GOVERNMENT COLLEGE UNIVERSITY, FAISALABAD

MODEL PAPER

M. Com. Part I

Course Code: MC-609
Course Title: Advanced Auditing Problems

OBJECTIVE PART

Time allowed: 30 minutes Marks :20

Note: This question No. 1 is compulsory and its all parts carry equal marks. Please attempt the questions on the same paper and return it to the Center Superintendent with in the time allowed.

Q. No. 1 Tick the correct choice (20X1)

1. Auditing refers to:
   (a) preparation and checking of accounts (b) examination of accounts business units only
   (c) examination of accounts by professional accountants (d) checking of vouchers

2. Statutory audit means:
   (a) compulsory audit (b) audit as required by law
   (c) external audit (d) all of them

3. Main object of auditing is:
   (a) detection of errors (b) to find out whether P&L/c a/c and B/S show true and fair state
   (c) detection of frauds (d) detection and prevention of frauds and errors

4. Auditing is luxury for a:
   (a) joint stock company (b) partnership firm
   (c) small shopkeeper (d) government company

5. Propriety audit refers to:
   (a) verification of accounts (b) examination of accounts of proprietary concerns
   (c) enquiry against justification (d) audit of government companies
   (e) necessity of expenses

6. Interim audit refers to:
   (a) examination of accounts continuously
   (b) examination of accounts intermittently
   (c) audit work to find out and check interim profits of a company
   (d) carrying on audit for bonus purposes at the end of year

7. A continuous audit is specially needed for:
   (a) any trading concerns (b) smaller concerns
   (c) banking companies (d) any manufacturing concern
8. Management audit means:
   (a) audit undertaken on behalf of the management
   (b) evaluating performance of various management processes and functions
   (c) audit undertaken on behalf of government to punish management
   (d) compulsory audit of company management

9. Internal audit is:
   (a) compulsory for a company with paid-up capital of Rs.25 lakh and above
   (b) voluntary for a company
   (c) not necessary for a company
   (d) necessary for a company

10. The scope of work of statutory audit for a company is decided by the:
    (a) shareholders
    (b) management
    (c) government
    (d) law

11. Effective internal check system reduces:
    (a) the liability of auditor
    (b) work of auditor
    (c) both work as well as liability of auditor
    (d) responsibilities of an auditor

12. Misappropriation of goods may be checked by:
    (a) proper supervision over stock
    (b) punishment of employees
    (c) checking of employees
    (d) none of the above

13. Errors or omission are:
    (a) technical errors
    (b) errors of principle
    (c) compensating errors
    (d) none of the above

14. Test checking should not be applied to:
    (a) purchases book
    (b) sales book
    (c) stock book
    (d) cash book

15. Vouching implies:
    (a) inspection of receipts
    (b) examination of vouchers to check authenticity of records
    (c) surprise checking of accounting records
    (d) examining the various assets

16. Commission paid should be vouched with the help of:
    (a) salary book
    (b) wages sheet
    (c) creditors statement
    (d) commission book and related agreements

17. Receipts from sale of investment should be vouched with the help of:
    (a) broker’s budget notes
    (b) broker’s sold notes
    (c) minute book
    (d) inventory of investment

18. Stock should be valued at:
    (a) cost
    (b) market value
19. Valuation means:
   (a) calculating value of assets   (b) checking the value of assets
   (c) checking the physical existence (d) examining the authenticity of assets

20. “Auditor is not a Valuer” was stated in:
   (a) Kingston Cotton Mills Case   (b) London and General Bank Case
   (c) Lee vs Neuchatel Co. Ltd. Case (d) London Oil Storage Co. Case
| Q.2: Explain the procedure to conduct balance sheet audit. Also explain the position of audit in the case of balance sheet audit. |
| Q.3: What is an audit engagement letter? State the advantages of issuing an audit engagement letter. |
| Q.4: Give a model clean report for a small non-corporate entity. |
| Q.5: Discuss special points to which you would give attention while auditing the accounts of an electric supply company. |
| Q.6: Discuss briefly the liabilities of an auditor to a public company and mention some legal decision you know in this connection. |
| Q.7: Enumarate the various instances of professional misconduct of a chartered accountant in practice which however do not require action by a High Court. |