

Duration: 2 ½ Hours.

Marks: 75

**Note: All questions are compulsory.
Each question carries 15 Marks.**

Q1) A. Fill in the blanks by choosing the appropriate options. (Any 8)

8M

- 1) A company forgets to record the payment of rent for the current month. What type of error is this?
 - A. error of omission
 - B. error of commission
 - C. error of principle
 - D. none of the above
- 2) _____ is fraud that involves theft of an entity's assets.
 - A. manipulation of records
 - B. a secret reserve
 - C. misappropriation of assets
 - D. income smoothing
- 3) What is the primary purpose of an audit program in the auditing process?
 - A. To prepare financial statements
 - B. To detect fraud
 - C. To plan and manage the audit
 - D. To issue an audit opinion
- 4) What is the primary objective of an external audit?
 - A. To prepare financial statements
 - B. To detect fraud
 - C. To express an opinion on the fairness of financial statements
 - D. To provide consulting services to the client
- 5) Auditing standards are a set of guidelines and principles that _____ follow when conducting audits.
 - A. auditors
 - B. Employees
 - C. Management
 - D. Central Government
- 6) Current file and permanent file together are known as _____.
 - A. audit plan
 - B. audit programme
 - C. audit procedures
 - D. audit working papers

- 7) What is "window dressing" in accounting?
- A. Decorating the office windows for a better aesthetic appeal
 - B. Manipulating financial statements to present a more favorable picture
 - C. Updating software for improved data visualization
 - D. Conducting an external audit for transparency
- 8) Who appoints a statutory auditor in a company?
- A. Shareholders
 - B. Board of Directors
 - C. Chief Executive Officer (CEO)
 - D. Regulatory authorities
- 9) To select a sample for audit, the auditor should consider _____
- A. the size of the sample
 - B. the volume of transaction
 - C. adequacy of internal control system
 - D. all of the above
- 10) Letter of weakness deals with weakness in _____
- A. statutory audit
 - B. internal controls
 - C. financial position
 - D. none of the above

B. State whether the following statements are true or false. (Any 7)

7 M

- 1) Frauds are bonafide in nature.
- 2) There is not much difference between test check & internal check.
- 3) Current Audit File is nothing but a temporary audit file.
- 4) The concept of independence is not crucial for auditors.
- 5) Confirmation is an audit technique used to verify the existence of assets held by third parties.
- 6) An audit programme may be fixed or flexible.
- 7) During vouching, auditors select items from the financial statements and trace them back to the supporting documents.
- 8) Interim audit is also known as annual audit.
- 9) Internal auditors are typically employees of the organization they audit.
- 10) Test Checking does not reduce the auditor's liability.

Q2) a. Explain the basic principles of auditing. **8 M**

b. Elaborate on inherent limitations of audit. **7 M**

OR

Q2) p. What is a Continuous Audit? Explain Continuous Audit along with its advantages. **8 M**

q. Write a note on Final Audit. **7 M**

Q3) What is an audit programme? Explain its merits and demerits. **15 M**

OR

Q3) p. Write a note on Audit Working Papers. **8 M**

q. Elaborate on Audit Planning. **7 M**

Q4) a. What is meant by test checking? Explain the precautions to be taken while doing test checking? **8 M**

b. What is audit sampling? Explain methods of selecting sample items. **7 M**

OR

Q4) p. Explain the duties of the auditor towards internal control. **8 M**

q. Explain internal control for debtors. **7 M**

Q5) a. Distinguish Between internal audit and external audit. **8 M**

b. What is meant by internal audit? Explain the usefulness of internal audits. **7 M**

OR

Q5) Short notes. (Any 3) **15 M**

p. Concept of true and fair view

q. Interim audit

r. Window dressing

s. Types of errors

t. Routine checking
