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ACC311 FINAL TERM PAPER SHARED BY STUDENT

REPLY BY RANA ON MARCH 6, 2016 AT 10:01PM

ACC311 FUNDAMENTALS OF ACCOUNTING

Discuss Purchase order is tested while testing the purchase system of entity. (3)

How control over payments made through cheque while testing the cash system.

What is letter of representation Write a small note on audit of small entities.

Situation is given in one question. we have to identify the weaknesses in cash handling and recommend possible remedies to management (5)

Write 5 valid points which determine invoicing and credit notes are typical control procedures.

What are the auditors responsibility with respect to basic elements of auditors report.



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ACC311 quiz 2014

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

D. Form35A

2. IFRS stands for which one of the following?

A. International Financial Reporting Standards

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

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:

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?

B. Inspection of documents and reports

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

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

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

8. SECP stands for which one of the following?

C. Securities and Exchange Commission of Pakistan

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

C. Comparison of inventory levels over the past 3 years

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

B. Analytical procedures

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

A. Audit report

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

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

2. Which one of the following best describes why an independent auditor is asked to express an opinion on the presentation of financial reports?



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- a. **The opinion of an independent party is needed because a company may not be objective with respect to its own financial reports**
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. **Operational audits**
- a. 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?
- b. **Auditor's report**
5. Which of the following statements is true?
- a. **The auditing profession is regulated only by its own professional body**
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. **Completeness**
7. Internal control is primarily established within a company to do which of the following?
- a. **To prevent fraud in the company affairs**
8. Fixation of remuneration of auditors can be determined by the following authorities EXCEPT: (*Companies Ordinance, 1984*)
- a. **Company secretary**
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 registrar**
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. **Liability for negligence**



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FINAL TERM EXAMINATION

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

Record the cash sales at the point they are made

Note:

sales when delivery is done n cash received bcoz sales r recorded after delivery. Cash sales should be recorded at the point the sale is made. Usually this is by means of a Cash Till or the use of cash sale invoices or receipts.

Auditors conduct auditing in accordance with :

International Financial Reporting Standards

Local pronouncements/Legislations

Financial Accounting Standards Board

All of the given options

* 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?

Completeness

Completeness means that all transactions and relevant information has been

recorded according with applicable ifrs as well as legislations

Which one of the following statements is **NOT** true about the internal control system of a company?

Internal control system is expected to provide absolute assurance about the performance of a company

* Internal control systems always minimize risk but never these can eliminate risks absolutely

in auditing and accounting noting is absolute

Who shall fix the remuneration of the auditors, if auditors of a company are appointed by the

shareholders? (*Companies Ordinance, 1984*)

Shareholders

but company ordinance 1984 is only applicable in pakistan not in world

lazyboy: in rest of world we have company law 2006

- If Directors could not appoint the first auditors of a company, then the first auditors shall be appointed by



which one of the following authorities? (*Companies Ordinance, 1984*)

- **Securities and Exchange Commission**

The books of accounts of a company should be kept at which one of the following offices?

(*Companies Ordinance, 1984*)

Accounts office of the company

by the way books of prime entry will be kept at accounts office because account office oftenly need these books

* Which one of the following is also called as books of secondary entries ?

Ledger

* According to Section 236, Director's report should be attached to which of the following financial statement? (*Companies Ordinance, 1984*)

Balance sheet

* A well designed Internal Control Questionnaire (ICQ) should incorporate the following

EXCEPT:

Should include simple yes or no responses but not narrative responses

Which one of the following examples constitutes the most reliable piece of evidence available to an auditor?

A written confirmation from a bank

* Considering the Extent of audit procedure refers to which one of the following description?

It refers to the purpose i.e. (tests of controls or substantive procedures) and their type, that is, inspections, observation, inquiry confirmation, recalculation, re-performances or analytical procedures

* Which one of the following situations can constitute grounds for a claim of negligence on part of the auditors to detect a fraud?

The fraud was committed by a senior management override of internal controls which had been relied upon in reducing the extent of detailed testing

* The control objectives of a sales system typically include the following **EXCEPT:**

All valid transactions relating to payables, and only those transactions, should be accurately recorded in the accounting records



bcz payables relate to purchases not to sales

* A local gas station has one clerk that accepts cash payments for gas and rings them up on the cash register. Which one of the following would be the *best* control to provide assurance that the cashier is not keeping some of the cash?

Require that each customer be given a receipt of their purchase

If receipt is given total receipts can be matched with total cash received

* Which one of the following may **NOT** be the control procedure at key stages of the sales cycle of an entity?

Bad Debts

petty cash count

u r not paying customer customer is paying u

so u will match cash register with wht

* While testing the purchase system of an entity, which one of the following control tests may **NOT** be applied to the purchase order document?

Proof of issuance date

* While testing the purchase system of an entity, which one of the following control tests may be applied to the Goods Returned Notes by the auditors?

Evidence of approval of requisitions

to see if what is returned was purchased with or without authorization

* An oil marketing company employs 1000 personnel in its local market. Majority of its workers are paid on the piece rate basis. The company should compensate them in which one of the following forms of payment?

Wages

* According to the requirements of auditing standards for Wages and Salaries, who should be allowed to take wages of another employee in a company?

Next of kin

How often Inventory levels should be checked against the inventory records in order to verify internal control effectiveness?

Periodically



u cannot do daily not time n cost effective

- * Which one of the following is an appropriate evidence for verifying the existence of inventory?

Observing the counting of inventory

too see if inventory is present u will go n check it

- * An oil exploring company employs 1500 personal in its international market. All of its personnel are paid on monthly basis. The company should compensate them in which form of payment?

Cheque

- * Which one of the following *best* describes the process of 'teeming and lading' in the cash system of an entity?

An attempt to hide the loss of cash received from one customer by using cash from another customer or customers to replace it

- * KMC Electronics Company hires auditors at the year end. Auditors are at the stage of verification and vouching of company's financials. Before examining the equity section, they developed general aspects concerning the owner's equity. In your opinion, which one of the following aspects may **NOT** be considered by the auditors during this assessment?

Assets of the company are properly classified and presented

all odrs r equity related

- * Following are the points considered during the verification of bank balances **EXCEPT**:

Ensure that the creditors have been paid for their loan amount

creditors we will see in payables portion

- * In which one of the following methods of sampling, an auditor is concerned that client should not be able to know or guess which items will be examined?

Haphazard sampling

- * Which one of the following is a common approach to increase the audit efficiency in sampling?

Systematic selection

- * Following statements describes the functions of internal auditing **EXCEPT**:

It is an activity which entails appraising the entity's strategies and expressing an opinion



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on the financial statements

* An audit firm started planning annual audit process for a sports goods manufacturing company. The planning involves the following key points **EXCEPT**:

Surveillance of company operations and procedures

* What is **NOT** required as part of the audit process?

Procedures to obtain an understanding of the internal control structure

* Which one of the following mainly affects the auditor's opinion?

Future prospects of the company's growth

Which one of the following matters does **NOT** affect Auditor's Opinion?

When there is a disagreement with management regarding the method of applying accounting policies

* Which one of the following statements is **TRUE**?

A very small sample of only one or two pieces of relevant, competent, and timely

evidence lacks persuasiveness

if its so small thing u r checking u can check all transactions

* Analytical procedures are performed as a substantive test to achieve which of the following objectives?

To determine the nature, timing, and extent of other audit procedures

* A written understanding between the auditor and the client concerning the auditor's responsibility

for the discovery of illegal acts is usually set forth in which of the following letters?

Engagement letter

Gains and losses during business operations of a company are determined in terms of increases and decreases in which one of the following sections of the Balance sheet?

Owners' equity

* All expenditures incurred through petty cash should be recorded in which one of the following?

Voucher ▶

* Which one of the following International Auditing Standards deals with the Audit Materiality?

ISA - 320

* Property, plant and equipment are stated at cost less accumulated depreciation. Which of the



following is the relevant assertion?

Valuation

* According to your understanding, what control objectives must be defined for bringing fairness in the Cash System of an entity?

Ans: first of all only authorized vouchers should be paid for n daily cash should be counted

Matched with cash in books

* What are the Control Accounts? How they should be monitored in order to bring fairness in the inventory system of an entity?

* Suppose you have been appointed as the auditor of a company and have started examining the entity by taking initial interviews of the concerned personnel. During this course, one of the person from management has asked you the following information:

1. What are the matters about which an auditor may disagree with the management?
2. What should an auditor do if such disagreements are material?

Give your answers in brief

* According to your knowledge, what tests of controls auditors usually perform for the evaluation of Purchase Invoice of an entity?

What matters should the auditor consider for developing an overall audit plan for the expected scope and control of an audit?

* A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

* An unlisted public limited company undergoing expansion intends to create an internal audit department. The Managing Director (MD) has asked your advice and comments on each of the matters listed below:

1. The fundamental differences in the scope, approach, and responsibility between the internal and external auditor.
2. Whether it would be advisable to assign the responsibility of development of systems and procedures to the internal auditor?



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PAPER 30/8/2014

Total question 55

1. Write the test of controls of petty cash book.
2. control Procedures of cash receipts?
3. What is management letter?
4. letter of representation ? role and nature?
5. test of controls of ledger book and ledger account?
6. enlist few examples of matters that auditor will consider and plan audit strategy? explain one example.

ACC311 FINAL TERM PAPER SHARED BY STUDENT

REPLY BY TEHRIM ON MARCH 10, 2014 AT 6:53PM

What are the various types of verification which an auditors can select while developing tests of control for audit work? Also differentiate between them? 3marks

Suppose you have been appointed as an auditor of a listed company. Before starting control tests of the payroll system, what control objectives would you define in respect of the payroll system? 3marks

The accounting records of a company are no more verifiable due to the major IT system collapse during the current financial year. The company does not have proper manual records. Although the integrity of the



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management is not in doubt, but the auditor is not in a position to substantiate management's assertions contained in the financial statements. What type of opinion should be expressed in these circumstances? 3marks

Suppose you have been appointed as an auditor of a trading company. Explain any three substantive procedures you might carry out in the verification of inventory of this company. 3marks

What internal control procedures can be implemented over payroll system of a manufacturing concern in compliance with prevailing auditing standards? 5marks

Suppose you have been appointed as auditor of Chand Sitara Textile Limited. During the testing of procurement system you found some discrepancies in the records. According to your knowledge of auditing standards, why you will check numerical sequence during the test of control and also name at least four examples of purchase documents on which numerical sequence should be checked for Chand Sitara Textile Limited? 5marks

Discuss the factors which influence auditor's judgment regarding the sample size for applying tests of control. 5marks

Discuss different types of limitation of scope of an audit that may result in a modified opinion giving suitable instances of each. 5marks



ACC311 FINAL TERM PAPER SHARED BY STUDENT

REPLY BY MALIK ON MARCH 1, 2014 AT 2:19PM

Today's Paper

Total Questions = 64 Total Marks = 88 Total 1 Mark MCQ = 56

Total 3 Marks Short Questions = 4 Total 5 Marks Long Questions = 4

What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?

Throughout the 1960s and 70s, the largest accounting firms devoted extensive resources to the development and implementation of statistical sampling procedures. Enlist several sample selection methods now available to an auditor for selecting items in the populations.

Suppose you have been appointed as an auditor of a manufacturing company. You are at the stage of testing the purchase system. According to your knowledge of Auditing Standards, what control objectives would you develop in respect of the Purchase system of the entity?

Discuss the factors which influence auditor's judgment regarding sample size for tests of control.



Suppose that your supervisor has asked you to carry out an internal control review of the inventory system of a manufacturing company. What internal control procedures would you examine in respect of the following functions of the inventory system?

1. Arithmetical Accuracy
2. Control Accounts
3. Access to Assets and Records

A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

ACC311 FINAL TERM PAPER SHARED BY STUDENT

REPLY BY + ! ! ! ! ! " 'HOM'I ON MARCH 2, 2014 AT 1:42AM

today's Paper

Total Questions = 64

Total Marks = 88

Total 1 Mark MCQ = 56

Total 3 Marks Short Questions=4

Total 5 Marks Long Questions =4



What is the difference between Flexible Policy and Restrictive Policy regarding size of investment in current assets while making short-term financial policy?

Differentiate between Systematic Risk and Unsystematic Risk. Which of them can be eliminated by diversification?

Suppose common stocks of a company are currently selling for Rs.30 per share. Stock market analysts estimated a dividend of Rs.2 per share for the next year and it is expected that the dividend will grow by 10% more or less indefinitely. What return does this stock offer?

A bank is offering 12% interest rate compounded quarterly on its saving account. What would be the Effective Annual Rate (EAR) ?

“An investment is acceptable if the IRR exceeds the required return. It should be rejected otherwise.” Explain.

Sumi Inc. has outstanding Rs.1, 000- face –value bond with a 16 percent coupon rate and 6 years remaining until final maturity. Interest payments are made quarterly. What would be the value of this bond if your nominal annual required rate of return is : (i) 13 %, (ii) 19 %.

S&T Company just paid a dividend of Rs.2 per share and has a share price of Rs.30. The dividends are expected to grow @ 10% forever. S&T Company has Rs.75 million in equity and Rs.75 million in debt in its total capital. The tax rate for the firm is 35% and the Cost of debt is 8%. What will be the Weighted Average Cost of Capital (WACC) for S&T Company ?



ACC311 FINAL TERM PAPER SHARED BY STUDENT

REPLY BY TEHRIM ON MARCH 10, 2014 AT 2:12PM

What are the various types of verification which an auditors can select while developing tests of control for audit work? Also differentiate between them? 3marks

Suppose you have been appointed as an auditor of a listed company. Before starting control tests of the payroll system, what control objectives would you define in respect of the payroll system? 3marks

The accounting records of a company are no more verifiable due to the major IT system collapse during the current financial year. The company does not have proper manual records. Although the integrity of the management is not in doubt, but the auditor is not in a position to substantiate management's assertions contained in the financial statements. What type of opinion should be expressed in these circumstances? 3marks

Suppose you have been appointed as an auditor of a trading company. Explain any three substantive procedures you might carry out in the verification of inventory of this company. 3marks

What internal control procedures can be implemented over payroll system of a manufacturing concern in compliance with prevailing auditing standards? 5marks

Suppose you have been appointed as auditor of Chand Sitara Textile Limited. During the testing of procurement system you found some discrepancies in the records. According to your knowledge of auditing standards, why you will check numerical sequence during the test of control and also name at least four examples of purchase documents on which numerical sequence should be checked for Chand Sitara Textile Limited? 5marks



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Discuss the factors which influence auditor's judgment regarding the sample size for applying tests of control. 5marks

Discuss different types of limitation of scope of an audit that may result in a modified opinion giving suitable instances of each. 5marks

ACC311 FINAL TERM PAPER SHARED BY STUDENT

REPLY BY TEHRIM ON MARCH 13, 2014 AT 9:54AM

Purpose of audit planning 3

Control accounts of inventory system 3

Monetary unit sampling 3

Control accounts of payroll system 3

Audit engagement letter 5

Negative confirmation Scenario 5

Procedures for the audit of inventories 5

Procedures for control of petty cash system 5

ACC311 FINAL TERM PAPER SHARED BY STUDENT

Today's Paper on 20th July 2013

Total Questions = 64 Total Marks = 88 Total 1 Mark MCQ = 56

Total 3 Marks Short Questions=4 Total 5 Marks Long Questions =4

Long question:

1. Control procedures of petty cash book? 5 Marks
2. Define Unqualified opinion and Qualified Opinion of an Auditor? 3 Marks



3. How Auditor will verify the internal control of a firm which sanction loans to customers according to their needs? 5 Marks

Can't remember other subjective questions.

ACC311 FINAL TERM PAPER SHARED BY STUDENT

REPLY BY TAIM ON FEBRUARY 20, 2013 AT 10:47AM

Total 60 Questions

52 MCQs of 1 Mark each..

4 Questions of 3 Marks Each

4 Questions of 5 Marks Each

Long question:

1. Control procedures of petty cash book? 5 Marks

2. Define Unqualified opinion and Qualified Opinion of an Auditor? 3 Marks

3. How Auditor will verify the internal control of a firm which sanction loans to customers according to their needs? 5 Marks

Can't remember other subjective questions.

Almost 45 MCQs form 52 were from the past papers I have shared yesterday. I'm sharing a single file which contains some more and refined mcqs. It will be very useful!

I can't guarantee that all of these mcqs will be correct, but I have tried my best to correct and edit as much as I can.