**Fundamentals of Auditing (ACC311)**

**Quiz No-1 Fall 2014**

**1. Which one of the following cannot be considered as the essential feature of Auditing?**

a. An auditor is involved in the examination of financial statements

**b. The auditor is responsible for the preparation of the financial statements**

c. The end result of an audit is an opinion to assist the user of the financial

statements.

d. The auditor should be independent of the entity

**2. Which one of the following best describes why an independent auditor is asked to express**

**an opinion on the presentation of financial reports?**

a. It is difficult to prepare financial reports that fairly present a company’s financial

position without the expertise of an external auditor

b. It is management’s responsibility to seek available independent aid in the

appraisal of financial information shown in its financial reports

**c. The opinion of an independent party is needed because a company may not be**

**objective with respect to its own financial reports**

d. It is a customary courtesy that all shareholders of a company receive an

independent report on management’s stewardship of the affairs of the business

**3. The audit which is a review of any part of an entity’s operating procedures and methods**

**is known as which one of the following?**

a. Financial statement audits

**b. Operational audits**

c. Technical Audits

d. Compliance audits

**4. Which one of the following is considered as the formal opinion, or disclaimer thereof?**

**issued by an independent auditor as a result of audit or evaluation performed on a legal**

**entity?**

a. Financial report

b. Financial statement

c. Director’s report

**d. Auditor's report**

**5. Which of the following statements is true?**

a. The auditing profession is unregulated

**b. The auditing profession is regulated only by its own professional body**

c. Outside bodies sometimes become involved in the regulation of the audit profession

d. The auditing profession is regulated only by the government

**6. Which one 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

**7. Internal control is primarily established within a company to do which of the following?**

**a. To prevent fraud in the company affairs**

b. To provide reasonable assurance that the company's objectives will be achieved

c. To catch all errors that may occur in the company

d. To aid in the effective auditing of the company

**8. Fixation of remuneration of auditors can be determined by the following authorities EXCEPT:**

**(Companies Ordinance, 1984)**

a. Directors

**b. Company secretary**

c. Commission

d. Members

**9. A leather goods manufacturing company has started its operations in year 2001. After five years of**

**Conducting successful business, it has become a listed company recently. Now, the company is**

**required to hire its first auditors, but neither the directors nor the members could appoint the**

**auditors during the past 4 months since the incorporation of the company.**

**select among the following authorities who can appoint the auditors in this situation? (Companies**

**Ordinance, 1984)**

a. Company secretary

**b. Company registrar**

c. Commission

d. Institute of Chartered Accountants of Pakistan (ICAP)

**10. A company has hired auditors who have performed the audit process in accordance with the**

**auditing standards, but they fail to present its report. According to the Company law, 1984, the**

**auditors shall be liable for which one of the following liabilities?**

a. Criminal liability

b. Liability for misfeasance

**c. Liability for negligence**

d. Accounting liability

