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Time : 1 Hour

FIRST TERM**PRINCIPLES AND
PRACTICE OF AUDITING**

Subject Code

V	4	2	2	2
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Total No. of Questions : 20

(Printed Pages : 8)

Maximum Marks : 20

- INSTRUCTIONS :**
- (i) Every question has four choices A, B, C and D and only one of them is the correct answer.
 - (ii) On the OMR sheet darken completely with a ball point pen Only ONE bubble you consider as the most appropriate answer.
 - (iii) Multiple markings are invalid.
 - (iv) Use Blue or Black ball point pen only.
 - (v) Do not fold the OMR sheet or use white ink.
 - (vi) For each question, you will be awarded ONE mark, if you have darkened only the bubble corresponding to the correct answer. In all other cases, you will get zero mark. **There is no negative mark.**
 - (vii) Once the bubble is filled it is not possible to change the answer.
 - (viii) Only one **OMR** sheet will be provided. Hence sufficient care must be taken while darkening the bubble.

1. 'A material requisition slip' is an example of a 1
- (A) Cash sales memo
 - (B) Voucher
 - (C) Cash purchase memo
 - (D) Pay in slip
2. As part of the internal check system, as soon as cash is received, it should be acknowledged by means of a 1
- (A) Inward invoice
 - (B) Payment voucher
 - (C) Printed receipt
 - (D) Cover note
3. Which of the following statements is *incorrect* with respect to verification of 'Cash in hand' ? 1
- (A) The auditor should visit the client's office at the close of the financial year and physically count the cash in hand in presence of the cashier
 - (B) Auditor should count all the cash balances at various points like main cash, petty cash etc. simultaneously
 - (C) Auditor can avoid examining all the torn or mutilated notes of cash in hand
 - (D) If the organisation is maintaining unduly large cash balances, then the auditor should take up surprise verification of cash in hand

4. In order to verify the opening balance of any asset or liability, the auditor has to refer to 1
- (A) P & L A/c of the previous year
 - (B) Audited P & L A/c of the previous year
 - (C) Balance sheet of the previous year
 - (D) Audited balance sheet of the previous year
5. The documentary evidence to be vouched for income received on account of shares is 1
- (A) Dividend warrant
 - (B) Bank Interest certificate
 - (C) Cheque book
 - (D) Share certificate
6. Identify the *correct* documentary evidence from those given below, that needs to be examine by the auditor for vouching rent receivable 1
- (A) Partnership deed
 - (B) Sale deed
 - (C) Mortgage deed
 - (D) Lease deed
7. Profit from the sale of fixed asset should be credited to 1
- (A) Capital A/c
 - (B) Fixed asset A/c
 - (C) Capital reserve A/c
 - (D) Profit & Loss A/c

8. The method of fraud conducted by including the name of a dummy worker in the wage sheet is known as 1
- (A) Teeming and Lading
 - (B) Tapping
 - (C) Padding
 - (D) Concealing
9. Expenditure incurred for the publicity through newspaper, TV, radio, magazines is accounted under the head 1
- (A) Sales
 - (B) Publicity
 - (C) Advertisement
 - (D) Distribution
10. Freight paid on purchase of machinery (fixed asset) is to be treated as 1
- (A) Capital expenditure
 - (B) Revenue expenditure
 - (C) Capital loss
 - (D) Revenue loss
11. An expenditure incurred for renewal of Patent rights should be treated as 1
- (A) Revenue expenditure
 - (B) Purchase expenditure
 - (C) Administrative expenditure
 - (D) Capital expenditure

12. The auditor while vouching the expenses incurred towards 'Extra Ordinary Travelling Allowance' must insist upon the sanction from 1
- (A) Registrar of companies
 - (B) Shareholders
 - (C) Board of directors
 - (D) Companies trade unions
13. The storekeeper after checking the quantity and weight of the goods purchased should then make an entry in 1
- (A) Purchase order book
 - (B) Sales order book
 - (C) Goods inward book
 - (D) Goods outward book
14. One of the duties of an auditor while vouching is to see that all the invoices of credit purchases are 1
- (A) In the personal name of owner
 - (B) In the name of his client
 - (C) In the name of the responsible officer
 - (D) In the name of the banker
15. As part of internal check system with respect to credit sales, whenever our customers place an order with us for supply of goods, it should be first recorded in 1
- (A) Purchase order book
 - (B) Order received book
 - (C) Sales register
 - (D) Purchase book

16. Which of the following statements is *false* with respect to vouching of credit sales ? 1
- (A) The auditor should ensure that the sales are not omitted from being recorded in the sales book
 - (B) The auditor should see that sale of asset is not recorded in the sales book
 - (C) The auditor must see that the sale of asset is recorded in the sales book
 - (D) The auditor should check the cast and cross cast of the sales book
17. The process of establishing the physical existence of asset in an organisation by means of inspection by the auditor is known as 1
- (A) Vouching
 - (B) Valuation
 - (C) Verification
 - (D) Investigation
18. Assets acquired for permanent use and not for resale in the ordinary course of business are called 1
- (A) Fixed asset
 - (B) Current asset
 - (C) Wasting asset
 - (D) Intangible asset

19. Assets which cannot be seen or touched but can be measured in terms of money are called 1
- (A) Fixed assets
 - (B) Current assets
 - (C) Tangible assets
 - (D) Intangible assets
20. All the fixed assets that get depleted gradually or exhausted in the process of working or generating revenue are termed as 1
- (A) Fixed asset
 - (B) Current asset
 - (C) Wasting asset
 - (D) Tangible asset