

(Multiple Choice Type Questions)

AUDIT

1. The Statutory Auditor is a representative of _____ of the enterprise.
 - a. Debenture holders
 - b. Shareholders
 - c. Creditors
 - d. Government
2. An Interim Audit is conducted _____.
 - a. after 3 months
 - b. after 4 months
 - c. after 6 months
 - d. in between two Annual Audits
3. CAG stands for _____.
 - a. Controller and Accountant General of India
 - b. Controller and Auditor General of India
 - c. Comptroller and Auditor General of India
 - d. Comptroller and Accountant General of India
4. Cost Audit being in the nature of _____ audit is very beneficial to the Society at large.
 - a. Propriety
 - b. Efficiency
 - c. Productivity
 - d. Social
5. Tax Audit may be defined as the verification of the financial records to ascertain the correctness of the taxable profits as per the provisions of the
 - a. The Income-Tax Act
 - b. The Companies Act
 - c. Audit Services Act
 - d. The Chartered Accountants Act

6. The Institute of Chartered Accountants of India has issued SA 530: AUDIT SAMPLING is _____ in nature and applicable to all kinds of Audit.

a. Mandatory

b. Obligatory

c. Optional

d. Discretionary

7. GAAP stands for _____

a. Generally Accepted Auditing Practices

b. Generally Accepted Accounting Practices

c. Globally Accepted Auditing Practices

d. Globally Accepted Accounting Practices

8. CARO stands for _____

a. Companies (Annual Report) Order 2004

b. Companies (Additional Report) Order 2005

c. Companies (Auditor's Report) Order 2003

d. Chartered Accountants' Report Order 2006

9. CAAT stands for _____

a. Computer Assisted Accounts Techniques

b. Computer Assisted Additional Techniques

c. Computer Assisted Annual Techniques

d. Computer Assisted Audit Techniques

10. ISACA stands for _____

a. International Systems Audit and Control Association

b. Internal Systems Audit and Control Association

c. International Systems Audit and Computing Association

d. Information Systems Audit and Control Association

11. Financial accounting provides information

a. For maintenance of efficient control over assets and liabilities

b. To management to enable it to fix prices

c. For assessing the financial position and profitability of the firm

d. Both (a) and (b) above

12. Which of the following will appear in the 'profit and loss appropriation account'?

a. Interim dividend.

b. Provision for taxation.

c. Penalty paid under dispute.

d. Directors' remuneration for which government approval is still pending.

13. According to AS-2 inventories should be valued at

a. Historical cost

b. Market cost

c. Lower of historical cost and net realizable value

d. Lower of historical cost and replacement cost

14. In the books of Consignor, the profit of Consignment will be transferred to

a. General Trading A/c

b. General P/L A/c

c. Capital A/c

d. Drawings A/c

15. Fixed assets cannot be shown at net realizable value because of

a. Cost concept

b. Going concern concept

c. Conservatism concept

d. Realization concept

16. The appointment of the first auditor of a company requires the approval of

a. Board of Directors or Annual General Meeting

b. National Company Law Tribunal

- c. Central Government
- d. Registrar of Companies

17. Which of the following items is not a reason for difference between bank balance as per cash book and pass book?

- a. Omission of a contra entry in cash book
- b. Cheques deposited but not yet cleared
- c. Omission of an entry in cash column of cash book
- d. Cheques issued but not yet presented for payment

18. At the time of preparation of final accounts, dividend received account will be transferred to

- a. Debtor's account
- b. Profit & loss account
- c. Profit & loss adjustment account
- d. Profit & loss appropriation account

19. Information regarding the amount proposed to be transferred to reserves is given in

- a. Chairman's statement
- b. Directors report
- c. Auditors report
- d. Both (a) and (b) above

20. Which of the following is not a feature of a promissory note?

- a. It must be in writing.
- b. It contains an unconditional promise to pay.
- c. It is payable to the bearer.
- d. It must be signed by the maker.

21. Purchase of furniture for cash

- a. Increases total assets

- b. Decreases total assets
- c. Increases total liabilities
- d. Leaves total assets unchanged

22. When the proposed dividend is 13% the amount to be transferred to reserve is

- a. 2.5% of current profits
- b. 5% of current profits
- c. 7.5% of current profits
- d. 10% of current profits

23. Outstanding wages appearing in trial balance is shown as

- a. Current asset
- b. Current liability
- c. Other liability
- d. Fixed asset

24. Which of the following is treated as a 'contingency' as per AS-4?

- a. Commitments on long-term lease contracts.
- b. Providing for depreciation of a fixed asset.
- c. Arrears of fixed cumulative dividends or uncalled liability on shares partly paid.
- d. Liability under retirement benefit plans.

25. While calculating managerial remuneration, which of the following shall not be deducted from net profit?

- a. Interest on debentures issued by company.
- b. Loss on sale of undertaking.
- c. Debts considered bad and written off.
- d. Liability arising from a breach of contract

26. Which of the following is not a change in Accounting Policy?

- a. Introduction of straight line method of depreciation in place of written down value method of depreciation.

b. Introduction of formal retirement gratuity scheme by an employer in place of ad hoc ex-gratia payments to employees on retirement.

c. Change in method of valuation of inventories from LIFO to FIFO.

d. Change in method of recognizing revenue on construction contracts from percentage of completion method to completed contract method.

27. Which of the following accounting adjustments is/are true in respect of closing stock appearing in the trial balance?

a. It is shown on the debit side of the trading account along with the opening stock.

b. It is shown on the credit side of the trading account.

c. It is shown on the liabilities side of the balance sheet.

d. It is shown on the assets side of the balance sheet.

28. Accounting policies may differ from one firm to another firm in respect of one of the following:

a. Deciding credit and debit aspects of transactions

b. Classification of assets and liabilities

c. Classification of revenue and expense

d. Classification of revenue and capital expenditure

29. The entry made regarding bad debts, at the end of a financial year, when a provision for bad debts exists is

a. Debit the debtor's account, credit provision for bad debts account

b. Credit the debtor's account, debit provision for bad debts account

c. Debit the profit and loss account, credit bad debts account

d. Credit the profit and loss account, debit bad debts account

30. While effecting foreign currency translation in the case of foreign branches, the exchange rate to be applied to convert depreciation is the

a. Closing rate

b. Opening rate

c. Average of closing and opening rates

d. The rate at which the concerned fixed asset has been converted

31. The first auditors of the company shall be appointed by the board
- a. within six months from the date of registration of the company
 - b. in the first AGM of the company
 - c. Within one month of the date of registration of the company
 - d. Within twelve months from the date of registration of the company
32. Which of the following does not form part of the Directors' Report?
- a. The amount of dividend declared.
 - b. The status of affairs of the company.
 - c. The amount proposed to be transferred to reserves.
 - d. Appointment of Additional director..
33. Which of the following statements is not correct?
- a. Provision for bad debts appears as a liability on the balance sheet.
 - b. The provision for bad debts is owed to the proprietor.
 - c. Bad debts could be less than the provision for bad debts.
 - d. Bad debts could exceed the provision for bad debts.
34. Which of the following errors is an error of omission?
- a. Sale of Rs. 100 was recorded in the purchases journal.
 - b. Wages paid to Mohan have been debited to his account.
 - c. The total of the sales journal has not been posted to the sales account.
 - d. Repairs to buildings has been debited to buildings account..
35. If a bill is endorsed to a third party, the accounting treatment, in the books of endorser, at the time of endorsement is
- a. Credit endorsee's account
 - b. Debit endorsee's account
 - c. Debit bills receivable account

d. Credit bills payable account

36 The excess price received over the par value of shares, should be credited to

a. Calls-in-advance A/c

b. Share Capital A/c

c. Securities Premium A/c

d. Reserve Capital A/c

37. Dividends are usually paid as a percentage of

a. Net Profit

b. Authorized Share Capital

c. Paid-up Capital

d. Called-up Capital

38. The Securities Premium Account should be shown under

a. Share Capital

b. Current Assets

c. Current Liabilities

d. Reserves and Surplus

39 A Company cannot issue Redeemable Preference Shares for a period exceeding

a. 5 years

b. 10 years

c. 15 years

d. 20 years

40 Securities Premium cannot be used to

a. Issue Bonus Shares

b. Redeem Preference Shares

c. Write-off Preliminary expenses

d. Write-off Discount on Issue of Shares

- 41 . Which of the following is false regarding declaration of dividends by a company?
- a. Dividends can be paid out of profits arrived at after setting off depreciation.
 - b. Central Government may allow any company to declare dividends out of profits before providing depreciation.
 - c. A company paying dividends must also transfer a prescribed percentage of profit to reserve.
 - d. The shareholders have the power to enhance the dividend recommended by the Board of Directors.
42. Which of the following is not a valid difference between Financial Accounting and Management Accounting?
- a. Financial accounting provides data for external users like shareholders whereas Management accounting provides data for internal users like managers.
 - b. Financial accounting is usually a summary of past costs whereas Management accounting is useful for decision-making that considers the future scenario also.
 - c. Financial accounting relies heavily on the concept of responsibility whereas Management accounting does not rely on the concept of responsibility.
 - d. Financial accounting statements must be prepared in accordance with GAAP whereas Management accounting is not governed by GAAP.
43. Goods given as charity worth Rs.500 should be credited to
- a. Charity account
 - b. Sales account
 - c. Purchase account
 - d. Cash account
44. Loss on issue of Debenture is treated as
- a. Intangible asset
 - b. Current Asset
 - c. Current Liability
 - d. Miscellaneous Expenditure
45. Debenture Premium can be used to
- a. Write-off the discount on issue of Shares or Debentures
 - b. Write-off the Premium on redemption of Shares or Debentures

c. Write-off Capital loss

d. All of the above

46. Which of the following is false?

a. A Company can issue Redeemable Debentures

b. A Company can issue Debentures with voting rights

c. A Company can buy its own Shares

d. A Company can buy its own Debentures

47. Balance Sheet is prepared

a. To check the accuracy of Books

b. To know the financial position

c. To know the net profit or loss

d. To find out the value of assets

48. Which of the following is not related to the head "Current Asset"?

a. Debtors

b. Furniture.

c. Sundry Debtors

d. Closing Stock

49. Liquid /Quick Ratio comprises -

a. Current assets to Liquid liabilities

b. Current assets to current liabilities

c. Liquid assets to liquid Liabilities

d. Liquid assets to Current Liabilities

50. Make a provision for all possible losses but anticipate no Profits, is a concept known as:

a. Conservatism.

b. Matching,

c. Realization,

d. Consistency