1. The primary objective of periodical audit is to------------------

   a) Verify whether cash balance as per day book tallies with the cash balance
   b) Verify whether all receipts and payments are recorded properly
   c) Verify whether all assets and liabilities are recorded properly

   Answer: c) Verify whether all assets and liabilities are recorded properly, because periodical audit is the other name for balance sheet audit.

2. The type of audit to be done, when there is not legal obligation to do so, it is known as --

   a) Independent Audit
   b) Voluntary Audit
   c) Statutory Audit

   Answer c) Voluntary Audit

3. The main approach of an External Auditor is to ------------------

   a) Collect adequate and reliable evidences
   b) To ensure that the statement prepared are in compliance with the prevailing law
   c) Both a and b

   Answer c) Both a and b – Auditor needs to primarily check that the enterprise has prepared the financial statements considering all the statutory requirements, and they convey a true and fair results.

4. ---------------- Audit is done to satisfy the legal obligation.
a) Internal  
b) Voluntary  
c) Statutory

**Answer:** c) Statutory Audit

5. Auditor is the employee of the organization and appointed by the management.

a) External  
b) Interim  
c) Internal

**Answer:** c) Internal Auditor

6. Audit comprises of instructions given by the Controller and Auditor General of India.

a) Statutory Audit  
b) Management Audit  
c) Government Audit

**Answer:** c) Government Audit.

7. Audit conducted between two annual Audits is known as ___._

a) External Audit  
b) Internal Audit  
c) Interim Audit

**Answer:** c) Interim Audit

8. Planning What, How and by Whom, before commencing the Audit is known as ___._

a) Audit plan
b) Audit note
c) Audit program

**Answer: c) Audit Program**

9. Internal Auditors are required to do ------------ Audit to ensure completeness, accuracy and correctness.

   a) Full and Complete Audit
   b) Partial Audit
   c) Test Audit

**Answer: a) Full and complete audit.**

10. ------------ Audit becomes compulsory under law.

   a) Statutory Audit
   b) Government Audit
   c) Internal Audit

**Answer: a) Statutory Audit**

11. Internal Audit is mainly concerned with --------------

   a) Evaluation of Internal Control
   b) Quality of actual performance
   c) Both a and b

**Answer: c) both a and b – Internal audit mainly aims at strengthening the Audit system. It mainly focuses on improving the overall efficiency and productivity of the organization.**

12. Following is the merit of continuous audit

   a) Detection and prevention or errors and frauds at an early stage
   b) Suitable for large firms
c) Disrupts client’s work frequently

Answer: a) Detection and prevention or errors and frauds at an early stage. Accounts are checked in the whole financial period during which the transactions and events are occurring.

13. The other name for continuous audit is --------------

   a) Concurrent audit
   b) Final Audit
   c) Independent Audit

   Answer: a) Concurrent audit – It takes place simultaneously as and when the actual transactions and events are taking place.

14. Final audit means-----------------

   a) It begins when the final books of accounts closed at the end of the accounting period
   b) It is the last audit
   c) None of the above

   Answer: a) Final audit – Final audit begins after the completion of the accounting period when the financial statements are prepared after closing the books of accounts.

15. Final audit is also known as -----------------

   a) Completed Audit
   b) Continuous Audit
   c) None of the above

   Answer: a) Completed audit – Final audit begins after the completion of the accounting period when the financial statements are prepared after closing the books of accounts.
16. Locate, which one is an example of statutory audit----------

a) Audit of a partnership firm having a turnover of Rupees 5 Crores  
b) Audit of Manish Stores – Sole proprietor firm  
c) None of the above

Answer: a) Audit if a partnership firm having a turnover of above 5 crores –  
The above audit is compulsory under sec 44AB – Tax Audit.

17. Locate, which one is an example of statutory audit----------

a) Audit of ICICI Bank  
b) Audit of HUF  
c) None of the above

Answer: a) Audit if a ICICI Bank is statutory. Every bank irrespective of its turnover, net worth, years of establishment etc has to get its annual accounts audited as per the provisions of Banking Act of 1949.