**Fundamentals of Auditing (ACC311)**

**Midterm Solved MCQ’s (Questions)**

**1. Standard format of Auditor’s Report as per the Companies Ordinance 1984 is described in which one of the following Legal Forms?**

A. Form31A

B. Form32A

C. Form30A

**D. Form35A**

**2. IFRS stands for which one of the following?**

**A. International Financial Reporting Standards**

B. International Financial Recording Systems

C. International Financial Recording Statements

D. International Financial Reporting Systems

**3. Which of the following is NOT one of the five major components of internal control?**

A. Risk assessment

B. Control activities

C. Information and communication system

**D. Human resource background checks**

**4. All of the following should be observed and inspected by the auditors during the risk assessment process of an entity EXCEPT:**

A. Observations of Activities and operations

B. Inspection of Documents and records

C. Reading Management reports

**D. Visit to other companies in the industry**

**5. Which one of the following audit techniques ordinarily provides an auditor with the least assurance about the operating effectiveness of an internal control activity?**

A. Inquiry of client personnel

**B. Inspection of documents and reports**

C. Observation of client personnel

D. Preparation of system flowcharts

**6. Which one of the following opinions advocates that the auditor should form an opinion only after obtaining sufficient audit evidence instead of blindly accepting any information given by the management?**

A. Auditor’s liability

**B. Professional ethics**

C. Professional Skepticism

D. Auditor’s opinion

**7. Which one of the following is NOT required as part of the audit process?**

A. Substantive procedures

B. Tests of control

C. Assessment of materiality

**D. Procedures to obtain an understanding of the internal control structure**

**8. SECP stands for which one of the following?**

A. Securities and Exchange Collaboration of Pakistan

B. Securities and Exchange Consortium of Pakistan

**C. Securities and Exchange Commission of Pakistan**

D. Securities and Exchange Constitution of Pakistan

**9. One type of analytical procedure is the ‘Trend Analysis’. Which one of the following is the best example of trend analysis?**

A. Comparison of company financial ratios to that of its competitors

B. Comparison of accounting records to budgeted amounts

**C. Comparison of inventory levels over the past 3 years**

D. Comparison of interest expenses to outstanding loan balances

**10. While conducting operational audit, which one of the following auditing procedures does the auditor primarily rely upon?**

A. Inquiry and observation

**B. Analytical procedures**

C. Physical inspection

D. Tracing and vouching

**11. Which one of the following helps to achieve reasonable assurance about the fairness of financial statements during an audit process?**

**A. Audit report**

B. Audit evidence

C. Audit engagement

D. Audit program

**12. For better assessing the audit risk, auditor inquires different groups in the organizations EXCEPT:**

Board of governance and top level management

Legal counsel

Middle level management

**Stakeholders**

**13. Internal sources of audit evidence for an entity includes the following EXCEPT:**

**Associated companies of the entity**

Accounting systems, records and documents

Non-financial data and records

Management representation and discussion

Associated company is not internal source.

**14. Which of the following is the least concern to an auditor regarding the client’s internal control system?**

**Efficiency and effectiveness of operations**

Controls related to the reliability of financial reporting

Controls over classes of transactions

Auditors are equally concern with each of the given issues

**15. During test of control procedure its design can easily tested with the help of:**

ICQs and walk through tests

ICQs and judgment sample

ICQs and random sample

**ICQS and ICEC**

**16. Which of the following is TRUE?**

The audit profession is unregulated

**The audit profession is regulated by its own professional body**

Outside bodies sometimes become involved in the regulation of audit profession

The audit profession is regulated only by the government

**17. The small audit firms provide the following services EXCEPT:**

Liquidation and receivership work, fraud auditing

Financial management and system consultancy

**Financial system planning and preparation**

Tax management and statutory form filling

**18.Which of the following is not included in the category of cash?**

Deposit with banks

Checks

**Postdated checks**

Money orders

**19. Which of the following letter should be included in the letter of representation?**

**Existence of immaterial mistake in the statement**

Existence of any fraud or any error in the statement

Company's growth trend in the future in figures

Market value of the company's stock

**20. For measuring the quality of audit evidence auditors used the tool of appropriateness; in case if auditor wants to measure quantity of audit evidence which tools from the following should be adopted?**

Relevance

Reliability

**Sufficiency**

Effectiveness

**21. Which statement cannot be highlighted as a merit of audit process?**

(a)It settles the dispute between management

(b)It helps the auditor to give more constructive advice top management

(c)Its help to restrict sole proprietor to by changing some fee

(d)It gives strength to the company for acquiring the finance

**22. When the cash sales should be recorded by the companies in order to achieve control objectives?**

**(a)Record the cash sales when purchase order is received from the customer**

(b)Record the cash sales at the point they are made

(c)Record the cash sales after some period

(d)Record the cash sales weekly

**23. Auditors conduct auditing in accordance with :**

(a)International Financial Reporting Standards

(b)Local pronouncements/Legislations

(c)Financial Accounting Standards Board

**(d)All of the given options**

**24. Which 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 s financial records?**

(a) Valuation

**(b)Completeness**

(c)Existence

(d)Rights and obligations