**Fundamentals of Auditing (ACC311)**

**Solved MCQ’s**

**1#-Tolerable error and sample size have**

**Options:**

A direct relationship

**An inverse relationship**

 No relation

None of the given options

**2#- Sample risk and sample size have**

**Options:**

A direct relationship

**An inverse relationship**

 No relation

 None of the given options

**3#-Where the auditor relies more on the system of internal control the circumstance warrant:**

**Options:**

 He spends more time on audit

**Effectiveness of the audit is affected**

 Efficiency of the audit is affected

 Reliability of the results of the tests is affected

**4#-The auditor should select sample in such a way that:**

**Options:**

All important items should be selected

 All items containing misstatement should be selected

 All items in the population are selected

**All items in population have an opportunity of being selected**

**5#-Stratification is a process of dividing a population into sub- populations which have**

**Options:**

Heterogeneous characteristics

 Nothing in common

 Lot of sampling units

**Homogeneous characteristics**

**6#-Test of controls comprise of testing of all EXCEPT**

**Options:**

Design

 Implementation

**Operating efficiency**

 Operating effectiveness

**7#-Analytical procedures are carried out for which one of the following purposes?**

**Options:**

**To reduce detection risk**

 To assess inherent risk

 To reduce control risk

 To determine detection risk

**8#-Nature of audit procedure â€™ refers to which one of the following description?**

**Options:**

**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 when audit procedures are to be 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

It refers to the nature of testing and their procedures that is designing structuring and compiling work to be done

**9#-The auditors are required to perform tests of controls when:-**

**Options:**

 The internal controls are operating inefficiently substantive procedures alone provide sufficient appropriate audit evidence at the assertion level.

**Substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level.**

 Analytical procedures alone do not provide sufficient appropriate audit evidence at the assertion level.

**10#-Following descriptions are the examples of substantive testing EXCEPT:-**

**Options:**

 Test of account balances to verify the correctness of the amounts

**Verification that an operating system and/or applications are configured appropriately to the companies needs**

 Review of minutes of directors; meetings and inquiry

 Use of statistical sampling to determine the accuracy of financial statement figures

**11#-How often the Bank reconciliations should be prepared?**

**Options:**

 Weekly

**Monthly**

 Quarterly

 Annually

**12#-How often Inventory levels should be checked against the inventory records in order to keep its control effectively?**

**Options:**

Rarely

**Periodically**

Never

Daily

**13#-What auditors seek in the register of non current assets for each major group of assets?**

**Options:**

 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

**14#-Which one of the following may NOT consist of any verification methods?**

**Options:**

**Closing balance**

 Acquisitions

 Disposals

 Reconciliation

**15#-Which one of the following may not be any matter relevant to verification of assets?**

**Options:**

 Taxation

**Vouching**

 Insurance

 The letter of representation

**16#-Which one of the following aspects of assets must be verified?**

**Options:**

 Cost and authorization

 Value and existence

**Beneficial investment**

 Presentation in the accounts

**17#-An Automobile Company hires auditors at the year end. Auditors are at the stage of verification and vouching of company at financials. Before examining the equity section they develop general aspects concerning the owner at equity. In your opinion which one of the following aspects may NOT be considered by the auditors during this assessment?**

**Options:**

 Share capital is properly classified and described in the accounts

**Capital stock is enough to execute the company at financial needs**

 Reserves are properly classified and presented

 Movements in reserves are properly authorized

**18#-Non-current assets manufactured or constructed by the company itself should reflect which types of costs in the costing records?**

**Options:**

**Direct costs plus relevant overhead but not include any profit**

 Direct costs plus relevant overhead and any profit earned on it

 Indirect costs plus relevant overhead but not include any profit

 Indirect costs plus relevant overhead and any profit earned on it

**19#-Which one of the following matters should be included in the letter of representation?**

**Options:**

 Existence of any immaterial mistake in the statements

**Existence of any fraud or error in the statements**

Company at growth trend in the future in figures

Market value of the company at stock

**20#-Who should prepare the annual capital expenditure budgets of the company in order to keep effective?**

**Options:**

 Someone directly responsible to the shareholders

 Someone directly responsible for goods delivery to the customers

**Someone directly responsible to the board of directors**

 Someone directly responsible to deal with the suppliers