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ACC311 MIDTERM PAPER SHARED BY STUDENT

REPLY BY + فاضلہم ساقیہ ON DECEMBER 20, 2013 AT 10:13AM

total question 27

MCQz 22

3 questions of 3 marks

2 questions of 5 marks

MCQz was bit confusing

disqualifications of an auditor ?section 253

if you hired by a government bank as an auditor what you do for permut bank's credibility?

what is audit process and what is its importance?

audit risk assessment



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ACC311 VU CURRENT MIDTERM SPRING 2013 PAPERS

28 mcqs

enlist the categories of risk assessment procedure (3 marks)

definition of internal control and enlist the procedure of audit ? (3 marks)

what is the purpose of substantive procedure and define the “timing”? (5 marks)

what is the information system and what is the importance in the accounting systems (5 marks)

ACC311 MIDTERM PAPER SHARED BY STUDENT

Subject: ACC311 Fundamentals of Auditing

DATE: 27-05-2013

What is the primary difference between an operational audit and a compliance audit?

If you hired by a government bank as an auditor what you do for permit bank's

Credibility?

What is audit process and what is its importance?

What is audit risk assessment?

Mr.Kamran is a partner of an audit firm. He bought shares of a company for which his firm is

Also conducting audit. However, he sold out all these shares within thirty days and immediately

Take any step under the Companies Law, 1984?

Suppose an auditor makes the assessment that there is a low level of control risk and inherent risk For a client, what would you expect the auditor to do in this situation?



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REPLY BY TAIM ON DECEMBER 8, 2012 AT 10:07AM

Total 27 Question

22 MCQs and

3 Questions of 3 Marks and 2 Qs of 5 Each.

Mcqs were mostly from past papers and current semester's Quizzes.

2 Qs about Risk of Material Misstatement

Test of Controls

Negligence and tort of Negligence

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REPLY BY SHAZIA ON MAY 15, 2012 AT 10:28PM

1. Mr.Kamran is a partner of an audit firm. He bought shares of a company for which his firm is also conducting audit. However, he sold out all these shares within thirty days and immediately informed the company secretary about the whole transaction. Is the company secretary required to take any step under the Companies Law, 1984? 5 Marks

2. Why books of accounts are required to be kept by companies? Discuss the types of books of accounts with examples. 5 Marks



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ACC311

Fundamental of auditing

Solved MCQz

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

Answer



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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 auditorâs responsibilities clearly
- To minimize misunderstandings between the client and auditors
- To educate the cliet
- 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
- Directorâtreport
- Auditor's report**



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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



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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



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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



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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**

Answer

Question:

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

- Share capitalâ€ˆclassification
- 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:



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- Look over any significant reconciling items of an unusual nature
- Inspect about outstanding stale cheques
- Acquire direct bank confirmation
- All of the given options**

Answer

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



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- 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**



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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



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- To determine detection risk

Question:

Nature of audit procedureâ€™ 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

Answer

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.**



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- 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



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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:



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- 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



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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



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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