

CA INTER AUDIT

May'24

MCQs

Chapter-1

Nature, Scope and Objective of Audit



PROF. VISHAL



Preface

Before diving into the study material, it's crucial to familiarize yourself with the following guidelines to optimize your learning experience.

1. Glossary for Abbreviations : The study notes contain numerous abbreviations that may initially seem confusing. To alleviate this, we've compiled a comprehensive glossary that elucidates each abbreviation and its corresponding full form. You can download this reference file by clicking [here](#).

2. Conceptual Clarity : Grasping the underlying concepts can sometimes be challenging, affecting your ability to remember the material. Should you encounter difficulties, our YouTube channel offers videos designed to simplify and expedite your learning process.



3. One Keyword, One Topic : It may sound unconventional, but our unique methodology enhances your learning by associating a single keyword with an entire topic. This approach fosters a kind of photographic memory, enabling you to recall and review the subject matter without constantly referring to your notes.

To explore our "One Keyword, One Topic" videos, [click here](#).

4. Retention and Reproduction : While understanding a concept is crucial, the ability to retain and subsequently reproduce that knowledge in the CA exams is what truly counts.

Be warned—poor retention could jeopardize your performance, leaving you adrift in the turbulent waters of ICAI examinations.

If you require further assistance with your study techniques or any other aspect, don't hesitate to contact us.

You can instantly reach out via WhatsApp by clicking this icon,  or join our Telegram group  to pose questions that could also benefit your peers.





<h1>Chapter 1</h1>	<h1>Nature, Objective and Scope of Audit</h1>
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1.	<p>The Institute of Chartered Accountants of India (ICAI) has been formulating auditing and accounting standards, such standards are:</p> <ol style="list-style-type: none"> Generally, compulsorily required to be followed For the guidance of its members Both of the above None of the above
2.	<p>_____ has also been entrusted with the responsibility to review the SAs at periodical intervals.</p> <ol style="list-style-type: none"> Council of the Institute Auditing and Assurance Standards Board International Auditing and Assurance Standards Board Disciplinary Committee
3.	<p>_____ determines the broad areas in which the SAs need to be formulated and the priority in regard to the selection thereof.</p> <ol style="list-style-type: none"> Council of the Institute Auditing and Assurance Standards Board International Auditing and Assurance Standards Board Disciplinary Committee
4.	<p>In the preparation of SAs, the Auditing and Assurance Standards Board is assisted by:</p> <ol style="list-style-type: none"> Council of the Institute Auditing and Assurance Standards Board Study Groups Disciplinary Committee
5.	<p>After taking into consideration the comments received, the draft of the proposed SAs is finalized by the Auditing and Assurance Standards Board and submitted to:</p> <ol style="list-style-type: none"> Council of the Institute Auditing and Assurance Standards Board Study Groups Disciplinary Committee
6.	<p>State whether true or false: If for any reason a member has not been able to perform an audit in accordance with the SAs, his report should draw attention to the material departures therefrom.</p> <ol style="list-style-type: none"> True False
7.	<p>State whether true or false: Generally, compliance of SAs is mandatory.</p> <ol style="list-style-type: none"> True False

1.	a	2.	b	3.	b	4.	c	5.	a	6.	a	7.	a
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8.	<p>State whether true or false: <i>The SAs (as well as other statements on auditing) represent the generally accepted procedure(s) of audit.</i></p> <p>a. True b. False</p>
9.	<p>Comparative level of assurance provided by the auditor in audit of historic financial statement is:</p> <p>a. Moderate assurance b. No assurance c. Reasonable, but not absolute assurance d. None of the above</p>
10.	<p>Comparative level of assurance provided by the auditor in Review is:</p> <p>a. Moderate assurance b. No assurance c. High, but not absolute assurance d. None of the above</p>
11.	<p>Comparative level of assurance provided by the auditor in Agreed-upon Procedures is:</p> <p>a. Moderate assurance b. No assurance c. High, but not absolute assurance d. None of the above</p>
12.	<p>Comparative level of assurance provided by the auditor in Compilation Engagement is:</p> <p>a. Moderate assurance b. No assurance c. High, but not absolute assurance d. None of the above</p>
13.	<p>Report provided by the auditor in Audit of historic financial statement gives:</p> <p>a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled</p>
14.	<p>Report provided by the auditor in Compilation gives:</p> <p>a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled</p>
15.	<p>Report provided by the auditor in Agreed-upon Procedures gives:</p> <p>a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled</p>
16.	<p>Report provided by the auditor in Compilation gives:</p> <p>a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled</p>

8.	a	9.	c	10.	a	11.	b	12.	b	13.	a	14.	b	15.	c	16.	d
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17.	State whether true or false: <i>Assurance does not refer to the auditor's satisfaction as to the reliability of an assertion being made by one party for use by another party.</i> a. True b. False
18.	Professional (hitherto accountant in public practice) known as: a. Practitioner b. Auditor c. Chartered Accountant d. Any Accountant
19.	State whether true or false: <i>The applicable law and regulation or a contractual arrangement that an entity might have entered into, may prescribe the wording of report or certificates.</i> a. True b. False
20.	Absolute assurance indicates that a practitioner has performed procedures as to reduce the engagement risk to zero. a. Considered appropriate b. Required by law c. Statutory required by law d. Rightfully required
21.	State whether true or false: <i>'Statements' issued by the institute are recommendatory rather than mandatory.</i> a. True b. False
22.	State whether true or false: <i>No disclosures are required in audit reports in the event of any deviation from 'Statements' issued by the institute.</i> a. True b. False
23.	State whether true or false: <i>Accounting Standards and Standards on Auditing are recommendatory.</i> a. True b. False
24.	State whether true or false: <i>If 'Standards on Auditing' becomes notified, the concerned 'Statement' or the relevant part thereof automatically stands withdrawn.</i> a. True b. False
25.	State whether true or false: <i>Following 'Accounting standards' does not ensure that financial statements are prepared in accordance with generally accepted accounting standards.</i> a. True b. False
26.	State whether true or false: <i>Following 'Standards on Auditing' ensures that auditors carry out their duties in accordance with the generally accepted auditing practices.</i> a. True b. False

17.	b	18.	a	19.	a	20.	a	21.	b	22.	b	23.	b	24.	a	25.	b	26.	a
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27.	<p>Usually General-Purpose Financial Statements includes:</p> <p>a. Statement of Profit and Loss, Other statements and Explanatory Notes which form part thereof</p> <p>b. Balance sheet, Statement of Profit and Loss, Explanatory Notes which form part thereof</p> <p>c. Balance sheet, Statement of Profit and Loss</p> <p>d. Balance sheet, Statement of Profit and Loss, Other statements and Explanatory Notes which form part thereof</p>
28.	<p>State whether true or false: Accounting Standards will apply to all entities even those of which no part is involved in activities of commercial, industrial or business nature.</p> <p>a. True</p> <p>b. False</p>
29.	<p>State whether true or false: Accounting Standards will apply to only those entities which are involved in commercial, industrial or business nature.</p> <p>a. True</p> <p>b. False</p>
30.	<p>State whether true or false: If a very small proportion of the activities of an entity is considered to be commercial, industrial or business in nature, then it cannot claim exemption from the application of Accounting Standards.</p> <p>a. True</p> <p>b. False</p>
31.	<p>State whether true or false: Auditor should not qualify their audit reports merely because accounts have not been prepared on accrual basis.</p> <p>a. True</p> <p>b. False</p>
32.	<p>State whether true or false: Auditor should not qualify their audit reports merely because proper disclosures regarding changes in the accounting policies have not been made.</p> <p>a. True</p> <p>b. False</p>
33.	<p>State whether true or false: Auditor should not qualify his audit reports if fundamental accounting assumption of going concern has not been followed and this fact has been disclosed in the financial statements.</p> <p>a. True</p> <p>b. False</p>
34.	<p>State whether true or false: If accounting policies have not been disclosed at one place or if certain significant accounting policies have not been disclosed, by a company on the ground that their disclosure is not required under the Companies Act, 2013, the Auditor should disclose the fact in his audit report necessarily making it a subject matter of audit qualification.</p> <p>a. True</p> <p>b. False</p>
35.	<p>State whether true or false: If accounting policies have not been disclosed at one place or if certain significant accounting policies have not been disclosed by a company on the ground that their disclosure is not required under the Companies Act, 2013 disclosure by auditor would not constitute a reservation, qualification or adverse remark except where the auditor has specifically made it a subject matter of audit qualification.</p> <p>a. True</p> <p>b. False</p>

27.	d	28.	b	29.	a	30.	a	31.	b	32.	b	33.	a	34.	b	35.	a
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36.	<p>State whether true or false: <i>Non-compliance with any of the requirements of a mandatory Accounting Standard other than AS 1 by any enterprise should be a subject matter of qualification.</i></p> <p>a. True b. False</p>
37.	<p>State whether true or false: <i>Non-compliance with any of the requirements of a mandatory Accounting Standard by any enterprise should not be a subject matter of qualification.</i></p> <p>a. True b. False</p>
38.	<p>State whether true or false: <i>In case of non-compliance with any of the requirements of a mandatory Accounting Standard other than AS 1 by any enterprise the auditor should disclose such non-compliance in audit report without making it subject matter of qualification to the extent that the disclosure requirements in the relevant standard are in addition to the requirements of the Companies Act, 2013, or any other applicable statute.</i></p> <p>a. True b. False</p>
39.	<p>Where the statute, law, regulation governing the enterprise requires the preparation and presentation of financial statements on accrual basis, but the financial statements have not been so prepared, the auditor should _____.</p> <p>a. Describe in his audit report, the basis of accounting followed b. Qualify his report c. Give an adverse opinion d. Give Disclaimer of opinion</p>
40.	<p>Where there is no statutory requirement for preparation and presentation of financial statements on accrual basis and the financial statements have also been prepared not following accrual basis, the auditor should _____.</p> <p>a. Describe in his audit report, the basis accounting followed b. Qualify his report c. Give an adverse opinion d. Give Disclaimer of opinion</p>
41.	<p>Auditor need not make qualification/disclosure in respect of items which, in his judgement, are _____.</p> <p>a. Not Material b. Less Important c. Material d. Any of the above</p>
42.	<p>State whether true or false: <i>If for any reason, a member has not been able to perform an audit in accordance with the SAs, his report should draw attention to material departure.</i></p> <p>a. False. b. True.</p>
43.	<p>IESBA Code related to an audit of financial statements establishes which of the following as the fundamental principle of professional ethics relevant to the auditor when conducting an audit of financial statements?</p> <p>a. Professional Judgement b. Professional Skepticism c. Professional Intelligence d. Professional Competence and Due Care</p>

36.	a	37.	b	38.	a	39.	b	40.	a	41.	a	42.	b	43.	d
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44.	Why does obtaining reasonable assurance about the absence of material misstatements enable the auditor to express an opinion?
	<ul style="list-style-type: none"> a. To provide absolute certainty about financial statements b. To comply with legal requirements c. To assess the risk of material misstatement d. To express an informed view on the preparation of financial statements
45.	What is the primary goal of auditors according to the Overall Objectives of the Independent Auditor?
	<ul style="list-style-type: none"> a. To provide absolute assurance of no misstatements. b. To obtain reasonable assurance about material misstatements. c. To guarantee the accuracy of financial statements. d. To identify minor errors in financial reporting.
46.	Why does obtaining reasonable assurance about material misstatements enable auditors to express an opinion?
	<ul style="list-style-type: none"> a. To provide absolute certainty. b. To comply with legal requirements. c. To assess the risk of misstatement. d. To express an informed view.
47.	What is auditor's approach in evaluating misstatements in financial statements, emphasizing the critical factor considered for a comprehensive assessment?
	<ul style="list-style-type: none"> a. Scrutinizing each error individually. b. Focusing solely on profit and loss statements. c. Evaluating the overall impact on financial statements. d. Guaranteeing absolute absence of misstatements.
48.	What sets reasonable assurance apart from absolute assurance in the audit process, emphasizing the distinctive feature that differentiates them?
	<ul style="list-style-type: none"> a. Absolute assurance has no risk; reasonable has minimal risk. b. Reasonable assurance is subjective; absolute assurance involves audit procedures. c. Absolute assurance is partial; reasonable assurance has some risk. d. Reasonable assurance guarantees no misstatements; absolute does not.
49.	What is the significance of auditor independence, emphasizing the impact it has on ensuring unbiased and objective reporting in the audit process?
	<ul style="list-style-type: none"> a. Auditor's independence irrelevant for objective reporting. b. Independence ensures unbiased and objective reporting. c. Auditor's objectivity dependent on client relations. d. Independence only applicable in legal matters.
50.	What is the importance of evaluating internal control systems in an audit?
	<ul style="list-style-type: none"> a. Internal control assessment ensures flawless financial statements. b. Auditor's disregard internal control in financial statement evaluation. c. It aids auditors in understanding financial reporting and safeguards. d. Assessing internal control is optional in the audit process.

44.	d	45.	b	46.	d	47.	c	48.	c	49.	b	50.	c
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51.	Who benefits from the auditor's opinion on financial statements, and how does it contribute to their confidence?
	<ul style="list-style-type: none"> a. Shareholders, employees, customers, and regulators. b. Regulatory bodies gain assurance for legal enforcement. c. Exclusively shareholders for investment decisions. d. Only government entities relying on financial accuracy.
52.	What criteria does the auditor use to judge the reliability and sufficiency of financial information?
	<ul style="list-style-type: none"> a. Solely based on management's judgment. b. Relying on external source data like bills and vouchers. c. Internal controls, tests, and assessment of accounting systems. d. Subjective evaluation of financial statements by external agencies.
53.	What does the auditor decide regarding the disclosure of financial information, and what considerations are taken into account?
	<ul style="list-style-type: none"> a. Decides on selective disclosure for shareholder benefit. b. Evaluates statutory requirements for financial disclosure. c. Considers applicable legal standards for financial reporting. d. Decides solely based on management's preferences.
54.	What role does internal control evaluation play in the audit, and how does it contribute to the auditor's understanding?
	<ul style="list-style-type: none"> a. Internal control assessment enhances financial accuracy. b. Internal controls evaluated by external agencies for reliability. c. Internal control assessment is optional in the audit process. d. Contributes to the understanding of financial reporting and safeguard mechanisms.
55.	How does the auditor evaluate management's judgments in the preparation of financial statements?
	<ul style="list-style-type: none"> a. By relying solely on external auditing agencies. b. Ignoring management judgments for impartiality. c. Evaluates the selection and consistent application of accounting policies. d. Assessing judgments made by shareholders in financial reporting.
56.	An entity's financial statements are prepared on a historical financial information basis. Elaborate on why financial statements are considered historical and the implications of this basis.
	<ul style="list-style-type: none"> a. Reflects real-time financial status for strategic planning. b. Historical basis mandated by regulatory bodies. c. Based on past events and economic conditions. d. Reflects future financial projections for investor guidance.
57.	XYZ Corporation is preparing financial statements. What is the significance of adopting an applicable financial reporting framework and its influence on the audit process?
	<ul style="list-style-type: none"> a. Framework adoption irrelevant for audit procedures. b. Choose any framework based on management preferences. c. Adopt a framework acceptable based on entity nature and legal requirements. d. Regulatory bodies mandate a specific framework for all entities.

51.	a	52.	c	53.	c	54.	d	55.	c	56.	c	57.	c
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58.	<p>ABC Ltd, a leading manufacturing company, seeks an audit for its financial statements. What are the key aspects the auditor should consider to provide reasonable assurance?</p> <ul style="list-style-type: none"> a. Evaluate only major transactions for efficiency. b. Focus solely on profit and loss statements for accuracy. c. Assess internal controls, reliability of financial information, and proper disclosure. d. Audit only selective aspects for quicker completion.
59.	<p>In the context of financial statement disclosure, how does the auditor strategically decide on the relevance and proper disclosure of information, considering both financial standards and the entity's unique circumstances?</p> <ul style="list-style-type: none"> a. Disclosing information selectively for shareholder benefit. b. Adhering strictly to regulatory requirements for disclosure. c. Evaluating the appropriateness of information disclosure in line with applicable standards. d. Leaving disclosure decisions entirely to management's discretion.
60.	<p>How does the auditor meticulously assess the reliability of financial information, considering the complexities inherent in underlying accounting records and other source data?</p> <ul style="list-style-type: none"> a. Relying on external agencies for data verification. b. Conducting a superficial review of source data. c. Applying a comprehensive approach with internal control assessments. d. Ignoring complexities for a streamlined audit process.
61.	<p>Why is an auditor not considered an expert in the authentication of documents, and what implications does this have on their role?</p> <ul style="list-style-type: none"> a. Auditors are experts in document authentication, ensuring the genuineness of all financial records. b. Document authentication is beyond the auditor's expertise, requiring specialized professionals. c. Auditors have legal authority to authenticate documents as part of their audit responsibilities. d. Document authentication is a minor aspect of the auditor's broader expertise.
62.	<p>An auditor is not an expert in the authentication of documents because the genuineness of documents cannot be authenticated by them, as it requires expertise from professionals specializing in _____.</p> <ul style="list-style-type: none"> a. Document examination. b. Forensic accounting. c. Legal proceedings. d. Authentication practices.
63.	<p>Auditors lack specific _____ for official investigations, and they do not have the authority to record statements of witnesses under oath, which may be necessary for carrying out an official investigation.</p> <ul style="list-style-type: none"> a. Legal powers. b. Investigative rights. c. Judicial authority. d. Search warrants
64.	<p>Considering the auditor's competence, what duties are explicitly outside their scope, requiring specialized expertise?</p> <ul style="list-style-type: none"> a. Determining physical condition of sophisticated machinery and civil structures like buildings. b. Verifying the authenticity of documents. c. Conducting official investigations into alleged wrongdoings. d. All of the above

58.	c	59.	c	60.	c	61.	b	62.	a	63.	a	64.	d
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65.	<p>Complete the following extract:</p> <p><i>As per SA 200 -The overall objective of the independent auditor includes obtaining _____ assurance, that whether financial statements as a whole are free from material misstatement, whether due to _____ :</i></p> <p>a. Absolute; Fraud b. Reasonable; Fraud or Error c. Reasonable; Error d. Absolute; Fraud or Error</p>
66.	<p>To report on the financial statement is an objective of the auditor only under SA 700 and hence SA 200 does not deal with the same.</p> <p>a. True, SA 200 deals with general objectives of the auditor and not with reporting on the financial statements. b. False, SA 200 deals with overall objectives of the auditor which also includes reporting on the financial statements as its objective. c. True, SA 200 deals with overall objectives of the auditor which does not involves reporting on the financial statements as its objective. d. False, as not only SA 200 requires reporting on financial statements but also specifies the content of the audit report.</p>
67.	<p>To express an opinion on whether the financial statements are prepared as per applicable financial reporting framework is an objective of the auditor only under SA 700 and hence SA 200 does not deal with the same.</p> <p>a. True, SA 200 deals with general objectives of the auditor and not with expressing an opinion on whether the financial statements are prepared as per applicable financial reporting framework b. False, SA 200 deals with overall objectives of the auditor which also includes expressing an opinion on whether the financial statements are prepared as per applicable financial reporting framework c. True, SA 200 deals with overall objectives of the auditor which does not involves expressing an opinion on whether the financial statements are prepared as per applicable financial reporting framework d. False, as not only SA 200 specifies to express an opinion on whether the financial statements are prepared as per applicable financial reporting framework but also specifies the content of the audit report.</p>
68.	<p>Identify the correct one:</p> <p>Following is the principal objective of the auditor:</p> <p>a. Whether the financial statement show true & fair view or not b. Whether the financial statement show true & correct view or not c. Detection of error & fraud d. Making recommendation to prevent frauds from occurring</p>
69.	<p>Identify the incorrect one:</p> <p>Following is not the incidental and secondary objective to the principal objective of the auditor:</p> <p>a. Whether the financial statement show true & fair view or not b. Whether the financial statement show full & fair view or not c. Whether material misstatement is due to error or fraud d. Making recommendation to prevent frauds from occurring</p>
70.	<p>Since Standards of Audit are mandatory in nature, in case of conflict between Standards of Audit & Law:</p> <p>a. Standards of Audit will override the law b. Law will override the Standards of Auditing c. Specific standards such as SA 805 will override law d. General standards such as SA 200 will override law</p>

65.	b	66.	b	67.	b	68.	a	69.	c	70.	b
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71.	<p>Identify the correct one:</p> <p>1. Auditor was not negligent but was not able to detect a deep-laid fraud in accounts during conduct of audit, it will be construed as a failure of audit.</p> <p>2. Auditor was not negligent but was not able to detect a deep-laid fraud in accounts during conduct of audit, it will not be construed as a failure of audit.</p> <p>3. Auditor was negligent and was not able to detect a deep-laid fraud in accounts during conduct of audit, it will not be construed as a failure of audit.</p> <p>4. Auditor was negligent and was not able to detect a deep-laid fraud in accounts during conduct of audit, it will be construed as a failure of audit.</p> <p>a. 1 & 3 b. 2 & 3 c. 2 & 4 d. 1 & 4</p>
72.	<p>_____ does not require the auditor, as its objective in normal course, to give opinion on internal financial controls, however _____ requires the auditor to comment on the internal financial controls. Later overrides the earlier hence the auditor is required to report on the same.</p> <p>a. SA 200; Section 143 of the Companies Act ,2013 b. Section 143 of the Companies Act,2013; SA 200 c. SA 700 d. Section 143 of the Companies Act,2013 e. SA 200; Section 144 of the Companies Act.,2013</p>
73.	<p>Identify the incorrect one:</p> <p>SA 200 deals with overall objectives of the auditor hence:</p> <p>a. SA 200 will override all the other specific SA's b. Other specific SA's will override SA 200 c. Both of the above d. None of the above</p>
74.	<p>During the course of audit, auditor is not able to obtain _____ assurance due to _____ of audit. Hence the auditor is required to obtain _____ assurance to form an opinion as its objective as specified under SA 200.</p> <p>a. Absolute; Inherent Limitations; Reasonable b. Reasonable; Inherent Limitations; Absolute c. Absolute; External Limitations; Reasonable d. Absolute; External Limitations; Reasonable</p>
75.	<p>Compliance framework allows:</p> <p>a. Additional disclosure for better financial presentation b. Amending requirement for better financial presentation c. Both of the above d. None of the above</p>
76.	<p>Fair Presentation Financial Reporting framework allows:</p> <p>a. Additional disclosure for better financial presentation b. Amending requirement for better financial presentation c. Any of the above d. None of the above</p>
77.	<p>Wording of opinion para in Fair Presentation Financial Reporting framework?</p> <p>a. Whether the financial statement give true & fair view b. Financial statements are as per compliance framework c. Whether the financial statement give full & fair view d. Whether the financial statement give true & correct view</p>

71.	c	72.	a	73.	a	74.	a	75.	d	76.	c	77.	a
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78.	Wording of opinion para in Compliance framework? a. Whether the financial statement give true & fair View b. Financial statements are as per compliance framework c. Whether the financial statement give full & fair view d. Whether the financial statement give true & correct view
79.	Due to inherent limitations of audit, the audit evidence is _____ in nature rather than _____. a. Persuasive; Conclusive b. Conclusive; Persuasive c. Sufficient; Appropriate d. Appropriate; Sufficient
80.	Identify the incorrect one: Inherent limitation of audit may arise from: a. Nature of financial reporting b. Nature of audit procedures c. Time & cost constraints d. None of the above
81.	Inherent limitation due to Nature of Financial Reporting does not include: a. Judgement by management b. Subjectivity c. Incomplete information provided by the management whether intentionally or unintentionally d. Range of interpretations
82.	Inherent limitation due to nature of Audit Procedures does not includes: a. Judgement by management b. Sophisticatedly designed frauds c. Misinformation from management d. No powers of investigation
83.	Inherent limitation due to Time & Cost v/s Benefit does not includes: a. Expectation of users to get information in time b. Sophisticatedly designed frauds are difficult to detect c. Limited audit fees of assignment d. None of the above
84.	_____ risk is a risk that auditor will form an inappropriate opinion when the financial statements are materially misstated. a. Audit b. Sampling c. Inherent d. Detection
85.	Identify the Risk: Susceptibility of account balance or class of transactions to material misstatement assuming no internal control. a. Audit risk b. Inherent risk c. Detection risk d. Control risk
86.	Identify the risk: Risk that internal control system will not be able to prevent, detect or correct material misstatement. a. Audit risk b. Inherent risk c. Detection risk d. Control risk

78.	b	79.	a	80.	d	81.	c	82.	a	83.	b	84.	a	85.	b	86.	d
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87.	The auditor shall exercise professional judgment in _____ the audit of financial statements. a. Planning b. Performing c. Planning and Performing d. Tallying
88.	Professional judgment is required but is not essential for the proper conduct of an audit. a. True, audit can be conducted without professional judgment, it is not essential for the proper conduct of an audit. b. False, audit cannot be conducted without professional judgment, as it helps the auditor in forming an opinion regarding the evidence obtained, existence of risk and nature timing and extend of audit procedures to be applied. c. True, interpretation of relevant ethical requirements and the SAs and the informed decisions required throughout the audit do not need professional judgment. d. False, audit cannot be conducted without professional judgment, as it is one of the threats to independence.
89.	It is _____ that auditor complies with relevant ethical requirements, relating to financial statement audit engagements. a. Recommendatory b. Mandatory c. Optional d. Supplementary
90.	It is _____ that auditor complies with relevant Independence requirements, relating to financial statement audit engagements. a. Recommendatory b. Mandatory c. Optional d. Supplementary
91.	Identify the incorrect one: The Code establishes the following as the fundamental principles of professional ethics relevant to the auditor when conducting an audit of financial statements: a. Objectivity b. Confidentiality c. Professional competence and due care d. Professional Judgement of Management
92.	The Code describes independence as comprising: a. Independence of mind b. Independence in appearance c. Both, independence of mind & appearance d. Independence of mind, appearance & attitude
93.	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud. a. Professional Judgement b. Professional Skepticism c. Inherent Skepticism d. Integrity
94.	The auditor shall comply with each requirement of a SA unless: a. The entire SA is not relevant b. Application of SA is subject to condition, and the condition does not exist c. Either of the above d. None, as compliance with SA is mandatory without any exceptions

87.	c	88.	b	89.	b	90.	b	91.	d	92.	c	93.	b	94.	c
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95.	<p>For maintaining professional skepticism, the auditor is necessarily required to disregard past experience of the honesty and integrity of the entity's management and those charged with governance.</p> <p>a. True, as if the auditor takes into consideration past experience of the honesty and integrity of management and those charged with governance, it will become lenient and soft while applying the audit procedures due to the confidence over the entity's management and those charged with governance.</p> <p>b. False, the auditor cannot be expected to disregard past experience of the honesty and integrity of management and those charged with governance. However, it does not relieve the auditor of the need to maintain professional skepticism.</p> <p>c. True, as if the reliance is placed on the entity on the basis of past experience, then it would be inappropriate and unethical to accept same fees as work of the auditor has reduced.</p> <p>d. False, as if the auditor does not take into consideration past experience of the honesty and integrity of management and those charged with governance, it will be against the principles laid down by SA 200.</p>
96.	<p>Identify the odd one out:</p> <p>Maintaining professional skepticism throughout the audit reduces the risks of</p> <p>a. Overlooking the unusual circumstances</p> <p>b. Over generalizing when drawing conclusions from audit observations</p> <p>c. Using inappropriate assumptions in determining the nature, timing and extend of the audit procedures</p> <p>d. Inherent nature</p>
97.	<p>Identify the correct one:</p> <p>a. The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.</p> <p>b. The auditor should consider records and documents as incorrect unless the auditor has reason to believe the contrary.</p> <p>c. The auditor should consider records and documents as incorrect unless management gives a written representation of records and documents being correct.</p> <p>d. None of the above.</p>
98.	<p>Failure to achieve an objective represents:</p> <p>a. An insignificant matter requiring documentation in accordance with SA 230</p> <p>b. A significant matter requiring documentation in accordance with SA 230</p> <p>c. An insignificant matter and does not require documentation in accordance with SA 230</p> <p>d. A significant matter but does not require documentation in accordance with SA 230</p>
99.	<p>Identify the most suitable option:</p> <p>The auditor may judge it necessary to depart from a relevant requirement in a SA. In such circumstances, the auditor shall perform _____ to achieve the aim of that requirement.</p> <p>a. Alternative Audit Procedures</p> <p>b. Risk Assessment Procedures</p> <p>c. Substantive Procedures</p> <p>d. Test of Controls</p>
100.	<p>SA 200 deals with the:</p> <p>a. Overall objectives of the auditor</p> <p>b. Auditor's relationship with the management</p> <p>c. Audit engagement terms</p> <p>d. None of the above</p>
101.	<p>Which of the following is not a basic principle of auditing?</p> <p>a. Integrity, Objectivity and Independency</p> <p>b. Confidentiality</p> <p>c. Written Representation</p> <p>d. Audit Planning</p>

95.	b	96.	d	97.	a	98.	b	99.	a	100.	a	101.	c
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102.	Which of the following is exception of confidentiality by auditor?
	<ul style="list-style-type: none"> a. If permitted by client to disclose any information b. If there is any legal professional duty of auditor to disclose any information c. Both (a) and (b) d. None of these
103.	Accounting policy refers to:
	<ul style="list-style-type: none"> a. Specific accounting principle b. Method of applying accounting principle c. Both (a) and (b) d. None of these
104.	Under which of the following circumstances accounting policy can be changed:
	<ul style="list-style-type: none"> a. If it is required by law b. For compliance with accounting standards c. On the opinion of management for better presentation of financial statement d. All of above
105.	As per SA-200 "Overall Objectives of the Independent Auditor," in conducting an audit of financial statements, the overall objectives of the auditor are:
	<ul style="list-style-type: none"> a. To obtain reasonable assurance b. To report on the financial statements c. Both (a) and (b) above d. None of the above
106.	The auditor's _____ safeguard the auditor's ability to form an audit opinion without being affected by any influences.
	<ul style="list-style-type: none"> a. Objectivity b. Independence c. Confidentiality d. Integrity
107.	As explained in SA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing", _____ is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.
	<ul style="list-style-type: none"> a. Absolute Assurance b. Limited Assurance c. Reasonable Assurance d. Reasonable or Absolute Assurance
108.	Which of the following is not a basic principle governing an Audit?
	<ul style="list-style-type: none"> a. Planning b. Confidentiality c. Audit evidence d. Audit Procedures
109.	A structured representation of historical financial information including related notes is known as _____.
	<ul style="list-style-type: none"> a. Audit Evidence b. Financial Statements c. Notes to accounts d. Documentation

102.	c	103.	c	104.	d	105.	c	106.	b	107.	c	108.	d	109.	b
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110.	What is the primary purpose of an assurance engagement? a. To criticize the responsible party b. To express practitioner's personal preferences c. To enhance the confidence of intended users in the evaluation or measurement of a subject matter d. To conceal information from the users
111.	What is the primary focus of an auditor's reporting? a. Legal matters b. Operational efficiency c. Financial matters of business and other institutions d. Human resources
112.	What is the collective term for the Standards issued by the ICAI Council for engagement and quality control? a. Control Standards b. Engagement and Assurance Standards c. ICAI Standards d. Engagement Standards
113.	Which Standards apply specifically in the audit of historical financial information? a. Standards on Assurance engagements (SAEs) b. Standards on Related Services (SRSs) c. Standards on auditing (SAs) d. Standards on review engagements (SREs)
114.	What is the primary purpose of external audit engagements, and why are companies in India required to undergo such engagements annually? a. Companies voluntarily opt for external audits for credibility. b. External audits aim to instill fear of discovery, fostering a moral check. c. The purpose is to enhance confidence in financial statements for intended users. d. Annual audits are mandatory only for non-corporate entities in India.

110.	c	111.	c	112.	c	113.	d	114.	c
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115.	Which of the following is not an advantage of audit? a. It provides high quality financial information. b. It acts as a moral check on employees c. It enhances risk of management bias. d. It helps in safeguarding interests of shareholders.
116.	Which of the following is NOT TRUE about an assurance engagement? a. It relates to providing assurance about historical financial information only. b. The practitioner obtains sufficient appropriate evidence. c. There is some information to be examined by practitioner. d. A written assurance report in appropriate form is issued by practitioner.
117.	Which of the following is TRUE about Engagement Standards? a. Engagement standards ensure proper rights to practitioners in course of performance of their duties. b. Engagement standards ensure preparation and presentation of financial statements in a standardize manner. c. Engagement standards ensure uniformity by practitioners in course of performance of their duties. d. Engagement standards ensure savings in resources of clients.
118.	Consider following statements in relation to "Limited assurance engagement":- Statement I - It involves obtaining sufficient appropriate evidence to draw reasonable conclusions. Statement II - Review of interim financial information of a company is an example of limited assurance engagement. a. Statement I is correct. Statement II is incorrect. b. Both Statements I and II are correct. c. Both Statements I and II are incorrect. d. Statement I is incorrect. Statement II is correct.
119.	Which of the following is TRUE about Standards on auditing? a. These deal mainly with voluntary responsibilities of auditors. b. These deal mainly with mandatory responsibilities of auditors. c. Their sole purpose is to help government authorities in augmenting revenues. d. These deal mainly in carrying out audit according to legal provisions.

115.	c	116.	a	117.	c	118.	d	119.	b
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Case Studies

1	<i>Vikas Industries Limited, a prominent manufacturing conglomerate in India, has appointed you, as the auditor, to enhance stakeholders' confidence in its financial statements. Operating across diverse sectors, the company's financial reports hold significant weight for shareholders, employees, customers, and regulatory authorities.</i>
1.1.	<p>As Vikas Industries Limited's auditor, what are the primary objectives in providing assurance for its financial statements, and how do these objectives contribute to stakeholders' confidence?</p> <ul style="list-style-type: none"> a. The main objective is to focus on profit and loss accuracy. b. Ensuring absolute certainty for government and regulatory authorities. c. Primary objectives are to assess internal controls, reliability of financial information, and proper disclosure, contributing stakeholders' confidence. d. Guaranteeing financial accuracy only for shareholders.
1.2.	<p>Explain the significance of adopting an applicable financial reporting framework for Vikas Industries Limited's financial statements, and how does it influence the overall audit process?</p> <ul style="list-style-type: none"> a. Framework adoption is irrelevant for audit procedures. b. Choose any framework based on management preferences. c. Adopting a framework acceptable based on entity nature and legal requirements. d. Regulatory bodies mandate a specific framework for Vikas Industries Limited.
1.3.	<p>Considering Vikas Industries Limited's diverse operations, how should the audit be organized to ensure comprehensive coverage, and what is the key consideration for adequate coverage?</p> <ul style="list-style-type: none"> a. Prioritize significant aspects, neglecting minor transactions. b. Focus on transactions impacting immediate financial outcomes. c. Adequately organize to cover all relevant aspects of Vikas Industries Limited. d. Concentrate only on high-profile financial areas for detailed scrutiny.
1.4.	<p>During the audit, the auditor assesses internal control systems at Vikas Industries Limited. Elaborate on the role of internal control evaluation and its contribution to the auditor's understanding of the company's financial reporting and safeguard mechanisms.</p> <ul style="list-style-type: none"> a. Internal control assessment is optional in the audit process. b. External agencies solely evaluate internal controls for reliability. c. Internal control assessment enhances financial accuracy and safeguards for Vikas Industries Limited. d. Auditor's disregard internal controls in financial statement evaluation.
1.5	<p>Vikas Industries Limited's financial statements are prepared on a historical financial information basis. Discuss why financial statements are considered historical and the implications of this basis for the audit process.</p> <ul style="list-style-type: none"> a. Reflects real-time financial status for strategic planning. b. Historical basis mandated by regulatory bodies. c. Based on past events and economic conditions. d. Reflects future financial projections for investor guidance.

1.1.	C	1.2.	C	1.3.	C	1.4.	C	1.5.	C
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2.	<i>In the audit realm, inherent limitations pose challenges for auditors. Consider Singhania Industries, a manufacturing giant. Despite rigorous audits, the company faced a financial scandal due to sophisticated collusion between employees. The audit process, restricted by practical and legal constraints, failed to unearth this intricate fraud.</i>
2.1.	<p>What challenges do auditors face in detecting sophisticated frauds at Singhania Industries?</p> <ul style="list-style-type: none"> a. Legal constraints b. Lack of audit procedures c. Complexity of collusion d. Complete reliance on audits
2.2.	<p>Why did the audit process at Vikas Industries fall short in uncovering the fraud?</p> <ul style="list-style-type: none"> a. Inadequate legal powers b. Overemphasis on audit procedures c. Rigorous audit process d. Practical and legal limitations
2.3.	<p>How did the collusion affect internal controls, leading to audit challenges?</p> <ul style="list-style-type: none"> a. Strengthened controls b. No impact on controls c. Override of controls d. Improved audit procedures
2.4.	<p>In what way did the nature of financial reporting contribute to the audit limitations?</p> <ul style="list-style-type: none"> a. Simplified financial reporting b. Uncertain management judgments c. Absolute assurance in reporting d. Elimination of financial uncertainties
2.5	<p>Differentiate between audit and investigation, showcasing their distinct purposes.</p> <ul style="list-style-type: none"> a. Identical purposes b. Sole focus on fraud detection c. Limited scope of investigations d. Specific purpose for investigations

2.1.	c	2.2.	d	2.3.	c	2.4.	b	2.5.	d
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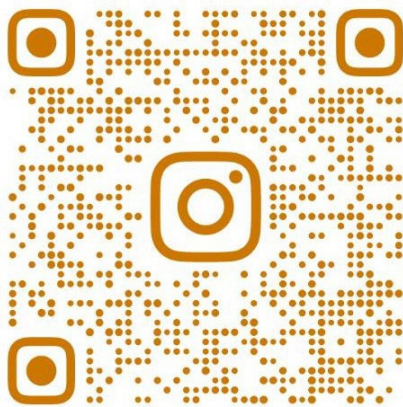


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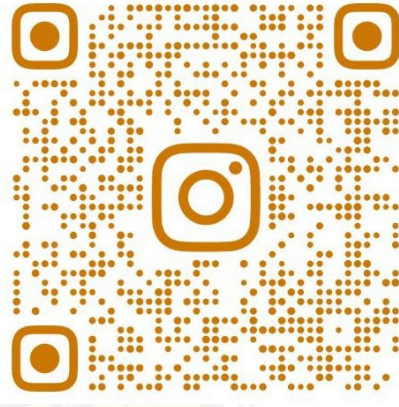


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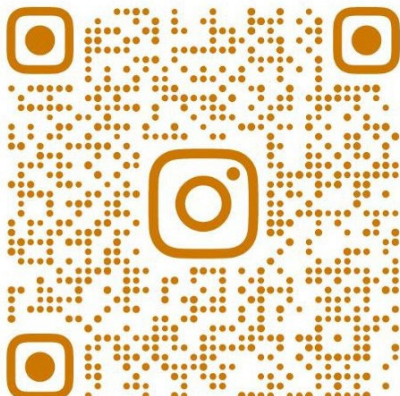
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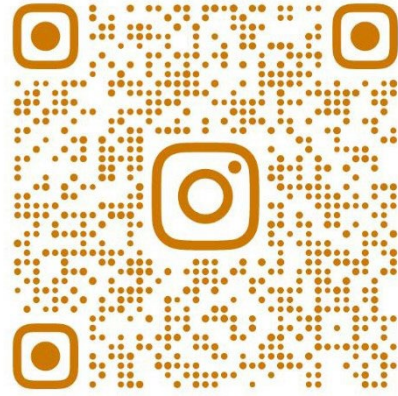
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