

Co-operative Auditing Model Questions - JCI



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1. Which of the following is or are among the advantages of internal check system :

A helps to minimise the errors and frauds

B helps to submit the audit report at proper time

C helps to prepare financial statement at proper time

D both a and b

Solution

Internal check is a system through which the accounting procedures of an organisation are so laid out that the accounts procedures are not under the absolute and independent control of any person. The work of one employee is complementary of that of another, enabling a continuous audit of the business to be made.

The following are the advantages of internal check to the owners:-

Minimise errors and frauds.

Genuineness and accuracy of the accounts.

Better efficiency and economy in operation.

2. Which of the following statements is / are correct:

- a. Valuation is a part of verification
- b. Verification is a part of valuation
- c. Valuation has nothing to do with verification
- d. Auditor is a valuer

A A only

B D only

C A and D only

D C and D

Solution

Verification is a method of auditing in which the auditor confirms the truth of all assets and liabilities shown in the balance sheet. It is not proper on the part of the auditor to give his report without proper checking.

Valuation means estimation of various assets and liabilities. It is the duty of Auditor to confirm that assets and liabilities are appearing in the balance sheet exhibiting their proper and correct value. In the absence of proper valuation of assets and liabilities, they will exhibit either overvalued or

under-valued. Valuation is a part of verification. So Statement A is correct and statement C is incorrect . Verification is not a part of valuation, so statement B is also incorrect.

A person who conducts an audit, he is not a valuer. So, statement d is also incorrect.

Therefore option A is the answer.

3. The title of AAS2 issued by the council of ICAI is:

A Objective of Auditing and Financial Statement

B Objective and Scope of Financial Statement Audit

C Objective and Scope of the Audit of Financial Statement

D Objective Scope of Accounting and Audit

Solution

The Institute of Chartered Accountants of India (ICAI) is India's largest professional accounting body under the administrative control of Ministry of Corporate Affairs, Government of India. It was established on 1 July 1949 as a statutory body under the Chartered Accountants Act, 1949 enacted by the Parliament for promotion, development and regulation of the profession of Chartered Accountancy in India.

To create auditing standards, ICAI established the Auditing and Assurance Standard Board in 1982. As a result AASB setup Statements on Standard Auditing Practices and Auditing and Assurance Standards. There are 35 Accounting Standards as per ICAI.

4. **Final audit is suitable for :**

A Small clients

B Big clients

C None of these

D Both A and B

Solution

Final audit is also known as a periodic audit. Final audit may be started after the closure of books of accounts at the end of the accounting year. It may be started towards the end of the accounting year and goes on until the completion after the end of the accounting year.

The final audit is useful for small-scale business units. The fee charged by the auditor is less as compared to continuous audit. The small income of business can afford small audit fee. The merit of the final audit is that it provides no chance to audit staff to develop friendly relations with accounting staff.

5. **When more than one cooperative society makes use of the service of the auditor jointly, it is called:**

A joint audit

B group audit

C mixed audit

D concurrent audit

Solution

Concurrent audit is a systematic and timely examination of financial transactions on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines.

A joint audit is where two separate audit firms are appointed by a company to express a joint opinion on its financial statements.

A group audit refers to an audit of consolidated financial statements where the parent company and its subsidiaries are viewed as a single economic entity or 'group'.

6. Match the following:

Column A	Column B
a.Cooperative audit	i. Continuous
b.Internal auditor	ii. Audit work
c. Mechanical audit	iii.Financial audit
d.Vouching	iv. administrative audit

A a.-iii, b-ii,c-iv,d-i

B a-i, b-ii,c-iii,d-iv

C a-iv,b-i,c-ii,d-iii

D a-iii,b-i,c-ii,d-iv

Solution

Cooperative audit is not only a financial audit but also an administrative audit.

Internal auditor's work is continuous.

Mechanical audit is included in the audit work stages.

Vouching is a part of financia audit.

7. The remuneration of the auditor of the joint stock company is decided by:

A Committee of the company

B Share holders

C Board of Directors

D All of these

Solution

A joint-stock company is a business owned by its investors, with each investor owning a share of the company based on the amount that they've invested. A joint-stock company is a business entity in which shares of the company's stock can be bought and sold by shareholders.

Auditing is compulsory for all types of companies which is registered under companies act, whether the company is private company, public company or joint stock company. First auditor of a cooperative society is appointed by Board of Directors.

8. **Management audit is conducted by:**

A Statutory auditors

B cost auditors

C Government auditors

D None of these

Solution

A management audit is an assessment of how well an organization's management team is applying its strategies and resources.

A management audit evaluates whether the management team is working in the interests of shareholders, employees, and the company's reputation.

A management audit is done by employees or independent consultants.

9. In a joint stock company, statutory auditor is removed by:

A Management

B Share holders

C Board of directors

D All of these

Solution

A joint-stock company is a business entity in which shares of the company's stock can be bought and sold by shareholders. Each shareholder owns company stock in proportion, evidenced by their shares.

In a joint stock company , statutory auditor is appointed and removed by share holders.

10. System of internal check is said to exist in an organisation when:

A

an employee is specifically deputed to check the work of another employee

B

another employee of the same department check

C

experts check the work of employees

D

both a and b

Solution

Internal check is a system through which the accounting procedures of an organisation are so laid out that the accounts procedures are not under the absolute and independent control of any person.

The work of one employee is complementary of that of another, enabling a continuous audit of the business to be made.

An internal check is a system of controls within an organization, and an internal audit is an independent assessment of that system.

11. Errors committed due to lack of knowledge of accounting :

A Compensating errors

B Error of omission

C Error of commission

D None of these

Solution

Errors committed due to lack of knowledge of accounting is error of principle.

In the books of accounts when transactions are recorded without following the accounting principles and/or rules, is known as error of principle.

Error of principle does not affect trial balance.

12. Examination of over due debts is an important feature of :

A Administrative audit

B Economic audit

C Financial audit

D none of these

Solution

Auditing is an official inspection of an organization's accounts, typically by an independent body.

Administrative audit is a process of evaluating the efficiency and effectiveness of the administrative procedure.

It includes assessment of policies, strategies & functions of the various administrative departments, control of the overall administrative system etc.

13. **Audit classification statement is prepared by:**

A DCA

B Cooperative auditor

C General body

D Management committee

Solution

Audit classification statement is prepared by cooperative auditor.

Audit classification is done on the basis of marks secured by the society.

Cooperative societies can be classified into 4 types.

14. If a society got 41 marks in audit classification statement, then society will be under:

A Sec A

B Sec B

C Sec C

D Sec D

Solution

Audit classification is done in the basis of marks secures by the society.

If a society got marks more than 60, the audit classification is A.

If a society got msrks between 50mand 59 the audit classification is B.

If a society got marks between 35 and 49 , the audit classification is C.

If a society got marks below 35, the audit classification is D.

15. The documents and records for audit should be prepared by :

A Chief executive

B managing committee

C general body

D all of these

Solution

Audit is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following documented system of recording transactions.

It is done to ascertain the accuracy of financial statements provided by the organisation.

Audit is performed to ascertain the validity and reliability of information.

16. Maximum audit fee payable by the society :

A 75000

B 100000

C 200000

D none of these

Solution

Audit fee is the amount payable to an auditor for an audit.

This has to be approved at the annual general meeting of a company.

The determination of audit fees requires mutual consultation between audited units and accounting firms.

17. The auditor shall complete the audit within ____ from the date of receipt of the statements and submit audit report to the authority.

A one month

B four months

C six months

D one year

Solution

Auditing, or a financial audit, is an official examination and verification of a business's financial records.

The main goal of auditing is to make sure that a company's financial statements are accurate and are following regulatory guidelines.

An auditor's report is a formal opinion, or disclaimer thereof, issued by either an internal auditor or an independent external auditor as a result of an internal or external audit, as an assurance service in order for the user to make decisions based on the results of the audit.

18. Audit fee is decided by:

A Managing committee

B General body

C DCA

D Share holders

Solution

Audit fees is payable to the auditors for conducting the audit of books of account of the firm.

It is a item of indirect expenses, part of administrative expenses.

As agreed at an annual general meeting by the shareholders, the company pays fees to its auditors.

19. Audit fee for SCU is:

A On the basis of aggregate of loan issued and that recovered

B on the basis of gross income

C on the basis of sales

D nil

Solution

Audit fee is the economic remuneration for auditors who provide audit services, which are an agency fee according to certain standards .

As agreed at an annual general meeting by the shareholders, the company pays fees to its auditors.

The audit fees will be compensation that the client (the audited entity) pays to the auditor for the services s/he performs.

20. ___ is a certified handbook of departmental instructions relating to cooperative accounts and audit.

A Audit memorandum

B Audit manual

C Audit notebook

D none of these

Solution

Audit manual is a comprehensive hand book giving practical and useful guidelines in the day -to- day performance of auditor's duties.

It aims to improve the quality of audit work.

It is a certified handbook of departmental instructions relating to cooperative accounts and audit.

21. Which of the following is known as the end product of audit?

A Audit memorandum

B Audit report

C Audit certificate

D none of these

Solution

An auditor's report is a written letter from the auditor containing their opinion on whether a company's financial statements comply with generally accepted accounting principles and are free from material misstatement.

Audit report is the end product of audit.

Rule 64 B deal with audit report.

22. In summary of defects , errors of routine nature is furnished in :

A Part D

B Part A

C Part B

D Part C

Solution

Defects disclosed in audit will be brought to the notice of the society, as well as to the administrative wing in the form of " summary of defects ".

In summary of defects, serious defects are furnished in Part A.

In summary of defects, errors of routine nature is furnished in Part B.

23. Final audit of societies is generally taken up from:

A 1st January

B 1st April

C 1st March

D 1st June

Solution

A final audit is an audit done at the end of the financial year when the books of accounts are closed and final accounts are prepared.

Final account is also known as periodical audit.

The auditor completes his work in one sitting at the end of the financial year.

24. The audit conducted to check the correctness of final audit is:

A Internal audit

B Interim Audit

C Test Audit

D Administrative Audit

Solution

Test audit is a peculiar of cooperative audit.

Test audit involves re-audit of the accounts of the society, the audit of which is tested for a selected period of a cooperative society by a superior officer.

This audit is conducted to check the correctness of final audit .

25. Audit note is maintained by:

A Cooperative society

B audit clerk

C auditor

D manager

Solution

Audit note is a record of queries made, replies furnished there against, observations at the time of checking etc.

It is also known as audit memoranda.

Audit note is maintained by auditor.

26. Clerical errors are also called:

A Error of principle

B Error of commission

C both a and b

D none of these

Solution

Clerical error means an error in the preparation, assembling, or submission of a document which results when a person intends to do one thing but does something else.

Clerical errors include errors of omission, errors of commission and compensating.

It is also known as technical errors.

27. **Chartered Accountant Act of India was made at:**

A 1944

B 1949

C 1956

D 1962

Solution

The Chartered Accountants Act, 1949 is a statute enacted by the Constituent Assembly of India, which was acting as the provisional Parliament of India in 1949 to regulate the profession of Chartered Accountants in India.

The Institute of Chartered Accountants of India was established to educate, register and regulate Chartered Accountants in India.

The Act provides for qualifications, elections for central as well as regional councils, penalties for misconduct by Chartered Accountants.

28. Civil liability of an auditor implies liability for:

A misfeasance

B misappropriation of cash

C fraud

D misappropriation of goods

Solution

Misfeasance means breach of trust.

If an auditor does something wrongfully in the performance of his duties resulting in a financial loss to the company, he is guilty of misfeasance.

In such a case, the company can recover damages from the auditor or from any officer for breach of trust or misfeasance of the company.

29. Due to lack of audit evidence , auditor issues a:

A qualified opinion

B unqualified opinion

C disclaimer of opinion

D adverse opinion

Solution

An auditor's report is a written letter from the auditor containing their opinion on whether a company's financial statements comply with generally accepted accounting principles and are free from material misstatement.

A disclaimer of opinion audit report is a statement issued by an auditor indicating that they were unable to form an opinion on the financial statements due to insufficient or unreliable information.

Some of the reasons that auditors may issue a disclaimer of opinion are because they felt like the company limited their ability to conduct a thorough audit or they couldn't get satisfactory explanations for their questions.

30. Tailor made audit programme is related with:

A registrar

B auditor

C president

D both a and b

Solution

An audit program is also known as an audit plan.

It is an action plan that documents what procedures an auditor will follow to validate that an organization is in conformance with compliance regulations.

Tailored audit programs incorporate procedures designed to match the needs of the auditing entity. These programs are customized to reference specific areas, such as business procedures, financial statements, legal documents and assets.

31. Sale of building is credited in the sales account it is an error of ____.

A ommission

B commission

C principle

D none of these

Solution

The error of principle means recording the transaction violating the accounting policies and procedures.

For Example: treating the purchase of an asset as an expense, this is an error of principle.

Building is a fixed asset, so in sale of building , the credited item should be building.

32. Which of the following are included in the 'statutory books' for the purpose of company audit?

☐ A register of charges

☐ B minutes book for the board meetings

☐ C minutes book for the shareholders' meeting

☒ D all of these

Solution

Statutory books are the documents like register of members, register of directors, register of secretaries and register of persons with significant control.

Statutory Books those books and records of the Company usually described as statutory books and records "Supplier Contracts" all contracts, arrangements and outstanding orders, entered into by the Company in the course of the Business for the supply of goods or services to the Business to the extent that the same remain outstanding and uncompleted at the effective date.

33. The auditor is generally expected to carry out the following in particular scenario:

i. verification of assets and liabilities

ii. vouching of transactions

iii. checking of valuation of assets and liabilities.

A i, ii and iii

B ii, i and iii

C ii, iii and i

D iii, ii and i

Solution

An auditor is an individual who examines the accuracy of recorded business transactions.

Auditors are needed in order to verify that processes are functioning as planned, and that the financial statements produced by an organization fairly reflect its operational and financial results.

Here option D is the correct answer. In auditing, at first we value assets and liabilities, then do vouching of transactions and then verification of assets and liabilities.

34. A Chartered Accountant is not disqualified to be an auditor of a company if he is:

A an employee of the company

B the managing director of that company

C a share holder in that company

D none of these

Solution

A chartered accountant is disqualified to be an auditor of a company, if he is:

a. an employee of the company

b. the managing director of that company

c. indebted to the company for the amount greater than Rs 1,00,000/-

d.

35. A Cost audit under Sec 148 of companies act is:

A voluntary

B compulsory

C advisable

D none of these

Solution

A cost audit represents the verification of cost accounts and checking on the adherence to cost accounting plan.

Cost audit ascertains the accuracy of cost accounting records to ensure that they are in conformity with cost accounting principles, plans, procedures and objectives.

36. Duties of a company auditor are defined by :

A Memorandum of association

B Articles of association

C Companies Act 2013

D agreement between company and auditor

Solution

The Companies Act 2013 is an act of the Parliament of India on Indian company law which regulates the incorporation of a company, responsibilities of a company, directors, and dissolution of a company.

This act replaced The Companies Act of 1956 after receiving the assent of the President of India on 29 August 2013.

Section 1 of this act came into force on 30 August 2013.

37. A Companies Act restricts the maximum number of companies , to which one can be appointed as an auditor to:

A Five

B ten

C fifteen

D twenty

Solution

A Companies Act restricts the maximum number of companies , to which one can be appointed as an auditor to 20 companies.

At the date or time of such appointment, if a person holding an appointment as an auditor is more than 20 companies, then such person is not eligible for reappointment or appointment as an auditor of the company.

It means an auditor only accepts audits of up to 20 companies.

38. A vacancy caused by resignation of the auditor is filled by:

A Board of Directors

B Managing Directors

C General meeting

D Central Government

Solution

Auditors are qualified professionals who analyze firms' financial records to detect misrepresentations or discrepancies if any. They ensure business' compliance with various tax laws and regulations.

First auditor is appointed by Board of Directors.

If a vacancy caused by resignation of the auditor is filled by general meeting.

39. Internal auditor must be:

A Chartered accountant

B Cost accountant

C either a or b

D any staff can be internal auditor without professional qualification.

Solution

An internal auditor is a trained professional employed by companies to provide independent and objective evaluations of financial and operational business activities, including corporate governance.

They are tasked with ensuring that companies comply with laws and regulations, follow proper procedures, and function as efficiently as possible.

Internal auditor may be a chartered accountant or cost accountant.

40. Which of the following cannot be an auditor of a company:

☐ A Chartered Accountant

☐ B Firm of C.A.

☒ C Body Corporate

☐ D none of these

Solution

Body corporate cannot be an auditor. The reason is a body corporate is a separate legal entity. ICAI wants to hold a professional accountable and responsible for audit and hence they don't want an audit to be done by a body corporate.

41. First auditor will hold office :

A for a period of one year

B till holding of statutory meeting

C till the conclusion of first annual general meeting

D till new auditor is appointed.

Solution

First auditor is appointed by board of directors.

The company shall appoint its first auditor within 30 days of its incorporation.

First auditor will hold office till the conclusion of first annual general meeting/

42. **Government auditor is appointed by:**

A Government

B Board of Directors

C Share holders

D CAG

Solution

Government auditors maintain and examine records of government agencies and of private businesses or individuals performing activities subject to government regulations or taxation.

Auditors employed through the government ensure revenues are received and spent according to laws and regulations.

Government auditor is appointed by CAG.

43. A special auditor submit his / her report to:

☐ A CAG

☒ B Government

☐ C Board of Directors

☐ D None of these

Solution

SPECIAL AUDITOR means Auditors listed in the panel of Auditors having same powers as of the company's AUDITOR as envisaged in the Companies Act, 1956.

He is appointed by Government. So, he submits report to the Government itself.

44. System audit means:

- A** systematic examination of accounts
- B** audit undertaken to improve auditing systems
- C** enquiring accounting and control systems
- D** checking the performance of management

Solution

In practical terms, systems audit work means examining the key organizational systems, practices, procedures, and controls supporting efficiency, such as performance measurement and reporting systems, costing systems, and management's systems for benchmarking organizational performance.

A system audit meaning is defined as the organization's information systems and processes to test their effectiveness, efficiency, and security.

A system audit checks everything related to a company's technology, including hardware, software, networks, databases, and rules for their use.

The goal is to find weaknesses, problems, or things that don't follow the rules and could harm the company.

45. **Work of internal auditor is determined by:**

A board of directors

B management

C shareholders

D no one

Solution

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

An internal auditor is appointed to check the overall performance of different companies with respect to the administrative, executive, financial, and legal standards they follow

The audit effectively identifies corporate frauds while assessing the internal controls to ensure a business' efficiency.

46. **Scope of work of the statutory audit for a company is decided by the :**

A Government

B Share holders

C Management

D Law

Solution

A statutory audit is a legally required review of the accuracy of a company's or government's financial statements and records.

Statutory auditor is appointed according to Companies Act. Therefore, work of statutory audit for a company is decided by Company Law.

47. Internal check is essential for:

A small traders

B concerns using automatic equipments

C concerns with large cash transactions

D both b and c

Solution

Internal check is a system through which the accounting procedures of an organisation are so laid out that the accounts procedures are not under the absolute and independent control of any person.

The work of one employee is complementary of that of another, enabling a continuous audit of the business to be made.

Internal check is essential in concerns with large cash transactions like banks.

48. **Misappropriation of goods may be checked by :**

A proper supervision over stock

B proper checking of employees

C both a and b

D none of these

Solution

Misappropriation of goods is when the employees wrongly record or eliminate goods belonging to the business from its financial statements.

Workers may utilize such goods for their personal use. Workers can easily mishandle goods that are not bulky.

Proper supervision of stock is essential in case of misappropriation of goods.

49. A company auditor should see that the dividend should be paid:

A without charging depreciation

B after charging depreciation

C out of capital

D none of these

Solution

Dividend can only be paid in cash and not in kind. Dividend is required to be paid by the company to the registered shareholders or other persons as mentioned above to his order or to his banker.

Before any dividend can be paid out of profits of any financial year, a company is required to provide depreciation as per the provisions of the Schedule II of the Companies Act 2013.

50. In auditor report, auditor give his:

A judgement

B opinion

C guarantee

D true facts

Solution

An auditor's report is a formal opinion, or disclaimer thereof, issued by either an internal auditor or an independent external auditor as a result of an internal or external audit, as an assurance service in order for the user to make decisions based on the results of the audit.

here are four different types of audit report opinions that can be issued by the company's auditor based on the analysis of the company's financial statements.

It includes Unqualified Audit Report, Qualified Audit Report, Adverse Audit Report, and Disclaimer Audit Report.



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