

ACC311- Fundamental of Accounting

MCQS Mega File

Prepared By

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Solved Quizzes

Question:

Which one of the following persons are responsible for the preparation of Audit engagement later?

Options:

Auditor

Client

Company registrar

Company secretary

Question:

Who is responsible for designing and preparing the financial statements?

Options:

Auditor

Management

Accountant

Company secretary

Question:

Which one of the following is the method of assessing the internal control system of an entity?

Options:

Audit procedures

Audit evidence

Compliance audit

Technical analysis

Question:

The purpose of engagement letter includes the following EXCEPT:

Options:

To defines the auditor's responsibilities clearly

To minimize misunderstandings between the client and auditors

To educate the client

To help the auditor in preparing audit report

Question:

A manufacturing company wants to hire external auditors who examine the activities operations procedures and processes of each department of the company. The company follows the local and international laws rules and regulations and also has set standards for the efficiency and effectiveness. The company shall have to provide the access of all kind of operational information that will be required to the auditors as audit evidences. Considering the above situation select the most suitable type of audit which the company should opt?

Options:

Compliance audit

Operational audit

Technology audit

Financial audit

Question:

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?

Options:

Financial report

Financial statement

Director's report

Auditor's report

Question:

Which of the following statements is true?

Options:

The auditing profession is unregulated

The auditing profession is regulated only by its own professional body

Outside bodies sometimes become involved in the regulation of the audit profession

The auditing profession is regulated only by the government

Question:

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 financial records?

Options:

Valuation

Completeness

Existence

Rights and obligations

Question:

Internal control is primarily established within a company to do which of the following? **Options:**

To prevent fraud in the company affairs

To provide reasonable assurance that the company's objectives will be achieved

To catch all errors that may occur in the company

To aid in the effective auditing of the company

The following authorities can determine fixation of remuneration of auditors EXCEPT: (Companies Ordinance 1984)

Options:

Directors

Company secretary

Commission

Members

Question:

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)

Options:

Company secretary

Company registrar

Commission

Institute of Chartered Accountants of Pakistan (ICAP)

Question:

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?

Options:

Criminal liability

Liability for misfeasance

Liability for negligence

Accounting liability

Question:

DBMSes & Databa ses are same things.

Options: false true

Question:

Audit sampling conducted

Options:

On selected number of items

On Whole population

On specific no of items

All of the given options

Question:

Advantages of Audit Sampling

Options:

Economical

Time Saving

More Practical

All of the given options

Question:

Which of the following is the component of audit risk?

Options:

Inherent risk

Control risk

Detection risk

All of the given options

Question:

Which of the following is not needed to be verified at the time of verification of Equity? **Options:**

Share capital classification

Movement in share capital

Preliminary expenses are properly write off

Movements in reserves

*

Question:

Which of the following is needed to be verified at the time of verification of Account Balances?

Options:

Look over any significant reconciling items of an unusual nature

Inspect about outstanding stale cheques

Acquire direct bank confirmation

All of the given options

Question:

Tolerable error and sample size have

Options:

A direct relationship

An inverse relationship

No relation

None of the given options

Question:

Sample risk and sample size have

Options:

A direct relationship

An inverse relationship

No relation

None of the given options

Question:

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

Question:

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

Question:

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

Question:

Test of controls comprise of testing of all EXCEPT

Options:

Design

Implementation

Operating efficiency

Operating effectiveness

Question:

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

Question:

Nature of audit procedure™ 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 (quantity of audit evidence)

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

Question:

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.

Question:

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

Question:

How often the Bank reconciliations should be prepared?

Options:

Weekly

Monthly

Quarterly

Annually

Question:

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

Options:

Rarely

Periodically

Never

Daily

Question:

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

Question:

Which one of the following may NOT consist of any verification methods?

Options:

Closing balance

Acquisitions

Disposals

Reconciliation

Question:

Which one of the following may not be any matter relevant to verification of assets? **Options:**

Taxation

Vouching

Insurance

The letter of representation

Question:

Which one of the following aspects of assets must be verified?

Options:

Cost and authorization

Value and existence

Beneficial investment

Presentation in the accounts

Question:

An Automobile 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 develop 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?

Options:

Share capital is properly classified and described in the accounts

Capital stock is enough to execute the company's financial needs

Reserves are properly classified and presented

Movements in reserves are properly authorized

Question:

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

Question:

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's growth trend in the future in figures

Market value of the company's stock

Question:

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

Mega File of 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
- 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

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
- 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

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

2. 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

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.

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

Question # 1 of 20 (Start time: 10:41:36 PM)

Total Marks: 1

Books of account refer to which one of the followings?

Select correct option:

Original entries

Primary entries

Double entries

Original and secondary entries

Question # 2 of 20 (Start time: 10:42:47 PM)

Total Marks: 1

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

Select correct option:

They are not required if the control environment is s

They should generally be all manual

They should generally be all automated

They can be either manual or automated

Question # 3 of 20 (Start time: 10:43:23 PM)

Total Marks: 1

Which one of the following is generally considered as the weakest form of audit evidence?

Select correct option:

Actual physical evidence

Documentary evidence obtained from outside the cc

Documentary evidence obtained from inside the con

Replies by company employees to auditor oral inquir

Question # 4 of 20 (Start time: 10:44:54 PM)

Total Marks: 1

Who has the responsibility of establishing and maintaining an entity's internal control structure?

Select correct option:

The independent auditor

The Management

The audit committee

The internal auditor

Question # 5 of 20 (Start time: 10:46:13 PM)

Total Marks: 1

John is responsible for custody of the finished goods in the warehouse. If his company wishes to maintain strong internal control, which one of the following responsibilities is mismatched with his primary job?

Select correct option:

He is also responsible for the company's fixed asse

He is responsible for receiving of goods into the w a

He is responsible for the accounting records for all i

He is responsible for issuing goods for shipment

Question # 6 of 20 (Start time: 10:47:44 PM)

Total Marks: 1

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

Select correct option:

Increased use of computers for recording accountin

Increased reliance on internal auditors to monitor ac

Segregation of incompatible duties across several p

Having internal auditors report only to the Board of I

Question # 7 of 20 (Start time: 10:49:12 PM)

Total Marks: 1

Which one of the following titles is used by the auditors for recognizing themselves in a ‘team of audit professionals’?

Select correct option:

Audit firm

Chartered Accountants

Audit Team

Chartered Accountant Company

Question # 8 of 20 (Start time: 10:50:08 PM)

Total Marks: 1

Which one of the following is TRUE about Narrative Notes?

Select correct option:

Notes can take up a disproportionate amount of spa

Notes are complex way of describing systems

Notes is becoming increasingly widely used techniq

Notes portray the flow of document

Question # 9 of 20 (Start time: 10:51:21 PM)

Total Marks: 1

Following are the types of financial statements EXCEPT:

Select correct option:

Profit and loss account

Balance sheet

Statement of compliance

Statement of ow ner's equity

Question # 10 of 20 (Start time: 10:53:01 PM)

Total Marks: 1

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

Select correct option:

Financial report

Source documents

Accounting register

Books of accounts

Question # 11 of 20 (Start time: 10:54:37 PM)

Total Marks: 1

Which one of the following is a diagrammatical representation of an accounting system?

Select correct option:

Organization charts

Flow charts

Internal control questionnaires (ICQs)

Internal control evaluation checklists (ICEC)

Question # 12 of 20 (Start time: 10:55:55 PM)

Total Marks: 1

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

Select correct option:

- Engagement letter
- Audit procedures
- Audit evidence
- Reasonable assurance

Question # 13 of 20 (Start time: 10:57:22 PM)

Total Marks: 1

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

Select correct option:

- Observations of Activities and operations
- Inspection of Documents and records
- Reading Management reports
- Visit to other companies in the industry

Question # 14 of 20 (Start time: 10:58:42 PM)

Total Marks: 1

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?

Select correct option:

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

Question # 15 of 20 (Start time: 11:00:04 PM)

Total Marks: 1

Trend analysis and vertical analysis are two important examples of:

Select correct option:

- Test of controls
- Analytical procedures
- Financial statement analysis
- Financial information analysis

Question # 16 of 20 (Start time: 11:01:25 PM)

Total Marks: 1

The basic purpose of financial statements audit is to enable the auditor to:

Select correct option:

Disclosed the errors and omission

Investigate a fraud

Express an opinion on the financial statements

Express an opinion on the efficiency of management

Question # 17 of 20 (Start time: 11:02:54 PM)

Total Marks: 1

Which liability shall be imposed, if auditors fail to certify the receipts and payments accounts in the statutory report?

Select correct option:

Criminal liability

Civil liability

Accounting liability

Personal liability

Question # 18 of 20 (Start time: 11:04:25 PM)

Total Marks: 1

Which one of the following conditions should be met in case of 'Negligence' under the Law of Tort?

Select correct option:

- Loss or damage incurs
- Breach of care
- No loss incurs
- Existence of fraud

Question # 19 of 20 (Start time: 11:05:58 PM)

Total Marks: 1

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

Select correct option:

- Its mean if payment is made w ithin 20 days, seller can and later on no discount allow ed till payment date ((
- Its mean if payment is made betw een 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 % & after due date just 5 % discount w ill be allow ed

Question # 20 of 20 (Start time: 11:08:06 PM)

Total Marks: 1

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

- Integrity and ethical values
- Risk assessment
- Commitment to competence
- Organizational structure

Quiz Start Time: 08:53 PM

Question # 1 of 20 (Start time: 08:53:58 PM)

Total Marks: 1

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

BC120403707 : Faiza Nisar

Time Left 86 sec(s)

Quiz Start Time: 08:53 PM

Question # 2 of 20 (Start time: 08:55:15 PM)

Total Marks: 1

The material misstatement in the financial statements shows that:

Select correct option:

Some material (asset) were ignored to record in the

Some material (inventory) were ignored to record in

Some untrue information is included in financial state

Some true information is ignored to record in financi

Question # 3 of 20 (Start time: 08:56:33 PM)

Total Marks: 1

While performing a financial statement audit, auditors of the company would be least interested in which one of the following?

Select correct option:

Internal control

Compliance with GAAP

Fairness of the financial statement amounts

Quality of managements' business decisions

The management is forced to adopt the Auditing process for avoiding the factors exists in financial statements EXCEPT?

Select correct option:

Errors & Frauds

Inadvertently or deliberately misleading

Information show ing company's current position

Unable to disclosed relevant information

The quantifiable information for compliance audit is available through which one of the following records?

Select correct option:

Company records

Auditor's report

Financial statements

Prospectus

Question # 6 of 20 (Start time: 09:00:08 PM)

Total Marks: 1

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 consulta

Can help in liquidation and disposal process

Can help for investigation of fraud

Question # 7 of 20 (Start time: 09:01:23 PM)

Total Marks: 1

During audit process auditor is responsible to take care of:

Select correct option:

Risk that affects the Internal control working

Risk that affects his appointment as an auditor

Risk that affects the financial statements

All of above

Question # 8 of 20 (Start time: 09:02:45 PM)

Total Marks: 1

In Pakistan, the profession of auditing is allied with which one of the following institutions?

Select correct option:

Securities and Exchange Commission of Pakistan

Institute of Chartered Accountants of Pakistan

Finance Ministry of Pakistan

Chartered Accountants

Question # 9 of 20 (Start time: 09:04:12 PM)

Total Marks: 1

Which one of the following is necessary to obtain for ICAP members in order to become eligible for doing audit of an entity?

Select correct option:

Membership

License

Certificate

Degree

Question # 10 of 20 (Start time: 09:04:29 PM)

Total Marks: 1

Which one of the following stages does not come in the audit process?

Select correct option:

Audit appointment

Engagement letter, initial planning

Preparation of financial reports

Preparation and signing of the auditor report

Question # 11 of 20 (Start time: 09:05:52 PM)

Total Marks: 1

Which one of the following is the most favorable type of audit report opinion for the client to receive?

Select correct option:

Qualified

Unqualified Disclaimer Full assurance

Question # 12 of 20 (Start time: 09:07:03 PM)

Total Marks: 1

Which paragraph of the standard audit opinion states that the financial statements are the responsibility of the company's management?

Select correct option:

 Conclusion paragraph Introductory paragraph Scope paragraph Opinion paragraph

Question # 13 of 20 (Start time: 09:08:32 PM)

Total Marks: 1

The auditor's opinion is based upon which one of the following?

Select correct option:

Question # 14 of 20 (Start time: 09:09:55 PM)

Total Marks: 1

IAPS stands for:

Select correct option:

International Accounting Performance Statements

International Auditing Practice Statements

International Accounting Performance Standards

Question # 15 of 20 (Start time: 09:11:12 PM)

Total Marks: 1

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?

Select correct option:

Auditor's liability

Professional ethics

Professional Skepticism

Auditor's opinion

Question # 16 of 20 (Start time: 09:12:35 PM)

Total Marks: 1

Which one of the following titles is used by the auditors for recognizing themselves as a 'team of audit professionals'?

Select correct option:

Question # 17 of 20 (Start time: 09:13:59 PM)

Total Marks: 1

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

Select correct option:

Inherent limitations of accounting and internal contro

Remuneration of the auditor

Persuasive nature of audit evidence

Question # 18 of 20 (Start time: 09:15:27 PM)

Total Marks: 1

Who has the responsibility of establishing and maintaining an entity's internal control structure?

Select correct option:

The independent auditor

The Management

The audit committee

The internal auditor

Question # 19 of 20 (Start time: 09:16:57 PM)

Total Marks: 1

SECP stands for which one of the following?

Select correct option:

Securities and Exchange Collaboration of Pakistan

Securities and Exchange Consortium of Pakistan

Securities and Exchange Commission of Pakistan

Securities and Exchange Constitution of Pakistan

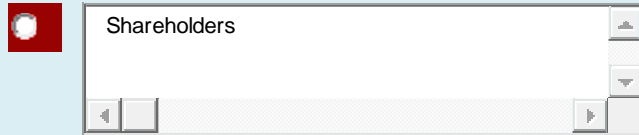
Question # 20 of 20 (Start time: 09:18:23 PM)

Total Marks: 1

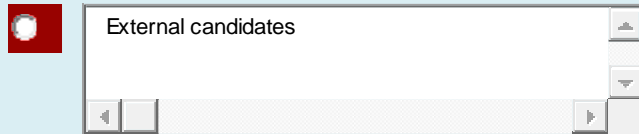
According to Companies Ordinance 1984, any casual vacancy shall be filled by which one of the following authorities? (Companies Ordinance, 1984)

Select correct option:

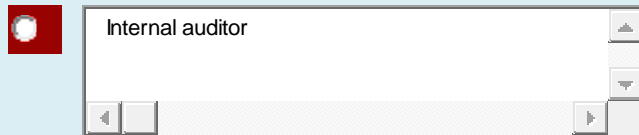
Directors



Shareholders



External candidates



Internal auditor

ACC311

Fundamental of auditing

Solved MCQz

Question:

Which one of the following persons is responsible for the preparation of Audit engagement later?

Options:

Auditor

Client

Company registrar

Company secretary

Question:

Who is responsible for designing and preparing the financial statements?

Options:

Auditor

Management

Accountant

Company secretary

Question:

Which one of the following is the method of assessing the internal control system of an entity?

Options:

Audit procedures

Audit evidence

Compliance audit

Technical analysis

Question:

The purpose of engagement letter includes the following EXCEPT:

Options:

To defines the auditor responsibilities clearly

To minimize misunderstandings between the client and auditors

To educate the client

To help the auditor in preparing audit report

Question:

A manufacturing company wants to hire external auditors who examine the activities operations procedures and processes of each department of the company. The company follows the local and international laws rules ad regulations and also has set standards for the efficiency and effectiveness. The company shall have to provide the access of all kind of operational information that will be required to the auditors as audit evidences. Considering the above situation select the most suitable type of audit which the company should opt?

Options:

Compliance audit

Operational audit

Technology audit

Financial audit

Question:

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?

Options:

Financial report

Financial statement

Director report

Auditor's report

Question:

Which of the following statements is true?

Options:

The auditing profession is unregulated

The auditing profession is regulated only by its own professional body

Outside bodies sometimes become involved in the regulation of the audit profession

The auditing profession is regulated only by the government

Question:

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 financial records?

Options:

Valuation

Completeness

Existence

Rights and obligations

Question:

Internal control is primarily established within a company to do which of the following? **Options:**

To prevent fraud in the company affairs

To provide reasonable assurance that the company's objectives will be achieved

To catch all errors that may occur in the company

To aid in the effective auditing of the company

The following authorities can determine fixation of remuneration of auditors EXCEPT: (Companies Ordinance 1984)

Options:

Directors

Company secretary

Commission

Members

Question:

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)

Options:

Company secretary

Company registrar

Commission

Institute of Chartered Accountants of Pakistan (ICAP)

Question:

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?

Options:

Criminal liability

Liability for misfeasance

Liability for negligence

Accounting liability

Question:

DBMSes & Databa ses are same things.

Options: false true

Question:

Audit sampling conducted

Options:

On selected number of items

On Whole population

On specific no of items

All of the given options

Question:

Advantages of Audit Sampling

Options:

Economical

Time Saving

More Practical

All of the given options

Question:

Which of the following is the component of audit risk?

Options:

Inherent risk

Control risk

Detection risk

All of the given options

Question:

Which of the following is not needed to be verified at the time of verification of Equity? **Options:**

Share capital classification

Movement in share capital

Preliminary expenses are properly write off

Movements in reserves

Question:

Which of the following is needed to be verified at the time of verification of Account Balances?

Options:

Look over any significant reconciling items of an unusual nature

Inspect about outstanding stale cheques

Acquire direct bank confirmation

All of the given options

Question:

Tolerable error and sample size have

Options:

A direct relationship

An inverse relationship

No relation

None of the given options

Question:

Sample risk and sample size have

Options:

A direct relationship

An inverse relationship

No relation

None of the given options

Question:

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

Question:

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

Question:

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

Question:

Test of controls comprise of testing of all EXCEPT

Options:

Design

Implementation

Operating efficiency

Operating effectiveness

Question:

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

Question:

Nature of audit procedure 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 (quantity of audit evidence)
- . It refers to the nature of testing and their procedures that is designing structuring and compiling work to be done

Question:

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.

Question:

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

Question:

How often the Bank reconciliations should be prepared?

Options:

Weekly

Monthly

Quarterly

Annually

Question:

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

Options:

Rarely

Periodically

Never

Daily

Question:

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

Question:

Which one of the following may NOT consist of any verification methods?

Options:

Closing balance

Acquisitions

Disposals

Reconciliation

Question:

Which one of the following may not be any matter relevant to verification of assets? **Options:**

Taxation

Vouching

Insurance

The letter of representation

Question:

Which one of the following aspects of assets must be verified?

Options:

Cost and authorization

Value and existence

Beneficial investment

Presentation in the accounts

Question:

An Automobile Company hires auditors at the year end. Auditors are at the stage of verification and vouching of company financials. Before examining the equity section they develop general aspects concerning the owner 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 financial needs

Reserves are properly classified and presented

Movements in reserves are properly authorized

Question:

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

Question:

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 growth trend in the future in figures

Market value of the company stock

Question:

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

Question # 13 of 20 (Start time: 11:16:30 PM)

Total Marks: 1

Civil liability arises against auditor only if:

Select correct option:



He fails to obtained proper reasonable assurance



Some negligence of his part founded

Breach of duty by the auditor

All of above

▶ Click here to Save Answer & Move to Next Question

Question # 14 of 20 (Start time: 11:16:39 PM)

Total Marks: 1

The management is forced to adopt the Auditing process for avoiding the factors exists in financial statements EXCEPT?

▶ **Select correct option:**

Errors & Frauds

Inadvertently or deliberately misleading

Information showing company's current position

Unable to disclosed relevant information

▶ Click here to Save Answer & Move to Next Question

Question # 15 of 20 (Start time: 11:17:26 PM)

Total Marks: 1

Which one of the following titles is used by the auditors for recognizing themselves in a 'team of audit professionals'?

▶ **Select correct option:**

Audit firm

Chartered Accountants

Audit Team

Chartered Accountant Company

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

Question # 16 of 20 (Start time: 11:17:49 PM)

Total Marks: 1

Surplus in case of revaluation of fixed assets should be reported as:


 Select correct option:

Shown in fixed asset ledger account

Included in Capital & reserve

Shown in balance sheet before Capital & reserve

Shown in balance sheet after Capital & reserve

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


Question # 17 of 20 (Start time: 11:18:15 PM)

Total Marks: 1

Internal control is primarily established within a company to achieve which one of the following objectives?

 Select correct option:

- To prevent fraud
- To provide reasonable assurance that the company'
- To catch all errors that may occur in the company
- To aid in the effective auditing of the company

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

Total Marks: 1

Which one of the following primary assertions is satisfied when an auditor observes that the assets or liabilities are recorded at the appropriate carrying values in the client's financial records?

 Select correct option:

- Existence
- Completeness
- Valuation



Rights and obligations



Click here to Save Answer & Move to Next Question

Time Left

82
sec(s)



Question # 19 of 20 (**Start time: 11:19:05 PM**)

Total Marks: 1

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



Select correct option:



Financial statement audits



Operational audits



Technical audits



Compliance audits



Click here to Save Answer & Move to Next Question

Question # 20 of 20 (**Start time: 11:19:52 PM**)

Total Marks: 1

Risk assessment procedures include which one of the following?



Select correct option:

The screenshot displays a search results window with four entries, each featuring a red circular icon with a white magnifying glass on the left and a search bar on the right. The search bars contain the following text:

- Inquiries of management and others within the entit
- Preparing the audit reports
- Segregation of duties
- Internal control questionnaire development

Each search bar has a magnifying glass icon on the right and a scroll bar below it.

MCQs

1. Standard format of Auditor's Report as per the Companies Ordinance 1984 is described in which one of the following Legal Forms?
D. Form35A
2. IFRS stands for which one of the following?
A. International Financial Reporting Standards
3. Which of the following is NOT one of the five major components of internal control?
D. 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:
D. 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?
B. 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
7. Which one of the following is NOT required as part of the audit process?
D. Procedures to obtain an understanding of the internal control structure
8. SECP stands for which one of the following?
C. 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?
C. 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?
B. 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
12. Which one of the following cannot be considered as the essential feature of Auditing?
The auditor is responsible for the preparation of the financial statements
13. Which one of the following best describes why an independent auditor is asked to express an opinion on the presentation of financial reports?
The opinion of an independent party is needed because a company may not be objective with respect to its own financial reports
14. 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?
Operational audits
15. 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?
Auditor's report
16. Which of the following statements is true?
The auditing profession is regulated only by its own professional body
17. 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?
Completeness
18. Internal control is primarily established within a company to do which of the following?

To prevent fraud in the company affairs

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

Company secretary

20. 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*)

Company registrar

21. 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?

Liability for negligence

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

Record the cash sales at the point they are made

23. 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. Auditors conduct auditing in accordance with
International Financial Reporting Standards
Local pronouncements/Legislations
Financial Accounting Standards Board

All of the given options

24. 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?

Completeness

25. Completeness means that all transactions and relevant information has been recorded according with applicable ifrs as well as legislations. Which one of the following statements is **NOT** true about the internal control system of a company?

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

26. Internal control systems always minimize risk but never these can eliminate risks absolutely in auditing and accounting noting is absolute. Who shall fix the remuneration of the auditors, if auditors of a company are appointed by the shareholders? (*Companies Ordinance, 1984*)

Shareholders

27. 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*)

- **Securities and Exchange Commission**

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

Accounts office of the company

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

Ledger

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

Balance sheet

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

Should include simple yes or no responses but not narrative responses

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

A written confirmation from a bank

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

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

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

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

33. 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?

Require that each customer be given a receipt of their purchase

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

Bad Debts

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

Proof of issuance date

36. 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?

Evidence of approval of requisitions

More Quizzes

1. 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?

Wages

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

Next of kin

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

Periodically

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

Observing the counting of inventory

4. 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?

Cheque

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

An attempt to hide the loss of cash received from one customer by using cash from another customer or customers to replace it

6. 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?

Assets of the company are properly classified and presented

7. Following are the points considered during the verification of bank balances **EXCEPT**:
Ensure that the creditors have been paid for their loan amount

8. 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?

Haphazard sampling

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

Systematic selection

10. Following statements describes the functions of internal auditing EXCEPT:

It is an activity which entails appraising the entity's strategies and expressing an opinion on the financial statements

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

Surveillance of company operations and procedures

12. What is NOT required as part of the audit process?

Procedures to obtain an understanding of the internal control structure

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

Future prospects of the company's growth

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

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

15. 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

16. Analytical procedures are performed as a substantive test to achieve. Which of the following objectives?

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

17. 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?

Engagement letter

18. 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?

Owners' equity

19. All expenditures incurred through petty cash should be recorded in which one of the following?

Voucher

20. Which one of the following International Auditing Standards deals with the Audit Materiality?

ISA - 320

Property, plant and equipment are stated at cost less accumulated depreciation. Which of the following is the relevant assertion?

Valuation

21. According to your understanding, what control objectives must be defined for bringing fairness in the Cash System of an entity?

First of all only authorized vouchers should be paid for n daily cash should be counted Matched with cash in books

22. What are the Control Accounts? How they should be monitored in order to bring fairness in the inventory system of an entity?

Quiz July 4, 2014

Question # 1 of 20 (Start time: 05:52:12 PM) **Total Marks: 1**

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

Select correct option:

<input type="radio"/>	
<input type="radio"/>	Identifying the slow-moving inventory
<input type="radio"/>	Obtaining a letter of representation from the manag
<input type="radio"/>	Observing the counting of inventory

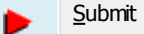
[Click here to Save Answer & Move to Next Question](#)

Question # 2 of 20 (Start time: 05:52:43 PM) **Total Marks: 1**

Which of the following is true about Audit process?

Select correct option:

<input type="radio"/>	It is an examination done by an independent auditor
<input type="radio"/>	
<input type="radio"/>	It is an examination done by the governmental bodi
<input type="radio"/>	

 Submit

Question # 3 of 20 (Start time: 05:52:59 PM) **Total Marks: 1**

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

 **Select correct option:**

<input type="radio"/>	
<input type="radio"/>	Legal counsel
<input type="radio"/>	Middle level management
<input type="radio"/>	


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

Question # 4 of 20 (Start time: 05:53:27 PM) **Total Marks: 1**

The quantity of audit evidence needed is NOT effected by:

 **Select correct option:**

<input type="radio"/>	Risk of misstatement	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>
<input type="radio"/>	Quality of audit	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>
<input type="radio"/>	Inherent limitations	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>
<input type="radio"/>	Type of organization	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>

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

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Time Left 87
sec(s)

Quiz Start Time: 05:52 PM


Question # 5 of 20 (Start time: 05:53:55 PM) **Total Marks: 1**

Audit procedures are determined by which one of the following authorities?

 **Select correct option:**

<input type="radio"/>	Members of the company	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>
<input type="radio"/>	Management of the entity	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>

<input type="radio"/>	Appointing authority of the auditor	<input type="text"/>
<input type="radio"/>	Auditor	<input type="text"/>

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


Time Left **88**
sec(s) 

Question # 6 of 20 (Start time: 05:54:14 PM) **Total Marks: 1**

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

 **Select correct option:**

<input type="radio"/>	Computer database	<input type="text"/>
<input type="radio"/>	Cash registers	<input type="text"/>
<input type="radio"/>	Rough cash book	<input type="text"/>
<input type="radio"/>	Copies of Cash notes	<input type="text"/>


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

Question # 7 of 20 (Start time: 05:54:43 PM) **Total Marks: 1**

Which one of the following is NOT the feature of Internal Control Questionnaire (ICQ)?

 **Select correct option:**

<input type="radio"/>	Used in large company audit
<input type="radio"/>	Used to place reliance on internal controls
<input type="radio"/>	Used to design audit approach
<input type="radio"/>	Used to identify audit frauds


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Question # 8 of 20 (Start time: 05:55:25 PM) **Total Marks: 1**

A Modarba Company has just hired Auditors who have been involved in using ratio analysis, trend analysis, and common size analysis of financial as well as non financial information pertaining to the entity. In your opinion, the Auditors should be considered at which one of the following stages of 'Risk Assessment' of the company?

 **Select correct option:**

<input type="radio"/>	Inspection of the entity and others within the entity
<input type="radio"/>	Inquiries of management and others within the entit
<input type="radio"/>	Observation of the entity's procedures and all withir
<input type="radio"/>	Using analytical tools of risk assessment

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

Question # 9 of 20 (Start time: 05:56:44 PM)

Total Marks: 1

Adjustments should be made before ending the financial period. These adjustments regarding purchase system should be recorded in:

Select correct option:

<input type="radio"/>	Sales ledger control account	<input type="button" value="▲"/>	<input type="button" value="▼"/>	<input type="button" value="◀"/>	<input type="button" value="▶"/>
<input type="radio"/>	Purchase ledger control account	<input type="button" value="▲"/>	<input type="button" value="▼"/>	<input type="button" value="◀"/>	<input type="button" value="▶"/>
<input type="radio"/>	Goods return account	<input type="button" value="▲"/>	<input type="button" value="▼"/>	<input type="button" value="◀"/>	<input type="button" value="▶"/>
<input type="radio"/>	Goods received account	<input type="button" value="▲"/>	<input type="button" value="▼"/>	<input type="button" value="◀"/>	<input type="button" value="▶"/>

Click here to Save Answer & Move to Next Question

Question # 10 of 20 (Start time: 05:57:09 PM)


Total Marks: 1

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

Select correct option:

<input type="radio"/>	Associated companies of the entity	<input type="button" value="▲"/>	<input type="button" value="▼"/>	<input type="button" value="◀"/>	<input type="button" value="▶"/>
<input type="radio"/>	Accounting systems, records, and documents	<input type="button" value="▲"/>	<input type="button" value="▼"/>	<input type="button" value="◀"/>	<input type="button" value="▶"/>
<input type="radio"/>	Non-financial data and records	<input type="button" value="▲"/>	<input type="button" value="▼"/>	<input type="button" value="◀"/>	<input type="button" value="▶"/>

Management representation and discussion

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

Question # 11 of 20 (Start time: 05:57:24 PM) **Total Marks: 1**

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


 **Select correct option:**

Areas that may represent specific risks relevant to t

Material weaknesses in the internal control structure

The predictability of financial data from individual tra

The various assertions that are embodied in the fina

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Question # 12 of 20 (Start time: 05:57:53 PM) **Total Marks: 1**


Compensating balance of cash can be easily described with the help of following statement;

 **Select correct option:**

Carry forward amount of deposit

Amount that must be left on deposit and cannot be

<input type="radio"/>	Amount that is used to maintain service charges by
<input type="radio"/>	Amount that is required for opening a new account i

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Question # 13 of 20 (Start time: 05:58:10 PM) **Total Marks: 1**

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

 **Select correct option:**

<input type="radio"/>	Financial report
<input type="radio"/>	Source documents
<input type="radio"/>	Accounting register
<input type="radio"/>	Books of accounts


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

The auditor's opinion is based upon which one of the following?

 **Select correct option:**

<input type="radio"/>	
<input type="radio"/>	Audit procedures


<input type="radio"/>	
<input type="radio"/>	

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

Determining the sufficiency of the appropriate audit evidence is based upon which one of the following?

 **Select correct option:**

<input type="radio"/>	Upon the auditing standard - 8
<input type="radio"/>	Upon the auditor's qualification
<input type="radio"/>	Upon the auditor's judgment
<input type="radio"/>	Upon the client's judgment


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

IFRS stands for which one of the following?

 **Select correct option:**









<input type="radio"/>	International Financial Reporting Standards
<input type="radio"/>	International Financial Recording Systems
<input type="radio"/>	International Financial Recording Statements


International Financial Reporting Systems

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

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](#)

Law says that the general ledger account of petty cash will remain dormant at a set amount. It means that the custodian should maintain the petty cash balance equal to opening balance. This theory is named as;

 **Select correct option:**


	Petty cash system	
	Control system	
	Imprest system	
	Explicit system	

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

The various methods of ascertaining and documenting the internal control system of an entity include all of the following EXCEPT:

 **Select correct option:**

<input type="radio"/>	Organization charts	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>
<input type="radio"/>	Organization process graph	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>
<input type="radio"/>	Internal control questionnaires (ICQs)	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>
<input type="radio"/>	Internal control evaluation checklists (ICEC)	<input type="button" value="▲"/> <input type="button" value="▼"/> <input type="button" value="◀"/> <input type="button" value="▶"/>

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

More Quizzes

1. Which one of the following meetings is considered as a 'meeting of members'?
 - General meeting
 - Board meeting
 - Management meeting
 - Employees meeting
2. Any private company can appoint as an auditor by the organization only if:
 - Private company having capital is 3 million
 - Private company having capital is 30 Lac
 - Private company having capital is 0.003 billion
 - All of above
3. Which statement cannot be highlighted as a merit of audit process?

- It settled the disputes between management
 - It helps the auditor to give more constructive advice to management
 - It helps to restrict sole proprietors to be a member by charging some fee
 - It gives strength to the company for acquiring the finance
4. The material misstatement in the financial statements shows that:
 - Some material (asset) were ignored to record in the financial statements
 - Some material (inventory) were ignored to record in the financial statements
 - Some untrue information is included in financial statements 3
 - Some true information is ignored to record in financial statements
 5. 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?
 6. An auditor can obtained the information regarding financial performance of the entity through different sources. Which one from the following is not a valid sources of information?
 7. Which one of the following statements is true regarding control procedures? Q4 Financial information is generated initially through which one of the following sources?
 8. While conducting operational audit, which one of the following auditing procedures does the auditor primarily rely upon?
 9. Which one of the following is the most favorable type of audit report opinion for the client to receive?
 10. The auditor's understanding of the client's internal control system is documented in order to substantiate which one of the following requirements?
 11. Auditor adopts different control procedures for testing of sales system of a company. Which control procedure is not used in testing the sales system?
 12. If auditor fails to follow the section 417, he should be liable of penalty in shape of:
 13. Which one of the following is TRUE about Narrative Notes?
 14. According to Companies Ordinance 1984, any casual vacancy shall be filled by which one of the following authorities? (Companies Ordinance, 1984)
 15. Which of the following element is NOT considered while preparing pay slip of any worker?
 16. Which one of the following is responsible for preparing the financial statements of a company?
 17. Which one of the following may NOT be the control procedure at key stages of the purchase cycle?
 18. 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?
 19. GRN (Goods Received No) should be checked against which of the following document?
 20. 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?

21. Which one of the following titles is used by the auditors for recognizing themselves in a 'team of audit professionals'?
22. Risk assessment procedures include which one of the following?
23. During tests of control procedure its design can easily tested with the help of:
24. Auditor adopts different control procedures for testing of sales system of a company. Which control procedure is not used in testing the sales system?
25. According to the requirements of auditing standards for Wages and Salaries, who should be allowed to take wages of another employee in a company?
26. Which of the following matters should be included in the letter of representation?
27. All of the following roles are undertaken by the internal auditors EXCEPT:
28. If the auditor makes an assessment that there is a low level of control risk and inherent risk for a client, what would you expect from an auditor to do?
29. Who appoints the first auditors of a company, after its incorporation? (Companies Ordinance, 1984)
30. All of the following should be observed and inspected by the auditors during the risk assessment process of an entity EXCEPT:
31. 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?
32. If an auditor is concerned that client should not be able to know or guess which items will be examined. It is a characteristic of which one of the following types of sampling?
33. An auditor of a large telecom company gathers audit evidence to determine if specific management assertions are being met. He should perform the specific facts as follows EXCEPT:
34. An auditor of a large company gathers audit evidence to determine if specific management assertions are being met. He should perform the specific facts as follows EXCEPT:
 - Conducts test of controls
 - Perform substantive procedures
 - Develop strategies for operational effectiveness
 - Incorporate risk assessment procedures.
35. External source of obtaining audit evidence are listed below EXCEPT
 - Suppliers
 - Customers
 - Subsidiary of a company
 - Third parties
36. Which of the following may not be any matter relevant to verification of assets?
 - Taxation
 - Insurance
 - Vouching
 - The letter of representation

37. Law says that the general ledger account of petty cash will remain dormant at a set amount. It means that the custodian should maintain the petty cash balance equal to opening balance. This theory is named as:

Petty cash system

Control system

Impress system

Explicit system

38. Following are certain expenses that should be verified in order to keep control of stock-intrade and store & spares EXCEPT:

Director's Fees

Wages and salaries

Interest on long term loan

Depression on assets

39. Which is the source document for electricity, gas water and phone bills?

Vouchers

Metered invoices

Memos

Accounting statements

MISHI BRAVE