



Biyani Girls College
I Internal Examination 2019-20
B.COM. (III Year) - H
Subject- Auditing

Time: 1.30 Hrs.

Set: B

MM: 40

[I] Multiply Choice Questions

[1*10=10]

1(c), 2(d), 3(a), 4(a), 5(b), 6(c), 7(a), 8(a), 9(d),10(d)

Ans.1 1. Meaning: Internal Check is an arrangement of duties allocated in such a way that the work of one person is automatically checked by another.

Internal Audit is an independent appraisal of the operations and records of the company.

2.Object: The purpose of Internal Audit is to detect the errors and frauds which have already been committed.

The purpose of Internal Check is to prevent or minimize the possibilities of errors, frauds or irregularities.

3.Need for separate staff: for carrying out Internal Audit, a separate staff of employees is engaged for the purpose.

For internal check, no new appointment is made. It, in fact represents only the arrangement of duties of the staff in a particular way.

4. Nature of work: The work involved in the Internal Audit is just like that of a watch man. Internal auditor has to report, from time to time, to the management about the various inefficiencies and suggest improvements. It is also his duty to see that the internal check system does not become static.

Internal Check, on the other hand, represents a process under which the work goes on uninterruptedly and the checking too is more or less automatic.

Timing of work: Internal Audit starts when the accounting process of different transactions is finished.

Internal Check is an operation during the course of transaction.

6. Internal audit: It is a device for checking the work, whereas internal check is a device for doing the work.

7. In Internal Audit Errors and Frauds are detected after the completion of work, whereas in Internal Check the Errors and Frauds are discovered during the course of work.

8. Scope of work: The scope of Internal Check is very limited. The scope of Internal Audit is comparatively board.

9. Involvement: A large number of employees are needed for the implementation of Internal Check System.

Whereas, a much smaller number of persons are needed for implementing Internal Audit implementation.

Such qualities are known as features of internal check system which are as follows:

- Division Of Work. ...
- Provision Of **Check**. ...
- Use Of Devices. ...
- Self-balancing **System**. ...
- Change In Work. ...
- Specialization. ...
- Control.

Ans.2) Assessing the audit of the Company is important. Here are some of the basic reasons why it is necessary for the Companies to get their accounts audited:

- Auditors are like the care-takers of the Company. They evaluate the potential losses and systemic weaknesses of the accounting system and provide a direction to the organization on how to improve in the future. In the case of external audits, auditors may present their independent viewpoint, that can help investors make wise decisions.
- Auditing helps in detecting fraudulent activities and poor accounting processes. Therefore, helps to minimize the risks of errors that may otherwise take place in the books of accounts.
- Auditing offers assurances to the owners, investors, and shareholders of the Company about the fairness of their books of accounts. A regular audit is necessary to reflect the credibility of the business for all stakeholders – clients, shareholders, creditors and employees. Healthy functioning of the company paves the way for new and prospective business opportunities.
- Conducting an audit helps to take corrective measures by the company to take necessary steps that can be beneficial for the long-term. Important decisions like the status quo of the current business, profit margin expectation and profit

maximization can be tackled. Moreover, the auditor can advise on tax planning for the company on a long-term basis and reduction of unscrupulous activities.

Ans 3)An auditor is not a valuer, and can't be expected to act as such. All that he can do is to verify the original cost price and to ascertain as far as possible the current values are fair and reasonable and are in accordance with accepted principles. It must be borne in mind that the actual valuations are made by officials who have a practical knowledge of such assets and that an auditor's duty is confined to testing the valuations as far as he can and in this way satisfy himself with correctness of the BS position. However, he can't guarantee the accuracy of valuations. In simple words, In the absence of suspicious circumstances he can rely on the trusted officials of the company but this will not relieve him from his responsibilities if assets are incorrectly valued. He should exercise reasonable care and skill, analysis critically all the facts and satisfy himself that generally accepted. Accounting principles are followed. He should not certify what he believes to be incorrect