

**Which of the following statements is not true?**

Management fraud is more difficult to detect than employee fraud

**B. Internal control system reduces the possibility of occurrence of employee fraud and management fraud**

C. The auditor's responsibility for detection and prevention of errors and frauds is similar.

D. All statements are correct.

**Internal audit is undertaken:**

By independent auditor

B. Statutorily appointed auditor

**C. By a person appointed by the management**

D. By a government auditor

**The scope of internal audit is decided by the \_\_\_\_\_?**

Shareholders

**B. Management**

C. Government

D. Law

**Audit of banks is an example of \_\_\_\_\_?**

Statutory audit

B. Balance sheet audit

C. Concurrent audit

**D. All of the above**

**Concurrent audit is a part of \_\_\_\_\_?**

Internal check system

B. Continuous audit

**C. Internal audit system**

D. None of these

**Audit in depth is synonymous for \_\_\_\_\_?**

Complete audit

B. Completed audit

- C. Final audit
- D. Detailed audit**

**Institute of Chartered Accountants of Pakistan was established in \_\_\_\_\_?**

- 1949
- B. 1956
- C. 1961**
- D. 1972

**Which of the following statements is not true about continuous audit?**

- It is conducted at regular interval
- B. It may be carried out on daily basis
- C. It is needed when the organization has a good internal control system**
- D. It is expensive

**Internal check is carried on by \_\_\_\_\_?**

- Staff specially appointed for the purpose
- B. Internal auditor
- C. Supervisor of the staff
- D. Members of the staff**

**Errors of Omission are \_\_\_\_\_?**

- Technical errors**
- B. Errors of principle
- C. Compensating errors
- D. None of the above

**Window dressing implies \_\_\_\_\_?**

- Curtailment of expenses
- B. Checking of Wastages
- C. Under valuation of assets
- D. Over Valuation of assets**

**Test Checking refers to \_\_\_\_\_?**

Testing of accounts and records

**B. Checking of selected number of transactions**

C. Examination of adjusting and closing entries

D. Checking of all transactions recorded

**Which of the following statements is not correct about materiality?**

Materiality is a relative concept

B. Materiality judgments involve both quantitative and qualitative judgments

C. Auditor's consideration of materiality is influenced by the auditor's perception of the needs of an informed decision maker who will rely on the financial statements

**D. At the planning state, the auditor considers materiality at the financial statement level only**

\_\_\_\_\_the audit risks\_\_\_\_\_the materiality and\_\_\_\_\_the audit effort.

**Lower, Higher, Lower**

B. Lower, Lower, Higher

C. Higher, Lower, Lower

D. Lower, Higher, Higher

**When issuing unqualified opinion, the auditor who evaluates the audit findings should be satisfied that the\_\_\_\_\_?**

Amount of known misstatement is documented in working papers

**B. Estimates of the total likely misstatement is less than materiality level**

C. Estimate of the total likely misstatement is more than materiality level

D. Estimates of the total likely misstatement cannot be made

**In determining the level of materiality for an audit, what should not be considered?**

Prior year's errors

**B. The auditor's remuneration**

C. Adjusted interim financial statements

D. Prior year's financial statements

**Analytical procedures issued in the planning stage of an audit, generally**

Helps to determine the nature, timing and extent of other audit procedures

B. Directs attention to potential risk areas

C. Indicates important aspects of business

**D. All of the above**

**Which of the following statements is most closely associated with analytical procedure applied at substantive stage?**

- It helps to study relationship among balance sheet accounts
- B. It helps to discover material misstatements in the financial statements
- C. It helps to identify possible oversights
- D. It helps to accumulate evidence supporting the validity of a specific account balance**

**Verification refers to \_\_\_\_\_?**

**Examining the physical existence and valuation of assets.**

- B. Examining the journal and ledger
- C. Examination of vouchers related to assets.
- D. None of the above.

**Stock should be valued at \_\_\_\_\_?**

- Cost
- B. Market price
- C. Cost or Market price whichever is lower.**
- D. Cost less depreciation.

**Floating assets are valued at \_\_\_\_\_?**

- cost
- B. Market price
- C. Cost or market price whichever is lower**
- D. Cost less depreciation

**Goods sold on the basis of 'sales or return ' should:**

- Be included in the stock**
- B. Not be included in the stock
- C. Not be checked by auditor
- D. None of the above

**Of the following, which is the least persuasive type of audit evidence?**

- Bank statements obtained from the client
- B. Documents obtained by auditor from third parties directly.

- C. Carbon copies of sales invoices inspected by the auditor
- D. Computations made by the auditor

**Which of the following statements is, generally, correct about the reliability of audit evidence?**

To be reliable, evidence should be conclusive rather than persuasive

- B. Effective internal control system provides reliable audit evidence**
- C. Evidence obtained from outside sources routed through the client
- D. All are correct.

**In an audit of financial statements, substantive tests are audit procedures that \_\_\_\_\_?**

May be eliminated for an account balance under certain conditions

- B. Are designed to discover significant subsequent events
- C. Will increase proportionately when the auditor decreases the assessed level of control risk
- D. May be test of transactions, test of balance and analytical procedures**

**The nature, timing and extent of substantive procedures is related to assessed level of control risk**

Randomly

- B. Disproportionately
- C. Directly**
- D. Inversely

**Which of the following factors is most important in determining the appropriateness of audit evidence?**

**The reliability of audit evidence and its relevance in meeting the audit objective**

- B. The objectivity and integrity of the auditor
- C. The quantity of audit evidence
- D. The independence of the source of evidence

**When is evidential matter, generally, considered sufficient?**

When it constitutes entire population

- B. When it is enough to provide a basis for giving reasonable assurance regarding truthfulness**

- C. When it is objective and relevant
- D. When auditor collects and evaluates it independently

**Which of the following is not corroborative evidence?**

Minutes of meetings

- B. Confirmations from debtors
- C. Information gathered by auditor through observation
- D. Worksheet supporting consolidated financial statements**