

Roll No. _____ Reg. No. _____ Date _____ Sign. _____

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

(c) cost or market price, whichever is lower (d) cost less depreciation

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

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M. Com.

Part –II

Course Code: **MC-609**

Course Title: **Advanced Auditing Problems**

SUBJECTIVE PART

Time allowed: **02:30** Hours

Marks :80

- 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:** Enumerate the various instances of professional misconduct of a chartered accountant in practice which however do not require action by a High Court.