

## Foundation Of Audit Question Bank

### Que.1 a. Choose the appropriate alternative.

1. The audit that is made compulsory under the statute is called –  
(A) **Statutory audit** (B) Partial audit (C) Complete audit (D) Continues audit
2. Auditing begins where ----- ends.  
(A) Selling. (B) Inventory valuation. (C) **Accounting.** (D) Purchases.
3. An internal auditor is .....  
(A) Temporary Employee. (B) **Permanent Employee.** (C) Daily Wager. (D) None of the above.
4. The main object of vouching is .....  
(A) To prepare trial balance. (B) Conduct routine checking.  
(C) Verify authenticity & authority of transactions. (D) **Checking of vouchers**
5. Valuation is the base of:  
(A) **Verification.** (B) Marketing. (C) Internal checking. (D) Vouching.
6. The first auditor or auditors are appointed by :  
(A) Central Government. (B) Company Law Board. (C) **Board of Directors.** (D) Shareholders.
7. A number of checks & controls exercised in a business to ensure its efficient working is known as :  
(A) **Internal check.** (B) Internal control. (C) Internal audit. (D) Interim check.
8. Balance sheet audit included verification of :  
(A) Assets. (B) Liabilities. (C) Income & expenditure accounts where appropriate. (D) **All of the above.**
9. Banking Regulation Act was passed in the year–  
(A) 1912 (B) **1949** (C) 1956 (D) 1955.
10. Sale of Rs.50,000 to 'A' was entered as a sale to 'B'. This is an example of –  
(A) Error of omission (B) **Error of commission** (C) Compensating error (D) Error of Principle.
11. According to Section \_\_\_\_ Special Audit is conducted at the central government  
(A) Section 233(A) (B) Section 233(B) (C) **Section 242(A)** (D) Section 242(B)
12. Audit Note Book contains: -----  
(A) Various dates of reference. (B) Details of work done.  
(C) Notes regarding item requiring clarification, explanations, etc. (D) **All of the above.**
13. An internal auditor is .....  
(A) Temporary Employee. (B) **Permanent Employee.** (C) Daily Wager. (D) None of the above.
14. The main object of vouching is .....  
(A) To prepare trial balance. (B) Conduct routine checking.  
(C) Verify authenticity & authority of transactions. (D) **Checking of vouchers**
15. Valuation is the base of:  
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(A) Central Government. (B) Company Law Board. (C) **Board of Directors.** (D) Shareholders.
17. A number of checks & controls exercised in a business to ensure its efficient working is known as :  
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18. Balance sheet audit included verification of :  
(A) Assets. (B) Liabilities. (C) Income & expenditure accounts where appropriate. (D) **All of the above.**
19. Sale of Rs.50,000 to 'A' was entered as a sale to 'B'. This is an example of –  
(A) Error of omission (B) **Error of commission** (C) Compensating error (D) Error of Principle.
20. Cost Audit under Section 233(B) of The Company Act is \_\_\_\_  
(A) Voluntary (B) Compulsory (C) **Advisable.** (D) **Avoidable**

### B. True or False

- 1 The word "audit" comes from the Latin word 'audire', which means "to hear".
- 2 The auditor must always carry out substantive procedures
- 3 A Report to those charged with governance should be in writing-
- 4 The scope of an audit covers areas such as auditing, accounting and investigation.-
- 5 When testing for existence, the auditor will vouch recorded transactions.
- 6 Board of Directors appoint the statutory auditor in Board Meeting-
- 7 Audit documentation serves as support for the financial statement-
- 8 The auditor must always carry out substantive procedures-

- 9 A Report to those charged with governance should be in writing-
- 10 Audit evidence is also known as the audit opinion-
- 11 When testing for existence , the auditor will vouch recorded transactions.
- 12 Board of Directors appoint the statutory auditor in Board Meeting-

**Que.2 Short notes ( Any 4 out 6)**

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1. Evolution of Audit
2. Objectives of Audit
3. Types of Audit report
4. Concept of Vouching
5. Internal Audit
6. Duties of Auditors

**Que.3 Broad question**

1. Prepare the Audit Report of Sarsawat Co-operative Bank.
2. Define Audit. Explain its Scope & objectives of Audit.
3. What are the Types of Audits?
4. What are Objects of verification ?
5. Explain the verification and valuation process of assets.