

Time: 2 ½ Hours

Marks: 75

Note:

- 1) All questions are compulsory.
- 2) All questions carry equal marks.

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

8M

1) Sales to Deepa Rs. 150 posted to his account as Rs. 105. This is \_\_\_\_\_

(error of omission/ error of commission/ error of principle/ none of the above)

2) \_\_\_\_\_ is fraud that involves theft of an entity's assets.

(manipulation of records/ a secret reserve/ misappropriation of assets/ income smoothing)

3) An audit programme must be prepared \_\_\_\_\_

(before commencement of an audit/ during the conduct of an audit/ after completion of an audit/ after submission of an audit report)

4) The main object of an audit is \_\_\_\_\_

(to ensure that final accounts are prepared/ detection and prevention of frauds and errors/ expression of an opinion on true and fair view of accounts/ to ensure the future viability of the enterprise)

5) Auditing standards \_\_\_\_\_ the use of internal audit reports by the statutory auditor.

(discourage/ prohibit/ require/ permit)

6) Current file and permanent file together are known as \_\_\_\_\_

(audit plan/ audit programme/ audit procedures/ audit working papers)

7) The main objective of window dressing is \_\_\_\_\_

(to reduce tax liability/ to mislead investors/ to understate profits/ to increase liabilities)

8) The statutory auditor is primarily concerned with the objective of internal control relating to \_\_\_\_\_

(efficiency of operations/ reliability of financial reporting/ effectiveness of operations/ compliance with applicable laws and regulations)

9) To select a sample for audit, the auditor should consider \_\_\_\_\_

(the size of the sample/ the volume of transaction/ adequacy of internal control system/ all of the above)

10) Letter of weakness deals with weakness in \_\_\_\_\_

(statutory audit/ internal controls/ financial position/ none of the above)

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

- 1) An error of principle will not affect the trial balance.
- 2) Auditor can also apply test checking for opening and closing balances.
- 3) Audit note book is a part of permanent audit file.
- 4) Audit of accounts is optional in case of a private limited company.
- 5) Audit techniques means the steps taken to obtain audit evidence.
- 6) An audit programme should not be in writing as it is confidential.
- 7) Vouching is the audit procedure to check the balances of the various accounts as at the end of the year.
- 8) Independence of auditor is a state of mind and character.
- 9) Internal audit is carried out during the work itself.
- 10) Test Checking does not reduce auditor's liability.

Q2) What is meant by "auditing". Explain basic principles of audit and its advantages. 15 M

OR

Q2) What is continuous audit? Explain its advantages and disadvantages. 15 M

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

OR

Q3) a. Write a note on audit working papers and explain its importance. 8 M

b. What steps should be taken by the auditor before commencement of the audit. 7 M

Q4) a. What is meant by test checking? Explain the precautions to be taken for maintaining the standard of audit. 8 M

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

OR

Q4) p. Explain the internal control for salaries and wages. 8 M

q. What is internal control. Explain the auditor's duties in this regard. 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. Concurrent audit

R. Secret reserves

S. Errors- meaning and any of its 4 types

T. Routine checking