cycle, policies, and reliability

Which one of the following authorities shall fix the remuneration of the auditors, if auditors are appointed by the SECP? (Companies Ordinance, 1984)?

Directors

Shareholders

Company registrar

SECP

The phrase (Scope of an Audit) refers to which one of the followings?

Engagement letters

Audit procedures

Audit evidence

Reasonable assurance

Following statements are true about the legal requirements of books accounts for the companies EXCEPT: (Companies Ordinance, 1984)

Books of accounts should be preserved for 10 years

Books of accounts are to be kept at the registered office of the company

Directors can review the books of account during the business hours

If a company fails to maintain books of accounts according, it may leads to demolish the entity

The factors that affect reasonable assurance include all of the following EXCEPT:

Use of testing (Sampling)

Interest limitations of accounting and internal control

Remuneration of the auditor

Persuasive nature of audit evidence

A well designed Internal Control Questionnaire (ICQ) should incorporate the following EXCEPT:

Be a sufficient source of data for the evaluation of internal controls

Identity the internal control system's strengths and weaknesses

Be organized by individual functional organizations

Should include simple yes or no responses but no narrative responses

Which one of the following is FALSE about Internal Control Evaluation Checklists (ICEC)?

ICEC is developed to overcome the shortcomings of Internal Control Questionnaire
The rules of constructing ICEC is different than construction of Internal Control Questionnaire
It is designed to determine, whether desirable internal controls are present
It is normally employed where system's information has already been recorded

An auditor's flow chart of an entity's information system is a diagrammatic representation. It depicts what kind of information?

Program for tests of control
Understanding of the system
Understanding of the types of irregularity that are probable given by the present system
Documentation of the study and evaluation of the system

Which one of the following is NOT a factor included in the control environment of an entity?

Integrity and ethical values
Risk assessment
Commitment to competence
Organization structure

The audit which is a review of any part of an entity's operating procedures and methods is known as:

Financial statement audits
Operational audits
Technical Audits
Compliance audits

While considering internal control system of an entity, the auditor is basically concerned that the system provides reasonable assurance about which one of the following?

That the management can not override the system
Operational efficiency has been achieved according to management plans
Errors have been prevented or detected
Controls have not been circumvented by collusion

Which one of the following is the source document for staff salaries?

Approved payrolls
Vouchers
Accounting statements
Cash memos

Analytical procedures used in planning an audit should focus on identifying which one of the followings?

Areas that may represent specific risks relevant to the audit
Material weaknesses in the internal control structure

The predictability of financial data form individual transactions

The various assertions that are embodied in the financial report

Which one of the following meetings is considered as a 'meeting of directors or management?'

General meeting

Extra ordinary general meeting

Board meeting

Management meeting

ACC311 Fundamentals of Auditing Final 2009

FINAL TERM EXAMINATION

Spring 2009

ACC311- Fundamentals of Auditing (Session - 1)

Question No: 1 (Marks: 1) - Please choose one

Which one of the following is an objective of the internal audit?

To report on financial statements

To check accounting system and internal control are operating efficiently

To determine the accuracy of financial statement values and disclosures

To establish a control system in the company

Question No: 2 (Marks: 1) - Please choose one

Which one of the following statements is NOT correct in respect of the internal auditor?

The scope of audit performed by internal auditors is primarily in respect of financial report audits

An internal auditor does not require a license to practice

Internal auditors are usually employed by companies and government units

Primary responsibility of the internal auditor is to the board of directors

Question No: 3 (Marks: 1) - Please choose one

After how many days the Securities and Exchange Commission may appoint the auditors, if the Directors of a company could not appoint the auditors to fill casual vacancy?

(Companies Ordinance, 1984)

30 days

60 days

80 days

120 days

Question No: 4 (Marks: 1) - Please choose one

Suppose that during audit of a company, an auditor accepted the schedule of bad debts

furnished by the client, though it was apparent that debts were not recoverable. The auditor shall be held liable for which one of the following liabilities?

Liability for negligence

Liability for misfeasance

Criminal liability

Personal liability

Ref: Page no.19

Question No: 5 (Marks: 1) - Please choose one

The books of accounts of a company should be kept at which one of the following offices?(Companies Ordinance, 1984)

Registered office of the company

Accounts office of the company

Record office of the company

Registrar office

Question No: 6 (Marks: 1) - Please choose one

Which of the following is one of the most fundamental and effective internal controls?

Increased use of computers for recording accounting transactions

Increased reliance on internal auditors to monitor accounting systems

Segregation of incompatible duties across several people

Having internal auditors report only to the Board of Directors

Question No: 7 (Marks: 1) - Please choose one

Which of the following is NOT a major component of an internal control system?

Risk assessment Staffing

Control procedures/activities

Information and communication system

Question No: 8 (Marks: 1) - Please choose one

An audit firm audited a Leather Manufacturing company and presented its report addressed to the management. They found significant material misstatements in the company s internal controls system. They strongly recommended that there should be sufficient controls in existence to ensure management can effectively control the business operations. In your opinion, auditors are emphasizing on which one of the following categories of SOAP MAPS?

Authorization

Management and Monitoring

Arithmetic and Accounting

Segregation of duties

Question No: 9 (Marks: 1) - Please choose one

Which of the following statements best describes the purpose of an internal control

questionnaire (ICQ)?

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent all misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent material misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to detect material misstatements in the financial report.

An internal control questionnaire is a series of questions prepared by the entity about the entity's accounting and control policies and procedures for which the entity seeks guidance on from the auditor in order to detect material misstatements in the financial report.

Question No: 10 (Marks: 1) - Please choose one

A Beverages company is being audited by an audit firm. Audit procedures are being undertaken in all of its departments. During this, the audit team has to spend more time on physical examination of the company assets to get reliable audit evidence. In your opinion, auditors are considering which type of audit inquiry in this case?

Recalculations Inspection of tangible assets Analytical procedures Confirmations

Existence of any immaterial mistake in the statements

Existence of any fraud or error in the statements

Company s growth trend in the future in figures Market value of the company s stock

Question No: 11 (Marks: 1) - Please choose one

Which one of the following matters should be included in the letter of representation?

Existence of any immaterial mistake in the statements

Existence of any fraud or error in the statements

Company s growth trend in the future in figures

Market value of the company s stock

Question No: 12 (Marks: 1) - Please choose one

Which one of the following may NOT be a type of control of the purchase cycle of an entity?

Receipt of goods

Invoicing and returns

Invoicing and credit notes

Purchase ledger and suppliers

Ref : Page no.93

Question No: 13 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may be applied to the Credit Notes by the auditors?

Evidence of matching credit notes to goods returned notes

Evidence of approval of credit notes

Evidence of a sequence check

Proof of issuance date

Question No: 14 (Marks: 1) - Please choose one

During the audit work of testing the purchase system of an entity, which one of the following control tests may be applied to the Payables Ledger by the auditors?

Evidence of authorization of adjustments to payables ledger

Evidence of review of reconciliation of purchase ledger listing

Evidence of authorization of adjustments to payable ledger control account

Evidence of authorization of adjustments to purchase ledger

Ref: Page no.93

Question No: 15 (Marks: 1) - Please choose one

Which one of the following possible misstatements related to payroll does not involve the audit objective of Validity?

Payments to fictitious employees

Payments to terminated employees

Payments to valid employees who have not worked

Payments to valid employees at a rate in excess of the authorized amount

Question No: 16 (Marks: 1) - Please choose one

In order to ensure effective control, how often a full inventory count should be held when perpetual inventory records are not kept adequately?

On a daily basis

At least once a year

At least monthly

At least weekly

Ref: Page no.101

Question No: 17 (Marks: 1) - Please choose one

An oil exploring company employs 1500 personal in its international market. All of its personnel are paid on monthly basis. The company should compensate them in which form of payment?

Salary

Cheque

Wages

None of the given option

Question No: 18 (Marks: 1) - Please choose one

For the purpose of keeping effective control in the cash system, who should have no access to the cash or the preparation of the paying-in slip?

Sales ledger personnel

Teller/cashier

Cash officers

Operations manager

Ref: Page no.99

Question No: 19 (Marks: 1) - Please choose one

When should the petty cash book entries be made?

At the day end

Next day

Promptly

Monthly

Question No: 20 (Marks: 1) - Please choose one

How often the physical inspection of non current assets should be carried out?

Rarely

Periodically

Never

Daily

Question No: 21 (Marks: 1) - Please choose one

In which one of the following ways auditors can choice the verification techniques in a given set of circumstances?

It depends upon the available audit evidence to the auditor

It depends upon the nature of business operations of the entity

It depends upon the audit procedures planned by the auditor

It depends upon the judgmental skills of the auditor

Question No: 22 (Marks: 1) - Please choose one

Which one of the following may NOT ensure that the movement in share capital of a company is properly authorized and correctly shown and described in accordance with the Companies Ordinance, 1984?

Check that directors were authorized to allot shares

Agree authorized capital with memorandum of association

Consider special rules for allotments of public company shares

Test payments with supporting evidence and trace entries in register

Question No: 23 (Marks: 1) - Please choose one

Which one of the following testing objectives refers to the management assertion Occurrence in obtaining audit evidence?

Assets shown include all rights under the control of the enterprise

Transactions and events that have been recorded have occurred and pertain to the entity

The amounts at which assets and liabilities are stated is correct
Assets and liabilities included on the balance sheet actually exist

Question No: 24 (Marks: 1) - Please choose one

Which one of the following certain expense items may be verified in order to keep control of stock-in-trade and stores & spares?

Interest on short term loan

Accumulated depreciation on assets

Director s fees

Wages and salaries

Question No: 25 (Marks: 1) - Please choose one

Which one of the following is NOT an advantage of using statistical sampling?

It aids in the design of an efficient sample

It allows the auditor to measure the sufficiency of the evidential matter obtained

It allows the auditor to greatly reduce substantive testing

It provides means for mathematically measuring the degree of sampling risk

Question No: 26 (Marks: 1) - Please choose one

Which one of the following is an underlying feature of random-based selection of items?

Each stratum of the accounting population be given equal representation in the sample

All items in the accounting population be randomly ordered.

Every item in the population should have an opportunity to be selected

Every item must be systematically selected using replacement

Question No: 27 (Marks: 1) - Please choose one

Which one of the following matters is generally included in an auditor's engagement letter?

Management's responsibility for the entity's compliance with laws and regulations

The factors to be considered in setting preliminary judgments about materiality

Management's vicarious liability for illegal acts committed by its employees

The auditor's responsibility to search for significant internal control deficiencies

Question No: 28 (Marks: 1) - Please choose one

What should be the next step of an auditor after establishing the overall audit strategy of an entity?

To develop an audit plan

To define the scope of audit

To determine the focus of engagement team efforts

To determine the objectives of audit

Question No: 29 (Marks: 1) - Please choose one

The establishment of the overall audit strategy involves the following EXCEPT:

To determine the characteristics of the engagement

To ascertain the reporting objectives of the engagement

To consider the important factors i.e. materiality levels, higher risks of material

misstatement etc.

To guide the development of detailed business activities to occur in future

Question No: 30 (Marks: 1) - Please choose one

Which one of the following mainly affects the auditors opinion?

Agreement on accounting policies

Limitation on the scope of the auditors work

Dispute among the members of the company

Future prospects of the company s growth

Question No: 31 (Marks: 1) - Please choose one

Which one of the following matters does NOT affect Auditor s Opinion?

When there is a limitation on the scope of the auditor s work

When there is a disagreement with management regarding the accounting policies selected

When there is a disagreement with management regarding the method of applying accounting policies

When an auditor modify the auditor s report by adding a paragraph to highlight a material matter

Question No: 32 (Marks: 1) - Please choose one

Tracing selected shipments to the sales journal to be sure that each one is included is a test of which of the following?

Accuracy

Classification

Completeness

Existence

Question No: 33 (Marks: 1) - Please choose one

Which one of the following best describes the term Input VAT?

Input VAT is charged on a firm when it makes its purchases

Input VAT is charged on a firm when it makes its investments

Input VAT is charged on a firm when it produces highly quality products

Input VAT is charged on a firm when it exports the products

Question No: 34 (Marks: 1) - Please choose one

The duties of the wages staff should preferably be rotated during the year when the salary payment is made by which of the following systems?

By cheque

In cash

By demand draft

Direct transfer to employees bank account

Question No: 35 (Marks: 1) - Please choose one

Which of the following are the three audit objectives that are most important for cash, and that receive the greatest attention during the audit?

Existence, accuracy, and completeness

Existence, cutoff, and presentation

Accuracy, cutoff, and presentation & disclosure
Completeness, realizable value, and cutoff

Question No: 36 (Marks: 1) - Please choose one

Which one of the following is most likely to indicate fraud?

Several overpayments are made for goods received from a supplier

The year end cash balance does not include cash in transit to the company at year-end

A check received after year end was inadvertently recorded as if received before year-end

A documented loan is sanctioned to an officer of the company

Question No: 37 (Marks: 1) - Please choose one

When an auditor increases the assessed level of control risk because certain control activities were determined to be ineffective, which of the following would most likely be increased by the auditor?

Extent of tests of controls

Level of detection risk

Extent of tests of details

Level of inherent risk

Question No: 38 (Marks: 1) - Please choose one

Which one of the following statements is TRUE regarding control procedures?

They are not required if the control environment is strong

They should generally be all manual

They should generally be all automated

They can be either manual or automated

Question No: 39 (Marks: 1) - Please choose one

Which one of the following statements does not apply to the Institute of Chartered Accountants of Pakistan (ICAP) in Pakistan?

An autonomous body incorporated under the Chartered Accountants Ordinance 1961

Regulatory body that formulates auditing standards in Pakistan

Its affairs are run by a council which is elected by its member (Chartered Accountants).

ICAP is a member of the International Federation of Accountants (IFAC)

Question No: 40 (Marks: 1) - Please choose one

Which one of the following statements indicates a primary difference between an operational audit and a compliance audit?

Operational audit focuses on business efficiencies and effectiveness, while compliance audit focuses on whether laws and other requirements are being followed

Operational audit focuses on reliability of the financial statements, while compliance audit focuses on whether laws and other requirements are being followed

Operational audit focuses on business growth prospects, while a compliance audit focuses on reliability of the financial statements

Operational audit focuses on business size and potential to grow, while compliance audit focuses on reliability of accounting records

Question No: 41 (Marks: 1) - Please choose one

Which one of the following primary assertions is satisfied when an auditor ensures that there is no false transaction recorded and all recorded transactions have actually taken place?

- Occurrence
- Completeness
- Existence
- Rights and obligations

Question No: 42 (Marks: 1) - Please choose one

Following are the points considered during the verification of bank balances EXCEPT:

- Obtain direct bank confirmation
- Obtain direct bank confirmation
- Investigate about outstanding stale cheques
- Investigate any significant reconciling items of an unusual nature
- Ensure that the creditors have been paid for their loan amount

Question No: 43 (Marks: 3)

Enlist the typical control procedures at key stages of the sales cycle.

Solution:

1. Orders
2. Dispatch
3. Invoicing and credit notes
4. Returns inwards
5. Receivables
6. Bad Debts

Question No: 44 (Marks: 3)

What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?

Question No: 45 (Marks: 3)

Throughout the 1960s and 70s, the largest accounting firms devoted extensive resources to the development and implementation of statistical sampling procedures. Enlist several sample selection methods now available to an auditor for selecting items in the populations.

Question No: 46 (Marks: 5)

Suppose you have been appointed as an auditor of a manufacturing company. You are at the stage of testing the purchase system. According to your knowledge of Auditing Standards, what control objectives would you develop in respect of the Purchase system of the entity?

Question No: 47 (Marks: 5)

Discuss the factors which influence auditor s judgment regarding sample size for tests of control.

Question No: 48 (Marks: 10)

Suppose that your supervisor has asked you to carry out an internal control review of the inventory system of a manufacturing company. What internal control procedures would you examine in respect of the following functions of the inventory system?

- 1. Arithmetical Accuracy**
- 2. Control Accounts**
- 3. Access to Assets and Records**

Question No: 49 (Marks: 10)

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

Which one of the following audit processes determines that whether the entity is following specific procedures, rules, or regulations set down by some higher authority?

 **Select correct option:**

Technical audit

Financial statement audit

Compliance audit

Operational audit

TRUE

 [Click here to Save Answer & Move to Next Question](#)

The factors that affect reasonable assurance include all of the following EXCEPT:

 **Select correct option:**

Use of testing (Sampling)

Inherent limitations of accounting and internal controls

Remuneration of the auditor

Persuasive nature of audit evidence

TRUE

 [Click here to Save Answer & Move to Next Question](#)

The powers of an auditor include the following EXCEPT:

 **Select correct option:**

Right of access to books of account and vouchers

Right to receive information and explanations

Right to make report on declaration of solvency in ca **TRUE**

Right of access to books and papers of branch

 [Click here to Save Answer & Move to Next Question](#)

Auditor is bound to take interest in statutory books. Highlight the reason which does not helps the auditor to compel him for doing so:

 **Select correct option:**

Failure to maintain proper record may leads toward c

Because he used it to dealt with professional skeptici **TRUE**

Because it directly concerned with accounts

Because it is used as a audit evidence for verifying t

 [Click here to Save Answer & Move to Next Question](#)

The auditor's opinion does NOT provide any assurance about the following EXCEPT:

 **Select correct option:**

Future viability of the entity

Efficiency or effectiveness of management

Credibility of financial statements

The honesty and competency level of the auditor **TRUE**

According to law the companies were forced to preserved the books of accounts for:

 **Select correct option:**

1 Year

2 Years

5 Years

10 Years

TRUE

 [Click here to Save Answer & Move to Next Question](#)

An auditor is a person who involves in auditing process, a part from that auditor can also spend some time to perform other activities. Highlight the activities which can be performed by auditor EXCEPT:

 **Select correct option:**

Can help management to prepare minutes of meeting

Can help in tax management and in system consultation

Can help in liquidation and disposal process

Can help for investigation of fraud

TRUE

 [Click here to Save Answer & Move to Next Question](#)

Auditors perform risk assessment procedures for which one of the following purposes?

 **Select correct option:**

To understand the entity's business

To understand the entity's accounting systems

To understand the entity's environment **TRUE**

To understand the entity's legal status

 [Click here to Save Answer & Move to Next Question](#)

Which one of the following is NOT an objectives of using different methods for reducing audit risk

 **Select correct option:**

Growth maximization

Profit maximization

Cost effectiveness

Quality leadership

 [Click here to Save Answer & Move to Next Question](#)

The phrase "Scope of an Audit" refers to which one of the followings?

 **Select correct option:**

<input type="checkbox"/>	Engagement letter	
<input type="checkbox"/>	Audit procedures	TRUE
<input type="checkbox"/>	Audit evidence	
<input type="checkbox"/>	Reasonable assurance	

 [Click here to Save Answer & Move to Next Question](#)

Fundamentals of Auditing (ACC311)
Quiz # 01

1. Which one of the following cannot be considered as the essential feature of Auditing?
 1. An auditor is involved in the examination of financial statements
 2. **b. The auditor is responsible for the preparation of the financial statements**
 1. The end result of an audit is an opinion to assist the user of the financial statements.
2. The auditor should be independent of the entity
 1. It is difficult to prepare financial reports that fairly present a company's financial position without the expertise of an external auditor
 2. It is management's responsibility to seek available independent aid in the appraisal of financial information shown in its financial reports
 3. **c. The opinion of an independent party is needed because a company may not be objective with respect to its own financial reports**
3. It is a customary courtesy that all shareholders of a company receive an
2. Which one of the following best describes why an independent auditor is asked to express an opinion on the presentation of financial reports?

independent report on management's stewardship of the affairs of the business

1. The audit which is a review of any part of an entity's operating procedures and methods

is known as which one of the following?

1. Financial statement audits
2. **b. Operational audits**
3. Technical Audits
4. Compliance audits
5. Financial report
6. Financial statement
7. Director's report
8. **d. Auditor's report**

4. Which one of the following is considered as the formal opinion, or disclaimer thereof, issued by an independent auditor as a result of audit or evaluation performed on a legal entity?

5. Which of the following statements is true?

1. The auditing profession is unregulated
2. **b. The auditing profession is regulated only by its own professional body**
 1. Outside bodies sometimes become involved in the regulation of the audit profession
 2. The auditing profession is regulated only by the government

6. Which one of the following primary assertions is satisfied when an auditor ensures that there are no unrecorded assets, liabilities, transactions or events or undisclosed items in the client's financial records?

1. Valuation
2. **b. Completeness**
3. Existence
4. Rights and obligations

7. Internal control is primarily established within a company to do which of the following?

1. **a. To prevent fraud in the company affairs**
2. To provide reasonable assurance that the company's objectives will be achieved
3. To catch all errors that may occur in the company
4. To aid in the effective auditing of the company

8. Fixation of remuneration of auditors can be determined by the following authorities EXCEPT: (*Companies Ordinance, 1984*)

1. Directors
2. **b. Company secretary**
3. Commission
4. Members

9. A leather goods manufacturing company has started its operations in year 2001. After five years of conducting successful business, it has become a listed company recently. Now, the company is required to hire its first auditors, but neither the directors nor the members could appoint the auditors during the past 4 months since the incorporation of the company.

Select among the following authorities who can appoint the auditors in this situation? (*Companies Ordinance, 1984*)

1. Company secretary
2. **b. Company registrar**
3. Commission
4. Institute of Chartered Accountants of Pakistan (ICAP)

10. A company has hired auditors who have performed the audit process in accordance with the auditing standards, but they fail to present its report. According to the Company law, 1984, the auditors shall be liable for which one of the following liabilities?

1. Criminal liability
2. Liability for misfeasance
3. **c. Liability for negligence**
4. Accounting liability

During audit of the financial statements, the auditors are concerned with the verification and determination of which one of the following items?

Statements, accuracy, and feasibility

Date, accuracy, and reliability

Policies, value, and reliability

Cycle, policies, and reliability

Which one of the following authorities shall fix the remuneration of the auditors, if auditors are appointed by the SECP? (*Companies Ordinance, 1984*)?

Directors

Shareholders

Company registrar

SECP

The phrase (Scope of an Audit) refers to which one of the followings?

Engagement letters

Audit procedures

Audit evidence

Reasonable assurance

Following statements are true about the legal requirements of books accounts for the companies EXCEPT: (Companies Ordinance, 1984)

Books of accounts should be preserved for 10 years

Books of accounts are to be kept at the registered office of the company

Directors can review the books of account during the business hours

If a company fails to maintain books of accounts according, it may leads to demolish the entity

The factors that affect reasonable assurance include all of the following EXCEPT:

Use of testing (Sampling)

Interest limitations of accounting and internal control

Remuneration of the auditor

Persuasive nature of audit evidence

A well designed Internal Control Questionnaire (ICQ) should incorporate the following EXCEPT:

Be a sufficient source of data for the evaluation of internal controls

Identify the internal control system's strengths and weaknesses

Be organized by individual functional organizations

Should include simple yes or no responses but no narrative responses

Which one of the following is FALSE about Internal Control Evaluation Checklists (ICEC)?

ICEC is developed to overcome the shortcomings of Internal Control Questionnaire

The rules of constructing ICEC is different than construction of Internal Control Questionnaire

It is designed to determine, whether desirable internal controls are present

It is normally employed where system's information has already been recorded

An auditor's flow chart of an entity's information system is a diagrammatic representation. It depicts what kind of information?

Program for tests of control

Understanding of the system

Understanding of the types of irregularity that are probable given by the present system

Documentation of the study and evaluation of the system

Which one of the following is NOT a factor included in the control environment of an entity?

Integrity and ethical values

Risk assessment

Commitment to competence

Organization structure

The audit which is a review of any part of an entity's operating procedures and methods is known as:

Financial statement audits

Operational audits

Technical Audits
Compliance audits

While considering internal control system of an entity, the auditor is basically concerned that the system provides reasonable assurance about which one of the following?

That the management can not override the system
Operational efficiency has been achieved according to management plans
Errors have been prevented or detected
Controls have not been circumvented by collusion

Which one of the following is the source document for staff salaries?

Approved payrolls
Vouchers
Accounting statements
Cash memos

Analytical procedures used in planning an audit should focus on identifying which one of the followings?

Areas that may represent specific risks relevant to the audit
Material weaknesses in the internal control structure
The predictability of financial data form individual transactions
The various assertions that are embodied in the financial report

Which one of the following meetings is considered as a 'meeting of directors or management?

General meeting
Extra ordinary general meeting
Board meeting
Management meeting

ACC311 Fundamentals of Auditing MCQs from Quiz # 3

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

Board of governance and top level management
Legal counsel
Middle level management
[Stakeholders](#)

Internal sources of audit evidence for an entity includes the following EXCEPT:

[Associated companies of the entity](#)
Accounting systems, records and documents

Non-financial data and records
Management representation and discussion

Associated company is not internal source.

An “Associated Company” is an entity in which the Company has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity. Associated Companies are accounted for using the equity method. Significant influence is generally presumed when the Company holds between 20 percent and 50 percent of the voting rights.

Which of the following is the least concern to an auditor regarding the client’s internal control system?

Efficiency and effectiveness of operations

Controls related to the reliability of financial reporting

Controls over classes of transactions

Auditors are equally concern with each of the given issues

Reference

During test of control procedure its design can easily tested with the help of:

ICQs and walk through tests

ICQs and judgment sample

ICQs and random sample

ICQS and ICEC

Lesson no.21 Handouts

Testing the Design:

– Proper design of internal control is tested through ICQs and ICEC.

Which of the following is TRUE?

The audit profession is unregulated

The audit profession is regulated by its own professional body

Outside bodies sometimes become involved in the regulation of audit profession

The audit profession is regulated only by the government

Auditing firms do not describe themselves as auditors. They describe themselves as Chartered Accountants.

In Pakistan auditing profession is allied with the Institute of Chartered Accountants of Pakistan (ICAP). It is an autonomous body incorporated under the Chartered Accountants Ordinance 1961.

ICAP is a regulatory body that enjoys a self regulatory status. Its affairs are run by a council which is elected by its member (Chartered Accountants).

The small audit firms provide the following services EXCEPT:

Liquidation and receivership work, fraud auditing

Financial management and system consultancy

Financial system planning and preparation

Tax management and statutory form filling

The small chartered accountant firms especially may spend more time on other services than on auditing.

The other services may include:

- a. Writing up books of accounts (Book keeping)
- b. Balancing books of accounts (Extracting trial balance)
- c. Preparing final accounts
- d. Tax management
- e. Statutory form filling
- f. Financial consultancy
- g. Management and system consultancy
- h. Liquidation and receivership work
- i. Investigations (Fraud audit)

Which of the following is not included in the category of cash?

Deposit with banks

Checks

Postdated checks

Money orders

Reference

Which of the following letter should be included in the letter of representation?

Existence of immaterial mistake in the statement

Existence of any fraud or any error in the statement

Company's growth trend in the future in figures

Market value of the company's stock

Lesson No.34

The contents of the letter of representation should not include routine matters, for example, that all

fixed assets exist and are the property of the company or that stock is valued at the lower of cost and net realizable value.

The letter should include only matters which:

- a. are material to the financial statements, and
- b. the auditors cannot obtain independent corroborative evidence.

For measuring the quality of audit evidence auditors used the tool of appropriateness; in case if auditor wants to measure quantity of audit evidence which tools from the following should be adopted?

Relevance

Reliability

Sufficiency

Effectiveness

Lesson No. 22

Sufficient appropriate Audit Evidence

Sufficiency: The measure of quantity of audit evidence.

Appropriateness: The measure of quality i.e. relevance and reliability in providing support of detecting misstatements in account balance classes of transactions and disclosures and relevant assertions.

Which statement cannot be highlighted as a merit of audit process?

- (a)It settles the dispute between management
- (b)It helps the auditor to give more constructive advice top management
- (c)Its help to restrict sole proprietor to by changing some fee
- (d)It gives strength to the company for acquiring the finance

When the cash sales should be recorded by the companies in order to achieve control objectives?

- (a)Record the cash sales when purchase order is received from the customer
- (b)Record the cash sales at the point they are made
- (c)Record the cash sales after some period
- (d)Record the cash sales weekly

Controls over Cash Sales:

a) Cash sales should be recorded at the point the sale is made. Usually this is by means of a Cash Till or the use of cash sale invoices or receipts.

Auditors conduct auditing in accordance with :

- (a) International Financial Reporting Standards
- (b) Local pronouncements/Legislations
- (c) Financial Accounting Standards Board
- (d) All of the given options

True and fair presentation means that the financial statement are prepared and presented in accordance with the requirements of the applicable International Financial Reporting Standards (IFRS) and local pronouncements/legislations.

Which of the following primary assertions is satisfied when an auditor ensures that there are no unrecorded assets, liabilities, transactions or events or undisclosed items in the client s financial records?

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

(a) Assertions about classes of transactions and events for the period under audit;

(i) Occurrence – transactions and events that have been recorded have occurred and pertain to the entity;

(ii) Completeness – all transactions and events that should have been recorded have been recorded;

(iii) Accuracy – amounts and other data relating to recorded transactions and events have been recorded appropriately.

(iv) Cutoff – transactions and events have been recorded in the proper period.

(v) Classification – transactions and events have been recorded in the proper accounts.

1. Standard format of Auditor's Report as per the Companies Ordinance 1984 is described in which one of the following Legal Forms?

- A. Form31A
- B. Form32A
- C. Form30A
- D. Form35A
- Form35A.

2. IFRS stands for which one of the following?

- A. International Financial Reporting Standards
- B. International Financial Recording Systems
- C. International Financial Recording Statements
- D. International Financial Reporting Systems

International Financial Reporting Standards.

3. Which of the following is NOT one of the five major components of internal control?

- A. Risk assessment
- B. Control activities
- C. Information and communication system
- D. Human resource background checks

[Human resource background checks.](#)

4. All of the following should be observed and inspected by the auditors during the risk assessment process of an entity EXCEPT:

- A. Observations of Activities and operations
- B. Inspection of Documents and records
- C. Reading Management reports
- D. Visit to other companies in the industry

[Visit to other companies in the industry.](#)

5. Which one of the following audit techniques ordinarily provides an auditor with the least assurance about the operating effectiveness of an internal control activity?

- A. Inquiry of client personnel
- B. Inspection of documents and reports
- C. Observation of client personnel
- D. Preparation of system flowcharts

[Inspection of documents and reports.](#)

6. Which one of the following opinions advocates that the auditor should form an opinion only after obtaining sufficient audit evidence instead of blindly accepting any information given by the management?

- A. Auditor's liability
- B. Professional ethics
- C. Professional Skepticism
- D. Auditor's opinion

[Professional ethics.](#)

7. Which one of the following is NOT required as part of the audit process?

- A. Substantive procedures
- B. Tests of control
- C. Assessment of materiality
- D. Procedures to obtain an understanding of the internal control structure

[Procedures to obtain an understanding of the internal control structure.](#)

8. SECP stands for which one of the following?

- A. Securities and Exchange Collaboration of Pakistan
- B. Securities and Exchange Consortium of Pakistan
- C. Securities and Exchange Commission of Pakistan

D. Securities and Exchange Constitution of Pakistan
[Securities and Exchange Commission of Pakistan.](#)

9. One type of analytical procedure is the 'Trend Analysis'. Which one of the following is the best example of trend analysis?

- A. Comparison of company financial ratios to that of its competitors
- B. Comparison of accounting records to budgeted amounts
- C. Comparison of inventory levels over the past 3 years
- D. Comparison of interest expenses to outstanding loan balances

[Comparison of inventory levels over the past 3 years.](#)

10. While conducting operational audit, which one of the following auditing procedures does the auditor primarily rely upon?

- A. Inquiry and observation
- B. Analytical procedures
- C. Physical inspection
- D. Tracing and vouching

[Analytical procedures.](#)

11. Which one of the following helps to achieve reasonable assurance about the fairness of financial statements during an audit process?

- A. Audit report
- B. Audit evidence
- C. Audit engagement
- D. Audit program

[Audit report.](#)

In which one of the following meetings the 'Subsequent Auditors' are appointed of a company every year? (Companies Ordinance, 1984)

 **Select correct option:**

Board meeting

Annual general meeting

Auditors meeting

Extra ordinary general meeting

TRUE

 [Click here to Save Answer & Move to Next Question](#)

Which one of the following is responsible for preparing the financial statements of a company?

 **Select correct option:**

Company secretary

Management

Auditor

Shareholders

TRUE

 [Click here to Save Answer & Move to Next Question](#)

An auditor can obtain the information regarding financial performance of the entity through different sources. Which one from the following is not a valid source of information?

 **Select correct option:**

Old or retired auditors views

Competitors

Credit rating agencies

Analysts

TRUE



[Click here to Save Answer & Move to Next Question](#)

For better results an ICQ should carry basic information as: I. Yes and No answer II. Comments with Yes and No answer are not applicable III. Consists of open ended questions only IV. All respondents should properly literate

 **Select correct option:**

I & II only

II & III only

III & IV only

IV & I only



[Click here to Save Answer & Move to Next Question](#)

Which one of the following is NOT the type of Audit?

 **Select correct option:**

Financial Statements Audits

Operational Audits

Technical Audits

Compliance Audits

TRUE

 [Click here to Save Answer & Move to Next Question](#)

A company has a contract with the A & M Auditors Co. Which one of the following can sue the auditors if the parties perform 'breach of contract'?

 **Select correct option:**

Banks of the company

The Company itself

Creditors of the company

Shareholders of the company

TRUE

 [Click here to Save Answer & Move to Next Question](#)

During audit of the financial statements, the auditors are concerned with the verification and determination of which one of the following items?

 **Select correct option:**

Statements, accuracy, and feasibility

Date, accuracy, and reliability

Policies, value, and reliability

Cycle, policies, and reliability

TRUE

 [Click here to Save Answer & Move to Next Question](#)

ISAs stands for:

 **Select correct option:**

International Standards on Accounting

International Standards on Auditing

International Systems of Accounting

International Systems of Auditing

TRUE

 [Click here to Save Answer & Move to Next Question](#)

In which one of the following meetings, the first auditors appointed by the directors may be removed by the members? (Companies Ordinance, 1984)

 Select correct option:

Board meeting

Auditors meeting

Extra ordinary general meeting

Annual general meeting

TRUE



Click here to Save Answer & Move to Next Question

Which statement can not be highlighted as a merit of audit process?

 Select correct option:

It settled the disputes between management

It helps the auditor to give more constructive advice

It helps to restrict sole proprietors to be a member b

It gives strength to the company for acquiring the fir

TRUE



Click here to Save Answer & Move to Next Question

Internal controls are designed to achieve company objectives in all of the following areas EXCEPT:

 **Select correct option:**

Safeguarding of assets

Reliability of financial reporting

Reduction of debt financing costs

Compliance with laws and regulations

TRUE

 [Click here to Save Answer & Move to Next Question](#)

Suppose that a private limited company has just been incorporated as public limited company. After how much time the company is required to present its first annual accounts before AGM? (Companies Ordinance, 1984)

 **Select correct option:**

Within 12 months

Within 13 months

Within 16 months

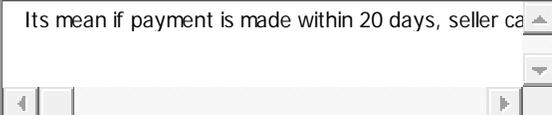
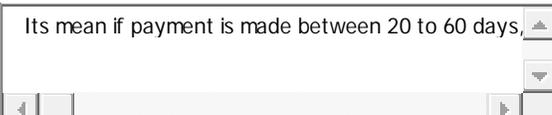
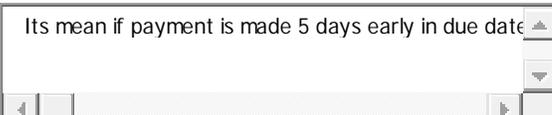
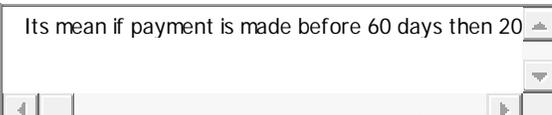
Within 18 months

TRUE

 [Click here to Save Answer & Move to Next Question](#)

What do you understand by the settlement term 5/20, n/60:

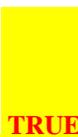
 Select correct option:

- Its mean if payment is made within 20 days, seller ca 
 **TRUE**
- Its mean if payment is made between 20 to 60 days, 
- Its mean if payment is made 5 days early in due date 
- Its mean if payment is made before 60 days then 20 

 [Click here to Save Answer & Move to Next Question](#)

Which one of the following is the source document for electricity, gas, water, and phone bills?

 Select correct option:

- Vouchers 
- Metered invoices 
 **TRUE**
- Memos 
- Accounting statements 

 [Click here to Save Answer & Move to Next Question](#)

If members of the company fails to appoint the first auditor in 60 days then who will be responsible for auditor's appointment:

 **Select correct option:**

Directors

Boar of Governors

Share holders

SECP

TRUE

 [Click here to Save Answer & Move to Next Question](#)

Existence of purchasing department entertain the auditor in following manner:

 **Select correct option:**

Give awareness to auditor about nature of goods pu

Give awareness whether ordering is centralized or nc

Give awareness about entity's minimum and maximur

All of the given options

TRUE

Following statements are true about the legal requirements of books of accounts for the companies EXCEPT: (Companies Ordinance, 1984)

 **Select correct option:**

Books of accounts should be preserved for 10 years

Books of accounts are to be kept at the registered o

Directors can review the books of account during the

If a company fails to maintain books of account acco

TRUE

 [Click here to Save Answer & Move to Next Question](#)

The auditor's understanding of the client's internal control system is documented in order to substantiate which one of the following requirements?

 **Select correct option:**

Conformity of the accounting records with company'

Compliance with generally accepted auditing standar

Adherence to requirements of management and loca

The fairness of the financial statement presentation

Financial information is generated initially through which one of the following sources?

 **Select correct option:**

Financial report

Source documents **TRUE**

Accounting register

Books of accounts

 [Click here to Save Answer & Move to Next Question](#)

Auditor can start auditing process of listed companies by obtaining QCR rating from:

 **Select correct option:**

SEC (Securities Exchange Commission)

ICAP (Institute of Certified Chartered Accountants c

ICAP (Institute of Chartered Accountants of Pakista **TRUE**

ICAP (Institute of Certified Accountants of Pakistan)

 [Click here to Save Answer & Move to Next Question](#)

IN DOUBT
FINAL TERM EXAMINATION
Spring 2009
ACC311- Fundamentals of Auditing (Session - 1)
Marks: 81

Question No: 1 (Marks: 1) - Please choose one
Which one of the following is an objective of the internal audit?

- To report on financial statements
- To check accounting system and internal control are operating efficiently
- To determine the accuracy of financial statement values and disclosures**
- To establish a control system in the company

Question No: 2 (Marks: 1) - Please choose one
Which one of the following statements is NOT correct in respect of the internal auditor?

- The scope of audit performed by internal auditors is primarily in respect of financial report audits
- An internal auditor does not require a license to practice
- Internal auditors are usually employed by companies and government units**
- Primary responsibility of the internal auditor is to the board of directors

Question No: 3 (Marks: 1) - Please choose one
After how many days the Securities and Exchange Commission may appoint the auditors, if the Directors of a company could not appoint the auditors to fill casual vacancy? (Companies Ordinance, 1984)

- 30 days**
- 60 days
- 80 days
- 120 days

Question No: 4 (Marks: 1) - Please choose one
Suppose that during audit of a company, an auditor accepted the schedule of bad debts furnished by the client, though it was apparent that debts were not recoverable. The auditor shall be held liable for which one of the following liabilities?

- Liability for negligence**
- Liability for misfeasance
- Criminal liability
- Personal liability

Ref: Page no.19

Question No: 5 (Marks: 1) - Please choose one
The books of accounts of a company should be kept at which one of the following offices?(Companies Ordinance, 1984)

Registered office of the company
Accounts office of the company
Record office of the company
Registrar office

Question No: 6 (Marks: 1) - Please choose one
Which of the following is one of the most fundamental and effective internal controls?

Increased use of computers for recording accounting transactions
Increased reliance on internal auditors to monitor accounting systems
Segregation of incompatible duties across several people
Having internal auditors report only to the Board of Directors

Question No: 7 (Marks: 1) - Please choose one
Which of the following is NOT a major component of an internal control system?

Risk assessment Staffing
Control procedures/activities
Information and communication system

Question No: 8 (Marks: 1) - Please choose one
An audit firm audited a Leather Manufacturing company and presented its report addressed to the management. They found significant material misstatements in the company s internal controls system. They strongly recommended that there should be sufficient controls in existence to ensure management can effectively control the business operations. In your opinion, auditors are emphasizing on which one of the following categories of SOAP MAPS?

Authorization
Management and Monitoring
Arithmetic and Accounting
Segregation of duties

Question No: 9 (Marks: 1) - Please choose one
Which of the following statements best describes the purpose of an internal control questionnaire (ICQ)?

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent all misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent material misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to detect material misstatements in the financial report.

An internal control questionnaire is a series of questions prepared by the entity about the entity's accounting and control policies and procedures for which the entity seeks guidance on from the auditor in order to detect material misstatements in the financial report.

Question No: 10 (Marks: 1) - Please choose one

A Beverages company is being audited by an audit firm. Audit procedures are being undertaken in all of its departments. During this, the audit team has to spend more time on physical examination of the company assets to get reliable audit evidence. In your opinion, auditors are considering which type of audit inquiry in this case?

Recalculations Inspection of tangible assets Analytical procedures Confirmations

Existence of any immaterial mistake in the statements

Existence of any fraud or error in the statements

Company's growth trend in the future in figures Market value of the company's stock

Question No: 12 (Marks: 1) - Please choose one

Which one of the following may NOT be a type of control of the purchase cycle of an entity?

Receipt of goods

Invoicing and returns

Invoicing and credit notes

Purchase ledger and suppliers

Ref : Page no.93

Question No: 13 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may be applied to the Credit Notes by the auditors?

Evidence of matching credit notes to goods returned notes

Evidence of approval of credit notes

Evidence of a sequence check

Proof of issuance date

Question No: 14 (Marks: 1) - Please choose one

During the audit work of testing the purchase system of an entity, which one of the following control tests may be applied to the Payables Ledger by the auditors?

Evidence of authorization of adjustments to payables ledger

Evidence of review of reconciliation of purchase ledger listing

Evidence of authorization of adjustments to payable ledger control account

Evidence of authorization of adjustments to purchase ledger

Ref: Page no.93

Question No: 15 (Marks: 1) - Please choose one

Which one of the following possible misstatements related to payroll does not involve the audit objective of Validity?

Payments to fictitious employees

Payments to terminated employees

Payments to valid employees who have not worked

Payments to valid employees at a rate in excess of the authorized amount

Question No: 16 (Marks: 1) - Please choose one

In order to ensure effective control, how often a full inventory count should be held when perpetual inventory records are not kept adequately?

On a daily basis

At least once a year

At least monthly

At least weekly

Ref: Page no.101

Question No: 17 (Marks: 1) - Please choose one

An oil exploring company employs 1500 personal in its international market. All of its personnel are paid on monthly basis. The company should compensate them in which form of payment?

Salary

Cheque

Wages

None of the given option

Question No: 18 (Marks: 1) - Please choose one

For the purpose of keeping effective control in the cash system, who should have no access to the cash or the preparation of the paying-in slip?

Sales ledger personnel

Teller/cashier

Cash officers

Operations manager

Ref: Page no.99

Question No: 19 (Marks: 1) - Please choose one
When should the petty cash book entries be made?

At the day end
Next day
Promptly
Monthly

Question No: 20 (Marks: 1) - Please choose one
How often the physical inspection of non current assets should be carried out?

Rarely
Periodically
Never
Daily

Question No: 21 (Marks: 1) - Please choose one
In which one of the following ways auditors can choice the verification techniques in a given set of circumstances?

It depends upon the available audit evidence to the auditor
It depends upon the nature of business operations of the entity
It depends upon the audit procedures planned by the auditor
It depends upon the judgmental skills of the auditor

Question No: 22 (Marks: 1) - Please choose one
Which one of the following may NOT ensure that the movement in share capital of a company is properly authorized and correctly shown and described in accordance with the Companies Ordinance, 1984?

Check that directors were authorized to allot shares
Agree authorized capital with memorandum of association
Consider special rules for allotments of public company shares
Test payments with supporting evidence and trace entries in register

Question No: 23 (Marks: 1) - Please choose one
Which one of the following testing objectives refers to the management assertion Occurrence in obtaining audit evidence?

Assets shown include all rights under the control of the enterprise
Transactions and events that have been recorded have occurred and pertain to the entity
The amounts at which assets and liabilities are stated is correct
Assets and liabilities included on the balance sheet actually exist

Question No: 24 (Marks: 1) - Please choose one
Which one of the following certain expense items may be verified in order to keep control of stock-in-trade and stores & spares?

Interest on short term loan
Accumulated depreciation on assets
Director s fees
Wages and salaries

Question No: 25 (Marks: 1) - Please choose one

Which one of the following is NOT an advantage of using statistical sampling?

It aids in the design of an efficient sample
It allows the auditor to measure the sufficiency of the evidential matter obtained
It allows the auditor to greatly reduce substantive testing
It provides means for mathematically measuring the degree of sampling risk

Question No: 26 (Marks: 1) - Please choose one
Which one of the following is an underlying feature of random-based selection of items?

Each stratum of the accounting population be given equal representation in the sample
All items in the accounting population be randomly ordered.
Every item in the population should have an opportunity to be selected
Every item must be systematically selected using replacement

Question No: 27 (Marks: 1) - Please choose one
Which one of the following matters is generally included in an auditor's engagement letter?

Management's responsibility for the entity's compliance with laws and regulations
The factors to be considered in setting preliminary judgments about materiality
Management's vicarious liability for illegal acts committed by its employees
The auditor's responsibility to search for significant internal control deficiencies

Question No: 28 (Marks: 1) - Please choose one
What should be the next step of an auditor after establishing the overall audit strategy of an entity?

To develop an audit plan

To define the scope of audit
To determine the focus of engagement team efforts
To determine the objectives of audit

Question No: 29 (Marks: 1) - Please choose one
The establishment of the overall audit strategy involves the following EXCEPT:

To determine the characteristics of the engagement
To ascertain the reporting objectives of the engagement
To consider the important factors i.e. materiality levels, higher risks of material misstatement etc.
To guide the development of detailed business activities to occur in future

Question No: 30 (Marks: 1) - Please choose one
Which one of the following mainly affects the auditors opinion?

Agreement on accounting policies
Limitation on the scope of the auditors work
Dispute among the members of the company
Future prospects of the company s growth

Question No: 31 (Marks: 1) - Please choose one
Which one of the following matters does NOT affect Auditor s Opinion?

When there is a limitation on the scope of the auditor s work
When there is a disagreement with management regarding the accounting policies selected
When there is a disagreement with management regarding the method of applying accounting policies
When an auditor modify the auditor s report by adding a paragraph to highlight a material matter

Question No: 32 (Marks: 1) - Please choose one
Tracing selected shipments to the sales journal to be sure that each one is included is a test of which of the following?

Accuracy
Classification
Completeness
Existence

Question No: 33 (Marks: 1) - Please choose one
Which one of the following best describes the term Input VAT?

Input VAT is charged on a firm when it makes its purchases

Input VAT is charged on a firm when it makes its investments

Input VAT is charged on a firm when it produces highly quality products

Input VAT is charged on a firm when it exports the products

Question No: 34 (Marks: 1) - Please choose one

The duties of the wages staff should preferably be rotated during the year when the salary payment is made by which of the following systems?

By cheque

In cash

By demand draft

Direct transfer to employees bank account

Question No: 35 (Marks: 1) - Please choose one

Which of the following are the three audit objectives that are most important for cash, and that receive the greatest attention during the audit?

Existence, accuracy, and completeness

Existence, cutoff, and presentation

Accuracy, cutoff, and presentation & disclosure

Completeness, realizable value, and cutoff

Question No: 36 (Marks: 1) - Please choose one

Which one of the following is most likely to indicate fraud?

Several overpayments are made for goods received from a supplier

The year end cash balance does not include cash in transit to the company at year-end

A check received after year end was inadvertently recorded as if received before year-end

A documented loan is sanctioned to an officer of the company

Question No: 37 (Marks: 1) - Please choose one

When an auditor increases the assessed level of control risk because certain control activities were determined to be ineffective, which of the following would most likely be increased by the auditor?

Extent of tests of controls

Level of detection risk

Extent of tests of details

Level of inherent risk

Question No: 38 (Marks: 1) - Please choose one

Which one of the following statements is TRUE regarding control procedures?

They are not required if the control environment is strong
They should generally be all manual
They should generally be all automated
They can be either manual or automated

Question No: 39 (Marks: 1) - Please choose one
Which one of the following statements does not apply to the Institute of Chartered Accountants of Pakistan (ICAP) in Pakistan?

An autonomous body incorporated under the Chartered Accountants Ordinance 1961
Regulatory body that formulates auditing standards in Pakistan
Its affairs are run by a council which is elected by its member (Chartered Accountants).
ICAP is a member of the International Federation of Accountants (IFAC)

Question No: 40 (Marks: 1) - Please choose one
Which one of the following statements indicates a primary difference between an operational audit and a compliance audit?

Operational audit focuses on business efficiencies and effectiveness, while compliance audit focuses on whether laws and other requirements are being followed
Operational audit focuses on reliability of the financial statements, while compliance audit focuses on whether laws and other requirements are being followed
Operational audit focuses on business growth prospects, while a compliance audit focuses on reliability of the financial statements
Operational audit focuses on business size and potential to grow, while compliance audit focuses on reliability of accounting records

Question No: 41 (Marks: 1) - Please choose one
Which one of the following primary assertions is satisfied when an auditor ensures that there is no false transaction recorded and all recorded transactions have actually taken place?

Occurrence
Completeness
Existence
Rights and obligations

Question No: 42 (Marks: 1) - Please choose one
Following are the points considered during the verification of bank balances EXCEPT:

Obtain direct bank confirmation
Obtain direct bank confirmation
Investigate about outstanding stale cheques
Investigate any significant reconciling items of an unusual nature
Ensure that the creditors have been paid for their loan amount

Question No: 43 (Marks: 3)

Enlist the typical control procedures at key stages of the sales cycle.

Solution:

1. Orders
2. Dispatch
3. Invoicing and credit notes
4. Returns inwards
5. Receivables
6. Bad Debts

Question No: 44 (Marks: 3)

What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?

Question No: 45 (Marks: 3)

Throughout the 1960s and 70s, the largest accounting firms devoted extensive resources to the development and implementation of statistical sampling procedures. Enlist several sample selection methods now available to an auditor for selecting items in the populations.

Question No: 46 (Marks: 5)

Suppose you have been appointed as an auditor of a manufacturing company. You are at the stage of testing the purchase system. According to your knowledge of Auditing Standards, what control objectives would you develop in respect of the Purchase system of the entity?

Question No: 47 (Marks: 5)

Discuss the factors which influence auditor s judgment regarding sample size for tests of control.

Question No: 48 (Marks: 10)

Suppose that your supervisor has asked you to carry out an internal control review of the inventory system of a manufacturing company. What internal control procedures would you examine in respect of the following functions of the inventory system?

1. Arithmetical Accuracy

2. Control Accounts

3. Access to Assets and Records

Question No: 49 (Marks: 10)

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

ACC311 quiz

1. Standard format of Auditor's Report as per the Companies Ordinance 1984 is described in which one of the following Legal Forms?

- A. Form31A
- B. Form32A
- C. Form30A
- D. Form35A**

2. IFRS stands for which one of the following?

- A. International Financial Reporting Standards**
- B. International Financial Recording Systems
- C. International Financial Recording Statements
- D. International Financial Reporting Systems

International Financial Reporting Standards.

3. Which of the following is NOT one of the five major components of internal control?

- A. Risk assessment
- B. Control activities
- C. Information and communication system
- D. Human resource background checks**

Human resource background checks.

4. All of the following should be observed and inspected by the auditors during the risk assessment process of an entity EXCEPT:

- A. Observations of Activities and operations
- B. Inspection of Documents and records
- C. Reading Management reports
- D. Visit to other companies in the industry**

Visit to other companies in the industry.

5. Which one of the following audit techniques ordinarily provides an auditor with the least assurance about the operating effectiveness of an internal control activity?

- A. Inquiry of client personnel
- B. Inspection of documents and reports**
- C. Observation of client personnel
- D. Preparation of system flowcharts

Inspection of documents and reports.

6. Which one of the following opinions advocates that the auditor should form an opinion only after obtaining sufficient audit evidence instead of blindly accepting any information given by the management?

- A. Auditor's liability
- B. Professional ethics**
- C. Professional Skepticism
- D. Auditor's opinion

Professional ethics.

7. Which one of the following is NOT required as part of the audit process?

A. Substantive procedures

B. Tests of control

C. Assessment of materiality

D. Procedures to obtain an understanding of the internal control structure

Procedures to obtain an understanding of the internal control structure.

8. SECP stands for which one of the following?

A. Securities and Exchange Collaboration of Pakistan

B. Securities and Exchange Consortium of Pakistan

C. Securities and Exchange Commission of Pakistan

D. Securities and Exchange Constitution of Pakistan

Securities and Exchange Commission of Pakistan.

9. One type of analytical procedure is the 'Trend Analysis'. Which one of the following is the best example of trend analysis?

A. Comparison of company financial ratios to that of its competitors

B. Comparison of accounting records to budgeted amounts

C. Comparison of inventory levels over the past 3 years

D. Comparison of interest expenses to outstanding loan balances

Comparison of inventory levels over the past 3 years.

10. While conducting operational audit, which one of the following auditing procedures does the auditor primarily rely upon?

A. Inquiry and observation

B. Analytical procedures

C. Physical inspection

D. Tracing and vouching

Analytical procedures.

11. Which one of the following helps to achieve reasonable assurance about the fairness of financial statements during an audit process?

A. Audit report

B. Audit evidence

C. Audit engagement

D. Audit program

Audit report.

Quiz - Mozilla Firefox

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Time Left 6 sec(s)

Quiz Start Time: 06:19 PM

Question # 15 of 20 (Start time: 06:38:29 PM) **Total Marks: 1**

Following aspects of assets must be verified EXCEPT:

Select correct option:

- Cost and authorization
- Value and existence
- Beneficial investment
- Presentation in the accounts

Click here to Save Answer & Move to Next Question

By A. H. Millichamp

Following aspects of

[About this book](#)

These aspects can be remembered by the mnemonic
Most examination questions in this area can be answered by
through each of these and devising means of verify
You will also appreciate that the amount of evidence
risk of misstatement.

Find: Match case

Quiz - Mozilla Firefox

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Time Left 11 sec(s)

Quiz Start Time: 06:19 PM

Question # 19 of 20 (Start time: 06:43:53 PM) **Total Marks: 1**

Which of the following element is NOT considered while preparing payslip of any worker?

Select correct option:

- Gross wages
- Tax paid
- Deductions paid
- Details of expected pension

[Click here to Save Answer & Move to Next Question](#)

CONTROL PROCEDURES

- (a) Controls over cash receipts by post
- (b) Controls over cash collected by salesmen and represent
- (c) Controls over cash sales
- (d) Controls over banking of receipts
- (e) Controls over cheque payments

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Quiz Start Time: 06:19 PM

Question # 6 of 20 [Start time: 06:26:57 PM] **Total Marks: 1**

Following are some Non-Statutory payroll deductions made by the organization from worker's pay EXCEPT:

Select correct option:

- Fee paid for subscription to trade union
- Contribution to pension scheme
- Contribution to gratuity scheme
- None of them

[Click here to Save Answer & Move to Next Question](#)

- (i) Employees should sign for their wages.
- (ii) No employee should be allowed to take the wages of another.
- (iii) When wages are claimed late, the employee should sign for them and the packet should be authorized.
- (iv) The system should preferably allow the wages to be checked when the packet is opened, by using specially designed wage packets.

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Quiz Start Time: 06:19 PM

Question # 1 of 20 [Start time: 06:19:56 PM] **Total Marks: 1**

Which one of the following control tests may be applied by the auditors to the Payables Ledgers Control Account while testing the purchase system of an entity?

Select correct option:

- Evidence of authorization of adjustments to payables ledger
- Evidence of authorization of preparing payable ledger entries
- Evidence of authorization of controlling transactions
- Evidence of authorization of adjustments to purchase ledger control account

[Click here to Save Answer & Move to Next Question](#)

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Time Left 7 sec(s)

Quiz Start Time: 06:19 PM

Question # 12 of 20 (Start time: 06:34:45 PM) **Total Marks: 1**

Auditing Standards require that all cheques and postal orders should be restrictively crossed for the control purposes. According to your knowledge, this control procedure explains which one of the following statements?

Select correct option:

- Can be presented on the cash counter
- Account payee only, and negotiable
- Account payee only, not negotiable
- Cheque may not be paid for a specific time period

[Click here to Save Answer & Move to Next Question](#)

be checked against the date of banking. This helps to prevent cash receipts representing different receipts on a later day (a process known as 'teeming and leaking').

Controls over cash collected by salesmen and representatives:

- a) Authority to collect cash should be clearly defined.
- b) Salesmen and others should be required to remit cash and report sales at regular intervals.
- c) A responsible official should quickly follow up salesmen who do not submit receipts.

Quiz - Mozilla Firefox

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Time Left 30 sec(s)

Quiz Start Time: 06:19 PM

Question # 10 of 20 (Start time: 06:32:54 PM) Total Marks: 1

According to the requirements of auditing standards for Wages and Salaries, the wages cheque should be signed by how many signatory/signatories?

Select correct option:

- One signatory
- Two signatories
- Three signatories
- No signatory

Click here to Save Answer & Move to Next Question

[Banking about controls/Checking accounts/ pay to cash.htm](#)

Pay to cash is a way to write a **check** without including the recipient's name. ... Writing a **check** payable to cash is sometimes the easiest thing to **do** if you don't know who to ... **Sign** the back with your account number and give it to your bank.

[Controls on expenditure | National Council for Voluntary Organisations](#)

www.ncvo-vol.org.uk/advice-support/.../controls-on-expenditure

Quiz - Mozilla Firefox

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Time Left 54 sec(s)

Quiz Start Time: 06:19 PM

Question # 11 of 20 (Start time: 06:33:58 PM) **Total Marks: 1**

According to the requirements of auditing standards for Wages and Salaries, the authorization to employ or dismiss any employee should be done in which one of the following ways?

Select correct option:

- Verbal
- Written
- Formal meeting
- Using a legal paper

[Click here to Save Answer & Move to Next Question](#)

L SYSTEM

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off.

vii) Where a piece work system operates, payment should only be made for work of quality which has been inspected and approved.

viii) Personnel records should be kept independently of the payroll records, giving details of engagement, retirement, dismissal or resignation. Each record should have a specimen signature of the employee.

Quiz - Mozilla Firefox

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Time Left 31 sec(s)

Quiz Start Time: 06:19 PM

Question # 16 of 20 (Start time: 06:40:04 PM) **Total Marks: 1**

Which one of the following primary assertions is satisfied when an auditor observes the client's physical count of inventory?

Select correct option:

- Valuation
- Completeness
- Existence
- Rights and obligations

 [Click here to Save Answer & Move to Next Question](#)

- C) Internal accounting data alone may be considered sufficient to issue an unqualified opinion on financial statements.
- D) Appropriateness of evidential matter refers to the nature of the evidence obtained.

4
UNANSWERED

Which of the following audit procedures would most likely be used to verify the accuracy of a five-hundred page inventory listing?

Find: primary assertions is sati

Next Previous Highlight all Match case

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Quiz - Mozilla Firefox

quiz.vu.edu.pk/QuizQuestion.aspx?ver=711b0c26-abb2-48ae-8859-366f9b191115

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Quiz Start Time: 06:19 PM

Question # 13 of 20 (Start time: 06:36:14 PM) **Total Marks: 1**

In which one of the following ways the record of cheques and cash received may be kept?

Select correct option:

- Computer database
- Cash registers
- Rough cash book
- Copies of Cash notes

 [Click here to Save Answer & Move to Next Question](#)

The short answer

Charities that undertake public collections and fundraising events s control as possible over what could be a widespread network of fun

Find:  Next  Previous  Highlight all Match case

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Quiz Start Time: 06:19 PM

Question # 9 of 20 [Start time: 06:31:24 PM] **Total Marks: 1**

According to the requirements of auditing standards, the opening of the significant cash receipts by post should be done in the presence of how many responsible officials(s)?

Select correct option:

- One official
- Two individuals
- Three individuals
- Four individuals

[Click here to Save Answer & Move to Next Question](#)

For listed companies an auditor must have a satisfactory QCR (quality control) ICAP.

Quiz - Mozilla Firefox

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Time Left 50 sec(s)

Quiz Start Time: 06:19 PM

Question # 14 of 20 (Start time: 06:37:44 PM) **Total Marks: 1**

Appropriateness refers to the quality of audit evidence. For evidence to be appropriate, it should integrate which one of the followings?

Select correct option:

- Documented in the audit working papers
- Relevancy and reliability
- Received only from a third party
- Materiality

[Click here to Save Answer & Move to Next Question](#)

Consistency of Financial Statements

Expand AS No. 7: Engagement Quality Review

Expand AS No. 8: Audit Risk

1. This standard explains what constitutes audit evidence and establishes performing audit procedures to obtain sufficient appropriate audit evidence.

2. Audit evidence is all the information, whether obtained from audit proce

Find: securely Next Previous Highlight all Match case



Auditing Standard No...

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quiz.vu.edu.pk/QuizQuestion.aspx?ver=2c1d4444-c581-4912-9f09-98f376eb6cad

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Quiz Start Time: 06:19 PM

Question # 17 of 20 (Start time: 06:41:11 PM) Total Marks: 1

[Take home pay] of a worker consists of which of the followings:

Select correct option:

- Gross pay
- Gross pay plus benefits received
- Gross pay minus benefits received
- Gross pay minus deduction made

Click here to Save Answer & Move to Next Question

CONTROL PROCEDURES

- (a) Controls over cash receipts by post
- (b) Controls over cash collected by salesmen and represent
- (c) Controls over cash sales
- (d) Controls over banking of receipts
- (e) Controls over cheque payments

Quiz - Mozilla Firefox

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Time Left 10 sec(s)

Quiz Start Time: 06:19 PM

Question # 7 of 20 [Start time: 06:28:26 PM] Total Marks: 1

Which one of the following is NOT a general principle with respect to verification method of liabilities?

Select correct option:

- To consider the reasonableness of the liability
- To consider the liabilities at previous accounting date
- To determine terms and conditions agreed when accepting loans
- To verify all liabilities have been stated

[Click here to Save Answer & Move to Next Question](#)

f. **Terms and conditions**, this applies principally to loans. The auditor should ensure that the terms and conditions agreed when accepting a loan have been complied with. The auditor should ensure that the deeds have contained undertakings by the company borrowing the money to provide a proportion of equity (ordinary share capital and reserves) in its total assets. This agreement which has occurred frequently in property companies is the agreement of a receiver.

Quiz - Mozilla Firefox

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Time Left 34 sec(s)

Quiz Start Time: 06:19 PM

Question # 20 of 20 (Start time: 06:45:24 PM) **Total Marks: 1**

While verifying the assets of a company, auditors may examine documentation, verify reasonableness of the proceeds, pay special attention to scrapings, and note accounting treatment. It refers to which one of the following scheduling methods of assets?

Select correct option:

- Acquisitions
- Disposals
- Existence
- Ownership

Click here to Save Answer & Move to Next Question

Quiz - Mozilla Firefox

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Time Left 20 sec(s)

Quiz Start Time: 06:19 PM

Question # 18 of 20 (Start time: 06:42:33 PM) **Total Marks: 1**

What auditors seek in the register of non current assets for each major group of assets?

Select correct option:

- Details of each item, its cost and residual value
- Details of each item, its cost and accumulated depreciation
- Details of each item, its cost and depreciation
- Details of each item, its cost and capital investment expected returns

 [Click here to Save Answer & Move to Next Question](#)

Accounting Courses

Study Accounting in Toronto ACCA & CFA

- (i) Check authorization of purchase to board minutes, capital expenditure budgets and cash flow form.
- (ii) Check authorization for disposals of significant assets.
- (iii) Confirm existence of non current asset register which adequately identifies assets and their current condition. Ensure register reconciles to nominal ledger.
- (iv) Test evidence of reconciliation of register to physical checks of existence and condition.

Find: register Next Previous Highlight all Match case Reached end of page, continued from

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Quiz - Mozilla Firefox

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Time Left 8 sec(s)

Quiz Start Time: 06:19 PM

Question # 5 of 20 [Start time: 06:25:25 PM] Total Marks: 1

For measuring the quality of audit evidence auditor used the tools of appropriateness; in case if auditor wants to measure quantity of audit evidence which tools from the following should be adopted?

Select correct option:

- Relevance
- Reliability
- Sufficiency
- Effectiveness

REFERENCE:
Lesson No. 22

Sufficient appropriate Audit Evidence
Sufficiency: The measure of quantity of audit evidence.
Appropriateness: The measure of quality i.e. relevance and reliability in detecting misstatements in account balance classes of transactions and disclosures.

Click here to Save Answer & Move to Next Question

Quiz - Mozilla Firefox

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Time Left 9 sec(s)

Quiz Start Time: 06:19 PM

Question # 8 of 20 [Start time: 06:29:56 PM] Total Marks: 1

Which of the following matters should be included in the letter of representation?

REFERENCE:
Lesson No.34

Select correct option:

- Existence of any immaterial mistake in the statements
- Existence of any fraud or error in the statements
- Company's growth trend in the future in figures
- Market value of the company's stock

Click here to Save Answer & Move to Next Question

The contents of the letter of representation should include, for example, that all fixed assets exist and are properly valued, that stock is valued at the lower of cost and net realizable value. The letter should include only matters which:
a. are material to the financial statements, and
b. the auditors cannot obtain independent corroborative evidence for.

1. **Documents.** The auditor must examine all relevant documents, including bank statements, correspondence, debenture deeds etc., according to the type of liability covered by the document.

j. **Security.** Some liabilities are secured in various ways, usually by fixed assets. The auditor must enquire into these and ensure that they have been registered. For unsecured liabilities, that an indication of the general nature of the security should be given, and the aggregate amount of debts included under the item covered by the security.

1. **Verification.** The question of stock liability should be covered for every item.

Quiz - Mozilla Firefox

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Time Left 26 sec(s)

Quiz Start Time: 06:19 PM

Question # 4 of 20 [Start time: 06:24:14 PM] **Total Marks: 1**

According to the requirements of auditing standards, total inventory records should be maintained and integrated with which one of the following?

Select correct option:

- Main accounting system
- Control account system file
- Accounting department
- Financial statements

[Click here to Save Answer & Move to Next Question](#)

Quiz - Mozilla Firefox

quiz.vu.edu.pk/QuizQuestion.aspx?ver=858d281f-0df0-47f7-b3df-38e74ff3f2f0

Time Left 4 sec(s)

Quiz Start Time: 06:19 PM

Question # 2 of 20 [Start time: 06:21:25 PM] **Total Marks: 1**

Which one from the following is NOT included in the category of cash?

Select correct option:

- Deposit with banks
- Checks
- Postdated checks
- Money orders

Click here to Save Answer & Move to Next Question

↓

<i>Payables</i> <i>Ledger control</i>	(i) <i>Evidence of review of reconciliation of purchase ledger</i> (ii) <i>Evidence of authorization of adjustments to purchase ledger</i>
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Quiz - Mozilla Firefox

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Time Left 12 sec(s)

Quiz Start Time: 06:19 PM

Question # 3 of 20 [Start time: 06:22:54 PM] **Total Marks: 1**

Which statement from the following is true for describing the Sinking Funds?

Select correct option:

- That type of funds which are kept aside by the organization to meet the normal loss
- That type of funds which are kept aside by the organization to meet the Abnormal loss
- That type of funds which are kept aside by the organization to meet the needs of daily routine works
- That type of funds which are kept aside by the organization to meet the debts

[Click here to Save Answer & Move to Next Question](#)

interest of William Pitt the Younger, who drafted a proposal to reform the Sinking Fund in 1786. The Sinking Fund, to be appropriated, and invariably applied, under proper Direction, in the gradual Diminution of the National Debt. "The Direction" was to introduce legislation that prevented ministers from raiding the fund in crisis. A million surplus could be used to reduce the national debt. The legislation also placed administrative control in the hands of "Commissioners for Reducing the National Debt."

The scheme worked well between 1786 and 1793 with the Commissioners receiving £8 million

ACC311 2nd Online Solved Quiz Spring 2011

Quiz No. # 01: During audit of the financial statements, the auditors are concerned with the verification and determination of which one of the following items?

Statements, accuracy, and feasibility

Date, accuracy, and reliability

Policies, value, and reliability

Cycle, policies, and reliability

Quiz No. # 02: Which one of the following authorities shall fix the remuneration of the auditors, if auditors are appointed by the SECP? (Companies Ordinance, 1984)

Directors

Shareholders

Company registrar

SECP

Quiz No. # 03: The phrase (Scope of an Audit) refers to which one of the followings?

Engagement letters

Audit procedures

Audit evidence

Reasonable assurance

Quiz No. # 04: Following statements are true about the legal requirements of books accounts for the companies EXCEPT: (Companies Ordinance, 1984)

Books of accounts should be preserved for 10 years

Books of accounts are to be kept at the registered office of the company

Directors can review the books of account during the business hours

If a company fails to maintain books of accounts according, it may leads to demolish the entity

Quiz No. # 05: The factors that affect reasonable assurance include all of the following EXCEPT:

Use of testing (Sampling)

Interest limitations of accounting and internal control

Remuneration of the auditor

Persuasive nature of audit evidence

Quiz No. # 06: A well designed Internal Control Questionnaire (ICQ) should incorporate the following EXCEPT:

Be a sufficient source of data for the evaluation of internal controls

Identity the internal control system's strengths and weaknesses

Be organized by individual functional organizations

Should include simple yes or no responses but no narrative responses

Quiz No. # 07: Which one of the following is FALSE about Internal Control Evaluation Checklists (ICEC)?

ICEC is developed to overcome the shortcomings of Internal Control Questionnaire

The rules of constructing ICEC is different than construction of Internal Control Questionnaire

It is designed to determine, whether desirable internal controls are present

It is normally employed where system's information has already been recorded

Quiz No. # 08: An auditor's flow chart of an entity's information system is a diagrammatic representation. It depicts what kind of information?

Program for tests of control

Understanding of the system

Understanding of the types of irregularity that are probable given by the present system

Documentation of the study and evaluation of the system

Quiz No. # 09: Which one of the following is NOT a factor included in the control environment of an entity?

Integrity and ethical values

Risk assessment

Commitment to competence

Organization structure

Quiz No. # 10: The audit which is a review of any part of an entity's operating procedures and methods is known as:

Financial statement audits

Operational audits

Technical Audits

Compliance audits

Quiz No. # 11: While considering internal control system of an entity, the auditor is basically concerned that the system provides reasonable assurance about which one of the following?

That the management can not override the system

Operational efficiency has been achieved according to management plans

Errors have been prevented or detected

Controls have not been circumvented by collusion

Quiz No. # 12: Which one of the following is the source document for staff salaries?

Approved payrolls

Vouchers

Accounting statements

Cash memos

Quiz No. # 13: Analytical procedures used in planning an audit should focus on identifying which one of the followings?

Areas that may represent specific risks relevant to the audit

Material weaknesses in the internal control structure

The predictability of financial data form individual transactions

The various assertions that are embodied in the financial report

Quiz No. # 14: Which one of the following meetings is considered as a 'meeting of directors or management'?

General meeting

Extra ordinary general meeting

Board meeting

Management meeting

Answers Are Not 100% Sure. Verify them at Yourself

FINAL TERM EXAMINATION

Fall 2008

ACC311- Fundamentals of Auditing (Session - 1)

Question No: 1 (Marks: 1) - Please choose one

When the cash sales should be recorded by the companies in order to achieve control objectives?

- ▶ Record the cash sales when purchase order is received from the customer
- ▶ **Record the cash sales at the point they are made**
- ▶ Record the cash sales after some period
- ▶ Record the cash sales weekly

sales when delivery is done n cash received bcoz sales r recorded after delivery. Cash sales should be recorded at the point the sale is made. Usually this is by means of a Cash Till or the use of cash sale invoices or receipts.

Question No: 2 (Marks: 1) - Please choose one

Auditors conduct auditing in accordance with :

- ▶ International Financial Reporting Standards
- ▶ Local pronouncements/Legislations
- ▶ Financial Accounting Standards Board
- ▶ **All of the given options**

True and fair presentation means that the financial statement are prepared and presented in accordance with the requirements of the applicable International Financial Reporting Standards (IFRS) and local pronouncements/legislations.

Question No: 3 (Marks: 1) - Please choose one

Which of the following primary assertions is satisfied when an auditor ensures that there are no unrecorded assets, liabilities, transactions or events or undisclosed items in the client's financial records?

Valuation

▶ **Completeness**

▶ Existence

▶ Rights and obligations

Completeness means that all transactions and relevant information has been recorded according with applicable IFRS as well as legislations

Question No: 4 (Marks: 1) - Please choose one

Which one of the following statements is **NOT** true about the internal control system of a company?

▶ Internal control is affected by people working in an organization

▶ Internal control is a process of bringing accuracy and improvements in the systems

▶ **Internal control system is expected to provide absolute assurance about the performance of a company**

▶ Internal control is geared to achieve objectives of financial reporting, compliance and operations

Internal control systems always minimize risk but never these can eliminate risks absolutely in auditing and accounting noting is absolute

Question No: 5 (Marks: 1) - Please choose one

Who shall fix the remuneration of the auditors, if auditors of a company are appointed by the shareholders? (*Companies Ordinance, 1984*)

▶ Directors

▶ **Shareholders**

▶ Securities and Exchange Commission

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- ▶ Institute of Chartered Accountants of Pakistan (ICAP)

ut company ordinance 1984 is only applicable in pakistan not in world
lazyboy: in rest of world we have company law 2006

Question No: 6 (Marks: 1) - Please choose one

If Directors could not appoint the first auditors of a company, then the first auditors shall be appointed by which one of the following authorities? (*Companies Ordinance, 1984*)

- ▶ Shareholders
- ▶ **Securities and Exchange Commission**
- ▶ Company secretary
- ▶ Company registrar

Question No: 7 (Marks: 1) - Please choose one

The books of accounts of a company should be kept at which one of the following offices?
(*Companies Ordinance, 1984*)

- ▶ Registered office of the company
- ▶ **Accounts office of the company**
- ▶ Record office of the company
- ▶ Registrar office

by the way books of prime entry will b kept at accounts office becoz account office oftenly need these books

Question No: 8 (Marks: 1) - Please choose one

Which one of the following is also called as 'books of secondary entries' ?

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- ▶ Journal
- ▶ Voucher
- ▶ **Ledger**
- ▶ Memo

Question No: 9 (Marks: 1) - Please choose one

According to Section 236, Director's report should be attached to which of the following financial statement? (*Companies Ordinance, 1984*)

- ▶ **Balance sheet**
- ▶ Profit and loss account
- ▶ Statement of retained earnings
- ▶ Statement of cash flows

Question No: 10 (Marks: 1) - Please choose one

A well designed Internal Control Questionnaire (ICQ) should incorporate the following **EXCEPT**:

- ▶ Be a sufficient source of data for the evaluation of internal controls
- ▶ Identify the internal control system's strengths and weaknesses
- ▶ Be organized by individual functional organizations
- ▶ **Should include simple yes or no responses but not narrative responses**

Question No: 11 (Marks: 1) - Please choose one

Which one of the following examples constitutes the most reliable piece of evidence available to an auditor?

- ▶ **A written confirmation from a bank**
- ▶ A supplier's invoice kept in the client's records
- ▶ A duplicate sales receipt dated and signed
- ▶ A receipted shipping document

Question No: 12 (Marks: 1) - Please choose one

Considering the 'Extent of audit procedure' refers to which one of the following description?

- ▶ It refers to the nature of testing and their procedures that is, designing, structuring, and compiling work to be done
- ▶ **It refers to the purpose i.e. (tests of controls or substantive procedures) and their type, that is, inspections, observation, inquiry confirmation, recalculation, re-performances or analytical procedures**
- ▶ It refers to when audit procedures are performed or the period or date to which the audit evidence applies
- ▶ It refers to sample size or number of observations of a control activity (quantity of audit evidence)

Question No: 13 (Marks: 1) - Please choose one

Which one of the following situations can constitute grounds for a claim of negligence on part of the auditors to detect a fraud?

▶ **The fraud was committed by a senior management override of internal controls which had been relied upon in reducing the extent of detailed testing**

▶ The auditor relied on sample evidence and thus failed to detect the fraudulent transactions

▶ The auditor reported discrepancies to local management but did not investigate further as the likely impact on the accounts was not material

▶ The auditor accepted local management representations as to discrepancies as the potential impact of the fraud was not material to the accounts as a whole

Question No: 14 (Marks: 1) - Please choose one

The control objectives of a sales system typically include the following **EXCEPT**:

▶ Invoices and credits should be appropriately checked for accuracy and should be authorized before entering in the records

▶ Goods returned and claims by customers should be controlled to determine the liability for goods returned and claims received

▶ Customers' orders should be authorized, controlled and recorded in order to execute them promptly

▶ **All valid transactions relating to payables, and only those transactions, should be accurately recorded in the accounting records**

bcoz payables relate to purchases not to sales

Question No: 15 (Marks: 1) - Please choose one

A local gas station has one clerk that accepts cash payments for gas and rings them up on the cash register. Which one of the following would be the *best* control to provide assurance that the cashier is not keeping some of the cash?

- ▶ Count all cash before and after the shift and compare it to cash register totals
- ▶ **Require that each customer be given a receipt of their purchase**
- ▶ Compare cash register totals to a total that is automatically generated by each gas pump
- ▶ Each employee should have a separate cash drawer that only they use

If receipt is given total receipts can be matched with total cash received

Question No: 16 (Marks: 1) - Please choose one

Which one of the following may **NOT** be the control procedure at key stages of the sales cycle of an entity?

- ▶ Receipt of goods
- ▶ Receivables
- ▶ **Bad Debts**
- ▶ Invoicing and credit notes

petty cash count
 u r not paying customer customer is paying u
 so u will match cash register with wht

Question No: 17 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may **NOT** be applied to the purchase order document?

- ▶ Evidence of a sequence check
- ▶ Evidence of approval of requisitions
- ▶ **Proof of issuance date**
- ▶ Adherence to authority limits

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Question No: 18 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may be applied to the Goods Returned Notes by the auditors?

- ▶ Adherence to authority limits
- ▶ **Evidence of approval of requisitions**
- ▶ Evidence of the sequence check
- ▶ Proof of the issuance date

to see if what is returned was purchased with or without authorization

Question No: 19 (Marks: 1) - Please choose one

An oil marketing company employs 1000 personnel in its local market. Majority of its workers are paid on the piece rate basis. The company should compensate them in which one of the following forms of payment?

- ▶ Salary
- ▶ Cheque
- ▶ **Wages**
- ▶ None of the given options

Question No: 20 (Marks: 1) - Please choose one

According to the requirements of auditing standards for Wages and Salaries, who should be allowed to take wages of another employee in a company?

- ▶ Any colleague
- ▶ **Next of kin**

▶ No one

▶ Family

Question No: 21 (Marks: 1) - Please choose one

How often Inventory levels should be checked against the inventory records in order to verify internal control effectiveness?

▶ Rarely

▶ **Periodically**

▶ Never

▶ Daily

u cannot do daily not time n cost effective

Question No: 22 (Marks: 1) - Please choose one

Which one of the following is an appropriate evidence for verifying the existence of inventory?

▶ Checking valuation of that inventory

▶ Identifying the slow-moving inventory

▶ Obtaining a letter of representation from the management of the entity about it

▶ **Observing the counting of inventory**

too see if inventory is present u will go n check it

Question No: 23 (Marks: 1) - Please choose one

An oil exploring company employs 1500 personal in its international market. All of its personnel are paid on monthly basis. The company should compensate them in which form of payment?

- ▶ Salary
- ▶ **Cheque**
- ▶ Wages
- ▶ None of the given option

Question No: 24 (Marks: 1) - Please choose one

Which one of the following *best* describes the process of 'teeming and lading' in the cash system of an entity?

- ▶ The use of one's occupation for personal enrichment through the deliberate misuse of organization's assets
- ▶ **An attempt to hide the loss of cash received from one customer by using cash from another customer or customers to replace it**
- ▶ The conversion and obtaining of money or property by false pretense
- ▶ Any intentional deception resulting in injury to another person

Question No: 25 (Marks: 1) - Please choose one

KMC Electronics Company hires auditors at the year end. Auditors are at the stage of verification and vouching of company's financials. Before examining the equity section, they developed general aspects concerning the owner's equity. In your opinion, which one of the following aspects may **NOT** be considered by the auditors during this assessment?

- ▶ Share capital is properly classified and described in the accounts
- ▶ **Assets of the company are properly classified and presented**
- ▶ Reserves are properly classified and presented

Movements in reserves are properly authorized

all odrs r equity related

Question No: 26 (Marks: 1) - Please choose one

Following are the points considered during the verification of bank balances **EXCEPT**:

- ▶ Obtain direct bank confirmation Obtain direct bank confirmation
- ▶ Investigate about outstanding stale cheques
- ▶ Investigate any significant reconciling items of an unusual nature in
- ▶ **Ensure that the creditors have been paid for their loan amount**

creditors we will see in payables portion

Question No: 27 (Marks: 1) - Please choose one

Judgmental sampling has the following advantages **EXCEPT**:

- ▶ No special knowledge of statistics is required in this type
- ▶ It tends to cause uniform standards among different audit firms
- ▶ No time is spent on playing with mathematics
- ▶ This approach has been well understood and refined by the experience over years

Question No: 28 (Marks: 1) - Please choose one

In which one of the following methods of sampling, an auditor is concerned that client should not be able to know or guess which items will be examined?

- ▶ Block sampling
- ▶ Representative sampling
- ▶ Unpredictable sampling
- ▶ **Haphazard sampling**

Question No: 29 (Marks: 1) - Please choose one

Which one of the following is a common approach to increase the audit efficiency in sampling?

- ▶ Selective testing
- ▶ Stratification
- ▶ **Systematic selection**
- ▶ Random selection

Question No: 30 (Marks: 1) - Please choose one

Which one of the following can be an advantage of using statistical sampling techniques?

- ▶ It defines the values of tolerable error and risk of incorrect acceptance required for audit satisfaction
- ▶ It has been established in the courts to be superior to judgmental sampling
- ▶ It mathematically measures risk
- ▶ It eliminates the need for judgmental decisions

Question No: 31 (Marks: 1) - Please choose one

Following statements describes the functions of internal auditing **EXCEPT**:

- ▶ It is a function that evaluates an organization's risk management, control and governance processes
- ▶ It is a wide ranging activity and includes functions that are advisory or task oriented
- ▶ **It is an activity which entails appraising the entity's strategies and expressing an opinion on the financial statements**
- ▶ It is an activity that extends beyond the appraisal of efficiency and effectiveness

Question No: 32 (Marks: 1) - Please choose one

An audit firm started planning annual audit process for a sports goods manufacturing company. The planning involves the following key points **EXCEPT**:

- ▶ Establishing the overall audit strategy for the engagement
- ▶ Developing an audit plan, in order to reduce audit risk to an acceptably low level
- ▶ **Surveillance of company operations and procedures**
- ▶ To benefit from the experience and insight of auditors and other key members of the engagement team

Question No: 33 (Marks: 1) - Please choose one

What is **NOT** required as part of the audit process?

- ▶ Substantive procedures
- ▶ Tests of control
- ▶ Assessment of materiality
- ▶ **Procedures to obtain an understanding of the internal control structure**

Question No: 34 (Marks: 1) - Please choose one

Which one of the following mainly affects the auditor's opinion?

- ▶ Agreement on accounting policies
- ▶ Limitation on the scope of the auditor's work
- ▶ Dispute among the members of the company
- ▶ **Future prospects of the company's growth**

Question No: 35 (Marks: 1) - Please choose one

Which one of the following matters does **NOT** affect Auditor's Opinion?

- ▶ When there is a limitation on the scope of the auditor's work
- ▶ When there is a disagreement with management regarding the accounting policies selected
- ▶ **When there is a disagreement with management regarding the method of applying**

accounting policies

When an auditor modifies the auditor's report by adding a paragraph to highlight a material matter

Question No: 36 (Marks: 1) - Please choose one

Which one of the following statements is **TRUE**?

A very small sample of only one or two pieces of relevant, competent, and timely

evidence lacks persuasiveness

- ▶ A large sample of highly competent evidence is not persuasive unless it is relevant to the audit objective

- ▶ A large sample of evidence that is neither competent nor timely is not persuasive

- ▶ All of the given options are true

if its so small thing u r checking u can check all transactions

Question No: 37 (Marks: 1) - Please choose one

Analytical procedures are performed as a substantive test to achieve which of the following objectives?

- ▶ To determine the nature, timing, and extent of compliance procedures

- ▶ To reduce detection risk

- ▶ **To determine the nature, timing, and extent of other audit procedures**

- ▶ To keep audit risk to an acceptably low level

Question No: 38 (Marks: 1) - Please choose one

A written understanding between the auditor and the client concerning the auditor's responsibility for the discovery of illegal acts is usually set forth in which of the following letters?

- ▶ Client representation letter
- ▶ Letter of audit inquiry
- ▶ Management letter
- ▶ **Engagement letter**

Question No: 39 (Marks: 1) - Please choose one

Gains and losses during business operations of a company are determined in terms of increases and decreases in which one of the following sections of the Balance sheet?

- ▶ Long term finances
- ▶ Investments
- ▶ **Owners' equity**
- ▶ Long term liabilities

Question No: 40 (Marks: 1) - Please choose one

All expenditures incurred through petty cash should be recorded in which one of the following?

- ▶ Cheque
- ▶ Register
- ▶ Computer sheet

▶ **Voucher**

Question No: 41 (Marks: 1) - Please choose one

Which one of the following International Auditing Standards deals with the Audit Materiality?

▶ ISA – 300

▶ ISA – 315

▶ **ISA - 320**

▶ ISA – 335

Question No: 42 (Marks: 1) - Please choose one

Property, plant and equipment are stated at cost less accumulated depreciation. Which of the following is the relevant assertion?

▶ Rights and obligations

▶ **Valuation**

▶ Completeness

▶ Existence or occurrence

Question No: 43 (Marks: 3)

According to your understanding, what control objectives must be defined for bringing fairness in the Cash System of an entity?

Ans: first of all only authorized vouchers should be paid for n daily cash should be counted

Matched with cash in books

Question No: 44 (Marks: 3)

What are the Control Accounts? How they should be monitored in order to bring fairness in the inventory system of an entity?

Question No: 45 (Marks: 3)

Suppose you have been appointed as the auditor of a company and have started examining the entity by taking initial interviews of the concerned personnel. During this course, one of the person from management has asked you the following information:

1. What are the matters about which an auditor may disagree with the management?
2. What should an auditor do if such disagreements are material?

Give your answers in brief

Question No: 46 (Marks: 5)

According to your knowledge, what tests of controls auditors usually perform for the evaluation of Purchase Invoice of an entity?

Question No: 47 (Marks: 5)

What matters should the auditor consider for developing an overall audit plan for the expected scope and control of an audit?

Question No: 48 (Marks: 10)

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

Question No: 49 (Marks: 10)

An unlisted public limited company undergoing expansion intends to create an internal audit department. The Managing Director (MD) has asked your advice and comments on each of the matters listed below:

1. The fundamental differences in the scope, approach, and responsibility between the internal and external auditor.
2. Whether it would be advisable to assign the responsibility of development of systems and procedures to the internal auditor?

Which of the following authorities shall fix the remuneration of the auditor, if auditors are appointed by the SCEP?(companies ordinance, 1984)

Directors

Shareholders

Company Registrar

SECP

The small audit firms provide the following services EXCEPT:

Liquidation and receivership work, fraud auditing

Financial management and system consultancy

Financial system planning and preparation

Tax management and statutory form filling

Which of the following audit process determines that whether entity is following specific procedures, rules or regulations set down by some higher authority?

Technical audit

Financial statement audit

Compliance audit

Operational audit

Reliability of audit evidence is influenced by all of the following factors EXCEPT:

Source and the nature of the information

Timeliness

Objectivity

Quantity

Which statement cannot be highlighted as a merit of audit process?

It settles the dispute between management

It helps the auditor to give more constructive advice top management

Its help to restrict sole proprietor to by changing some fee

It gives strength to the company for acquiring the finance

For better assessing the audit risk, auditor inquires different groups in the organizations

EXCEPT:

Board of governance and top level management

Legal counsel

Middle level management

Stakeholders

Which of the following is the least concern to an auditor regarding the client's internal control system?

Efficiency and effectiveness of operations

Controls related to the reliability of financial reporting

Controls over classes of transactions

Auditors are equally concern with each of the given issues

During test of control procedure its design can easily tested with the help of:

ICQs and walk through tests

ICQs and judgment sample

ICQs and random sample

ICQS and ICEC

Testing the Design:

Proper design of internal control is tested through ICQs and ICEC.

Internal source of audit evidence for an entity includes the following EXCEPT:

Associated companies of the entity

Accounting systems, records and documents

Non-financial data and records

Management representation and discussion

Associated company is not internal source.

An "Associated Company" is an entity in which the Company has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity.

Associated Companies are accounted for using the equity method. Significant influence is generally presumed when the Company holds between 20 percent and 50 percent of the voting rights.

Which of the following is TRUE?

The audit profession is unregulated

The audit profession is regulated by its own professional body

Outside bodies sometimes become involved in the regulation of audit profession

The audit profession is regulated only by the government

Fall Semester 2008
Fundamentals of Auditing (ACC311)
Quiz # 01

1. Which one of the following cannot be considered as the essential feature of Auditing?
 - a. An auditor is involved in the examination of financial statements
 - b. The auditor is responsible for the preparation of the financial statements**
 - c. The end result of an audit is an opinion to assist the user of the financial statements.
 - d. The auditor should be independent of the entity
2. Which one of the following best describes why an independent auditor is asked to express an opinion on the presentation of financial reports?
 - a. It is difficult to prepare financial reports that fairly present a company's financial position without the expertise of an external auditor
 - b. It is management's responsibility to seek available independent aid in the appraisal of financial information shown in its financial reports
 - c. The opinion of an independent party is needed because a company may not be objective with respect to its own financial reports**
 - d. It is a customary courtesy that all shareholders of a company receive an independent report on management's stewardship of the affairs of the business
3. The audit which is a review of any part of an entity's operating procedures and methods is known as which one of the following?
 - a. Financial statement audits
 - b. Operational audits**
 - c. Technical Audits
 - d. Compliance audits
4. Which one of the following is considered as the formal opinion, or disclaimer thereof, issued by an independent auditor as a result of audit or evaluation performed on a legal entity?
 - a. Financial report
 - b. Financial statement
 - c. Director's report
 - d. Auditor's report**
5. Which of the following statements is true?
 - a. The auditing profession is unregulated
 - b. The auditing profession is regulated only by its own professional body**
 - c. Outside bodies sometimes become involved in the regulation of the audit profession
 - d. The auditing profession is regulated only by the government
6. Which one of the following primary assertions is satisfied when an auditor ensures that there are no unrecorded assets, liabilities, transactions or events or undisclosed items in the client's financial records?
 - a. Valuation
 - b. Completeness**
 - c. Existence
 - d. Rights and obligations
7. Internal control is primarily established within a company to do which of the following?
 - a. To prevent fraud in the company affairs**
 - b. To provide reasonable assurance that the company's objectives will be achieved
 - c. To catch all errors that may occur in the company
 - d. To aid in the effective auditing of the company
8. Fixation of remuneration of auditors can be determined by the following authorities EXCEPT: (*Companies Ordinance, 1984*)
 - a. Directors
 - b. Company secretary**

- c. Commission
 - d. Members
9. A leather goods manufacturing company has started its operations in year 2001. After five years of conducting successful business, it has become a listed company recently. Now, the company is required to hire its first auditors, but neither the directors nor the members could appoint the auditors during the past 4 months since the incorporation of the company. Select among the following authorities who can appoint the auditors in this situation?
(*Companies Ordinance, 1984*)
- a. Company secretary
 - b. Company registrar**
 - c. Commission
 - d. Institute of Chartered Accountants of Pakistan (ICAP)
10. A company has hired auditors who have performed the audit process in accordance with the auditing standards, but they fail to present its report. According to the Company law, 1984, the auditors shall be liable for which one of the following liabilities?
- a. Criminal liability
 - b. Liability for misfeasance
 - c. Liability for negligence**
 - d. Accounting liability

Question No: 1 (Marks: 1) - Please choose one

A series of constant, or level, cash flows that occur at the end of each period for some fixed number of periods is called a/an:

- ▶ Present Value
- ▶ Future Value
- ▶ Ordinary Annuity
- ▶ Ordinary Share

Question No: 2 (Marks: 1) - Please choose one

The Ratios showing the ability of a firm to pay its bills in short-run are called:

- ▶ Leverage Ratios
- ▶ Liquidity Ratios
- ▶ Profitability Ratios
- ▶ Market Value Ratios

Question No: 3 (Marks: 1) - Please choose one

GAAP stands for:

- ▶ Generally Accepted Accounting Principles

- ▶ Generally All-rounder Accounting Principles
- ▶ General Accepting Accounts Principles
- ▶ None of the given options

Question No: 4 (Marks: 1) - Please choose one

A contract between the bond issuer and bond holder is called:

- ▶ Bond Indenture
- ▶ Bond Debenture
- ▶ Bond Value
- ▶ None of the given options

Question No: 5 (Marks: 1) - Please choose one

Suppose you have a portfolio comprised of two securities X and Y. In the portfolio, 60 shares are of stock X valued at Rs.10 per share and 40 shares are of stock Y valued at Rs.3 per share. What is the approximate weight of stock X in the portfolio?

- ▶ 23 %
- ▶ 40 %
- ▶ 60 %

- ▶ 83 %

Question No: 6 (Marks: 1) - Please choose one

In which market, previously issued securities are traded among investors?

- ▶ Primary Market
- ▶ Secondary Market
- ▶ Tertiary Market
- ▶ None of the given options

Question No: 7 (Marks: 1) - Please choose one

Which of the following is the present value of a series of future net cash flows that will result from an investment, minus the amount of the original investment?

- ▶ Present Value
- ▶ Future Value
- ▶ Net Present Value
- ▶ Terminal Value

Question No: 8 (Marks: 1) - Please choose one

You earn a 5 percent real return. If the inflation rate is 4 percent, what is your nominal return?

▶ 8.96 %

▶ 9.05 %

▶ 9.20 %

▶ 9.92 %

Question No: 9 (Marks: 1) - Please choose one

Fee paid to the consultant for evaluating the option of launching a new product will be considered as:

▶ Sunk Cost

▶ Opportunity Cost

▶ Financing Cost

▶ Operating Cost

Question No: 10 (Marks: 1) - Please choose one

A risk that affects a single or at most a small number of assets is called:

▶ Unsystematic Risk

▶ Unique Risk

▶ Diversifiable Risk

- ▶ All of the given options

Question No: 11 (Marks: 1) - Please choose one

What will be the payback period of a Rs.70,000 investment with the following cash inflows?

Years	Cash flows
1	Rs. 15,000
2	Rs. 20,000
3	Rs. 25,000
4	Rs. 15,000
5	Rs. 5,000

- ▶ 3.57 years
- ▶ 3.67 years
- ▶ 4.57 years
- ▶ 4.67 years

Question No: 12 (Marks: 1) - Please choose one

Which of the following is the required return on a firm's debt by its creditors?

- ▶ Cost of Equity
- ▶ Cost of Debt

- ▶ Cost of Preferred Stock

- ▶ Cost of Capital

Question No: 13 (Marks: 1) - Please choose one

Which one of the followings is the overall required return the firm must earn on its existing assets to maintain the value of the stock?

- ▶ AAR (Average Accounting Return)

- ▶ IRR (Internal Rate of Return)

- ▶ MIRR (Modified Internal Rate of Return)

- ▶ WACC (Weighted Average Cost of Capital)

Question No: 14 (Marks: 1) - Please choose one

The costs to store and finance the assets are known as:

- ▶ Carrying Costs

- ▶ Shortage Costs

- ▶ Manufacturing Costs

- ▶ None of the given options

Question No: 15 (Marks: 1) - Please choose one

The minimum level of inventory that a firm keeps on hand is called:

- ▶ Common stock
- ▶ Safety Stock
- ▶ Preferred Stock
- ▶ Dangerous Stock

Question No: 16 (Marks: 1) - Please choose one

Realization Principle is one of the basic principles of GAAP.

- ▶ True
- ▶ False

Question No: 17 (Marks: 1) - Please choose one

Whenever the word Dividend is used, it always refers to a long-term loan.

- ▶ True
- ▶ False

Question No: 18 (Marks: 1) - Please choose one

A preferred dividend is exactly like interest on bond.

▶ True

▶ False

Question No: 19 (Marks: 1) - Please choose one

By IRR rule, take a project when its IRR exceeds the required return.

▶ True

▶ False

Question No: 20 (Marks: 1) - Please choose one

Diversification is the group of assets such as stocks and bonds held by investor.

▶ True

▶ False

Question No: 21 (Marks: 1)

_____ is a special case of Annuity, where the stream of cash flows continues forever.

Question No: 22 (Marks: 1)

_____ is the value of a present amount at a certain date in the future based on a determined rate of return.

Question No: 23 (Marks: 1)

The amount of time required for an investment to generate cash flows sufficient to

recover its initial cost is called its _____.

Question No: 24 (Marks: 1)

_____ refers to the extent to which a firm relies on its debt.

Question No: 25 (Marks: 1)

The difference between the return on a risky investment and that on a risk free investment is called _____.

Question No: 26 (Marks: 3)

What is the difference between Flexible Policy and Restrictive Policy regarding size of investment in current assets while making short-term financial policy?

Question No: 27 (Marks: 3)

Differentiate between Systematic Risk and Unsystematic Risk. Which of them can be eliminated by diversification?

Question No: 28 (Marks: 3)

Suppose common stocks of a company are currently selling for Rs.30 per share. Stock market analysts estimated a dividend of Rs.2 per share for the next year and it is expected that the dividend will grow by 10% more or less indefinitely. What return does this stock offer?

Question No: 29 (Marks: 3)

A bank is offering 12% interest rate compounded quarterly on its saving account. What would be the Effective Annual Rate (EAR) ?

Question No: 30 (Marks: 3)

“An investment is acceptable if the IRR exceeds the required return. It should be rejected

otherwise.” Explain.

Question No: 31 (Marks: 10)

Sumi Inc. has outstanding Rs.1, 000- face –value bond with a 16 percent coupon rate and 6 years remaining until final maturity. Interest payments are made quarterly. What would be the value of this bond if your nominal annual required rate of return is : (i) 13 %, (ii) 19 %.

Question No: 32 (Marks: 10)

S&T Company just paid a dividend of Rs.2 per share and has a share price of Rs.30. The dividends are expected to grow @ 10% forever. S&T Company has Rs.75 million in equity and Rs.75 million in debt in its total capital. The tax rate for the firm is 35% and the Cost of debt is 8%. What will be the Weighted Average Cost of Capital (WACC) for S&T Company ?

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FINAL TERM EXAMINATION
Spring 2009
ACC311- Fundamentals of Auditing (Session - 1)
Marks: 81

Question No: 1 (Marks: 1) - Please choose one

Which one of the following is an objective of the internal audit?

To report on financial statements

To check accounting system and internal control are operating efficiently

To determine the accuracy of financial statement values and disclosures

To establish a control system in the company

Question No: 2 (Marks: 1) - Please choose one

Which one of the following statements is NOT correct in respect of the internal auditor?

The scope of audit performed by internal auditors is primarily in respect of financial report audits

An internal auditor does not require a license to practice

Internal auditors are usually employed by companies and government units

Primary responsibility of the internal auditor is to the board of directors

Question No: 3 (Marks: 1) - Please choose one

After how many days the Securities and Exchange Commission may appoint the auditors, if the Directors of a company could not appoint the auditors to fill casual vacancy? (Companies Ordinance, 1984)

30 days

60 days

80 days

120 days

Question No: 4 (Marks: 1) - Please choose one

Suppose that during audit of a company, an auditor accepted the schedule of bad debts furnished by the client, though it was apparent that debts were not recoverable. The auditor shall be held liable for which one of the following liabilities?

Liability for negligence

Liability for misfeasance

Criminal liability
Personal liability

Ref: Page no.19

Question No: 5 (Marks: 1) - Please choose one

The books of accounts of a company should be kept at which one of the following offices?(Companies Ordinance, 1984)

Registered office of the company
Accounts office of the company
Record office of the company
Registrar office

Question No: 6 (Marks: 1) - Please choose one

Which of the following is one of the most fundamental and effective internal controls?

Increased use of computers for recording accounting transactions
Increased reliance on internal auditors to monitor accounting systems
Segregation of incompatible duties across several people
Having internal auditors report only to the Board of Directors

Question No: 7 (Marks: 1) - Please choose one

Which of the following is NOT a major component of an internal control system?

Risk assessment Staffing

Control procedures/activities
Information and communication system

Question No: 8 (Marks: 1) - Please choose one

An audit firm audited a Leather Manufacturing company and presented its report addressed to the management. They found significant material misstatements in the company s internal controls system. They strongly recommended that there should be sufficient controls in existence to ensure management can effectively control the business operations. In your opinion, auditors are emphasizing on which one of the following categories of SOAP MAPS?

Authorization
Management and Monitoring
Arithmetic and Accounting
Segregation of duties

Question No: 9 (Marks: 1) - Please choose one

Which of the following statements best describes the purpose of an internal control questionnaire (ICQ)?

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent all misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent material misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to detect material misstatements in the financial report.

An internal control questionnaire is a series of questions prepared by the entity about the entity's accounting and control policies and procedures for which the entity seeks guidance on from the auditor in order to detect material misstatements in the financial report.

Question No: 10 (Marks: 1) - Please choose one

A Beverages company is being audited by an audit firm. Audit procedures are being undertaken in all of its departments. During this, the audit team has to spend more time on physical examination of the company assets to get reliable audit evidence. In your opinion, auditors are considering which type of audit inquiry in this case?

Recalculations Inspection of tangible assets Analytical procedures Confirmations

Existence of any immaterial mistake in the statements

Existence of any fraud or error in the statements

Company's growth trend in the future in figures Market value of the company's stock

Question No: 12 (Marks: 1) - Please choose one

Which one of the following may NOT be a type of control of the purchase cycle of an entity?

Receipt of goods

Invoicing and returns

Invoicing and credit notes

Purchase ledger and suppliers

Ref : Page no.93

Question No: 13 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may be applied to the Credit Notes by the auditors?

Evidence of matching credit notes to goods returned notes

Evidence of approval of credit notes

Evidence of a sequence check

Proof of issuance date

Question No: 14 (Marks: 1) - Please choose one

During the audit work of testing the purchase system of an entity, which one of the following control tests may be applied to the Payables Ledger by the auditors?

Evidence of authorization of adjustments to payables ledger

Evidence of review of reconciliation of purchase ledger listing

Evidence of authorization of adjustments to payable ledger control account

Evidence of authorization of adjustments to purchase ledger

Ref: Page no.93

Question No: 15 (Marks: 1) - Please choose one

Which one of the following possible misstatements related to payroll does not involve the audit objective of Validity?

Payments to fictitious employees

Payments to terminated employees

Payments to valid employees who have not worked

Payments to valid employees at a rate in excess of the authorized amount

Question No: 16 (Marks: 1) - Please choose one

In order to ensure effective control, how often a full inventory count should be held when perpetual inventory records are not kept adequately?

On a daily basis

At least once a year

At least monthly

At least weekly

Ref: Page no.101

Question No: 17 (Marks: 1) - Please choose one

An oil exploring company employs 1500 personal in its international market. All of its personnel are paid on monthly basis. The company should compensate them in which form of payment?

Salary

Cheque

Wages

None of the given option

Question No: 18 (Marks: 1) - Please choose one

For the purpose of keeping effective control in the cash system, who should have no access to the cash or the preparation of the paying-in slip?

Sales ledger personnel

Teller/cashier

Cash officers

Operations manager

Ref: Page no.99

Question No: 19 (Marks: 1) - Please choose one

When should the petty cash book entries be made?

At the day end

Next day

Promptly

Monthly

Question No: 20 (Marks: 1) - Please choose one

How often the physical inspection of non current assets should be carried out?

Rarely

Periodically

Never

Daily

Question No: 21 (Marks: 1) - Please choose one

In which one of the following ways auditors can choose the verification techniques in a given set of circumstances?

It depends upon the available audit evidence to the auditor

It depends upon the nature of business operations of the entity

It depends upon the audit procedures planned by the auditor

It depends upon the judgmental skills of the auditor

Question No: 22 (Marks: 1) - Please choose one

Which one of the following may NOT ensure that the movement in share capital of a company is properly authorized and correctly shown and described in accordance with the Companies Ordinance, 1984?

Check that directors were authorized to allot shares

Agree authorized capital with memorandum of association

Consider special rules for allotments of public company shares

Test payments with supporting evidence and trace entries in register

Question No: 23 (Marks: 1) - Please choose one

Which one of the following testing objectives refers to the management assertion Occurrence in obtaining audit evidence?

Assets shown include all rights under the control of the enterprise

Transactions and events that have been recorded have occurred and pertain to the entity

The amounts at which assets and liabilities are stated is correct

Assets and liabilities included on the balance sheet actually exist

Question No: 24 (Marks: 1) - Please choose one

Which one of the following certain expense items may be verified in order to keep control of stock-in-trade and stores & spares?

Interest on short term loan

Accumulated depreciation on assets

Director s fees

Wages and salaries

Question No: 25 (Marks: 1) - Please choose one

Which one of the following is NOT an advantage of using statistical sampling?

It aids in the design of an efficient sample

It allows the auditor to measure the sufficiency of the evidential matter obtained

It allows the auditor to greatly reduce substantive testing

It provides means for mathematically measuring the degree of sampling risk

Question No: 26 (Marks: 1) - Please choose one

Which one of the following is an underlying feature of random-based selection of items?

Each stratum of the accounting population be given equal representation in the sample

All items in the accounting population be randomly ordered.

Every item in the population should have an opportunity to be selected

Every item must be systematically selected using replacement

Question No: 27 (Marks: 1) - Please choose one

Which one of the following matters is generally included in an auditor's engagement letter?

Management's responsibility for the entity's compliance with laws and regulations

The factors to be considered in setting preliminary judgments about materiality

Management's vicarious liability for illegal acts committed by its employees

The auditor's responsibility to search for significant internal control deficiencies

Question No: 28 (Marks: 1) - Please choose one

What should be the next step of an auditor after establishing the overall audit strategy of an entity?

To develop an audit plan

To define the scope of audit

To determine the focus of engagement team efforts

To determine the objectives of audit

Question No: 29 (Marks: 1) - Please choose one

The establishment of the overall audit strategy involves the following EXCEPT:

To determine the characteristics of the engagement
To ascertain the reporting objectives of the engagement
To consider the important factors i.e. materiality levels, higher risks of material misstatement etc.
To guide the development of detailed business activities to occur in future

Question No: 30 (Marks: 1) - Please choose one
Which one of the following mainly affects the auditors opinion?

Agreement on accounting policies
Limitation on the scope of the auditors work
Dispute among the members of the company
Future prospects of the company s growth

Question No: 31 (Marks: 1) - Please choose one
Which one of the following matters does NOT affect Auditor s Opinion?

When there is a limitation on the scope of the auditor s work
When there is a disagreement with management regarding the accounting policies selected
When there is a disagreement with management regarding the method of applying accounting policies
When an auditor modify the auditor s report by adding a paragraph to highlight a material matter

Question No: 32 (Marks: 1) - Please choose one
Tracing selected shipments to the sales journal to be sure that each one is included is a test of which of the following?

Accuracy
Classification
Completeness
Existence

Question No: 33 (Marks: 1) - Please choose one
Which one of the following best describes the term Input VAT?

Input VAT is charged on a firm when it makes its purchases

Input VAT is charged on a firm when it makes its investments

Input VAT is charged on a firm when it produces highly quality products

Input VAT is charged on a firm when it exports the products

Question No: 34 (Marks: 1) - Please choose one

The duties of the wages staff should preferably be rotated during the year when the salary payment is made by which of the following systems?

By cheque

In cash

By demand draft

Direct transfer to employees bank account

Question No: 35 (Marks: 1) - Please choose one

Which of the following are the three audit objectives that are most important for cash, and that receive the greatest attention during the audit?

Existence, accuracy, and completeness

Existence, cutoff, and presentation

Accuracy, cutoff, and presentation & disclosure

Completeness, realizable value, and cutoff

Question No: 36 (Marks: 1) - Please choose one

Which one of the following is most likely to indicate fraud?

Several overpayments are made for goods received from a supplier

The year end cash balance does not include cash in transit to the company at year-end

A check received after year end was inadvertently recorded as if received before year-end

A documented loan is sanctioned to an officer of the company

Question No: 37 (Marks: 1) - Please choose one

When an auditor increases the assessed level of control risk because certain control activities were determined to be ineffective, which of the following would most likely be increased by the auditor?

Extent of tests of controls

Level of detection risk

Extent of tests of details
Level of inherent risk

Question No: 38 (Marks: 1) - Please choose one

Which one of the following statements is TRUE regarding control procedures?

They are not required if the control environment is strong
They should generally be all manual
They should generally be all automated
They can be either manual or automated

Question No: 39 (Marks: 1) - Please choose one

Which one of the following statements does not apply to the Institute of Chartered Accountants of Pakistan (ICAP) in Pakistan?

An autonomous body incorporated under the Chartered Accountants Ordinance 1961
Regulatory body that formulates auditing standards in Pakistan
Its affairs are run by a council which is elected by its member (Chartered Accountants).
ICAP is a member of the International Federation of Accountants (IFAC)

Question No: 40 (Marks: 1) - Please choose one

Which one of the following statements indicates a primary difference between an operational audit and a compliance audit?

Operational audit focuses on business efficiencies and effectiveness, while compliance audit focuses on whether laws and other requirements are being followed
Operational audit focuses on reliability of the financial statements, while compliance audit focuses on whether laws and other requirements are being followed
Operational audit focuses on business growth prospects, while a compliance audit focuses on reliability of the financial statements
Operational audit focuses on business size and potential to grow, while compliance audit focuses on reliability of accounting records

Question No: 41 (Marks: 1) - Please choose one

Which one of the following primary assertions is satisfied when an auditor ensures that there is no false transaction recorded and all recorded transactions have actually taken place?

Occurrence
Completeness
Existence
Rights and obligations

Question No: 42 (Marks: 1) - Please choose one

Following are the points considered during the verification of bank balances EXCEPT:

Obtain direct bank confirmation
Obtain direct bank confirmation
Investigate about outstanding stale cheques
Investigate any significant reconciling items of an unusual nature
Ensure that the creditors have been paid for their loan amount

Question No: 43 (Marks: 3)

Enlist the typical control procedures at key stages of the sales cycle.

Solution:

1. Orders
2. Dispatch
3. Invoicing and credit notes
4. Returns inwards
5. Receivables
6. Bad Debts

Question No: 44 (Marks: 3)

What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?

Question No: 45 (Marks: 3)

Throughout the 1960s and 70s, the largest accounting firms devoted extensive resources to the development and implementation of statistical sampling

procedures. Enlist several sample selection methods now available to an auditor for selecting items in the populations.

Question No: 46 (Marks: 5)

Suppose you have been appointed as an auditor of a manufacturing company. You are at the stage of testing the purchase system. According to your knowledge of Auditing Standards, what control objectives would you develop in respect of the Purchase system of the entity?

Question No: 47 (Marks: 5)

Discuss the factors which influence auditor s judgment regarding sample size for tests of control.

Question No: 48 (Marks: 10)

Suppose that your supervisor has asked you to carry out an internal control review of the inventory system of a manufacturing company. What internal control procedures would you examine in respect of the following functions of the inventory system?

1. **Arithmetical Accuracy**
2. **Control Accounts**
3. **Access to Assets and Records**

Question No: 49 (Marks: 10)

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

Fall Semester 2008
Fundamentals of Auditing (ACC311)
Quiz # 01

1. Which one of the following cannot be considered as the essential feature of Auditing?
 1. An auditor is involved in the examination of financial statements
 2. **b. The auditor is responsible for the preparation of the financial statements**
 1. The end result of an audit is an opinion to assist the user of the financial statements.
2. The auditor should be independent of the entity

1. It is difficult to prepare financial reports that fairly present a company's financial position without the expertise of an external auditor
 2. It is management's responsibility to seek available independent aid in the appraisal of financial information shown in its financial reports
 3. **c. The opinion of an independent party is needed because a company may not be objective with respect to its own financial reports**
3. It is a customary courtesy that all shareholders of a company receive an
2. Which one of the following best describes why an independent auditor is asked to express an opinion on the presentation of financial reports?

independent report on management's stewardship of the affairs of the business

1. The audit which is a review of any part of an entity's operating procedures and methods

is known as which one of the following?

1. Financial statement audits
2. **b. Operational audits**
3. Technical Audits
4. Compliance audits
5. Financial report
6. Financial statement
7. Director's report
8. **d. Auditor's report**

4. Which one of the following is considered as the formal opinion, or disclaimer thereof, issued by an independent auditor as a result of audit or evaluation performed on a legal entity?

5. Which of the following statements is true?

1. The auditing profession is unregulated
2. **b. The auditing profession is regulated only by its own professional body**
 1. Outside bodies sometimes become involved in the regulation of the audit profession
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4. Rights and obligations

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1. **a. To prevent fraud in the company affairs**
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2. **b. Company secretary**
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9. A leather goods manufacturing company has started its operations in year 2001. After five years of conducting successful business, it has become a listed company recently. Now, the company is required to hire its first auditors, but neither the directors nor the members could appoint the auditors during the past 4 months since the incorporation of the company.

Select among the following authorities who can appoint the auditors in this situation? (*Companies Ordinance, 1984*)

1. Company secretary
2. **b. Company registrar**
3. Commission
4. Institute of Chartered Accountants of Pakistan (ICAP)

10. A company has hired auditors who have performed the audit process in accordance with the auditing standards, but they fail to present its report. According to the Company law, 1984, the auditors shall be liable for which one of the following liabilities?

1. Criminal liability
2. Liability for misfeasance
3. **c. Liability for negligence**
4. Accounting liability

Which of the following authorities shall fix the remuneration of the auditor, if auditors are appointed by the SCEP?(companies ordinance, 1984)

Directors

Shareholders

Company Registrar

SECP

The small audit firms provide the following services EXCEPT:

Liquidation and receivership work, fraud auditing

Financial management and system consultancy

Financial system planning and preparation

Tax management and statutory form filling

Which of the following audit process determines that whether entity is following specific procedures, rules or regulations set down by some higher authority?

Technical audit

Financial statement audit

Compliance audit

Operational audit

Reliability of audit evidence is influenced by all of the following factors EXCEPT:

Source and the nature of the information

Timeliness

Objectivity

Quantity

Which statement cannot be highlighted as a merit of audit process?

It settles the dispute between management

It helps the auditor to give more constructive advice top management

Its help to restrict sole proprietor to by changing some fee

It gives strength to the company for acquiring the finance

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

Board of governance and top level management

Legal counsel

Middle level management

Stakeholders

Which of the following is the least concern to an auditor regarding the client's internal control system?

Efficiency and effectiveness of operations

Controls related to the reliability of financial reporting

Controls over classes of transactions

Auditors are equally concern with each of the given issues

During test of control procedure its design can easily tested with the help of:

ICQs and walk through tests

ICQs and judgment sample

ICQs and random sample

ICQS and ICEC

Testing the Design:

Proper design of internal control is tested through ICQs and ICEC.

Internal source of audit evidence for an entity includes the following EXCEPT:

Associated companies of the entity

Accounting systems, records and documents

Non-financial data and records

Management representation and discussion

Associated company is not internal source.

An “Associated Company” is an entity in which the Company has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity. Associated Companies are accounted for using the equity method. Significant influence is generally presumed when the Company holds between 20 percent and 50 percent of the voting rights.

Which of the following is TRUE?

The audit profession is unregulated

The audit profession is regulated by its own professional body

Outside bodies sometimes become involved in the regulation of audit profession

The audit profession is regulated only by the government

ACC311 2nd Online Solved Quiz Spring 2011

Quiz No. # 01: During audit of the financial statements, the auditors are concerned with the verification and determination of which one of the following items?

Statements, accuracy, and feasibility

Date, accuracy, and reliability

Policies, value, and reliability

Cycle, policies, and reliability

Quiz No. # 02: Which one of the following authorities shall fix the remuneration of the auditors, if auditors are appointed by the SECP? (Companies Ordinance, 1984)

Directors

Shareholders

Company registrar

SECP

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Audit procedures

Audit evidence

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FINAL TERM EXAMINATION
Spring 2009
ACC311- Fundamentals of Auditing (Session - 1)
Marks: 81

Question No: 1 (Marks: 1) - Please choose one

Which one of the following is an objective of the internal audit?

To report on financial statements

To check accounting system and internal control are operating efficiently

To determine the accuracy of financial statement values and disclosures

To establish a control system in the company

Question No: 2 (Marks: 1) - Please choose one

Which one of the following statements is NOT correct in respect of the internal auditor?

The scope of audit performed by internal auditors is primarily in respect of financial report audits

An internal auditor does not require a license to practice

Internal auditors are usually employed by companies and government units

Primary responsibility of the internal auditor is to the board of directors

Question No: 3 (Marks: 1) - Please choose one

After how many days the Securities and Exchange Commission may appoint the auditors, if the Directors of a company could not appoint the auditors to fill casual vacancy? (Companies Ordinance, 1984)

30 days

60 days

80 days

120 days

Question No: 4 (Marks: 1) - Please choose one

Suppose that during audit of a company, an auditor accepted the schedule of bad debts furnished by the client, though it was apparent that debts were not

recoverable. The auditor shall be held liable for which one of the following liabilities?

Liability for negligence

Liability for misfeasance

Criminal liability

Personal liability

Ref: Page no.19

Question No: 5 (Marks: 1) - Please choose one

The books of accounts of a company should be kept at which one of the following offices?(Companies Ordinance, 1984)

Registered office of the company

Accounts office of the company

Record office of the company

Registrar office

Question No: 6 (Marks: 1) - Please choose one

Which of the following is one of the most fundamental and effective internal controls?

Increased use of computers for recording accounting transactions

Increased reliance on internal auditors to monitor accounting systems

Segregation of incompatible duties across several people

Having internal auditors report only to the Board of Directors

Question No: 7 (Marks: 1) - Please choose one

Which of the following is NOT a major component of an internal control system?

Risk assessment Staffing

Control procedures/activities

Information and communication system

Question No: 8 (Marks: 1) - Please choose one

An audit firm audited a Leather Manufacturing company and presented its report addressed to the management. They found significant material misstatements in the company's internal controls system. They strongly recommended that there should be sufficient controls in existence to ensure management can effectively control the business operations. In your opinion, auditors are emphasizing on which one of the following categories of SOAP MAPS?

Authorization

Management and Monitoring

Arithmetic and Accounting

Segregation of duties

Question No: 9 (Marks: 1) - Please choose one

Which of the following statements best describes the purpose of an internal control questionnaire (ICQ)?

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent all misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to prevent material misstatements in the financial report.

An internal control questionnaire is a series of questions regarding accounting and control policies and procedures that the auditor considers necessary to detect material misstatements in the financial report.

An internal control questionnaire is a series of questions prepared by the entity about the entity's accounting and control policies and procedures for which the entity seeks guidance on from the auditor in order to detect material misstatements in the financial report.

Question No: 10 (Marks: 1) - Please choose one

A Beverages company is being audited by an audit firm. Audit procedures are being undertaken in all of its departments. During this, the audit team has to spend more time on physical examination of the company assets to get reliable audit evidence. In your opinion, auditors are considering which type of audit inquiry in this case?

Recalculations Inspection of tangible assets Analytical procedures Confirmations

Existence of any immaterial mistake in the statements

Existence of any fraud or error in the statements

Company's growth trend in the future in figures Market value of the company's stock

Question No: 12 (Marks: 1) - Please choose one

Which one of the following may NOT be a type of control of the purchase cycle of an entity?

Receipt of goods
Invoicing and returns
Invoicing and credit notes
Purchase ledger and suppliers

Ref : Page no.93

Question No: 13 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may be applied to the Credit Notes by the auditors?

Evidence of matching credit notes to goods returned notes

Evidence of approval of credit notes

Evidence of a sequence check

Proof of issuance date

Question No: 14 (Marks: 1) - Please choose one

During the audit work of testing the purchase system of an entity, which one of the following control tests may be applied to the Payables Ledger by the auditors?

Evidence of authorization of adjustments to payables ledger

Evidence of review of reconciliation of purchase ledger listing

Evidence of authorization of adjustments to payable ledger control account

Evidence of authorization of adjustments to purchase ledger

Ref: Page no.93

Question No: 15 (Marks: 1) - Please choose one

Which one of the following possible misstatements related to payroll does not involve the audit objective of Validity?

Payments to fictitious employees

Payments to terminated employees

Payments to valid employees who have not worked

Payments to valid employees at a rate in excess of the authorized amount

Question No: 16 (Marks: 1) - Please choose one

In order to ensure effective control, how often a full inventory count should be held when perpetual inventory records are not kept adequately?

On a daily basis
At least once a year
At least monthly
At least weekly

Ref: Page no.101

Question No: 17 (Marks: 1) - Please choose one
An oil exploring company employs 1500 personal in its international market. All of its personnel are paid on monthly basis. The company should compensate them in which form of payment?

Salary
Cheque
Wages
None of the given option

Question No: 18 (Marks: 1) - Please choose one

For the purpose of keeping effective control in the cash system, who should have no access to the cash or the preparation of the paying-in slip?

Sales ledger personnel
Teller/cashier
Cash officers
Operations manager

Ref: Page no.99

Question No: 19 (Marks: 1) - Please choose one
When should the petty cash book entries be made?

At the day end
Next day
Promptly
Monthly

Question No: 20 (Marks: 1) - Please choose one

How often the physical inspection of non current assets should be carried out?

- Rarely
- Periodically
- Never**
- Daily

Question No: 21 (Marks: 1) - Please choose one

In which one of the following ways auditors can choice the verification techniques in a given set of circumstances?

- It depends upon the available audit evidence to the auditor
- It depends upon the nature of business operations of the entity
- It depends upon the audit procedures planned by the auditor**
- It depends upon the judgmental skills of the auditor

Question No: 22 (Marks: 1) - Please choose one

Which one of the following may NOT ensure that the movement in share capital of a company is properly authorized and correctly shown and described in accordance with the Companies Ordinance, 1984?

- Check that directors were authorized to allot shares
- Agree authorized capital with memorandum of association**
- Consider special rules for allotments of public company shares
- Test payments with supporting evidence and trace entries in register

Question No: 23 (Marks: 1) - Please choose one

Which one of the following testing objectives refers to the management assertion Occurrence in obtaining audit evidence?

- Assets shown include all rights under the control of the enterprise
- Transactions and events that have been recorded have occurred and pertain to the entity**
- The amounts at which assets and liabilities are stated is correct
- Assets and liabilities included on the balance sheet actually exist

Question No: 24 (Marks: 1) - Please choose one

Which one of the following certain expense items may be verified in order to keep control of stock-in-trade and stores & spares?

Interest on short term loan
Accumulated depreciation on assets
Director s fees
Wages and salaries

Question No: 25 (Marks: 1) - Please choose one

Which one of the following is NOT an advantage of using statistical sampling?

It aids in the design of an efficient sample
It allows the auditor to measure the sufficiency of the evidential matter obtained
It allows the auditor to greatly reduce substantive testing
It provides means for mathematically measuring the degree of sampling risk

Question No: 26 (Marks: 1) - Please choose one

Which one of the following is an underlying feature of random-based selection of items?

Each stratum of the accounting population be given equal representation in the sample
All items in the accounting population be randomly ordered.
Every item in the population should have an opportunity to be selected
Every item must be systematically selected using replacement

Question No: 27 (Marks: 1) - Please choose one

Which one of the following matters is generally included in an auditor's engagement letter?

Management's responsibility for the entity's compliance with laws and regulations
The factors to be considered in setting preliminary judgments about materiality
Management's vicarious liability for illegal acts committed by its employees
The auditor's responsibility to search for significant internal control deficiencies

Question No: 28 (Marks: 1) - Please choose one

What should be the next step of an auditor after establishing the overall audit strategy of an entity?

To develop an audit plan

To define the scope of audit
To determine the focus of engagement team efforts
To determine the objectives of audit

Question No: 29 (Marks: 1) - Please choose one

The establishment of the overall audit strategy involves the following EXCEPT:

To determine the characteristics of the engagement
To ascertain the reporting objectives of the engagement
To consider the important factors i.e. materiality levels, higher risks of material misstatement etc.

To guide the development of detailed business activities to occur in future

Question No: 30 (Marks: 1) - Please choose one

Which one of the following mainly affects the auditors opinion?

Agreement on accounting policies
Limitation on the scope of the auditors work
Dispute among the members of the company
Future prospects of the company s growth

Question No: 31 (Marks: 1) - Please choose one

Which one of the following matters does NOT affect Auditor s Opinion?

When there is a limitation on the scope of the auditor s work
When there is a disagreement with management regarding the accounting policies selected

When there is a disagreement with management regarding the method of applying accounting policies

When an auditor modify the auditor s report by adding a paragraph to highlight a material matter

Question No: 32 (Marks: 1) - Please choose one

Tracing selected shipments to the sales journal to be sure that each one is included is a test of which of the following?

Accuracy
Classification

Completeness
Existence

Question No: 33 (Marks: 1) - Please choose one
Which one of the following best describes the term Input VAT?

Input VAT is charged on a firm when it makes its purchases
Input VAT is charged on a firm when it makes its investments
Input VAT is charged on a firm when it produces highly quality products
Input VAT is charged on a firm when it exports the products

Question No: 34 (Marks: 1) - Please choose one
The duties of the wages staff should preferably be rotated during the year when the salary payment is made by which of the following systems?

By cheque
In cash
By demand draft
Direct transfer to employees bank account

Question No: 35 (Marks: 1) - Please choose one
Which of the following are the three audit objectives that are most important for cash, and that receive the greatest attention during the audit?

Existence, accuracy, and completeness
Existence, cutoff, and presentation
Accuracy, cutoff, and presentation & disclosure
Completeness, realizable value, and cutoff

Question No: 36 (Marks: 1) - Please choose one
Which one of the following is most likely to indicate fraud?

Several overpayments are made for goods received from a supplier
The year end cash balance does not include cash in transit to the company at year-end
A check received after year end was inadvertently recorded as if received before year-end
A documented loan is sanctioned to an officer of the company

Question No: 37 (Marks: 1) - Please choose one

When an auditor increases the assessed level of control risk because certain control activities were determined to be ineffective, which of the following would most likely be increased by the auditor?

Extent of tests of controls

Level of detection risk

Extent of tests of details

Level of inherent risk

Question No: 38 (Marks: 1) - Please choose one

Which one of the following statements is TRUE regarding control procedures?

They are not required if the control environment is strong

They should generally be all manual

They should generally be all automated

They can be either manual or automated

Question No: 39 (Marks: 1) - Please choose one

Which one of the following statements does not apply to the Institute of Chartered Accountants of Pakistan (ICAP) in Pakistan?

An autonomous body incorporated under the Chartered Accountants Ordinance 1961

Regulatory body that formulates auditing standards in Pakistan

Its affairs are run by a council which is elected by its member (Chartered Accountants).

ICAP is a member of the International Federation of Accountants (IFAC)

Question No: 40 (Marks: 1) - Please choose one

Which one of the following statements indicates a primary difference between an operational audit and a compliance audit?

Operational audit focuses on business efficiencies and effectiveness, while compliance audit focuses on whether laws and other requirements are being followed

Operational audit focuses on reliability of the financial statements, while compliance audit focuses on whether laws and other requirements are being followed

Operational audit focuses on business growth prospects, while a compliance audit focuses on reliability of the financial statements

Operational audit focuses on business size and potential to grow, while compliance audit focuses on reliability of accounting records

Question No: 41 (Marks: 1) - Please choose one

Which one of the following primary assertions is satisfied when an auditor ensures that there is no false transaction recorded and all recorded transactions have actually taken place?

Occurrence

Completeness

Existence

Rights and obligations

Question No: 42 (Marks: 1) - Please choose one

Following are the points considered during the verification of bank balances EXCEPT:

Obtain direct bank confirmation

Obtain direct bank confirmation

Investigate about outstanding stale cheques

Investigate any significant reconciling items of an unusual nature

Ensure that the creditors have been paid for their loan amount

Question No: 43 (Marks: 3)

Enlist the typical control procedures at key stages of the sales cycle.

Solution:

1. Orders

2. Dispatch

3. Invoicing and credit notes

4. Returns inwards

5. Receivables

6. Bad Debts

Question No: 44 (Marks: 3)

What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?

Question No: 45 (Marks: 3)

Throughout the 1960s and 70s, the largest accounting firms devoted extensive resources to the development and implementation of statistical sampling procedures. Enlist several sample selection methods now available to an auditor for selecting items in the populations.

Question No: 46 (Marks: 5)

Suppose you have been appointed as an auditor of a manufacturing company. You are at the stage of testing the purchase system. According to your knowledge of Auditing Standards, what control objectives would you develop in respect of the Purchase system of the entity?

Question No: 47 (Marks: 5)

Discuss the factors which influence auditor s judgment regarding sample size for tests of control.

Question No: 48 (Marks: 10)

Suppose that your supervisor has asked you to carry out an internal control review of the inventory system of a manufacturing company. What internal control procedures would you examine in respect of the following functions of the inventory system?

- 1. Arithmetical Accuracy**
- 2. Control Accounts**
- 3. Access to Assets and Records**

Question No: 49 (Marks: 10)

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

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ACC311 quiz

1. Standard format of Auditor's Report as per the Companies Ordinance 1984 is described in which one of the following Legal Forms?

- A. Form31A**
- B. Form32A**
- C. Form30A**
- D. Form35A**

2. IFRS stands for which one of the following?

- A. International Financial Reporting Standards**
- B. International Financial Recording Systems**
- C. International Financial Recording Statements**
- D. International Financial Reporting Systems**

International Financial Reporting Standards.

3. Which of the following is NOT one of the five major components of internal control?

- A. Risk assessment**
 - B. Control activities**
 - C. Information and communication system**
 - D. Human resource background checks**
- Human resource background checks.**

4. All of the following should be observed and inspected by the auditors during the risk assessment process of an entity EXCEPT:

- A. Observations of Activities and operations**
 - B. Inspection of Documents and records**
 - C. Reading Management reports**
 - D. Visit to other companies in the industry**
- Visit to other companies in the industry.**

5. Which one of the following audit techniques ordinarily provides an auditor with the least assurance about the operating effectiveness of an internal control activity?

- A. Inquiry of client personnel**
 - B. Inspection of documents and reports**
 - C. Observation of client personnel**
 - D. Preparation of system flowcharts**
- Inspection of documents and reports.**

6. Which one of the following opinions advocates that the auditor should form an opinion only after obtaining sufficient audit evidence instead of blindly accepting any information given by the management?

- A. Auditor's liability**
- B. Professional ethics**

C. Professional Skepticism
D. Auditor's opinion
Professional ethics.

7. Which one of the following is NOT required as part of the audit process?

- A. Substantive procedures**
 - B. Tests of control**
 - C. Assessment of materiality**
 - D. Procedures to obtain an understanding of the internal control structure**
- Procedures to obtain an understanding of the internal control structure.**

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8. SECP stands for which one of the following?

- A. Securities and Exchange Collaboration of Pakistan**
 - B. Securities and Exchange Consortium of Pakistan**
 - C. Securities and Exchange Commission of Pakistan**
 - D. Securities and Exchange Constitution of Pakistan**
- Securities and Exchange Commission of Pakistan.**

9. One type of analytical procedure is the 'Trend Analysis'. Which one of the following is the best example of trend analysis?

- A. Comparison of company financial ratios to that of its competitors**
 - B. Comparison of accounting records to budgeted amounts**
 - C. Comparison of inventory levels over the past 3 years**
 - D. Comparison of interest expenses to outstanding loan balances**
- Comparison of inventory levels over the past 3 years.**

10. While conducting operational audit, which one of the following auditing procedures does the auditor primarily rely upon?

- A. Inquiry and observation**
 - B. Analytical procedures**
 - C. Physical inspection**
 - D. Tracing and vouching**
- Analytical procedures.**

11. Which one of the following helps to achieve reasonable assurance about the fairness of financial statements during an audit process?

- A. Audit report**
 - B. Audit evidence**
 - C. Audit engagement**
 - D. Audit program**
- Audit report.**

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ACC311 2nd Online Solved Quiz Spring 2011

Quiz No. # 01: During audit of the financial statements, the auditors are concerned with the verification and determination of which one of the following items?

Statements, accuracy, and feasibility

Date, accuracy, and reliability

Policies, value, and reliability

Cycle, policies, and reliability

Quiz No. # 02: Which one of the following authorities shall fix the remuneration of the auditors, if auditors are appointed by the SECP? (Companies Ordinance, 1984)

Directors

Shareholders

Company registrar

SECP

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Answers Are Not 100% Sure. Verify them at Yourself

FINAL TERM EXAMINATION

Fall 2008

ACC311- Fundamentals of Auditing (Session - 1)

Question No: 1 (Marks: 1) - Please choose one

When the cash sales should be recorded by the companies in order to achieve control objectives?

Record the cash sales when purchase order is received from the customer

Record the cash sales at the point they are made

Record the cash sales after some period

Record the cash sales weekly

sales when delivery is done n cash received bcoz sales r recorded after delivery. Cash sales should be recorded at the point the sale is made. Usually this is by means of a Cash Till or the use of cash sale invoices or receipts.

Question No: 2 (Marks: 1) - Please choose one

Auditors conduct auditing in accordance with :

International Financial Reporting Standards

Local pronouncements/Legislations

Financial Accounting Standards Board

All of the given options

True and fair presentation means that the financial statement are prepared and presented in accordance with the requirements of the applicable International Financial Reporting Standards (IFRS) and local pronouncements/legislations.

Question No: 3 (Marks: 1) - Please choose one

Which of the following primary assertions is satisfied when an auditor ensures that there are no unrecorded assets, liabilities, transactions or events or undisclosed items in the client s financial records?

Valuation

Completeness

Existence

Rights and obligations

completeness means that all transactions and relevant information has been recorded according with applicable ifrs as well as legislations

Question No: 4 (Marks: 1) - Please choose one

Which one of the following statements is **NOT** true about the internal control system of a company?

Internal control is affected by people working in an organization

Internal control is a process of bringing accuracy and improvements in the systems

Internal control system is expected to provide absolute assurance about the performance of a company

Internal control is geared to achieve objectives of financial reporting, compliance and operations

Internal control systems always minimize risk but never these can eliminate risks absolutely

in auditing and accounting noting is absolute

Question No: 5 (Marks: 1) - Please choose one

Who shall fix the remuneration of the auditors, if auditors of a company are appointed by the

shareholders? (*Companies Ordinance, 1984*)

Directors

Shareholders

Securities and Exchange Commission

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Institute of Chartered Accountants of Pakistan (ICAP)

ut company ordinance 1984 is only applicable in pakistan not in world

lazyboy: in rest of world we have company law 2006

Question No: 6 (Marks: 1) - Please choose one

If Directors could not appoint the first auditors of a company, then the first auditors shall be appointed by which one of the following authorities? (*Companies Ordinance, 1984*)

Shareholders

Securities and Exchange Commission

Company secretary

Company registrar

Question No: 7 (Marks: 1) - Please choose one

The books of accounts of a company should be kept at which one of the following offices?

(Companies Ordinance, 1984)

Registered office of the company

Accounts office of the company

Record office of the company

Registrar office

by the way books of prime entry will b kept at accounts office bcoz account office oftenly need these books

Question No: 8 (Marks: 1) - Please choose one

Which one of the following is also called as books of secondary entries ?

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Journal

Voucher

Ledger

Memo

Question No: 9 (Marks: 1) - Please choose one

According to Section 236, Director's report should be attached to which of the following

financial statement? (*Companies Ordinance, 1984*)

Balance sheet

Profit and loss account

Statement of retained earnings

Statement of cash flows

Question No: 10 (Marks: 1) - Please choose one

A well designed Internal Control Questionnaire (ICQ) should incorporate the following

EXCEPT:

Be a sufficient source of data for the evaluation of internal controls

Identify the internal control system s strengths and weaknesses

Be organized by individual functional organizations

Should include simple yes or no responses but not narrative responses

Question No: 11 (Marks: 1) - Please choose one

Which one of the following examples constitutes the most reliable piece of evidence available to an auditor?

A written confirmation from a bank

A supplier s invoice kept in the client's records

A duplicate sales receipt dated and signed

A receipted shipping document

Question No: 12 (Marks: 1) - Please choose one

Considering the Extent of audit procedure refers to which one of the following description?

It refers to the nature of testing and their procedures that is, designing, structuring, and compiling work to be done

It refers to the purpose i.e. (tests of controls or substantive procedures) and their type, that is, inspections, observation, inquiry confirmation, recalculation, re-performances or analytical procedures

It refers to when audit procedures are performed or the period or date to which the audit evidence applies

It refers to sample size or number of observations of a control activity (quantity of audit evidence)

Question No: 13 (Marks: 1) - Please choose one

Which one of the following situations can constitute grounds for a claim of negligence on part of the auditors to detect a fraud?

The fraud was committed by a senior management override of internal controls which had been relied upon in reducing the extent of detailed testing

The auditor relied on sample evidence and thus failed to detect the fraudulent transactions

The auditor reported discrepancies to local management but did not investigate further as the likely impact on the accounts was not material

The auditor accepted local management representations as to discrepancies as the potential impact of the fraud was not material to the accounts as a whole

Question No: 14 (Marks: 1) - Please choose one

The control objectives of a sales system typically include the following **EXCEPT**:

Invoices and credits should be appropriately checked for accuracy and should be

authorized before entering in the records

Goods returned and claims by customers should be controlled to determine the liability for goods returned and claims received

Customers' orders should be authorized, controlled and recorded in order to execute them promptly

All valid transactions relating to payables, and only those transactions, should be accurately recorded in the accounting records

bcoz payables relate to purchases not to sales

Question No: 15 (Marks: 1) - Please choose one

A local gas station has one clerk that accepts cash payments for gas and rings them up on the cash register. Which one of the following would be the *best* control to provide assurance that the cashier is not keeping some of the cash?

Count all cash before and after the shift and compare it to cash register totals

Require that each customer be given a receipt of their purchase

Compare cash register totals to a total that is automatically generated by each gas pump

Each employee should have a separate cash drawer that only they use

If receipt is given total receipts can be matched with total cash received

Question No: 16 (Marks: 1) - Please choose one

Which one of the following may **NOT** be the control procedure at key stages of the sales cycle of

an entity?

Receipt of goods

Receivables

Bad Debts

Invoicing and credit notes

petty cash count

u r not paying customer customer is paying u

so u will match cash register with wht

Question No: 17 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may

NOT be applied to the purchase order document?

Evidence of a sequence check

Evidence of approval of requisitions

Proof of issuance date

Adherence to authority limits

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Question No: 18 (Marks: 1) - Please choose one

While testing the purchase system of an entity, which one of the following control tests may be applied to the Goods Returned Notes by the auditors?

Adherence to authority limits

Evidence of approval of requisitions

Evidence of the sequence check

Proof of the issuance date

to see if what is returned was purchased with or without authorization

Question No: 19 (Marks: 1) - Please choose one

An oil marketing company employs 1000 personnel in its local market. Majority of its workers are paid on the piece rate basis. The company should compensate them in which one of the following forms of payment?

Salary

Cheque

Wages

None of the given options

Question No: 20 (Marks: 1) - Please choose one

According to the requirements of auditing standards for Wages and Salaries, who should be allowed to take wages of another employee in a company?

Any colleague

Next of kin

No one

Family

Question No: 21 (Marks: 1) - Please choose one

How often Inventory levels should be checked against the inventory records in order to verify

internal control effectiveness?

Rarely

Periodically

Never

Daily

u cannot do daily not time n cost effective

Question No: 22 (Marks: 1) - Please choose one

Which one of the following is an appropriate evidence for verifying the existence of inventory?

Checking valuation of that inventory

Identifying the slow-moving inventory

Obtaining a letter of representation from the management of the entity about it

Observing the counting of inventory

too see if inventory is present u will go n check it

Question No: 23 (Marks: 1) - Please choose one

An oil exploring company employs 1500 personal in its international market. All of its personnel

are paid on monthly basis. The company should compensate them in which form of payment?

Salary

Cheque

Wages

None of the given option

Question No: 24 (Marks: 1) - Please choose one

Which one of the following *best* describes the process of 'teeming and lading' in the cash system of an entity?

The use of one's occupation for personal enrichment through the deliberate misuse of organization's assets

An attempt to hide the loss of cash received from one customer by using cash from another customer or customers to replace it

The conversion and obtaining of money or property by false pretense

Any intentional deception resulting in injury to another person

Question No: 25 (Marks: 1) - Please choose one

KMC Electronics Company hires auditors at the year end. Auditors are at the stage of verification and vouching of company s financials. Before examining the equity section, they developed general aspects concerning the owner s equity. In your opinion, which one of the following aspects may **NOT** be considered by the auditors during this assessment?

Share capital is properly classified and described in the accounts

Assets of the company are properly classified and presented

Reserves are properly classified and presented

Movements in reserves are properly authorized

all odrs r equity related

Question No: 26 (Marks: 1) - Please choose one

Following are the points considered during the verification of bank balances **EXCEPT**:

Obtain direct bank confirmation Obtain direct bank confirmation

Investigate about outstanding stale cheques

Investigate any significant reconciling items of an unusual nature in

Ensure that the creditors have been paid for their loan amount

creditors we will see in payables portion

Question No: 27 (Marks: 1) - Please choose one

Judgmental sampling has the following advantages **EXCEPT**:

No special knowledge of statistics is required in this type

It tends to cause uniform standards among different audit firms

No time is spent on playing with mathematics

This approach has been well understood and refined by the experience over years

Question No: 28 (Marks: 1) - Please choose one

In which one of the following methods of sampling, an auditor is concerned that client should not

be able to know or guess which items will be examined?

Block sampling

Representative sampling

Unpredictable sampling

Haphazard sampling

Question No: 29 (Marks: 1) - Please choose one

Which one of the following is a common approach to increase the audit efficiency in sampling?

Selective testing

Stratification

Systematic selection

Random selection

Question No: 30 (Marks: 1) - Please choose one

Which one of the following can be an advantage of using statistical sampling techniques?

It defines the values of tolerable error and risk of incorrect acceptance required for audit satisfaction

It has been established in the courts to be superior to judgmental sampling

It mathematically measures risk

It eliminates the need for judgmental decisions

Question No: 31 (Marks: 1) - Please choose one

Following statements describes the functions of internal auditing **EXCEPT**:

It is a function that evaluates an organization s risk management, control and governance processes

It is a wide ranging activity and includes functions that are advisory or task oriented

It is an activity which entails appraising the entity's strategies and expressing an opinion

on the financial statements

It is an activity that extends beyond the appraisal of efficiency and effectiveness

Question No: 32 (Marks: 1) - Please choose one

An audit firm started planning annual audit process for a sports goods manufacturing company. The planning involves the following key points **EXCEPT**:

Establishing the overall audit strategy for the engagement

Developing an audit plan, in order to reduce audit risk to an acceptably low level

Surveillance of company operations and procedures

To benefit from the experience and insight of auditors and other key members of the engagement team

Question No: 33 (Marks: 1) - Please choose one

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What is **NOT** required as part of the audit process?

Substantive procedures

Tests of control

Assessment of materiality

Procedures to obtain an understanding of the internal control structure

Question No: 34 (Marks: 1) - Please choose one

Which one of the following mainly affects the auditor s opinion?

Agreement on accounting policies

Limitation on the scope of the auditor s work

Dispute among the members of the company

Future prospects of the company s growth

Question No: 35 (Marks: 1) - Please choose one

Which one of the following matters does **NOT** affect Auditor s Opinion?

When there is a limitation on the scope of the auditor s work

When there is a disagreement with management regarding the accounting policies selected

When there is a disagreement with management regarding the method of applying

accounting policies

matter

When an auditor modify the auditor s report by adding a paragraph to highlight a material

Question No: 36 (Marks: 1) - Please choose one

Which one of the following statements is **TRUE**?

A
very small sample of only one or two pieces of relevant, competent, and timely
evidence lacks persuasiveness

A large sample of highly competent evidence is not persuasive unless it is relevant to the audit objective

A large sample of evidence that is neither competent nor timely is not persuasive

All of the given options are true

if its so small thing u r checking u can check all transactions

Question No: 37 (Marks: 1) - Please choose one

Analytical procedures are performed as a substantive test to achieve which of the following objectives?

To determine the nature, timing, and extent of compliance procedures

To reduce detection risk

To determine the nature, timing, and extent of other audit procedures

To keep audit risk to an acceptably low level

Question No: 38 (Marks: 1) - Please choose one

A written understanding between the auditor and the client concerning the auditor's responsibility

for the discovery of illegal acts is usually set forth in which of the following letters?

Client representation letter

Letter of audit inquiry

Management letter

Engagement letter

Question No: 39 (Marks: 1) - Please choose one

Gains and losses during business operations of a company are determined in terms of increases and decreases in which one of the following sections of the Balance sheet?

Long term finances

Investments

Owners' equity

Long term liabilities

Question No: 40 (Marks: 1) - Please choose one

All expenditures incurred through petty cash should be recorded in which one of the following?

Cheque

Register

Computer sheet

Voucher

Question No: 41 (Marks: 1) - Please choose one

Which one of the following International Auditing Standards deals with the Audit Materiality?

ISA 300

ISA 315

ISA - 320

ISA 335

Question No: 42 (Marks: 1) - Please choose one

Property, plant and equipment are stated at cost less accumulated depreciation. Which of the

following is the relevant assertion?

Rights and obligations

Valuation

Completeness

Existence or occurrence

Question No: 43 (Marks: 3)

According to your understanding, what control objectives must be defined for bringing fairness in the Cash System of an entity?

Ans: first of all only authorized vouchers should be paid for n daily cash should be counted

Matched with cash in books

Question No: 44 (Marks: 3)

What are the Control Accounts? How they should be monitored in order to bring fairness in the

inventory system of an entity?

Question No: 45 (Marks: 3)

Suppose you have been appointed as the auditor of a company and have started examining the entity by taking initial interviews of the concerned personnel. During this course, one of the person from management has asked you the following information:

1. What are the matters about which an auditor may disagree with the management?
2. What should an auditor do if such disagreements are material?

Give your answers in brief

Question No: 46 (Marks: 5)

According to your knowledge, what tests of controls auditors usually perform for the evaluation

of Purchase Invoice of an entity?

Question No: 47 (Marks: 5)

What matters should the auditor consider for developing an overall audit plan for the expected scope and control of an audit?

Question No: 48 (Marks: 10)

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

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Question No: 49 (Marks: 10)

An unlisted public limited company undergoing expansion intends to create an internal audit department. The Managing Director (MD) has asked your advice and comments on each of the matters listed below:

1. The fundamental differences in the scope, approach, and responsibility between the internal and external auditor.
2. Whether it would be advisable to assign the responsibility of development of systems and
procedures to the internal auditor?

-

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Which of the following authorities shall fix the remuneration of the auditor, if auditors are appointed by the SCEP?(companies ordinance, 1984)

Directors

Shareholders

Company Registrar

SECP

The small audit firms provide the following services EXCEPT:

Liquidation and receivership work, fraud auditing

Financial management and system consultancy

Financial system planning and preparation

Tax management and statutory form filling

Which of the following audit process determines that whether entity is following specific procedures, rules or regulations set down by some higher authority?

Technical audit

Financial statement audit

Compliance audit

Operational audit

Reliability of audit evidence is influenced by all of the following factors EXCEPT:

Source and the nature of the information

Timeliness

Objectivity

Quantity

Which statement cannot be highlighted as a merit of audit process?

It settles the dispute between management

It helps the auditor to give more constructive advice top management

Its help to restrict sole proprietor to by changing some fee

It gives strength to the company for acquiring the finance

For better assessing the audit risk, auditor inquires different groups in the organizations

EXCEPT:

Board of governance and top level management

Legal counsel

Middle level management

Stakeholders

Which of the following is the least concern to an auditor regarding the client's internal control system?

Efficiency and effectiveness of operations

Controls related to the reliability of financial reporting

Controls over classes of transactions

Auditors are equally concern with each of the given issues

During test of control procedure its design can easily tested with the help of:

ICQs and walk through tests

ICQs and judgment sample

ICQs and random sample

ICQS and ICEC

Testing the Design:

Proper design of internal control is tested through ICQs and ICEC.

Internal source of audit evidence for an entity includes the following EXCEPT:

Associated companies of the entity

Accounting systems, records and documents

Non-financial data and records

Management representation and discussion

Associated company is not internal source.

An “Associated Company” is an entity in which the Company has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity. Associated Companies are accounted for using the equity method. Significant influence is generally presumed when the Company holds between 20 percent and 50 percent of the voting rights.

Which of the following is TRUE?

The audit profession is unregulated

The audit profession is regulated by its own professional body

Outside bodies sometimes become involved in the regulation of audit profession

The audit profession is regulated only by the government

-

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Fall Semester 2008
Fundamentals of Auditing (ACC311)
Quiz # 01

1. Which one of the following cannot be considered as the essential feature of Auditing?
 1. An auditor is involved in the examination of financial statements
 2. **b. The auditor is responsible for the preparation of the financial statements**
 1. The end result of an audit is an opinion to assist the user of the financial statements.
 2. The auditor should be independent of the entity
 1. It is difficult to prepare financial reports that fairly present a company's financial position without the expertise of an external auditor
 2. It is management's responsibility to seek available independent aid in the appraisal of financial information shown in its financial reports
 3. **c. The opinion of an independent party is needed because a company may not be objective with respect to its own financial reports**
 3. It is a customary courtesy that all shareholders of a company receive an
-
2. Which one of the following best describes why an independent auditor is asked to express an opinion on the presentation of financial reports?

independent report on management's stewardship of the affairs of the business

1. The audit which is a review of any part of an entity's operating procedures and methods

is known as which one of the following?

1. Financial statement audits

2. **b. Operational audits**
 3. Technical Audits
 4. Compliance audits
 5. Financial report
 6. Financial statement
 7. Director's report
 8. **d. Auditor's report**
4. Which one of the following is considered as the formal opinion, or disclaimer thereof, issued by an independent auditor as a result of audit or evaluation performed on a legal entity?
5. Which of the following statements is true?
1. The auditing profession is unregulated
 2. **b. The auditing profession is regulated only by its own professional body**
 1. Outside bodies sometimes become involved in the regulation of the audit profession
 2. The auditing profession is regulated only by the government
6. Which one of the following primary assertions is satisfied when an auditor ensures that there are no unrecorded assets, liabilities, transactions or events or undisclosed items in the client's financial records?
1. Valuation
 2. **b. Completeness**
 3. Existence
 4. Rights and obligations
7. Internal control is primarily established within a company to do which of the following?
1. **a. To prevent fraud in the company affairs**
 2. To provide reasonable assurance that the company's objectives will be achieved
 3. To catch all errors that may occur in the company
 4. To aid in the effective auditing of the company
8. Fixation of remuneration of auditors can be determined by the following authorities EXCEPT: (*Companies Ordinance, 1984*)
1. Directors
 2. **b. Company secretary**
 3. Commission
 4. Members

9. A leather goods manufacturing company has started its operations in year 2001. After five years of conducting successful business, it has become a listed company recently. Now, the company is required to hire its first auditors, but neither the directors nor the members could appoint the auditors during the past 4 months since the incorporation of the company.

Select among the following authorities who can appoint the auditors in this situation?
(*Companies Ordinance, 1984*)

1. Company secretary
2. **b. Company registrar**
3. Commission
4. Institute of Chartered Accountants of Pakistan (ICAP)

10. A company has hired auditors who have performed the audit process in accordance with the auditing standards, but they fail to present its report. According to the Company law, 1984, the auditors shall be liable for which one of the following liabilities?

1. Criminal liability
2. Liability for misfeasance
3. **c. Liability for negligence**
4. Accounting liability

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<http://vustudents.ning.com/group/acc311fundamentalsofauditing/forum/topics/acc311-fundamentals-of-auditing-final-term-solved-papers-mega-file#ixzz2LHVWG4Ag>

Question no.1 (Marks 03)

1. Define the (Tolerable error)
2. Difference Between the Sampling and (Tolerable error).

Question no.2 (Marks 03)

What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?

Question no.3 (Marks 03)

Enlist the typical control procedures at key stages of the sales cycle.

Question no.4 (Marks 03)

What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?

Question no.5 (Marks 05)

Discuss the factors which influence auditors judgment regarding sample size for tests of control?

Question no.6 (Marks 05)

Suppose that your supervisor has asked you to carry out an internal control review of the inventory system of a manufacturing company. What internal control procedures would you examine in respect of the following functions of the inventory system?

- **Arithmetical Accuracy (Very Important Question)**

Question no.7 (Marks 05)

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

Question no.8 (Marks 05)

What matters should the auditor consider for developing an overall audit plan for the expected scope and control of an audit?

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