

**MODEL QUESTIONS OF COMMERCE -MINOR (BCOM)**  
**SEMESTER – 4<sup>TH</sup> -AUDITING AND CORPORATE GOVERNANCE**  
**(AS PER NEP SYLLABUS OF BERHAMPUR UNIVERSITY)**

<b>Paper</b>	<b>4.2</b>
<b>Course Title</b>	<b>Auditing and Corporate Governance</b>
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## SYALLABUS

### **UNIT 1: Introduction to Auditing**

Introduction –Meaning -Definition –Objectives –Differences between Accountancy and Auditing –Types of Audits-Advantages of Auditing –Preparation before commencement of new Audit –Audit Notebook –Audit Working Papers –Audit Program, Recent Trends In auditing: Nature & Significance of Tax Audit –Cost Audit -Management Audit. Internal Control: meaning and objectives. Internal Check: meaning, objectives. Internal Check as regards: Wage Payments, Cash Sales, Cash Purchases. Internal Audit: Meaning, Advantages and Disadvantages, and Differences between Internal Check and Internal Audit.

### **UNIT 2: Vouching, Verification, and Valuation of Assets and Liabilities**

Meaning -Definition –Importance –Routine Checking and Vouching –Voucher -Types of Vouchers –Vouching of Receipts: Cash Sales, Receipts from debtors, Proceeds of the sale of Investments. Vouching of Payments: Cash Purchases, Payments to Creditors, Deferred Revenue Expenditure.

Meaning and Objectives of verification and valuation –Position of an Auditor as regards the Valuation of Assets –Verification and Valuation of different Items: Assets:Land & Building, Plant & Machinery, Goodwill –Investments -Stock in Trade—liabilities: Bills Payable -Sundry Creditors –Contingent Liabilities.

### **Unit 3: Audit Of Limited Companies and Audit Report**

Company Auditor –Appointment –Qualification -Powers-Duties and Liabilities –Professional Ethics of an Auditor, Audit of Educational Institutions –Audit of Insurance Companies-Audit of Co-operative societies.

**Audit Report and Special Audit: Contents and types of audit reports; Qualified and Unqualified reports; National Financial Reporting Authority—special Audit: Banking and Insurance company; Forensic Audit.**

### **Unit 4: Corporate Governance**

Conceptual framework of Corporate Governance and Corporate Governance Reforms. Major Corporate Scandals in India and Abroad: Common Governance Problems Observed Across Corporate Failures. Codes & Standards on Corporate Governance.

**Here is a comprehensive set of short- and multiple-choice exam-oriented questions based on the Unit 1-Unit 4 syllabus for Business Organization and Management. These questions are structured to assess foundational concepts, definitions, and core differences, perfect for a First Semester B.Com Minor exam.**

### **SHORT QUESTIONS**

- 1) What is an audit?
- 2) What is auditing?
- 3) Who is the auditor?
- 4) Write two features of auditing.
- 5) Write two qualities of an auditor.
- 6) Discuss the remuneration of the auditor.
- 7) What is an audit plan?
- 8) What is an audit procedure?
- 9) What is an audit paper?
- 10) What is an audit report?
- 11) Discuss two advantages of an audit.
- 12) Explain two limitations of an audit.
- 13) Explain two objectives of an audit.
- 14) What is the error of principle?
- 15) What is an error of omission?
- 16) What is an error of commission?
- 17) What is compensating error?
- 18) What is a clerical error?
- 19) What is a statutory audit?

- 20) What is a private audit?
- 21) What is a government audit?
- 22) What is internal audit?
- 23) What is an external audit?
- 24) What is a continuous audit?
- 25) What is a final audit?
- 26) What is a balance sheet audit?
- 27) What is a complete audit?
- 28) What is a partial audit?
- 29) What is a periodic audit?
- 30) What is an interim audit? Why is it done?
- 31) What is a cash audit?
- 32) What is a cost audit?
- 33) What is a management audit?
- 34) Write two features of internal audit.
- 35) Write two advantages of an external audit.
- 36) What is a standard audit program?
- 37) What is a tailor-made audit program?
- 38) Write the essentials of a good audit program.
- 39) Write two advantages of an audit program.
- 40) What is an audit committee?
- 41) What is insider trading?
- 42) What is an audit notebook?
- 43) Write two utilities of an audit notebook.
- 44) Explain the contents of the audit notebook.
- 45) Write two advantages of an audit working paper.

- 46) What is routine checking?
- 47) What is test checking?
- 48) Write two features of a good audit program.
- 49) Write two advantages of test checking.
- 50) State two disadvantages of routine checking.
- 51) What is an audit in depth?
- 52) What is internal control?
- 53) Write two objectives of internal control.
- 54) Explain two basic principles of internal control.
- 55) What is an internal check?
- 56) Write two objectives of internal check.
- 57) Write two disadvantages of internal check.
- 58) Write the qualifications of an internal auditor.
- 59) Write a short note on internal checks on credit sales.
- 60) What is a voucher?
- 61) What is vouching?
- 62) What is a primary voucher?
- 63) What is a subsidiary voucher?
- 64) Write two important points of vouching.
- 65) What is verification?
- 66) Write two objectives of verification.
- 67) Explain the status of the company auditor.
- 68) Who cannot be appointed as a company auditor.
- 69) What is the liability of the auditor regarding a third party?
- 70) What is a partial audit report?
- 71) What is an interim audit report?

- 72) What is a final audit report?
- 73) What is a clean report?
- 74) What is a qualified audit report?
- 75) What is an audit certificate?
- 76) Explain the situation where an audit certificate is compulsory.
- 77) What is a cost audit?
- 78) Write two objectives of cost audit.
- 79) Write the qualifications of a cost auditor.
- 80) Write the disqualification of the cost auditor.
- 81) Explain the rules regarding the appointment of a cost auditor.
- 82) How does a cost audit differ from a financial audit?
- 83) What is a tax audit?
- 84) Write two objectives of a tax audit.
- 85) Explain two rights of a management auditor.
- 86) How is a management auditor appointed?
- 87) Give the qualifications of a management auditor
- 88) Discuss the working methods of a management auditor.
- 89) What is corporate governance?
- 90) Write two objectives of good corporate governance.
- 91) What are the 4 Ps of corporate governance?
- 92) What is CSR?
- 93) What is corporate sustainability?
- 94) What is a code of conduct?
- 95) What is business ethics?
- 96) What is whistleblowing?
- 97) Discuss the needs of social responsibility.

- 98) State two benefits of corporate governance.
- 99) What is corporate code?
- 100) Explain two purposes of a corporate code
- 101) Discuss two duties of independent directors.
- 102) Distinguish between corporate governance and corporate excellence.
- 103) What is shareholder activism?

### **3 MARK QUESTION**

1. Define audit and its scope.
2. Distinguish between auditing and accounting.
3. Distinguish between audit and accounting.
4. Explain the qualifications of an auditor.
5. What are the objectives of an audit?
6. What are the secondary objectives of auditing?
7. What is an error of commission? Example.
8. What is an error of omission? Example.
9. What is compensating error? Example.
10. What is the error of principle? Example.
11. Write the advantages of auditing.
12. Write three disadvantages of auditing.
13. Auditing is a necessity, not a luxury. Comment.
14. What is a financial audit? Write two objectives.
15. What is a statutory audit? Write two features.
16. What is a special audit? Write two needs.
17. What is a government audit? Write two objectives.
18. Distinguish between vouching and verification.
19. Who can be an auditor?

20. How is the first auditor being appointed?
21. What is a casual vacancy?
22. Discuss the qualities of an auditor.
23. Discuss the duties of an independent auditor.
24. Discuss the remuneration of the auditor.
25. What is an audit report? Name its type.
26. Distinguish between a qualified audit report and a clean report.
27. What is an adverse audit report?
28. What is a property audit?
29. What is an efficiency audit?
30. Write two objectives of a tax audit.
31. Write the necessity of a cost audit.
32. What is corporate governance? How is it different from corporate excellence?
33. What are the features of good corporate governance?
34. Mention any three benefits of corporate governance.
35. Discuss three objectives of corporate governance.
36. Describe types of cost audit.
37. State the provision regarding the appointment qualification of the cost auditor.
38. Explain the disqualification of a cost auditor.
39. What is a cost audit? How it differs from a financial audit.
40. In which circumstances may an auditor be criminally liable?
41. What are the liabilities of an auditor?
42. Explain the status of the company auditor.
43. Who can not be appointed as a company auditor?
44. Distinguish between criminal and civil liability of an auditor.
45. An auditor is a watchdog, not a bloodhound. Explain

46. State four essential qualities of an auditor.
47. What are the objectives of verification?
48. Distinguish between vouching and verification.
49. Distinction between valuation and verification.
50. What are the general rules of verification?
51. Discuss vouching of cashbook.
52. Discuss vouching of cash in hand and cash at bank.
53. Give importance to vouching.
54. State 3 objectives of vouching.
55. Vouching is the essence of auditing. Explain.
56. What is the teaming and lading process?
57. Describe 3 salient features of vouching.
58. What is the type of voucher?
59. What does an auditor keep in mind while examining vouching?
60. How vouching verifies the creditors' ledger.
61. Explain the vouching of the receipt side of the cash book.
62. Is internal checking a system of an automatic process? Comment.
63. What is the objective of internal control?
64. How does internal check differ from internal audit?
65. Write a short note on internal checks regarding credit sales.
66. State 3 advantages of internal check.
67. What is internal control? State 3 objectives.
68. State three essential features of a good audit program.
69. What precautions must be taken while making a test check?
70. State 3 disadvantages of routine checking.
71. What is the method of audit work?

72. An audit program to be serviceable must be elastic. Explain
73. What is an audit notebook? Its utility.
74. What are auditors' responsibilities regarding the detection of fraud and error?
75. Explain four limitations of auditing.

### **7 MARK QUESTION**

1. What do you understand by auditing? Define its features and scope.
2. Define auditing. Explain how it differs from accounting.
3. Auditing is a luxury while accountancy is a necessity. Comment.
4. Differentiate between audit principles, procedures, and techniques.
5. Explain the scope of auditing. Is the scope of auditing the same in all types of business organizations?
6. Define auditing. Discuss its objectives.
7. What is auditing? Explain the advantages and disadvantages.
8. What are different kinds of audits? Give the merits and demerits.
9. What is a continuous audit? Give the merits and demerits of continuous audit.
10. What is internal audit? Explain its advantages and features.
11. Distinguish between continuous audit and periodic audit.
12. Distinguish between continuous and internal audit.
13. Distinguish between internal audit and external audit.
14. Distinguish between internal check and internal control.
15. What are the preliminary preparations before starting an audit?
16. What is an audit program? State the merits and demerits of an audit program.
17. Discuss various types of audit programs.

18. What is an audit program? What points should be kept in mind when modifying the audit program?
19. What is internal control? What are its objectives? To what extent can an auditor rely on it?
20. What is meant by internal check? Explain the essentials of a systematic internal check.
21. Define internal check. Explain its objectives.
22. Define internal check. Elaborate on its advantages and disadvantages.
23. As an auditor, what system of internal check would you adopt to check fraud regarding purchases and their payments?
24. What is internal control? Is it different from internal check and internal audit? Explain with an example.
25. Suggest precautions which the proprietor of a business should adopt to guard against misappropriation of receipts by the cashier.
26. Describe a system of internal checks suitable for big houses where most of the sales are affected through cash.
27. Suggest a system of internal checks and controls over stores of a large manufacturing concern.
28. "Vouching is the essence of auditing." Explain. 29. What is the "teaming and lading process" of fraud, and what are the steps taken to detect such fraud?
30. "Vouching is the backbone of auditing." Discuss the importance of vouching in the light of this statement.
31. While vouching payments in the cash book, how would you satisfy yourself that payments are in order?
32. What are the special points to be considered by the auditor while vouching receipts? 33. Describe salient features of vouching of wages in an industrial concern.
34. What do you understand by verification of assets and liabilities? How far is an auditor responsible for verifying the assets appearing in the balance sheet?
35. What are the main objectives of the verification of assets? What are the auditor's duties in this regard?
36. What is meant by verification? Explain the objective and importance of verification.

37. What are contingent liabilities? Give examples and state how they should appear in the company's published balance sheet. What would be your duty as an auditor in connection with such liabilities?
38. To what extent is the auditor responsible for verifying the correctness of stock-in-trade? Discuss the relevant case laws.
39. Discuss the main provisions of the Indian Companies Act regarding the appointment and removal of an auditor briefly.
40. An "auditor is a watchdog and not a bloodhound." In light of this statement, narrate the duties of the company auditor.
41. Discuss the liabilities of an auditor of a public company briefly.
42. Discuss the rights, duties, and liabilities of the auditor of a company.
43. Discuss the provisions of the Companies Act, 2013, regarding the qualification, appointment, and removal of auditors.
44. What is an auditor's report? What are its various types? What are its contents?
45. What is an audit report? Explain its importance.
46. Give a specimen of a clean report.
47. What is a qualified report? In which circumstances is it necessary?
48. What is an auditor's certificate? How does it differ from an auditor's report?
49. In which circumstances does an auditor of a company find it necessary to qualify its report to the members of the company?
50. "Auditors' report should contain adequate disclosures of the fact, but it should not be detailed." Discuss.
51. What do you mean by management audit? Discuss its need and working method.
52. Explain in brief the tax audit.
53. Explain the objectives of a tax audit. Also, elaborate on the general considerations when conducting a tax audit.
54. Explain the conduct of an audit by the tax audit of a charitable institution or public trust under income tax.

55. Discuss in brief the requirement of corporate governance in listed companies as per the provisions of Clause 49 of the Listing Agreement.
56. Critically examine the initiatives taken in the field of corporate governance in India.
57. What are the voluntary guidelines issued by the Minister of Corporate Affairs to improve the condition of corporate governance in the country? Discuss.
58. Elaborate on the provisions of the Companies Act, 2013, related to corporate governance.
59. Elaborate on the Kumar Mangalam committee on corporate governance. 60. Explain the Narayana Murthy committee on corporate governance.
61. Discuss the Naresh Chandra committee on corporate governance.
62. Explain the case of the Satyam Computer Services Limited scam.
63. What is the Maxwell communication scam? What were the causes? Also, discuss the problem of Maxwell's corporate governance.
64. Discuss common governance problems responsible for corporate failure.
65. Briefly explain the causes of corporate governance failures that are common in most corporate scandals.
66. Comment on “ineffectiveness of independent directors as a corporate failure.”
67. Explain the OECD principles and guidelines of corporate governance.
68. Critically examine the recommendation of the Cadbury Committee on corporate governance.
69. Explain the main points of the Greenbury report, which is a code of best practice on directors’ remuneration.
70. Discuss global principles of accountable corporate governance as suggested by CalPERS.
71. Explain in detail the Hampel Committee report on corporate governance.
72. Explain the responsibility of business towards employees and consumers.
73. What is corporate social responsibility? Explain its objective and need.
74. Explain the responsibility of business towards owners and the community.
75. What is CSR? Explain any four arguments in favor of the social responsibility of business.

### **SOME QUESTIONS AND ANSWERS:**

- **What is auditing?**
  - *Answer:* A systematic and independent examination of data, statements, records, operations, and performances of an enterprise for a stated purpose.
- **What is the primary objective of an independent financial audit?**
  - *Answer:* To express an opinion on whether the financial statements present a true and fair view of the company's financial position and performance in accordance with an applicable financial reporting framework.
- **Differentiate between accounting and auditing.**
  - *Answer:* Accounting is the continuous process of recording, classifying, and summarizing financial transactions to prepare financial statements. Auditing is the independent review and verification of the completed financial statements.
- **What does a "true and fair view" mean in auditing?**
  - *Answer:* It means that the financial statements are factual, free from material misstatements, and accurately reflect the economic reality of the business operations and position.

## **2. Types of Audits & Auditors**

- **What is the difference between Internal Audit and External Audit?**
  - Answer: Internal audit is conducted by employees of the organization to review operations and internal controls for management. An external audit is conducted by an independent third party to provide an opinion on financial statements for shareholders and external stakeholders.
- **What is a Statutory Audit?**
  - Answer: An audit that is legally mandated by law or statute (e.g., the Companies Act) for certain types of organizations.
- **What is a Forensic Audit?**
  - Answer: An investigative audit conducted to gather evidence that can be used in a court of law, usually involving suspected fraud or embezzlement.
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### 3. Auditing Principles & Evidence

- **What is "Inherent Risk" in auditing?**
  - Answer: The susceptibility of an assertion or account balance to a material misstatement, assuming there are no related internal controls.
- **What constitutes "Sufficient Appropriate Audit Evidence"?**
  - Answer: "Sufficient" refers to the quantity of evidence (sample size), while "appropriate" refers to the quality (relevance and reliability) of the evidence.
- **What is professional skepticism?**
  - Answer: An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.
- **Explain the concept of "Materiality" in auditing.**
  - Answer: Information is material if its omission or misstatement could influence the economic decisions of users taken based on the financial statements.

### 4. Internal Controls & Fraud

- **What is an Internal Control System?**

- Answer: The whole system of controls, financial and otherwise, established by management to safely and efficiently run the business, ensure adherence to policies, and safeguard assets.
- **Whose primary responsibility is it to prevent and detect fraud in an organization?**
  - Answer: It is the primary responsibility of management and those charged with governance (not the external auditor).
- **What is an Audit Trail?**
  - Answer: A step-by-step chronological record that allows a transaction to be traced from its origin (source document) all the way to its final appearance in the financial statements, or vice versa.

## 5. Audit Reports

- **What is an Unmodified (or Clean) Audit Opinion?**
  - Answer: An opinion expressed by the auditor when they conclude that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- **Name three types of Modified Audit Opinions.**
  - Answer: Qualified opinion, Adverse opinion, and Disclaimer of opinion.
- **When does an auditor issue a "Disclaimer of Opinion"?**
  - Answer: When the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, the possible effects on the financial statements could be both material and pervasive.