



Compiled Audit MCQs by Sanidhya Saraf sir

The Concept of Modern Marketing (National Defence University)

MCQ



QUESTIONS

WITH

ANSWERS

**COVER
ALL**

PROBABLE

QUESTIONS

**Apna
Mentor**

COMPILED

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INTRODUCTION TO STANDARDS OF AUDITING

- 1.** For agreed-upon procedures, auditor simply provides a report of factual findings, _____ is expressed
- Absolute assurance
 - Negative assurance
 - Moderate assurance
 - No assurance
- 2.** In a compilation engagement, although the users of the complied information derive some benefit from the involvement of a member of the institute _____ is expressed in the report.
- Absolute assurance
 - Negative assurance
 - Moderate assurance
 - No assurance
- 3.** The evidence available to auditor is _____ in nature, rather _____ in nature.
- pervasive, conclusive
 - Conclusive, pervasive
 - limited, unlimited
 - None of the above
- 4.** Standards issued by the Auditing and assurance standards boards under the authority of the council are collectively known as _____.
- Standards of Auditing
 - Auditing Pronouncement
 - Engagement Standards
 - All of the above
- 5.** Compliance with the Standard of Auditing is the responsibility of
- Management
 - Those charged with governance
 - Auditor
 - Audit committee

S. No.	Answer	Reason
1.	(d) No assurance	
2.	(d) No assurance	
3.	(a) Pervasive, conclusive	
4.	(c) Engagement Standards	
5.	(c) Auditor	

GUIDANCE NOTES ON AUDIT ASPECTS

- 1.** The guidance note contains _____ audit procedures in case of audit of liabilities.
- recommended
 - mandatory
 - standard
 - None of the above

- 2.** The guidance notes on audit of capital reserves gives special consideration to _____.
 a. Companies
 b. Partnership firm
 c. Sole proprietary concern
 d. All of the above
- 3.** Sec 143(3) (i) of the companies act, 2013 cast _____ responsibilities on the statutory auditors because reporting on internal financial controls is _____ under the Standards of Auditing issued by the ICAI.
 a. Onerous, not covered
 b. No, covered
 c. Sole, covered
 d. None of the above
- 4.** The auditor shall comply with each requirement of SA unless in the circumstances of auditing,
 a) The entire SA is not relevant
 b) The requirement is not relevant because it is conditional and the condition does not exists
 c) Both a and b
 d) None of the above
- 5.** As per the council general guidelines issued by the institute of Chartered accountant of India, if member express his opinion on financial statement in which his relative has a substantial interest, he is _____.
 a. Required to take utmost care in Auditing the financial statements
 b. Required to accept the audit engagement by carefully reading the terms of engagement
 c. Required to withdraw later on if it is threat to his independence
 d. Guilty of professional misconduct

S. No.	Answer	Reason
1.	(a) recommended	
2.	(d)All of the above	
3.	(a) Onerous, not covered	
4.	(c) Both a and b	
5.	(d) Guilty of professional misconduct	

ACCOUNTING PRINCIPLES AND ACCOUNTING STANDARDS

- 1.** There can be situation in which certain matters are covered both by a ‘Statement’ and by a ‘Standards of Auditing’. In such a situation, _____ prevails till the time the relevant _____.
 a. Standards of Auditing, statement is authorized
 b. Statement, Standards of Auditing becomes mandatory
 c. Accounting Standards, statement is authorized
 d. Guidance note, statement is authorized
- 2.** As per _____ going concern is a fundamental accounting assumption.
 a) SA 570
 b) SA 200
 c) AS 1
 d) SA 706
- 3.** The ‘accounting standards’ and ‘Standards on Auditing’ establish standards which have to be complied with to ensure that financial statements are prepared in accordance with _____.

- a. Generally acceptable Audit Procedure
- b. Accounting Principles
- c. Ind AS
- d. Accounting Standards

4. The fixed assets of XYZ limited has been impaired recently in the F.Y 2015-16. In the year of F. Y 2016-17, there was an upward revaluation of the fixed assets. As an auditor, what is the treatment that should be given by the company as per AS 10 ‘Property Plant and equipment’ ?

- a. Credit to Revaluation Reserve
- b. Credit to Profit and loss account
- c. No effect
- d. Show it as prior period item

5. Change in accounting estimate is _____

- a) Prior Period Item
- b) Change in accounting policy
- c) Extra-ordinary item
- d) Ordinary item

6. While discharging the attest function, it will be duty of the members of the institute to examine whether the _____ is complied with in the presentation of financial statement covered by their audit

- a. Accounting Standards
- b. Management responsibility
- c. Auditor’s responsibility
- d. All of the above

7. In the event of any deviation from the Accounting Standards, it will be the duty of the auditor to make adequate _____ in the reports so that the user of the statements may be aware of financial deviations.

- a. Reporting
- b. Announcement
- c. Disclosures
- d. All of the above

8. Indian accounting standards are the International financial reporting standards converged standards issued by the central government of India under the supervision and control of accounting standards board of ICAI and in consultation with _____.

- a. Ministry of corporate affairs
- b. NFRA
- c. Accounting Standards Board
- d. All of the above

9. A Ltd. Has sold a building of 5crores on 25.02.2018. A payment of Rs.2crores is made by the purchasing party. As on 31.03.2018, all the legal formalities and documentation is pending and therefore the management has shown the amount of Rs.2crores as advance received. What is the right course of action?

- a. The management should show the amount as advance only as all legal formality is pending
- b. The management should book the profit (if any), and show the building in its Balance sheet
- c. The management should book the profit (if any),and should remove the asset from the Balance sheet
- d. None of the above

10. An entity acquires a right to use an underground cave for gas storage purposes for a period of 50 years. The cave is filled with gas, but a substantial part of that gas will only be used to keep the cave under pressure in order to able to get gas out of the cave. It is possible to distinguish the gas that will be used to keep the cave under pressure and the rest of the gas. What is the treatment the management should give for the substantial part of gas that will be used to keep the cave under pressure?

- a. Treatment as per AS 2
- b. Treatment as per AS 10
- c. Treatment as per 13
- d. Such asset is not covered under any AS

S. No.	Answer	Reason
1.	(b) Statement, Standards of Auditing becomes mandatory	
2.	(c) AS 1	
3.	(a) Generally acceptable Audit Procedure	
4.	(b) Credit to Profit and loss account	
5.	(b) Change in accounting policy	
6.	(a) Accounting Standards	
7.	(c) Disclosures	
8.	(b) NFRA	
9.	(c) The management should book the profit (if any),and should remove the asset from the Balance sheet	
10.	(a) Treatment as per AS 2	

SQC 1: STANDARDS ON QUALITY CONTROL

1. As per SQC 1, for listed entity, engagement partner should be rotated every ____ year.
 a. 5
 b. 8
 c. 7
 d. 10
2. As per SA 230 read with _____, working paper should be preserved for minimum period of 7 years.
 a. SA 500
 b. SA 200
 c. SA 210
 d. SQC 1
3. The firm's _____ should assume ultimate responsibility for the firm's system of quality control.
 a. Article Assistant
 b. Managing partner
 c. Sleeping partner
 d. Employee
4. The person who is assigned the responsibility for the firm's quality control system by the managing partner should possess sufficient and appropriate _____ and the necessary authority to assume that responsibility.
 a. Audit evidence
 b. Responsibility
 c. Experience
 d. Authority

- 5.** The complaints and allegation against the firm as regards to the non-compliance of professional standards or allegation of non-compliance of firm's system of quality control shall be dealt with _____.
 a. Legal regulations
 b. By taking appropriate actions
 c. Either a or b
 d. None of the above
- 6.** As per SQC 1, the firm should form a system of _____ intended for providing reasonable assurance that a firm and its employees adhere to the professional standards and legal and regulatory requirements.
 a. Quality control
 b. Making an audit team
 c. Regulatory
 d. Reporting requirements

S. No.	Answer	Reason
1.	(c) 7	
2.	(d) SQC 1	
3.	(b) Managing partner	
4.	(c) Experience	
5.	(c) Either a or b	
6.	(a) Quality control	

SA 200: OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND CONDUCT OF AN AUDIT

- 1.** If the auditor is unable to draw reasonable assurance, he should either withdraw from engagement if permitted by law or Disclaim his opinion is given in which Standard of Auditing?
 a) SA 500
 b) SA 200
 c) SA 705
 d) SA 700
- 2.** CA. Rishabh wanted to check if the fixed assets are truthfully recorded and fairly presented by DHFL. Which statement is correct to see if the financial information given by DHL for fixed assets reflects true and fair view?
 a. Check the supporting bills for the furniture purchased and to ensure if the same is presented in the Balance sheet as fixed assets.
 b. Check the supporting bills for the furniture and to ensure that the furniture should not be debited in profit and loss account
 c. Both a and b
 d. None of the above
- 3.** CA. Laxman was appointed as a statutory auditor of Ram and Raavan Ltd. The company has provided the auditor photocopies of books of accounts and evidence for audit as the original books of accounts and evidence are ceased by income tax department, in such a case, CA. Laxman should give
 a. Modified report
 b. Disclaimer of opinion
 c. Withdraw from engagement if permissible
 d. Either a or b

4. Comment on the situation - CA. Raj a FCA did not follow SA 505 external confirmation to test the Balance sheet of creditors. When asked about the reason he simply said he was unaware that any such announcement is issued by ICAI.
a. He can modify his report as he is unaware
b. He is lacking in professional competence
c. The institute reprimands him for lifetime
d. All of the above
5. Comment on the following situation - CA. Pawan helped his brother in setting up his brother's business from the knowledge of the business like customers, suppliers, technical experts, etc. obtained from the audit conducted by him.
a. This is legal in law
b. He should inform ICAI once
c. He should take permission from the company
d. This is violation of ethical standards of confidentiality
6. Professional judgment means a judgment taken by the auditor out of his _____ in an audit situation
a. Past experience
b. Relation with the management
c. Professional experience
d. Work experience
7. Sufficiency is the measure of the _____ of audit evidence.
a. Quantity
b. Quality
c. Appropriateness
d. Sufficient
8. Appropriateness means _____ of audit evidence.
a. Quantity
b. Quality
c. Appropriateness
d. Sufficient
9. Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptable low level, and thereby enable the auditor to draw reasonable conclusion on which to base the auditor's opinion, is a matter of _____.
a. Audit guidelines
b. Professional judgment
c. Experience
d. Requirement from management
10. An auditor is expected to, reduce audit risk to zero and can obtain absolute assurance that the financial statements are free from material misstatement due to fraud and error.
a. True
b. False
c. Partially True and partially False
d. Can't form an opinion
11. _____ means limitations which cannot be overcome and which are with the subject since the inception or evolution of the subject.
a. Management limitation
b. Time constraints
c. Scope limitation
d. Inherent limitation
12. An auditor is required to determine the _____ of his audit procedures according to the requirements of Standards of Auditing.
a. Conduct
b. Nature timing and extent
c. Limitation
d. Planning

13. If there is a conflict between the laws with which the auditee is subject to and Standards of Auditing, the _____ shall prevail.

- a. Notification from the central government
- b. Law
- c. Standard of Auditing
- d. Guidance note

14. The financial statement JKL Ltd. are not ready for approval by the shareholders in AGM as auditor was unable to find the Trial Balance difference of Rs.30,00,000. The management of JKL Ltd. Is of the opinion that the auditor shall be held responsible for all the delay. Can the management do so?

- a. Yes, as the responsibility of audit is of the auditor and hence is liable for the delay
- b. No, The shareholder should approve the untallied financial statement and later on amend it
- c. No, the responsibility for preparation and presentation of Financial statement is that of management and the audit of financial statements does not relieve management of its responsibilities
- d. Yes, but the responsibility lies between both management and the auditor.

15. What shall an Auditor do if management refuses to permit auditor to communicate with legal counsel and he is unable to collect SAAE by performing alternate procedures?

- a) he shall perform further audit procedure
- b) he shall modify the opinion as per SA 705
- c) he will again ask management to fix a meeting with the lawyer
- d) he will not do anything

S. No.	Answer	Reason
1.	(b) SA 200	
2.	(c) Both a and b	
3.	(d) Either a or b	
4.	(b) He is lacking in professional competence	
5.	(d) This is violation of ethical standards of confidentiality	
6.	(c) Professional experience	
7.	(a) Quantity	
8.	(b) Quality	
9.	(b) Professional judgment	
10.	(b) False	
11.	(d) Inherent limitation	
12.	(b) Nature timing and extent	
13.	(b) Law	
14.	(c) No, the responsibility for preparation and	

presentation of Financial statement is that of management and the audit of financial statements does not relieve management of its responsibilities

15. (d) he will not do anything

SA 210: Agreeing the Terms of Audit engagement

1. SA 210 deals with the key considerations that Independent Auditor needs to keep in mind on the _____ with Management or those charged with governance.
- Terms of audit engagement
 - Requirements
 - Road map designed
 - Precondition of audit
2. As per SA-210, 'It is in the interests of both the entity and the auditor that the auditor sends _____ before the commencement of the audit to help avoid the misunderstandings with respect to the audit.
- Audit engagement letter
 - Management representation letter
 - Fraud statement by management
 - Terms of engagement
3. It is not mandatory to send a new engagement letter in recurring audit, but sometimes it becomes mandatory to send a new letter.
- True
 - False
 - Partially True and partially False
 - Can't form an opinion
4. In banks, the financial reporting framework means financial statements required in specific format and with _____ for income recognition.
- AS 9
 - Standards of Auditing
 - Central government
 - RBI guidelines
5. Comment on the following situation – CA. Rahul was engaged by LMN Ltd. for auditing their accounts. He sent his letter of engagement to the Board of Directors, which was accepted by the company. In the course of audit of the company, the auditor was unable to obtain appropriate sufficient audit evidence regarding payables. The client requested for a change in the terms of engagement.
- The auditor should not agree to a change in terms where there is no reasonable judgment for doing so.
 - The request of the client for a change in the terms of engagement is just to avoid qualified / adverse opinion.
 - It is not a justified reason for change in the terms of engagement.
 - All of the above.
6. When client request the auditor to change the terms of engagement, auditor should consider whether changed terms provide _____ of assurance.
- Higher Level
 - Optimal Level
 - Lower Level
 - None of the above



- 7.** It is _____ responsibility to use acceptable financial reporting framework in preparation of financial statement.
- Management
 - Those charged with governance
 - Auditor
 - Audit committee
- 8.** CA. Ram was appointed as an auditor in XYZ Ltd. For the F. Y 2017-18. During the year there was a significant change in senior management. This may lead to
- Revision in terms of audit engagements
 - Withdrawn the audit assignment
 - Continue the audit assignment
 - Give a modified report
- 9.** Circumstances that may warrant the revision in terms of engagement as per SA 210.
- Significant change in ownership
 - Change in nature, size of the entity's business.
 - Change in legal or regulatory requirement.
 - All of above

S. No.	Answer	Reason
1.	(a) Terms of audit engagement	
2.	(a) Audit engagement letter	
3.	(a) True	
4.	(d) RBI guidelines	
5.	(d) All of the above	
6.	(c) Lower Level	
7.	(a) Management	
8.	(a) Revision in terms of audit engagements	
9.	(d) All of above	

SA 220 : QUALITY CONTROL FOR AN AUDIT OF FINANCIAL STATEMENTS

- 1.** The audit firm should implement _____ policies to ensure all audits are conducted in accordance with Audit and Assurance Standards.
- Detection Control
 - Quality control
 - Management control
 - Internal control
- 2.** The firm's quality control _____ should be effectively communicated to its personnel.
- Standards
 - Policies and procedures
 - Requirements
 - All of the above

- 3.** Engagement Team means all personnel performing _____.
 a. Audit
 b. Accounting
 c. Engagement
 d. All of the above
- 4.** The auditor shall assemble the audit documentation in an audit file within ____ days of completion of audit.
 a. 60 days
 b. 90 days
 c. 180 days
 d. 30 days
- 5.** Mr. Laxman, an engagement partner of Vibhishan & co. chartered accountant for an audit of Lanka Ltd., died of a heart attack on 29.09.2018 after completing the entire routine audit work of Lanka Ltd. Mr. Raavan, one of the partner of Vibhishan Ltd. will be signing the accounts of Lanka Ltd. What is the course of action to be taken by Raavan?
 a. Sign the accounts of Lanka Ltd. Without reviewing the work of his partner
 b. Sign the balance sheet after reviewing the work of his partner
 c. Withdraw the audit as the person who has performed the audit is no more
 d. Issue an adverse report

S. No.	Answer	Reason
1.	(b) Quality control	
2.	(b) Policies and procedures	
3.	(c) Engagement	
4.	(a) 60 days	
5.	(b) Sign the balance sheet after reviewing the work of his partner	

SA 230 : AUDIT DOCUMENTATION

- 1.** Process of collecting and preparing working papers is known as _____.
 a. Audit evidence
 b. Planning an audit
 c. Documentation
 d. Policies and procedures
- 2.** _____ documents are more reliable than mere photocopy.
 a. Electronic
 b. Original
 c. Management
 d. Auditor's
- 3.** Documentation relating to estimates of future earnings related to an asset for its revaluation or impairment are relevant for _____.
 a. Revaluation reserve
 b. Audit documentation
 c. Forecast of future earnings
 d. Future period audit
- 4.** Most of the audit evidence are in the form of _____.
 a. Documentary evidence

- b. Written representation
 - c. Electronic form
 - d. Oral evidence
- 5.** Working papers should be preserved for ____ years.
- a) 10
 - b) 4
 - c) 8
 - d) 7
- 6.** Income tax department started search and seizer procedure at the reputed company. CA. P, a statutory auditor of the reputed company was asked for the working paper of the company along with the permission of CIT (A) to provide for the information. Can CA. P provide access to working paper?
- a) CA. P can provide as it is the requirement of law
 - b) CA. P is guilty of professional misconduct
 - c) CA. P should not provide the working paper
 - d) None of the above
- 7.** CA. Shraddha was the statutory auditor of RST Ltd. The management of RST Ltd. asked the auditor the photocopies of audit working papers as the supporting for the basis on which financial statement is approved by the auditor. Which of the following statement is correct?
- a. Working paper is the property of the auditor.
 - b. She may at her discretion make portion or extracts from audit documentation available to the client
 - c. As they are only asking her for photocopies. Therefore auditor can provide the same
 - d. Both a and b
- 8.** _____ is the file containing the records and data that compromise the audit documentation for a specific engagement.
- a. Audit file
 - b. Engagement file
 - c. Working file
 - d. Client's file
- 9.** CA. Payal is a statutory auditor of GPK Ltd. The auditor of BNK Ltd. a parent company of GPK Ltd. asked Payal the working papers of GPK Ltd. For commenting on the important requirement of the Central Government. Can Payal provide the working paper to the auditor of BNK Ltd.?
- a. Since the auditor of GPK Ltd. Wants to comment on matters required by Central government, it is valid in law.
 - b. Payal is not required to provide the auditor of parent company her working papers, as working paper is the property of the auditor
 - c. Since the documents are asked by the auditor of parent company, Payal can provide the same
 - d. The auditor of parent company shall take the permission of the management of subsidiary company and obtain the same
- 10.** Which of the following does not affects form, content & extent of documentation
- a) Size and complexity of the entity
 - b) nature of audit team who will perform audit
 - c) identified Risk of material misstatement
 - d) audit methodology and tools to be used
- 11.** SA 230 defines the audit documentation as to the record of.
- a. Audit procedure performed and conclusion the auditor reached.
 - b. Audit procedure performed and audit evidence obtained
 - c. Audit evidence obtained and conclusion auditor reached.
 - d. audit procedures performed , relevance audit evidence obtained and conclusion the auditor reached.
- 12.** Audit documentation shall be maintained for a period of 7 years from the.....
- a. Date of audit report
 - b. Date of financial statement.
 - c. Date of working paper
 - d. None of above

Q13. Unless otherwise specified by law and regulation, audit documentation is property of..

- a. Management of entity.
- b. Auditor
- c. Tcwg
- d. All of above

S. No.	Answer	Reason
1.	(c) Documentation	
2.	(b) Original	
3.	(d) Future period audit	
4.	(a) Documentary evidence	
5.	(d) 7	
6.	(a) CA. P can provide as it is the requirement of law	
7.	(d) Both a and b	
8.	(a) Audit file	
9.	(b) Payal is not required to provide the auditor of parent company her working papers, as working paper is the property of the auditor	
10.	(b) nature of audit team who will perform audit	
11.	(d) audit procedures performed , relevance audit evidence obtained and conclusion the auditor reached.	
12.	(a) Date of audit report	
13.	(b) Auditor	

SA 240 : AUDITOR'S RESPONSIBILITY IN RELATION TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENT

Q1. Fraud means _____ act by any person to conceal truth and obtain illegal advantage.

- a) False
- b) Honest
- c) Intentional
- d) Unintentional

Q2. The auditor shall obtain _____ that the financial statements are free from fraud and misstatement.

- a) Absolute assurance
- b) Management's assurance

- c) Reasonable assurance
 d) None of the above
- 3.** The primary responsibility for the prevention and detection of fraud rests with both _____ and _____.
 a. Auditor and management
 b. Management and those charged with governance
 c. Auditor and those charged with governance
 d. All of the above
- 4.** Owing to the _____ limitations of an audit, there is _____ risk that some material misstatements of the financial statements will not be detected, even though the audit is properly planned and performed in accordance with the SAs.
 a. Inherent, unavoidable
 b. Inherit, Inherit
 c. Management, unavoidable
 d. Management control
- 5.** Auditor shall enquire, what the management's assessment of the _____ risk and how frequently management assesses the same.
 a. Control
 b. Detection
 c. Inherit
 d. Fraud
- 6.** The Financial statement of Parvati Ltd. stated a sales of Rs. 100 crore for the F.Y 2016-17. Mr. N's (Auditor of Parvati Ltd.) article clerk stated that the sales was properly recorded. Later on it was found that goods to the extent of Rs. 55 crore were sent on approval basis but included in the statement. Which statement is correct for the above situation?
 a. The auditor has failed to obtain reasonable assurance
 b. There is an absence of professional competence and due care
 c. The auditor is not responsible as there is a probability that the sales will be approved in the near future
 d. Both a and b
- 7.** SA 240 deals with the auditor's responsibilities towards _____ in the financial statement audits.
 a. Error
 b. Misstatement
 c. Fraud
 d. Risk
- 8.** _____ arise from either fraud or error.
 a. Financial statements misstatement
 b. Theft
 c. Management fraud
 d. Cash embezzlement
- 9.** The Balance sheet of Tube light and Bulbs Ltd. reflected a cash balance of Rs.10crores. The company has taken a loan of Rs.3crores from the bank despite of the huge cash balance with the company. As an auditor what conclusion can you draw looking at the situation?
 a. Report this matter to the Central Government u/s 143(12) as there is a possibility of fraud
 b. Obtain sufficient and appropriate audit evidence of existence of fraud
 c. Report the matter under CARO, 2016 under clause 3(x) u/s 143(11) without obtaining audit evidence
 d. All of the above
- 10.** Which of this is not an example of misappropriation of assets?
 a. Embezzling receipts
 b. Stealing physical assets
 c. Inappropriately adjusting estimates.
 d. Using entity assets for personal use.

S. No.	Answer	Reason
1.	(c) Intentional	
2.	(c) Reasonable assurance	
3.	(b) Management and those charged with governance	
4.	(a) Inherent, unavoidable	
5.	(d) Fraud	
6.	(d) Both a and b	
7.	(c) Fraud	
8.	(a) Financial statements misstatement	
9.	(b) Obtain sufficient and appropriate audit evidence of existence of fraud	
10.	(d) Using entity assets for personal use.	

SA 250 : CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

- 1.** Non – compliance means act of omission by the entity, _____, which are contrary to the prevailing laws and regulations.
- Intentional
 - Unintentional
 - Either Intentional or unintentional
 - And non – complying the laws
- 2.** Following is not an indicator of non-compliance of regulatory requirement.
- Lax accounting system
 - Adverse media comment
 - Purchasing at arm's length price
 - All of the above
- 3.** ABC Ltd. has a business of manufacturing crackers and it also the 90% of the workers who are minor. CA. Kirthi, a statutory auditor if ABC Ltd. has already warned the company that the indirect laws may affect the company. Later on due to the death of many workers the government notified the company to close down. ABC Ltd wants to sue CA. Kirthi for not informing about the indirect laws completely.
- CA. Kirthi is not required to obtain expert understanding of other laws that do not have direct bearing on financial statement.
 - As due to the negligence of CA. Kirthi by not informing everything about the indirect laws, the going concern is affected, CA. Kirthi should be sued
 - CA. Kirthi should have consulted an expert in determining the actions by government
 - CA. Kirthi should herself inform ICAI about the negligence and hence she won't be guilty of negligence

- 4.** XYZ Ltd. is violating the laws about depositing the amount of Provident fund. The statutory auditor noticed the same and wish to inform the concern authority. Whenever, any violations is being noticed, the statutory auditor must report the same to,
- Management
 - If higher level is absent obtain legal advice
 - Both a and b
 - Income tax
- 5.** The auditor has reporting requirement as per SA 250 on non-compliance in an audit of financial statement to _____.
- Management
 - User of financial statement
 - Regulatory and enforcement authority
 - All of the above
- 6.** As per SA 250, it is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the _____.
 a. Provisions of laws and regulations
 b. Financial reporting framework
 c. Standards of Auditing
 d. Accounting Standards
- 7.** ABC Ltd. is not registered under the professional tax act even when it is liable to pay the tax under professional tax act. The management of ABC Ltd. says that since they are not registered, there is no default and hence the auditor cannot comment on it. What is the right course of action by the auditor?
 a. Report under CARO, 2016 if it is applicable to the company
 b. The auditor should modify his report under SA 705
 c. Both a and b
 d. None of the above
- 8.** The auditor was unable to conclude on the compliance made by the company of its applicable laws and regulations due to unavoidable circumstances. What should be the right course of action?
 a) he shall perform further audit procedure
 b) he shall modify the opinion as per SA 705
 c) he shall consider its impact on the financial statement and on his opinion first
 d) he should ignore if these are not directly related to the financial statements
- 9.** Compliance of Laws and regulation is the duty of
 a) management & TCWG
 b) staffs and managers
 c) management
 d) management, TCWG and auditor
- 10.** Which of the following steps management should take to comply with the regulatory requirements?
 a) taking legal advices in assisting and monitoring compliance of regulators
 b) instituting and operating appropriate system of internal control
 c) both a and b
 d) it is not their responsibility

S. No.	Answer	Reason
1.	(c) Either Intentional or unintentional	
2.	(c) Purchasing at arm's length price	
3.	(a) CA. Kirthi is not required to obtain expert	

	understanding of other laws that do not have direct bearing on financial statement.
4.	(c) Both a and b
5.	(d) All of the above
6.	(a) Provisions of laws and regulations
7.	(c) Both a and b
8.	(c) he shall consider its impact on the financial statement and on his opinion first
9.	(a) management & TCWG
10.	(c) both a and b

SA 260 : COMMUNICATING WITH THOSE CHARGED WITH GOVERNANCE

1. SA 260 focuses primarily on communications from the auditor to the _____.
 a. Ministry of corporate affairs
 b. National financial reporting authority
 c. Those charged with governance
 d. Previous auditor
2. Factors affecting form of communication to those charged with governance
 a) Matters to be included in Key Audit matter Paragraph
 b) Legal requirement
 c) Matters previously communicated with management
 d) All of the above
3. According to SA – 260, In case of listed entities, the auditor shall communicate with those charged with governance that, the engagement team and others in the firm as appropriate and the applicable network firms have complied with relevant _____ regarding independence.
 a. Ethical requirement
 b. Standards issued by ICAI
 c. Terms and conditions
 d. All of the above
4. Matters required by the SA to be communicated are communicated _____, the auditor shall document them and when and to whom they are communicated
 a. Orally
 b. Written
 c. Both a and b
 d. Telephonically
5. Out of the matters communicated to those charged with governance, the matters which are most significant in professional judgment of the auditor shall be included in _____.
 a. Emphasis on matter Paragraph
 b. Key Audit matter Paragraph
 c. Other matter Paragraph
 d. All of the above
 e.

S. No.	Answer	Reason
1.	(c) Those charged with governance	

- | | |
|----|--------------------------------|
| 2. | (d) All of the above |
| 3. | (a) Ethical requirement |
| 4. | (c) Both a and b |
| 5. | (b) Key Audit matter Paragraph |

SA 265 : COMMUNICATING OF DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE

1. The objective of the auditor is to communicate appropriately to those charged with governance and management deficiencies in internal control that, the auditor has identified during the audit and that, in the _____, are of sufficient importance to merit their respective attentions.
 - Auditor's professional judgment
 - Management's terms and condition
 - Management's control
 - All of the above
2. You are appointed as an auditor of a company and you came across certain weakness of the management like purchases have not been recorded in serial no., neither properly authorized nor reconciled with the stores. In such a case the weakness pertains to _____
 - Internal control weakness
 - External control weakness
 - Management control weakness
 - None of the above
3. The auditor is required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risks of _____.
 - Material misstatement
 - Detection
 - Fraud
 - Control
4. The letter describing weaknesses in internal control is to be communicated in writing to management and those charged with governance is known as _____.
 - Internal control weakness
 - Auditor communication letter
 - Letter of weakness
 - Management deficiency letter

S. No.	Answer	Reason
1.	(a) Auditor's professional judgment	
2.	(a) Internal control weakness	
3.	(a) Material misstatement	
4.	(c) Letter of weakness	

SA 299 : JOINT AUDIT OF FINANCIAL STATEMENTS

1. Revised SA 299 is applicable from the Financial year,
 - F.Y 2015-16
 - F.Y 2016-17

- c) F.Y 2017-18
d) F.Y 2018-19
2. SA 299 deals with the special considerations in carrying out audit by _____.
a. Internal auditor
b. Another auditor
c. Joint auditor
d. Expert auditor
3. Where joint auditor are appointed they should by _____, divide the work among themselves.
a. Terms of engagement
b. Mutual discussion
c. Choice
d. All of the above
4. CA. Krishna and CA. Subhash were appointed as a joint auditor at Reliance Industries Ltd. Some work was not dividend to them and therefore the same was not covered in their audit. Before preparing the audit report CA. Krishna was at the opinion that it would be performed by CA. Subhash and CA. Subhash thought vice versa. What is the treatment of work not dividend between them?
a) Jointly the severally responsible
b) Responsibility will be taken by CA. Krishna or CA. Subhash
c) Management will be responsible for not paying attention to the division of work
d) All of the above
5. If a joint auditor comes across matters which are significant and relevant to the other joint auditors and which deserve other auditor's attention, he should communicate the same to all other joint auditors _____.
a. Orally
b. By those charged with governance
c. Article clerk
d. In writing
6. Each joint auditor is entitle to assume that the other joint auditors have carried out their part of the audit work is in accordance with the _____.
a. Accounting Standard
b. Standards of Auditing
c. Generally acceptable Audit Procedure
d. All of the above
7. Normally the joint auditors are able to arrive at an agreed report. However where the joint auditors are in disagreement with the regard to any matters to be covered in the report, each one of them should _____.
a. Express his opinion through a separate report
b. Consult with the management
c. Express his opinion through an agreed report
d. None of the above
8. Which Standard deals with the relationship between a principal auditor who is appointed to report on the financial statements of an entity and another auditor who is appointed to report on the financial statements of one or more component.
a. SA 600
b. SA
c. Partially True and partially False
d. Can't form an opinion
9. Mr. Ramesh and Mr. Suresh were appointed as a chartered accountant of RST Ltd. A special audit was conducted u/s 233A of the companies Act, 2013 and it was observed that the expenses of the company was overstated. The revenue aspects was taken care by Mr. Ramesh, but there was no documentation for the division of work between the joint auditors. Who should be held responsible?
a. The management should be held responsible as they did not took care of the documentation of the joint auditors
b. Mr. Ramesh should be held responsible as expenses was taken care by him
c. Mr. Suresh should be held responsible because of the negligence

- d. Both the auditor will be held responsible and will be guilty of negligence

10. Which of the following can be basis of division of work among the joint auditor?

- a) Items of asset or liabilities
- b) Periodically
- c) on the basis of identifiable units or specified areas
- d) all of the above

11. Mr. Sachin and Mr. Kunal were joint auditors of a company. On an audit point Mr. Kunal was of the view that it will attract qualification however Mr. Sachin disagreed with his opinion. How audit report should be made in such circumstance?

- a) Auditors should come at a common point and give report accordingly
- b) The view of Mr. Kunal will prevail because of prudence
- c) they will issue separate audit reports
- d) None of the above

12. In which of the following case joint auditor shall not be jointly and severally liable?

- a) divided work
- b) disclosure requirements in Financial statements
- c) compliance of audit report with statutory requirement
- d) for matters brought to knowledge of all by any one of them and on which they all agreed

S. No.	Answer	Reason
1.	(d) F.Y 2018-19	
2.	(c) Joint auditor	
3.	(b) Mutual discussion	
4.	(a) Jointly the severally responsible	
5.	(d) In writing	
6.	(c) Generally acceptable Audit Procedure	
7.	(a) Express his opinion through a separate report	
8.	(a) SA 600	
9.	(d) Both the auditor will be held responsible and will be guilty of negligence	
10.	(d) all of the above	
11.	(c) they will issue separate audit reports	
12.	(a) divided work	

SA 300: AUDIT PLANNING

1. While developing audit plan, the auditor shall give description of SA____(NTE of Risk assessment procedure) and SA____(NTE of further audit procedure) as per audit standards
 - a) SA 315 and SA 330
 - b) SA 570 and SA 560
 - c) SA 200 and SA 230
 - d) SA 210 and SA 240
2. As per **SA 300** the objective of the auditor is to _____ the audit so that it will be performed in an effective manner
 - a. Co-ordinate
 - b. Plan
 - c. Divide
 - d. Direct
3. The _____ and the other key members of _____ shall be involved in planning the audit.
 - a) Management, management
 - b) Those charged with governance, audit committee
 - c) Auditor and management
 - d) Engagement partner, engagement team
4. Designing a _____ is the backbone of 'Audit Planning' process.
 - a) Audit plan
 - b) Organization
 - c) Audit strategy
 - d) Budget
5. SA 300 also prescribes the additional considerations required for _____.
 - a) Responsibility for the auditor
 - b) An initial audit engagement
 - c) Complying laws
 - d) All of the above

S. No.	Answer	Reason
1.	(a) SA 315 and SA 330	
2.	(b) Plan	
3.	(d) Engagement partner, engagement team	
4.	(c) Audit strategy	
5.	(b) An initial audit engagement	

SA 315 : IDENTIFYING AND ASSESSING THE RISK OF MATERIAL MISSTATEMENT THROUGH UNDERSTANDING THE ENTITY AND IT'S ENVIRONMENT

1. ABC Ltd. is a newly incorporated mediocre company dealing with sale of shoes. The company has huge amount of accounts payable. While examining the accounts payable, CA. Chhaya, the auditor of the company, verified each and every invoices shown under accounts payable and made a decision that the balance shown has no material misstatement. However, test for segregation of duties between person handling payments and person updating the accounts is not possible due to newly incorporated mediocre company. Thus CA. Chhaya misinterpreted the

verification results which enhanced risk instead of reducing the audit risk to an acceptable low level that he would fail to detect a misstatement in the purchasing process which could be material, either individually or when aggregated with other misstatements. What type of risk is this?

- a. Audit Risk
- b. Inherent Risk
- c. Control Risk
- d. Detection Risk

2. Risk Assessment Procedures by themselves do not provide sufficient and appropriate evidence on which to base the audit evidence

- a. True
- b. False
- c. Partially True and Partially False
- d. Can't form opinion

3. When Control Risk and Inherent Risk is High, Detection Risk is _____.

- a. High
- b. Low
- c. Neutral
- d. No effect

4. As a part of obtaining the understanding of an entity, the auditor shall evaluate whether the management with the oversight of those charged with governance, has created and maintained a culture of _____

- a. Honest and ethical behavior
- b. Discipline
- c. Controls
- d. Risk assessment

5. If the entity has established risk assessment procedure, the auditor shall obtain _____ of it and result thereof.

- a. Planning
- b. The mechanism of risk assessment
- c. An understanding
- d. An accounting

6. In understanding the entity's control activities, the auditor shall obtain an understanding of how the entity has responded to risks arising from _____.

- a. Management
- b. IT
- c. Specific risk
- d. Material misstatement

7. Mr. Farhan was appointed as a statutory auditor of Raju & company Ltd. While commencing the statutory audit, the auditor undertook risk assessment procedure and observed that the detection risk relating to certain items cannot be reduced to an acceptable low level. What is the right course of action an auditor can perform?

- a. The auditor should withdraw from the audit engagement
- b. The auditor should inform the same to the central government
- c. The auditor should express a qualified opinion or a disclaimer of opinion
- d. None of the above

S. No.	Answer	Reason
1.	(d) Detection Risk	
2.	(a) True	
3.	(b) Low	
4.	(a) Honest and ethical behavior	
5.	(c) An understanding	

- | | |
|----|---|
| 6. | (b) IT |
| 7. | (c) The auditor should express a qualified opinion or a disclaimer of opinion |

SA 320 : MATERIALITY IN PLANNING AND PERFORMING THE AUDIT.

1. The auditor considers materiality from the point of _____.
 a) Management response to his Questionnaire
 b) Past experiences
 c) Overall financial information and individual account balance
 d) All of the above
2. CA. Akansha informed the management about the materiality level set by her as Rs.50,00,000. Later on he started checking items of value Rs.10,00,000 stating it as his performance materiality level. Can the auditor do so?
 a) Yes
 b) No
 c) He will be guilty of professional misconduct
 d) Can't form an opinion
3. What will the auditor do in respect of items which in his opinion are immaterial?
 a) Give unmodified/unqualified opinion.
 b) Give modified opinion even if the items are immaterial.
 c) Can't form an opinion
4. An item or information is said to be material if misstatement of which can influence the _____.
 a) Auditor's decision
 b) Management decision
 c) User's decision
 d) Audit committee's decision
5. The article of Mr. Raavan a Chartered accountant detected an error of Rs.30 per interest payment made by Ram Ltd., which recurred a number of times. The general manager of Ram Ltd. advised him not to pass any adjustment entry as individual errors were of small amount. The company had 2,00,000 deposit accounts and interest was paid quarterly. What step can be consider by auditor?
 a) Adjust the amount as aggregate of misstatement shall be taken
 b) Agree with the general manager as individually the amount is very small
 c) Give an adverse report
 d) Withdraw the audit if possible

S. No.	Answer	Reason
1.	(c) Overall financial information and individual account balance	The most appropriate answer should be the answer.
2.	(a) Yes	
3.	(a) Give unmodified/unqualified opinion.	
4.	(c) User's decision	
5.	(a) Adjust the amount as aggregate of misstatement shall be taken	

SA 330 : AUDITOR'S PROCEDURES RESPONSIVE TO RISK ASSESSED AT ASSERTION LEVEL

- 1.** In accordance with SA – 330, the auditor shall design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at _____.
 a) Management Level
 b) Assertion level
 c) Finalization level
 d) All of the above

- 2.** If we assume in entity under audit that there is no internal control, the risk of fraud or error for each item of the balance sheet and profit and loss account is known as _____ at assertion level.
 a) Control Risk
 b) Detection Risk
 c) Inherent Risk
 d) All of the above

- 3.** There is a _____ relationship between Detection Risk and the combined level of Inherent and control risk
 a) Proportionate
 b) Inverse
 c) Direct
 d) Positive

- 4.** Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate before the conclusion of the audit whether the assessments of the risks of _____ at assertion level remains appropriate.
 a) Detection
 b) Control
 c) Material misstatement
 d) Fraud

- 5.** Internal control is a _____ process which is often modified on the basis of suggestions given by Internal Auditor time to time.
 a) Management
 b) Continuous
 c) Audit
 d) Haphazard

- 6.** Surprise checks help the auditor to ascertain if the _____ is operating effectively.
 a) Internal control system
 b) Deficiency control system
 c) External control system
 d) All of the above

- 7.** As per sa 330 , external confirmation may be used as substantive procedure. Area in which external confirmation may be obtained are.
 a) Amount due to lenders including terms of repayment.
 b) Salary paid to employees.
 c) Amount transferred to reserve.
 d) All of above

- 8.** Substantive procedure comprise of..
 a) Test of control and test of details.
 b) Risk assessment procedures and test of details
 c) Test of details and substantive analytical procedure.
 d) None of above

- 9.** Procedures performed to obtain understanding of the entity and its environment including the entity internal controls, to identify the risk of material misstatement. Whether due to fraud or error at the financial statement and assertion level.
 a) Risk assessment procedure

- b) Compliance procedure
- c) Substantive procedure
- d) Analytical procedure**

S. No.	Answer	Reason
1.	(b) Assertion level	
2.	(c) Inherent Risk	
3.	(b) Inverse	
4.	(c) Material misstatement	
5.	(b) Continuous	
6.	(a) Internal control system	
7.	(a) Amount due to lenders including terms of repayment.	
8.	(c) Test of details and substantive analytical procedure.	
9.	(a) Risk assessment procedure	

SA 402 : AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING SERVICE ORGANIZATION

1. The auditor should consider how a _____ affects the client's accounting and internal control systems so that to plan the audit and develop an effective audit approach.
- a) Service organization
 - b) Internal system
 - c) Audit
 - d) Fraud
2. When using the service organization's audit report, the auditor of the client should consider _____ of that audit report.
- a) Qualification
 - b) Nature and content
 - c) Pending matters
 - d) Other matter Paragraph
3. The auditor should consider the _____ performed by the service organization's auditor and should assess the usefulness and appropriateness if reports issued by the service organization's auditor
- a) Scope of work
 - b) Planning
 - c) Risk assessment procedure
 - d) Other Audits
4. Which auditor **at the request of service organization**, provides assurance report on the controls of service organization.
- a) Auditor of the user entity
 - b) External auditor
 - c) Auditor of the service organisation
 - d) Independent

S. No.	Answer	Reason
1.	(a) Service organization	
2.	(a) Nature and content	
3.	(a) Scope of work	
4.	(c) Auditor of the service organisation	

SA 450 : EVALUATION OF MISSTATEMENTS IDENTIFIED DURING THE AUDIT

- 1.** The aggregate of misstatements accumulated during the audit approaches _____ determined in accordance with SA 320
- Fraud
 - Risk assessment
 - Materiality
 - Estimates
- 2.** If at the auditor's request, management has examined a class of transactions, account balance or disclosure and corrected misstatements that were detected, the auditor shall perform _____ to determine whether misstatements remains.
- Audit Procedures
 - Risk assessment procedure
 - Additional audit procedures
 - All of the above
- 3.** If management refuses to correct some or all the material misstatement communicated by the auditor, the auditor shall _____ for not making the corrections and shall take that understanding into account when evaluating whether financial statement as a whole are free from material misstatement.
- Modify the report
 - Withdraw the assignment if permissible
 - Take legal advice
 - Obtain an understanding of management's reasons
- 4.** The auditor shall communicate with those charged with governance the effect of uncorrected misstatements related to _____ on the relevant classes of transactions, account balances or disclosures, and the financial statement as a whole
- Prior periods
 - Audit scope
 - Accounting estimate
 - Fraud
- 5.** A summary of effected of uncorrected misstatements which are immaterial to the financial statement as a whole shall be included in or attached to the _____.
- Audit report
 - Written representation
 - Management representation letter
 - Letter of weakness
- 6.** What are the sources of misstatement other than fraud?
- Omission of an amount or disclosures
 - Incorrect accounting estimates
 - Inaccuracy in gathering or processing data from which financial statement is prepared
 - All of the above

S. No.	Answer	Reason
1.	(c) Materiality	
2.	(c) Additional audit procedures	
3.	(d) Obtain an understanding of management's reasons	
4.	(a) Prior periods	
5.	(b) Written representation	
6.	(d) All of the above	

SA 500 : AUDIT EVIDENCE

- 1.** Audit Evidence means _____ used by the auditor in arriving at the conclusions on which the auditor's opinion is based.
- a) Evidence
 - b) Working paper
 - c) Information
 - d) Data*
- 2.** The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of _____.
- a) Competing the audit
 - b) Obtaining sufficient and appropriate audit evidence
 - c) Laying audit procedure
 - d) Obtaining quality of evidence
- 3.** Audit Evidence in form of Working papers will include:
- a) Sources of Information
 - b) Basis of Forecasts
 - c) Assumptions at arriving forecast
 - d) All of the above
- 4.** Auditor can use the work of management expert as per _____.
- a) SA 500
 - b) SA 620
 - c) SA 610
 - d) SQC 1
- 5.** _____ are designed to detect material misstatement at assertion level.
- a) Audit Procedure
 - b) Substantive procedure
 - c) Risk assessments
 - d) Test of control
- 6.** Inspection involves _____ whether internal or external, in paper form, electronic form, or other media or a physical examination of an asset.
- a) Looking at the process
 - b) Seeking information
 - c) Checking mathematical accuracy
 - d) Examining records or documents
- 7.** While performing and designing audit procedures, the auditor shall consider the _____ of the information to be used as audit evidence

- a) Importance
- b) Relevance
- c) Reliability
- d) Both b and c

8. Auditor is required to obtain sufficient and appropriate audit evidence as per

- a) SA 500 and
- b) SA 200
- c) Both a and b
- d) None

9. _____ of audit evidence is depending upon nature and source of Audit Evidence.

- a) Reasonableness
- b) Relevance
- c) Reliability
- d) Need

10. The manager of ABC Ltd. Is presently out of country for business purpose. The company has produced photocopies of fixed deposits receipts as the original receipts were kept in the iron safe of the manager. As an auditor what step can be taken?

- a) Obtain external confirmation from bank manager
- b) Modify the report
- c) Give a disclaimer of opinion
- d) Withdraw from the audit if legally permissible

11. _____ will be held responsible for grossly negligence if faulty expert's work is used without examining the adequacy of expert's work.

- a) Management
- b) Auditor
- c) Expert
- d) All of the above

12. You are the statutory auditor of Manjusha Ltd. It has been noticed by you that the personal expenses of the director have been met by the company. Your Article Assistant has performed the following audit procedures. Identify which of the following procedure is incorrect.

- a) Check the articles of association, service contracts, minutes of the general meeting etc. to check the authorisation for such payment
- b) Permission letter from Municipal Authorities have been obtained
- c) Enquire to ensure that personal expenses are not camouflaged in any other revenue items as contemplated under 143(1) of the Companies Act, 2013,
- d) Ascertain compliance with disclosure according to requirements of Schedule III to Companies Act, 2013

13. While conducting the audit of M/s Seema Ltd, a soap making company, it was found that a purchase of motor car was made in the name of the company. Your Article Assistant has performed the following audit procedures. Identify which of the following procedure is incorrect.

- a) Ascertain whether the purchase of car has been properly authenticated.
- b) Check invoice of the car dealer to confirm the purchase price
- c) Examine registration with Transport Authorities to verify the ownership
- d) Ensure that the motor car has been include in the Closing inventory of goods

14. Which of the following is false?

- a) The reliability of audit evidence that is generated internally is increased when the related controls, including those over its preparation and maintenance, imposed by the entity is effective

- b) The reliability of audit evidence is increased when it is obtained from within the organisation as compared to any independent external source
- c) Audit evidence obtained by the auditor is more reliable than audit evidence obtained indirectly or by inference
- d) Audit evidence in documentary form, whether paper, electronic, or other medium, is more reliable than evidence obtained orally.

15. Audit evidence provided by original documents is more reliable than audit evidence provided by photocopies or facsimiles, or documents that have been filmed, digitized or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance. Identify whether the statement is

- a) True
- b) False
- c) Partly True and Partly false
- d) None of the above

16. Physical Verification of Stock is an example of which of the following

- a) Confirmation
- b) Analytical Procedures
- c) Inquiry
- d) Observation

17. _____ involves checking the mathematical accuracy of documents.

- a) Recalculation
- b) Confirmation
- c) Analytical Procedure
- d) Inquiry

18. Which of the following is not a factor affecting the Sufficiency and Appropriateness of Audit Evidence?

- a) Degree of Risk of Material misstatement
- b) Trend indicated by accounting ratios.
- c) Recalculation of evidence obtained
- d) Experience from previous audit.

19. Which of the following is not a method of obtaining audit evidence?

- a) Recalculation
- b) Re-correction
- c) Re-performance
- d) None of the above

20. Which of the following is not an assertion about account balances

- a) Completeness
- b) Accuracy
- c) Allocation and Valuation
- d) Existence

S. No.	Answer	Reason
1.	(c) Information	*Data is the raw form of information. Therefore here information is the right answer.

2.	(b) Obtaining sufficient and appropriate audit evidence
3.	(d) All of the above
4.	(a) SA 500
5.	(b) Substantive procedure
6.	(d) Examining records or documents
7.	(d) Both b and c
8.	(b) SA 200
9.	(c) Reliability
10.	(a) Obtain external confirmation from bank manager
11.	(b) Auditor
12.	(b) Permission letter from Municipal Authorities have been obtained
13.	(d) Ensure that the motor car has been include in the Closing inventory of goods
14.	(b) The reliability of audit evidence is increased when it is obtained from within the organisation as compared to any independent external source
15.	(a) True
16.	(d) Observation
17.	(a) Recalculation
18.	(c) Recalculation of evidence obtained
19.	(b) Re-correction
20.	(b) Accuracy

SA 501 : AUDIT EVIDENCE-SPECIFIC CONSIDERATION FOR SPECIFIC ITEMS

- Q. CA. Shyam is a statutory auditor at JKL Ltd. The company deals in provide coal to electricity, steel and cement company. During the physical counting of coals the auditor was unavailable due to unforeseen circumstances and due to which the management of the company arranged the program of coal counting on the very next day. During the physical counting of coals the health of CA. Shyam deteriorated due to which again the inventory counting could not be done. What are the actions taken by the management / auditor?
- The management should complain the institute of Chartered accountant of India.
 - The auditor shall perform alternative procedure to obtain sufficient and appropriate audit evidence **regarding** existence and condition of inventory

- c) Both a and b
d) None of the above
2. By conducting which steps, the auditor can obtain sufficient and appropriate audit evidence regarding existence of inventory, when the inventory is under the custody and control of third party and the auditor considers it material to the Financial statements
a) Request confirmation from the third party
b) Perform inspection if possible or other audit procedure
c) Both a and b
d) Give a Disclaimer of opinion
3. When audit procedures performed indicate that other material litigation or claims exist, the auditor shall, seek direct communication with the entity's _____.
a) Third party
b) Legal counsel
c) Employers
d) All of the above
4. The auditor needs to obtain _____ that all the litigations and claims have been presented in financial statement and disclosed to the auditor.
a) Sufficient and appropriate audit evidence
b) Written representation
c) Expert's advice
d) Legal councilor's advice
5. As per sa 501, auditor is required to obtain SAAE as to,
a) Valuation of inventory
b) Completeness of litigation and claims
c) Presentation and disclosure in financial statement.
d) All of above
6. Valuation of inventory is dealt by the Auditor in
a) SA 501
b) CARO 2016
c) Both of the above
d) None of the above
7. Eureka Ltd has some stock lying with Maytas Ltd in the ordinary course of business. Your Article Assistant has performed the following audit procedures. Identify which of the following procedure is incorrect.
a) Obtain confirmations from the third party including the time period and reasons thereof
b) Evaluate condition of goods and see whether adequate provisions have been made
c) Check whether subsequently the goods lying with the third party were sold or received back after the expiry of stipulated time period.
d) None of the above
8. If attendance at physical inventory counting is impracticable, the auditor shall _____ regarding the existence and condition of inventory
a) Ignore physical inventory counting and move ahead
b) Perform alternative audit procedures to obtain sufficient and appropriate audit evidence
c) Withdraw from the engagement
d) Inform the management
9. SA 501 does not deal with which of the following items
a) Presentation and disclosure of Segment Information
b) Completeness of Litigation and Claims
c) Analysis of Cash Flows from Operations
d) Existence and Condition of Inventory

S. No.	Answer	Reason
1.	(b) The auditor shall perform alternative procedure to obtain sufficient and appropriate audit evidence regarding existence and condition of inventory	
2.	(c) Both a and b	
3.	(b) Legal counsel	
4.	(b) Written representation	
5.	(b) Completeness of litigation and claims	
6.	(d) None of the above	
7.	(d) None of the above	
8.	(b) Perform alternative audit procedures to obtain sufficient and appropriate audit evidence	
9.	(c) Analysis of Cash Flows from Operations	

SA 505 : EXTERNAL CONFIRMATION

1. As per SA 505, what are the areas in which external confirmation maybe obtained
- Bank Balance
 - Loan from lenders
 - Stock lying with other parties
 - all of the above
2. Which confirmation request should the auditor give where materiality level is low ?
- Positive confirmation request
 - Negative confirmation request
3. The auditor shall obtain the external confirmation at _____
- The date of financial statement
 - At any other selected date which is reasonably close to the date of financial statement
 - Both a and b
 - As and when the transaction is entered
4. Negative external confirmation request asks the respondent to reply only in the event of _____ with the information provided in the request.
- Agreement
 - Disagreement
 - Both a and b
 - Dispute with the company
5. The chief accountant of the company has requested the auditor to exclude a particular debtor on the grounds of dispute with the debtor. The auditor shall _____
- Disclaim the opinion

- b) Exclude the same after obtaining a valid grounds of such request
- c) Withdraw the audit assignment
- d) None of the above

6. As per SA 505, to obtain external confirmation from the different _____ is one of the core element of the audit.

- a) Vendors
- b) Suppliers
- c) Payables
- d) All of the above

7. High fly Ltd. is dealing with sale of air tickets. Mr. Amrit is appointed as a statutory auditor of the company. Mr. Amrit observed that the internal control system is very weak. He wants to obtain the confirmation of ledger balance from Kingston Ltd. What type of confirmation request should be obtained by Mr. Amrit?

- a) Positive confirmation
- b) Negative confirmation
- c) Confirm balances with the management itself
- d) No need to obtain confirmation, reading the contract will suffice

8. If the auditor identifies factors that give rise to doubts about the reliability of responses to the confirmation request, he shall _____.

- a) Disclaim his report
- b) Modify his report
- c) Obtain further audit evidence
- d) Withdraw his audit engagement

9. Which of the following is not a situation where external confirmation can be used?

- a) Loans outstanding Share Application Money
- b) Loans from lenders
- c) Stock held with third party
- d) Salary paid to Mr Shyam

10. CA Anuradha is the Auditor of M/S Goodboy Ltd. Anuradha wants to obtain external confirmation regarding the Bank Balance. Which of the following are not the factors that are to be considered while designing a confirmation request

- a) Third Party audit report
- b) Assertions being addressed
- c) Method of communication
- d) Layout and presentation of confirmation request

11. Negative confirmation request should be used when the assessed level of inherent and control risk is low. State whether the statement is

- a) Correct
- b) Incorrect
- c) Partially Correct and Partially incorrect
- d) None of the above

12. As per SA 505, if the management refuses to allow the auditor to send external confirmation, the auditor shall

- I) Identify the reasonableness of the reasons given by management
- II) Ask reasons to the management
- III) Perform alternate audit procedures to obtain sufficient and appropriate audit evidence
- IV) Identify the implications of the management refusal on audit risk assessment

Arrange the above statements in correct order

- a) I, III, IV, II
- b) I, II, III, IV
- c) II, I, IV, III
- d) None of the above

S. No.	Answer	Reason
1.	(d) all of the above	
2.	(b) Negative confirmation request	
3.	(c) Both a and b	
4.	(b) Disagreement	
5.	(b) Exclude the same after obtaining a valid grounds of such request	
6.	(d) All of the above	
7.	(a) Positive confirmation	
8.	(c) Obtain further audit evidence	
9.	(d) Salary paid to Mr Shyam	
10.	(a) Third Party audit report	
11.	(a) Correct	
12.	(c) II,I,IV,III	

SA 510 : INITIAL AUDIT ENGAGEMENT – OPENING BALANCES

1. SA 510 Initial audit engagement – Opening balance is applicable when,
- Audit is not done by any other auditor
 - Audit is done by a person who is not an auditor
 - Audit is done by management
 - Audit is done by predecessor auditor
2. Opening balances includes matters requiring disclosure that existed at the beginning of the period, such as _____.
- Debtors
 - Sales on confirmation
 - Contingencies and commitments
 - Estimates
3. The audit of XYZ Ltd. is done by Mr. X for the financial year 2016-17. For the financial year 2017-18, Mr. Y is appointed as a statutory auditor. Mr. Y shall apply,
- SA 560, “Subsequent Event”
 - SA 501, “Audit Evidence – specific consideration for specific items”
 - SA 510, “Initial Audit engagement – Opening balances”
 - SA 505, “External Confirmation”
4. CA. Gandhi was appointed as a statutory auditor of SKA Advisor's Pvt. Ltd. The auditor asked the management for confirmation of debtors from opening balance. The management did not give the auditor the evidence as the auditor was appointed for the current period and not previous year. Comment on the same.
- The management's contention is correct
 - The auditor should obtain some audit evidence regarding opening balances through confirmation with third parties
 - The auditor shall Disclaim the report
 - The auditor shall communicate to the previous auditor

5. If the auditor concludes that the opening balance contains a misstatement which materially affects the current period financial statements, and the effect of misstatement is not properly accounted for or not adequately presented or disclosed, the auditor shall _____.
a) Give disclaimer of opinion
b) Give a qualified or adverse report
c) Withdraw from audit engagement
d) Obtain written representation
6. If a current year accounting policies are not consistently applied in relation to opening balances in accordance with the applicable reporting framework, the auditor shall _____.
a) Express Qualified or adverse opinion
b) Express Disclaim the report
c) Withdraw from the audit engagement
d) Obtain sufficient and appropriate audit evidence
7. Initial Audit Engagement means an engagement in which the FS for the prior period were not audited and the FS for the prior period were audited by predecessor auditor. State whether the statement is
a) Correct
b) Incorrect
c) Partially Correct and Partially Incorrect
d) None of the above
8. CA Ajay, a recently qualified Chartered Accountant got his first audit assignment of Manas Enterprises for the financial year 2016-17. He obtained all the relevant appropriate audit evidence for the items related to Statement of Profit and Loss. However while auditing the Balance Sheet items, CA Ajay left out obtaining appropriate audit evidence relating to accounts receivables amounting to Rs 200 lakh, continued as it is from the last year, on affirmation of the management that there is no receipts and further credits during the year. CA Ajay, therefore, excluded from the audit programme, the audit of accounts receivable on the understanding that it pertains to the preceding year which was already audited by predecessor auditor. Identity the relevant standard to be used and the clause according to which CA Ajay is guilty of professional misconduct.
a) SA 510 and Clause 7 part I of First Schedule
b) SA 501 and Clause 7 Part I of Second Schedule
c) SA 510 and Clause 7 Part I of Second Schedule
d) SA 501 and Clause 7 Part I of First Schedule
9. Mr A is the auditor of Vaidya Ltd. The Auditor Concluded that the opening balance contains a misstatement which materially affects the current period financial statements, and the effect of misstatement is not properly accounted for or not adequately presented or disclosed. Then Mr A shall _____.
a) issue qualified or Adverse report
b) Issue a disclaimer of opinion.
c) Withdraw from audit engagement
d) None of the above
10. Mr Tito, the auditor of Motilal Ltd concludes that Audit Evidence regarding Opening Balance is available and material misstatement can be corrected. Then Mr Tito should is
a) Issue Qualified Report
b) Issue Adverse Report
c) Issue Disclaimer of Opinion
d) Issue unqualified Report
11. With reference to SA 510, which of the following is false
The objective of the auditor is to obtain sufficient and appropriate audit evidence about whether
a) Opening balances contain misstatements that materially affect the current period's Financial Statements
b) Changes in accounting policies have been properly accounted for and properly disclosed
c) Appropriate accounting policies reflected in the opening balances have been consistently applied
d) Initial Audit Engagement letter contains all the required terms and conditions as specified in SA 210

- 12.** SA 510 defines Initial audit engagement as an engagement in which Financial Statement for the period are either not audited or audited by processor auditor. The term Predecessor auditor means
- The auditor from the same audit firm, who audited the Financial Statement of an entity in the prior period and who has been replaced by the current auditor.
 - The auditor from the different audit firm, who audited the Financial Statement of an entity in the prior **period and** who has been replaced by the current auditor.
 - Both a and b
 - Neither a nor b

S. No.	Answer	Reason
1.	(d) Audit is done by predecessor auditor	
2.	(c) Contingencies and commitments	
3.	(c) SA 510, "Initial Audit engagement – Opening balances"	
4.	(b) The should obtain some audit evidence regarding opening balances through confirmation with third parties	
5.	(b) Give a qualified or adverse report	
6.	(a) Express Qualified or adverse opinion	
7.	(b) Incorrect	
8.	(c) SA 510 and Clause 7 Part I of Second Schedule	
9.	(a) issue qualified or Adverse report	
10.	(d) Issue unqualified Report	
11.	(d) Initial Audit Engagement letter contains all the required terms and conditions as specified in SA 210	
12.	(b) The auditor from the different audit firm, who audited the Financial Statement of an entity in the prior period and who has been replaced by the current auditor.	

SA 520 : ANALYTICAL PROCEDURES

- 1.** _____ means analysis of significant ratios and trends, including the resulting investigation of fluctuations and relationships that are inconsistent with other relevant information or which deviate from predicted amounts
- Vouching

- b) Analytical Procedure
c) Audit skill
d) Comparative financial information
2. The auditor shall apply analytical procedures at the _____ stage to assist in understanding the business and in identifying areas of potential risk.
a) Initial
b) Performing audit
c) Planning
d) Reporting
3. A trader is worried that in spite of substantial increase in sales compared to earlier year, there is a considerable fall in gross profit after satisfying himself that sales and expenses are correctly recorded and that the valuation of inventories is on consistent basis. He wants to ensure that purchases has been truthfully recorded. What is the procedure to be followed by you as an auditor?
a) Apply analytical procedures
b) Apply test of control
c) Apply detailed substantive procedures
d) All of the above
4. If the area audited is less material, the auditor may rely solely on _____.
a) Management
b) Analytical Procedures
c) Past year audit report
d) None of the above
5. Factors considered while performing analytical procedure are
a) Determine suitability of particular substantive Analytical Review Procedure for given assertion
b) Reliability of data.
c) Expectations that the procedure are sufficient to identify misstatement
d) All of the above.
6. Mr. Romil auditing books of a hotel, during his audit he identified fluctuations or relationships that are inconsistent with other relevant information or differ from expected values by a significant amount, Mr. Romil shall investigate such differences by:
1. Inquiring of management;
2. Performing other audit procedures as necessary in the circumstances.
3. Taking written representation from management.
4. Not to rely on them.
a) 1,2,3,4
b) Only 2,3
c) Only 1,2
d) 1,2,3
7. Which of the following is not an analytical procedure
a) Comparison with-Prior period info
b) Analysis of significant ratios & trends.
c) Analysis of relationships in Financial & Non-Financial data.
d) None of the above.
8. Mr. Ashif was auditing a hostel, while auditing an area he wanted to use analytical procedure. Which points should be kept in mind by him while relying on analytical procedures?
a) Materiality level involved
b) Accuracy of results of analytical procedures
c) Depending on other inherent risk & control risk.
d) All of the above

S. No.	Answer	Reason
1.	(b) Analytical Procedure	
2.	(c) Planning	
3.	(d) All of the above	
4.	(b) Analytical Procedures	
5.	(d) All of the above	
6.	(c) Only 1,2	
7.	(d) None of the above	(all the procedures are analytical procedure)
8.	(d) All of the above	

SA 530 : AUDIT SAMPLING

1. _____ means the application of audit procedures to less than 100% of the items within an account balance or class of transactions to enable the auditor to obtain and evaluate audit evidence.
- a) Inspection
 - b) Observation
 - c) Audit sampling
 - d) Analytical Procedure
2. When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the _____ will be drawn.
- a) Evidence
 - b) Sample
 - c) Conclusion
 - d) All of the above.
3. Sample size will be depending on the degree of _____ risk.
- a) Inherit
 - b) Control
 - c) Fraud
 - d) Sampling
4. The application of audit sampling is such that all sampling units have a chance of selection in order to draw conclusion about the _____.
- a) Entire population
 - b) Selective population
 - c) Audited population
 - d) None of the above
5. _____ selection is the method of sample size on professional judgment of auditor where every item would have equal chance of selection.
- a) Systematic
 - b) Random
 - c) Block
 - d) Haphazard
6. _____ error is the amount of error that is acceptable to auditor in making sample choice.

- a) Monetary
 - b) Tolerable
 - c) Numerical
 - d) None of the above
7. From a sample of shipping reports selected from the shipping log for the period April 1 to September 30, starting with report number 12345 and selecting every 125th report. Which type of sampling is this?
- a) Random sampling
 - b) Systematic sampling
 - c) Block sampling
 - d) Haphazard selection
8. The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.
- a) Non-sampling risk
 - b) Sampling risk
 - c) Tolerable error
 - d) None of the above
9. Mr. Zunaid wants to do vouching of certain expenses; he wants to ensure that all items within a population have an equal chance of selection. Which method is considered appropriate, provided the population to be sampled consists of reasonably similar units and false within a reasonable range.
- a) Random sampling
 - b) Systematic sampling
 - c) Block sampling
 - d) Haphazard sampling.
10. For application of _____ techniques, one of the prerequisite is selection on random basis; hence in case of selection of an audit sample on random basis, no other _____ process for selection of samples need to be followed.
- a) statistical sampling, statistical
 - b) Random sampling, statistical
 - c) Block sampling, selective
 - d) Haphazard sampling, systematic
11. Sampling risk can lead to two types of erroneous conclusions one of them is when test of control appear to be more effective than they actually are which affects _____ and is more likely to lead to an inappropriate audit opinion.
- a) audit efficiency
 - b) audit effectiveness
 - c) audit quality
 - d) none of the above
12. Sampling risk can lead to two types of erroneous conclusions one of them is when from test of details it appears that material misstatements exist when in fact it does not which affects _____ and is more likely to lead to an inappropriate audit opinion.
- a) audit efficiency
 - b) audit effectiveness
 - c) audit quality
 - d) none of the above
13. Statistical sampling has the following characteristics:
1. Random selection of the sample items.
 2. The use of probability theory to evaluate sample results, including measurement of sampling risk.
 3. Sample size selection on basis of Permutations & Combinations, Simulation models & Probability.
 4. Selection of a block(s) of contiguous items from within population.
- a) 1,2,3,4
 - b) Only 2,3
 - c) Only 1,2
 - d) 1,2,3

S. No.	Answer	Reason
1.	(c) Audit sampling	
2.	(b) Sample	
3.	(d) Sampling	
4.	(a) Entire population	
5.	(a) Systematic	
6.	(b) Tolerable	
7.	(a) Non-sampling risk	
8.	(a) Random sampling	
9.	(a) Random sampling	Audit sample collection on a random basis ensures that all items within a population have an equal chance of selection by the use of random number tables or random number generators. This method is considered appropriate provided the population to be sampled consists of reasonably similar units and false within a reasonable range.
10.	(a) statistical sampling, statistical	
11.	(b) audit effectiveness	
12.	(a) audit efficiency	
13.	(d) 1,2,3	

SA 540 : AUDITING ACCOUNTING ESTIMATES, INCLUDING FAIR VALUE ACCOUNTING ESTIMATES AND RELATED DISCLOSURES

1. As per SA – 540, the objective of the auditor is to obtain sufficient and appropriate audit evidence whether in the context of _____.
 a) Accounting estimate
 b) Applicable financial reporting framework
 c) Accounting standard
 d) Auditing Procedure.
2. Auditor shall verify whether _____ related to accounting estimates have been made.
 a) Proper disclosures
 b) Reporting
 c) Correction
 d) Verification
3. If auditor concludes that management has unreasonably changed the method of estimation this will again constitute a misstatement and auditor should _____.
 a. Give Qualify / adverse report
 b. Give a disclaimer of opinion
 c. Withdraw from the audit engagement
 d. Obtain legal counsel
4. A difference between the outcome of an accounting estimate and the amount originally recognized or disclosed in the financial statements does not necessarily represent a _____ of the financial statements.
 a) Error
 b) Fraud

- c) Misstatement
- d) Fault

5. Accounting estimates are highly dependent on _____.

- a) Expert
- b) Management
- c) Judgment
- d) Past judgment

S. No.	Answer	Reason
1.	(b) Applicable financial reporting framework	
2.	(a) Proper disclosures	
3.	(a) Give Qualify / adverse report	
4.	(c) Misstatement	
5.	(c) Judgment	

SA 550 : RELATED PARTIES

1. Following is not a relative as per company's act 2013

- a) Director or his relative
- b) Key managerial personnel or his relative
- c) Spouse's Brother's wife
- d) All of the above

2. If the transaction with related party is found to be at an unreasonable amount, the auditor shall _____.

- a) Obtain written representation
- b) Modify the report
- c) Give disclaimer of opinion
- d) Reverse the amount

3. If the contract with the related party is of abnormally high amount, auditor shall apply additional _____ about its identification as related party transaction, contract terms, pricing, approval, authentication and disclosure.

- a) Audit Procedure
- b) Audit Evidence
- c) Professional skepticism
- d) Assurance from management

4. The auditor shall obtain _____ from the management that they have appropriately accounted for related party transaction and made appropriate disclosure of such relationship and transaction in accordance with the requirements of the framework.

- a) Absolute assurance
- b) Reasonable assurance
- c) Written representation
- d) Audit evidence

5. If the auditor is unable to obtain sufficient and appropriate audit evidence concerning related parties and transactions with such related parties or conclude that the disclosure in the financial statement is not adequate, the auditor should _____.

- a) Express a qualified opinion or disclaimer of opinion
- b) Express a qualified opinion or adverse opinion
- c) Withdraw from the audit engagement
- d) Proceed without verifying the related party transaction.

- 6.** As per SA 550, during the audit, the auditor shall remain alert about the existence of _____ while inspecting the records or documents.
- Fraud
 - Related party transaction
 - Misstatements
 - None of the above
- 7.** Which of the following are possible sources for identification of related party information:
- Life insurance Policies
 - Shareholder's Register
 - Internal Audit Report
 - Register of Investments
- 1,2,3,4
 - Only 2,3,4
 - Only 1,2
 - Only 1,2,3
- 8.** Which of the following is not an assertions that related party Transactions were conducted on arm Length price:
- Collect SAAE w.r.t. management assertion of Arm's length transaction.
 - Compare transaction prices with the prices for identical transactions prevailing in ordinary course of business.
 - Engage expert to determine market value.
 - Significant transactions are referred to related party for final approval.
- 9.** Mr. Deepak is auditor of XYZ Ltd. Mr. Deepak is of the opinion that some of the related party transactions are undisclosed/ unidentified by the management. What actions can he take to identify undisclosed/unidentified related party transaction?
- Reconsider the risk that other unidentified related party or undisclosed related party transactions may exist.
 - Request management to identify the transactions with the newly identified related party.
 - Reconsider the risk that other unidentified related party or undisclosed related party transactions may exist.
 - Communicate to other members of ET.
- 1,2,3,4
 - Only 2,3,4
 - Only 1,2
 - Only 1,2,3
- 10.** Which of the following are indicators of dominant influence by related parties:
- RP has vetoed significant business decisions taken by mgmt. or TCWG.
 - Significant transactions are referred to RP for final approval.
 - No/ little debate among mgmt. or TCWG regarding business proposal initiated by RP.
 - All of the above.
- 11.** Mr. Sameer wants to identify significant related party transactions outside Entity's normal course of business during the year in XYZ Ltd. Which of the following points will help him to fulfil his purpose?
- Inspect underlying contracts to evaluate business rationale.
 - Collect evidences w.r.t. approval and authorisation of transaction.
 - Collect evidences for appropriate accounting & disclosure in compliance of FRF.
 - All of the Above.
- 12.** During the course of audit, the statutory auditor of Zeeshan Pvt. Ltd. found some related party transactions which were not at arm's length price. Auditor wanted the management to disclose the same in the financial statements but they refused to do so. Which of the following is correct step to be taken by auditor?
- Inform TCWG about the same.
 - Modify the report.
 - Document the reason for refusal by the management to do so.
 - Shall not do anything.
- 1,2,3,4
 - Only 2,3
 - Only 1,2

d) Only 1,2,3

13. When auditor abnormally high amount with RP/ outside entity's normal course of business what kind of documentation is auditor required to make.

- a) Name of related party identified
- b) Nature of Relationship
- c) Amount involved
- d) All of the above

14. Which of the below mentioned Ind As and Standard of Auditing deals with Related Party Transactions

- a) Ind As 18 and SA 540
- b) Ind AS 24 and SA 540
- c) Ind AS 24 and SA 550
- d) Ind AS 18 and SA 550

15. Which of the below mentioned Accounting Standards and Standard of Auditing deals with Related Party Transactions

- a) AS 18 and SA 550
- b) AS 24 and SA 540
- c) AS 18 and SA 540
- d) AS 24 and SA 550

16. Which of the below mentioned Clause of CARO 2016 and Standard of Auditing deals with Related Party Transactions

- a) Clause XII of CARO 2016 and SA 550
- b) Clause XIII of CARO 2016 and SA 550
- c) Clause XII of CARO 2016 and SA 540
- d) Clause XIII of CARO 2016 and SA 540

S. No.	Answer	Reason
1.	(c) Spouse's Brother's wife	
2.	(b) Modify the report	
3.	(c) Professional skepticism	
4.	(c) Written representation	
5.	(a) Express a qualified opinion or disclaimer of opinion	
6.	(b) Related party transaction	
7.	(a) 1,2,3,4	
8.	(d) Significant transactions are referred to related party for final approval	(Significant transactions are referred to related party for final approval is indicator of dominant influence.)
9.	(a) 1,2,3,4	
10.	(d) All of the above.	
11.	(d) All of the Above.	
12.	(b) Only 2,3	
13.	(d) All of the above	
14.	(c) Ind AS 24 and SA 550	

15. (a) AS 18 and SA 550

16. (b) Clause XIII of
CARO 2016 and SA
550

SA 560 : SUBSEQUENT EVENTS

1. If prior period Financial statement has been audited by auditor himself, Apply,

- a) SA 560 Subsequent Events
- b) SA 500 Audit Evidence
- c) SA 510 Initial Audit Engagement – Opening Balance
- d) All of the above

2. As per SA – 560, Events occurring between the date of the financial statement and the date of the auditor's report and facts that became known to the auditor _____ is known as subsequent event.

- a) After the balance sheet date
- b) After the approval of any law
- c) After the date of auditor's report
- d) After the date of financial statement

3. Date of auditor's report means the date the auditor dates the report on financial statement in accordance with _____

- a) SA 560
- b) SA 700
- c) SA 705
- d) SA 500

4. When the facts related to the financial statement has came to be known by the auditor after the financial statement was issued. In such a case what is appropriate step that the auditor can undertake?

- a) The auditor has no obligation to perform any audit procedures
- b) The auditor shall qualify the report
- c) The auditor shall perform additional audit procedure
- d) The auditor will be guilty of professional misconduct

5. The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with SA 580, "Written Representations" that all events occurring _____ to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

- a) Prior
- b) Subsequent
- c) Former
- d) None of the above

6. Due to an earthquake on 30th May, a crucial machinery of the company damaged significantly and due to which the turnover of the company decreased drastically. The accounts of the company was yet not adopted. What is the course of action by you as an auditor?

- a) Disclosure of the above event
- b) Withdrawal of audit engagement
- c) Make the provision of loss for this event
- d) None of the above

S. No.	Answer	Reason
1.	(a) SA 560 Subsequent Events	
2.	(c) After the date of auditor's report	
3.	(b) SA 700	

4.	(a) The auditor has no obligation to perform any audit procedures
5.	(b) Subsequent
6.	(a) Disclosure of the above event

SA 570 : GOING CONCERN

- 1.** An enterprise is normally viewed as a going concern, i.e., as continuing in operation _____
 a) Till the next financial year
 b) For the foreseeable future
 c) Till the completion if audit
 d) All of the above
- 2.** The auditor shall determine whether the management has already performed a _____ of entity's ability to continue as a going concern.
 a) Preliminary assessment
 b) Management assessment
 c) Analytical Procedure
 d) Due diligence.
- 3.** Evaluating management's plans for future actions in relation to its going concern assumption is an example for _____.
 a) Going concern assumption
 b) Analytical Procedure
 c) Additional audit procedure
 d) All of the above
- 4.** ABC company Ltd. Files a law suit against Unlucky Company for Rs.5crores. The attorney of Unlucky company Ltd. feels that the suit is without merit, so Unlucky Ltd. Merely discloses the existence of the law suit in the notes accompanying its financial statements. As an auditor of Unlucky Ltd. How will you deal with the situation?
 a) Auditor shall evaluate the source on which basis of opinion was formed
 b) Ask the management to make provision as per AS 29
 c) Disclaim the opinion
 d) Both a and b
- 5.** Material uncertainty related to events or conditions that may cast significant doubt on entity's ability to continue as a going concern is itself a key audit matter but to be reported as per _____.
 a) SA 701
 b) SA 570
 c) Both a and b
 d) SA 560
- 6.** Which of the below mentioned indicators are classified as financial indicators that may cast doubt on going concern assumptions
 a) Loss of key management without replacement.
 b) In ability to pay creditors on due date
 c) Non compliance with laws
 d) None of above
- 7.** Ziwgy Pvt. Ltd. incurred massive losses during the year. They were unable to pay debts to the financial as well as operational creditors of the company. The company is unable to finance itself by any other medium. The top management of the company is has left the company. The auditor of the company assessed that there is threat to going concern assumption and accordingly he has given the details of the same in Key Audit Matter Para of the report. State whether the contention of Auditor is appropriate or not?
 a) Correct
 b) Incorrect
 c) Partially correct and partially incorrect
 d) None of the above.

8. Which of the following operating Conditions that may cast doubt about going concern assumption?

1. Loss of KMP.
 2. Uninsured or underinsured assets.
 3. Shortage of Important Supplies.
 4. Substantial Losses.
- a) 1,2,3,4
 - b) Only 1,2,4
 - c) Only 1,3
 - d) Only 1,2,3

9. Which of the following financial Conditions that may cast doubt about going concern assumption?

1. Loss of KMP.
 2. Discontinuation of dividend.
 3. Deterioration in value of assets.
 4. Substantial Losses.
- a) 1,2,3,4
 - b) Only 2,3,4
 - c) Only 1,3
 - d) Only 1,2,3

10. Which of the following other Conditions that may cast doubt about going concern assumption?

1. Non-compliance of statutory requirements.
 2. Uninsured or underinsured assets.
 3. Deterioration in value of assets.
 4. Substantial Losses.
- a) 1,2,3,4
 - b) Only 2,3,4
 - c) Only 1,2
 - d) Only 1,2,3

11. Where the use of Going concern Basis of Accounting is appropriate but Material Uncertainty exists, if the auditor finds F.S. makes relevant disclosure then how should auditor the condition in his report?

- a) Express unmodified opinion & include a separate section under heading "Material Uncertainty Related to Going Concern".
- b) express modified opinion
- c) express adverse opinion
- d) Will not disclose in report.

S. No.	Answer	Reason
1.	(b) For the foreseeable future	
2.	(a) Preliminary assessment	
3.	(c) Additional audit procedure	
4.	(d) Both a and b	
5.	(b) SA 570	
6.	(b) In ability to pay creditors on due date	
7.	(c) Partially correct and partially incorrect	As per SA 701, communicating KAM is not a substitute for modified opinion or for reporting as per SA 570. Hence, the auditor is partially correct by reporting it in his report but it should be separately disclosed in the report as a separate paragraph and not as KAM
8.	(c) Only 1,3	

9.	(b) Only 2,3,4
10.	(c) Only 1,2
11.	(a) Express unmodified opinion & include a separate section under heading "Material Uncertainty Related to Going Concern"

SA 580 : WRITTEN REPRESENTATION

- 1.** This evidence is not sufficient and appropriate audit evidence.
- a) External conformation
 - b) Analytical Procedure
 - c) Written representation
 - d) None of the above
- 2.** Written representation is a written statement by management, provided to the auditor to confirm certain matters or to support _____.
- a) Audit Evidence
 - b) A law
 - c) Management
 - d) Statements
- 3.** The auditor shall obtain written representation in relation to responsibility of the management about _____.
- a) Preparation and presentation of Financial statement
 - b) To provide auditor with all relevant information
 - c) To support other audit evidences
 - d) All of the above
- 4.** The date of written representation shall be as near as the _____ but in no case after the date of the Auditor's report on the Financial statement.
- a) Receipt date of evidence to auditor
 - b) Date on which auditor has asked the written representation
 - c) Date of audit report
 - d) Date of Balance sheet
- 5.** If the management does not provides one or more of the requested written representation, the auditor shall _____.
- a) Discuss the matter with the management
 - b) Give an unmodified report
 - c) Proceed with other audit procedures
 - d) Obtain legal advice
- 6.** In the course of audit of LMN Ltd., its auditor observed that there was a special audit conducted at the instance of management on a possible suspicious of fraud and requested for a copy of audit report on the fraud aspects. Despite of many reminders it was not provided to the auditor. In the absence of special audit report, the auditor insisted for at least a written representation by the management. For this request also the management remained silent. What is an appropriate course of action the auditor should take?
- a) Withdraw from the audit engagement
 - b) Sue the management of the company
 - c) Shall give an Disclaim of opinion if the auditor has significant doubt about the integrity of the management
 - d) Give an unmodified report as the special audit was conducted by management and not the auditor.

7. When the Physical verification of inventory has been conducted by qualified Chartered Accountants,Auditor can form an opinion solely on written representation when there is scarcity of time.

- a) True
- b) False
- c) Partially True and Partially False
- d) Can't form an opinion

8. Which of following statement is true.

- a) WR shall be in the form of representations letter addressed to TCWG
- b) Date of WR shall be as near as practicable to the date of financial statements
- c) If based on WR , auditor claims that there is sufficient doubt on integrity of management. Then he shall issue disclaim opinion.
- d) None of the above

9. The statutory auditor of Tantia Ltd. was trying to obtain audit evidence against a FD of Rs. 5 crores from bank but the bank was not reverting back. The management has given written representation to auditor regarding its existence. The auditor later on received letter from bank that the FD has been closed in the mid of FY. What should the auditor do now?

- 1. The auditor needs to inform management about the confirmation received from bank.
 - 2. The auditor should re-assess the competence and integrity of management.
 - 3. The auditor shall determine the impact inconsistency over his opinion.
 - 4. He shall rely on the management's letter.
- a. 1,2,3,4
 - b. Only 1,2,4
 - c. Only 1,2
 - d. Only 1,2,3

10. In order to complete audit in a timely manner the auditor of a company the auditor took written representation from management instead of individually taking confirmation from all the parties. He formed an opinion thereupon.

Later on it was discovered that 85% of the debtors were bad and required provision and no provision was made in financial statements. Which of the following statement is correct in this regard?

- 1. The auditor is guilty under clause 7 and clause 8 of part I of second schedule.
 - 2. Written representation received from client is not substitute to other audit evidences.
 - 3. The auditor is guilty under clause 5 of part I of second schedule.
 - 4. The auditor is not guilty because he has obtained evidence from client and has no reason to believe that they were in correct.
- a) 1,2,3,4
 - b) Only 1,2,4
 - c) Only 1,2
 - d) Only 1,2,3

11. Which SA mandates Auditor to obtain Written Representation

- a) SA 250,
- b) SA 501,
- c) SA 540, SA 550, SA 560
- d) All of the above

12. Which of the following is not a feature of written representation

- a) WR is a substitute for normal audit procedures
- b) WR is a corroborative audit evidence
- c) Both a and b
- d) Neither a nor b

S. No.	Answer	Reason
1.	(c) Written representation	
2.	(a) Audit Evidence	
3.	(d) All of the above	
4.	(c) Date of audit report	
5.	(a) Discuss the matter with the management	
6.	(c) Shall give an Disclaim of opinion if the auditor has significant doubt about the integrity of the management	
7.	(b) False	
8.	(d) None of the above	
9.	(d) Only 1,2,3	
10	(c) Only 1,2	Auditor is guilty under clause 7- acted grossly negligent and did not exercise due diligence and clause 8- did not obtain sufficient evidence to form opinion of part I of second schedule
11.	(d) All of the above	
12.	(a) WR is a substitute for normal audit procedures	

SA 600 : USING THE WORK OF ANOTHER AUDITOR

1. CA. K was appointed the statutory auditor of KLM Ltd. at Mumbai. KLM Ltd. has a branch office at Delhi. A branch auditor CA. S was appointed to conduct the audit of the branch office of KLM Ltd. CA. K was not satisfied with the work of CA. S and he wishes to obtain the working papers of CA. S to check if he has obtained sufficient and appropriate audit evidence. Does the statutory auditor have the right to access the working papers?
- The principal auditor of an enterprise does not have the right to access to the audit working papers of branch auditor
 - As per SA 600, an auditor can rely on the work of another auditor without having right to access of working papers
 - Withdraw the assignment if the working paper is not given by CA. S
 - Both a and b
2. It is necessary to issue _____ communication to another auditor as per SA 600
- Written
 - Oral
 - Telephonic
 - Fax
3. Auditor has to check the competence of another auditor even if he is a member of ICAI.
- True
 - False
 - Partially True partially False
 - Can't form an opinion

- 4.** The principal auditor shall obtain _____, that the work of another auditor is adequate for his purposes.
- Written representation
 - Audit evidence
 - Sufficient and appropriate audit evidence
 - Declaration
- 5.** The principal auditor may also wish to visit the other auditor and may apply test of performed by another auditor depending on materiality and complexity of the item concerned.
- True
 - False
 - Partially True and partially False
 - Can't form an opinion
- 6.** The principal auditor should issue a _____ report if he can't use the work of another auditor or perform sufficient and appropriate audit evidence.
- Unmodified
 - Modified
 - Adverse
 - None of the above
- 7.** The auditor of an enterprise do have the right to access to the audit working papers of the branch auditor. An auditor can rely on the work of another auditor, without having any right to access to the audit working papers of other auditor.
- True
 - False
 - Partially True and partially False
 - Can't form an opinion
- 8.** In which of the following circumstances SA 600 shall not be applicable?
- Joint auditors
 - Auditor's relationship with a predecessor auditor.
 - Auditor of branch
 - Auditor of J.V
- 1,2,3,4
 - Only 1,2,4
 - Only 1,2
 - Only 1,2,3
- 9.** The financial statements of the components of ABC Company Limited, viz., PQR Company Limited and XYZ Company Pvt Limited, whose financial information/ financial statements have been included in the financial statements of ABC Company have been audited by another auditor/ auditors. Which Standard on Auditing shall govern this scenario?
- SA 600
 - SA 299
 - SA 610
 - SA 620
- 10.** If a Type 1 or Type 2 report has been issued by auditor of service organization, the user auditor may use the service auditor to perform certain procedures as the service auditor has an existing relationship with the service organization. The user auditor using the work of service auditor may find the guidance in
- SA 600
 - SA 299
 - SA 610
 - SA 620

- Q1.** The statutory auditor of Minerva Pvt. Ltd. were Simba & co. Minerva Pvt. Ltd holds 80% stake in Taj Pvt Ltd. Auditors of Minerva Pvt. Ltd demands working papers of Taj Pvt Ltd. Which of the following statement is most appropriate in this regard?
- He can take working papers of auditor of Taj Pvt. Ltd. because he is the Principal auditor.
 - He cannot take working paper of auditors of Taj Pvt. Ltd. but can ask for clarification.
 - He will complain to the management regarding this and management to produce him the working papers.
 - He will qualify the report considering it as a material limitation on his scope.

S. No.	Answer	Reason
1.	(d) Both a and b	
2.	(a) Written	
3.	(b) False	
4.	(c) Sufficient and appropriate audit evidence	
5.	(a) True	
6.	(b) Modified	
7.	(a) True	
8.	(c) Only 1,2	1, 2 are specifically excluded
9.	(a) SA 600	in case of component or branch auditors are there SA 600 is used
10.	(a) SA 600	The user auditor using the work of another auditor may find the guidance in SA 600 useful as it relates to understanding another auditor
11.	(b) He cannot take working paper of auditors of Taj Pvt. Ltd. but can ask for clarification.	Statutory auditor of Holding company cannot have access to audit working papers of the subsidiary company's auditor. He can however, asks the auditor to Ans. certain questions about the manner in which the audit is conducted and certain other clarifications regarding audit

SA 610 : USING THE WORK OF INTERNAL AUDITOR

- 1.** Direct assistance under SA 610 is not advisable in following situation
- Matters prohibited by law
 - Matters involving significant judgment
 - Matter in which risk assessment if high
 - All of the above
- 2.** Internal auditor provides assurance that there is _____ in reporting, as a part of good governance.
- Transparency
 - Completeness
 - Standard
 - None of the above
- 3.** Who cannot be appointed as an internal auditor?
- A Chartered accountant
 - Employee
 - Cost accountant
 - None of the above
- 4.** In determining whether the work of the internal auditors is likely to be adequate for purposes of audit, the external auditor shall evaluate _____.
- The objectivity of the internal auditor
 - The technical competence of the internal auditor
 - Whether the work of internal auditor is likely to be carried out with due professional care
 - All of the above
- 5.** The auditor performs certain _____ to arrive at a conclusion whether to rely on internal auditor work or not.

- a) Test check on the competency of internal auditor
 - b) Test check the evidence obtained by internal auditor on sample basis
 - c) Evaluation of care taken by the internal auditor in obtaining audit evidence
 - d) All of the above
- 6.** The external auditor has a _____ responsibility while using the work of internal auditor.
- a) Joint
 - b) Joint and several
 - c) Sole
 - d) None of the above

S. No.	Answer	Reason
1.	(d) All of the above	
2.	(a) Transparency	
3.	(d) None of the above	
4.	(d) All of the above	
5.	(a) Test check on the competency of internal auditor	
6.	(c) Sole	

SA 620 : USING THE WORK OF AUDITOR'S EXPERT

- 1.** An auditor's expert may be either a _____ or and auditor's _____.
- a) Management's expert, external expert
 - b) Auditor's internal expert, external expert
 - c) Management's expert, internal expert
 - d) All of the above
- 2.** The auditor shall evaluate the competence and capability of auditor's expert as well as the independence of the auditor.
- a) True
 - b) False
 - c) Partially True and partially False
 - d) Can't form an opinion
- 3.** The auditor shall not refer to the work of auditor's expert containing an unmodified opinion unless required by _____.
- a) Management
 - b) Laws or regulation
 - c) ICAI
 - d) Company's act
- 4.** The auditor in the interest of the users while explaining the nature of the reservation, can describe the _____, in the audit report by obtaining prior consent of the expert.
- a) Work of the expert with his name
 - b) Assumption used by the expert
 - c) Qualification of the expert
 - d) Audit documentation
- 5.** CA. Mohan took the help of an actuarial in determining the estimates made by the management expert for calculating the provisions made for gratuity payment. The auditor wants to include the name of actuarial in his report. What statement can be included?
- a) The auditor should indicate that the responsibility of valuation of gratuity is solely of the expert
 - b) The auditor should indicate that the valuation report of auditor expert does not reduces his responsibility

- c) The auditor should indicate that the responsibility of valuation of gratuity is solely of the management expert
d) Both a and c
- 6.** BAS & Co. are appointed as statutory auditor of Satyam Ltd. There were some critical areas which they found during the course of audit for which they took help of an expert. Mr. Raju, engagement partner was going through the experts report and found some material irregularities in the affairs of the company which will attract qualification in his report. Mr. Raju wanted to refer the expert's name in his report as a gesture of recognition. Which of the following is most appropriate in the given case?
- a) Mr. Raju is incorrect, he cannot site name of expert in auditor's report.
 - b) Mr. Raju can refer his name because there is qualification in his report based on the report of expert.
 - c) He can refer experts name in the report but only after taking prior approval of expert in this regard.
 - d) He can refer experts name in the report to explain the nature of qualification but only after taking prior approval of expert in this regard and not as a gesture for recognition.
- 7.** ABC & Co. are appointed as statutory auditor of Maytas Ltd. There were some critical areas which they found during the course of audit. The auditor applied audit procedures to reach a conclusion. For the same matter they took help of an expert. The auditor found the report of expert not adequate for his purpose. What should the auditor do in such circumstances?
- a) The auditor should overlook the area and inform management about it.
 - b) The auditor shall take management representation from management in this regard and will rely on that.
 - c) The auditor shall consider the effect of same on his report and qualify the report.
 - d) The auditor shall take the opinion of expert and will give report accordingly.
- 8.** CA. Sabir was auditor of XYZ Pvt Ltd. In valuation of financial instruments and antiques owned by company he took the help of a valuation expert and the report indicated nothing abnormal. The valuation of these items was material from audit point of view. Mr. Sabir wanted to indicate in his report that while forming opinion he has taken help of report of expert. Which of the following statement is most appropriate in this regard?
- a) Mr. Sabir can indicate in his report that he has taken help of an expert.
 - b) Mr. Sabir cannot indicate experts name in his report because of confidentiality.
 - c) Mr. Sabir can indicate his name after taking prior permission from expert.
 - d) There is no need to give his name in the report as the report is not qualified.
- 9.** CA. Kunal was auditor of Diwan Insurance Pvt Ltd. In valuation of liabilities of company associated with insurance contract he took the help of an expert. The report of expert was not qualified and stated that all the compliances and calculations made by the company are correct. Mr. Sabir gave a clear report. Later on, the company received letter from regulatory body in respect of valuation of insurance liabilities provision. The company blamed the auditor. Which of the following statement is most appropriate in this regard?
- a) The company is responsible for preparation of financial statement hence auditor cannot be held liable for this.
 - b) Auditor is not responsible because he relied on expert's opinion and he is not expert in valuation. He is not guilty.
 - c) Auditor continues to be responsible.
 - d) The expert is responsible for this.

S. No.	Answer	Reason
1.	(b) Auditor's internal expert, external expert	
2.	(a) True	
3.	(b) Laws or regulation	
4.	(a) Work of the expert with his name	
5.	(b) The auditor should indicate that the valuation report of auditor expert does not reduce his responsibility	
6.	(d) He can refer experts	

<p>name in the report to explain the nature of qualification but only after taking prior approval of expert in this regard and not as a gesture for recognition.</p>		
7.	(c) The auditor shall consider the effect of same on his report and qualify the report.	Where even after additional auditor procedure auditor fails to draw conclusion he shall qualify the report
8.	(d) There is no need to give his name in the report as the report is not qualified.	Until and unless not required by law or regulation there is no need to give experts name in report
9.	(c) Auditor continues to be responsible.	Even after taking help from expert auditor continues to be held responsible for his opinion

SA 700 : FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

1. SA. 700 mainly deals with _____ opinion & form & content of independent audit report.
 - a) Unmodified opinion
 - b) Modified opinion
 - c) Adverse opinion
 - d) Disclaimer of opinion
2. When going concern assumption is appropriate, Auditor's opinion should be :
 - a) Modified opinion
 - b) Adverse opinion
 - c) Adverse opinion
 - d) Unmodified opinion
3. The auditor shall form an opinion whether the financial statement are prepared, in all material aspects with _____.
 - a) Accounting Principles
 - b) Applicable financial reporting framework
 - c) Management's instructions
 - d) Laws and regulations
4. The conclusion under SA 700 shall be taken in accordance with _____
 - a) Compliance of all applicable accounting standards
 - b) Compliance of all applicable Auditing standards
 - c) Compliance of all laws and regulations
 - d) All of the above
5. What is not a basic element of auditor's report?
 - a) Title
 - b) Signature of auditor
 - c) Other information
 - d) Introductory Para
6. Mr. Obama, a shareholder of Taliban Ltd. Pointed out that the goodwill in the Balance sheet of the company has appeared on the same figure during the past three years. What is the appropriate course by the auditor?
 - a) The treatment of the intangible asset is correct, Therefore give an unmodified report
 - b) The goodwill shall be amortize and Therefore give an modified report
 - c) The auditor shall take legal help
 - d) The auditor shall ignore the matter

S. No.	Answer	Reason
1.	(a) Unmodified opinion	
2.	(d) Unmodified opinion	
3.	(b) Applicable financial reporting framework	
4.	(d) All of the above	
5.	(d) Introductory Para	
6.	(b) The goodwill shall be amortize and Therefore give an modified report	

SA 701 : COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDIT REPORT

- 1.** SA 701 deals with the responsibility of an auditor to communicate the _____ in his audit report.
- Key Audit matter Paragraph
 - Emphasis of matter Paragraph
 - Going concern paragraph
 - Other matter Paragraph
- 2.** SA 701 might also assist the users of such financial statements to understand the entity and also help in _____ in such audited financial statements.
- Understanding the area of crucial management judgment
 - Understanding the area of crucial auditor's judgment
 - Understanding the area of crucial judgment of the regulatory
 - Understanding the area of crucial judgment of shareholder
- 3.** The auditor should take into account which factors while determining Key Audit matters?
- Areas of higher assessed risk of material misstatement
 - Highly uncertain management estimates
 - The effect of significant events or transactions that occurred during the period
 - All of the above
- 4.** The purpose of communicating key audit matters is to enhance the _____ of the auditor's report by providing greater transparency about the audit that was performed.
- Quality Value
 - Quantitative value
 - Communicating value
 - All of the above
- 5.** The auditor shall _____ a matter in the Key Audit Matters section of the auditor's report when the auditor would be required to modify the opinion in accordance with SA 705.
- Communicate
 - Not communicate
 - Insert
 - Dismiss
- 6.** Key Audit Matters are selected out of
- Matters communicated to TCWG
 - Auditor's Expertise
 - Most significant matters communicated to TCWG

S. No.	Answer	Reason
1.	(a) Key Audit matter Paragraph	
2.	(a) Understanding the area of crucial management judgment	
3.	(d) All of the above	
4.	(c) Communicating value	
5.	(b) Not communicate	
6.	(c) Most significant matters communicated to TCWG	

SA 705 : MODIFICATION TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

1. Modified opinion refers to _____ opinion.
- Qualified
 - Adverse
 - Disclaimer
 - All of the above
2. The auditor shall express an adverse opinion when a matter is _____.
- Both material and pervasive
 - Material
 - Pervasive
 - significant
3. The auditor shall _____ when auditor is unable to obtain sufficient and appropriate audit evidence on which to the base the auditor concludes that the financial statement are free from material misstatement.
- Give an adverse opinion
 - Give an Unmodified opinion
 - Give a Disclaimer of opinion
 - All of the above
4. If the financial statements are materially misstated but the effect on the financial statement is material but not pervasive. In such case the auditor shall issue a _____.
- Qualified opinion
 - Adverse opinion
 - Disclaimer of opinion
 - All of the above

S. No.	Answer	Reason
1.	(d) All of the above	
2.	(a) Both material and pervasive	
3.	(c) Give a Disclaimer of opinion	

4. (a) Qualified opinion

SA 706 : EMPHASIS OF MATTER PARAGRAPHS AND OTHER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

1. Factors leading significant doubt on company's going concern is included in _____
- SA 706 : Emphasis of matter paragraph and other matter paragraph in the independent audit report
 - SA 705 : Modification to the opinion in the Independent audit report
 - SA 701 : Communicating Key Audit matters in the independent audit report
 - All of the above
2. A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to user's understanding of the financial statements is known as _____
- Key Audit matter Paragraph
 - Emphasis of matter Paragraph
 - Going concern paragraph
 - Other matter Paragraph
3. If there is an uncertainty relating to a pending exceptional litigation matter is highlighted in _____.
- SA 706 : Emphasis of matter paragraph and other matter paragraph in the independent audit report
 - SA 705 : Modification to the opinion in the Independent audit report
 - SA 701 : Communicating Key Audit matters in the independent audit report
 - All of the above
4. In case of audit of CFS, the report include auditor's responsibility in respect of subsidiary not audited by him under _____ paragraph.
- Key Audit matter Paragraph
 - Emphasis of matter Paragraph
 - Going concern paragraph
 - Other matter Paragraph

S. No.	Answer	Reason
1.	(a) SA 706 : Emphasis of matter paragraph and other matter paragraph in the independent audit report	
2.	(b) Emphasis of matter Paragraph	
3.	(a) SA 706 : Emphasis of matter paragraph and other matter paragraph in the independent audit report	
4.	(d) Other matter Paragraph	

SA 710 : COMPARATIVE INFORMATION – CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

- 1.** _____ means the amounts and disclosure included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework.
- Comparative information
 - Corresponding information
 - Prior period information
 - Extraordinary information
- 2.** The level of information included in those comparative financial statements is comparable with that of financial statement of _____.
- Prior period
 - Future period
 - Current period
 - All of the above
- 3.** If the prior period financial statement are not audited, the auditor shall state the same in _____.
- Key Audit matter Paragraph
 - Emphasis of matter Paragraph
 - Going concern paragraph
 - Other matter Paragraph
- 4.** If the auditor obtains audit evidence that a material misstatement exists in the prior period financial statements on which an unmodified opinion has been previously issued the auditor shall verify whether the misstatement has been dealt with the applicable financial reporting framework, and if that is not the case, the auditor shall express _____ in the auditor's report on the current period financial statements, modified with respect to the corresponding figures therein.
- Qualified opinion
 - Adverse opinion
 - Either a or b
 - Disclaimer of opinion
- 5.** The auditor should obtain sufficient and appropriate audit evidence that the corresponding figures meet with the requirements of the relevant _____.
- Accounting Standard
 - Financial reporting framework
 - Laws and regulations
 - None of the above
- 6.** When the comparative are presented as a corresponding figures the auditor's report should not specifically identify comparative because the auditor's opinion is on the current period financial statements as a whole, including the corresponding figures.
- True
 - False
 - Partially True and partially False
 - Can't form an opinion

S. No.	Answer	Reason
1.	(a) Comparative information	
2.	(c) Current period	
3.	(d) Other matter Paragraph	
4.	(c) Either a or b	
5.	(b) Financial	

**reporting
framework**

6. (a) True

SA 720 : THE AUDITOR'S RESPONSIBILITY IN RELATION TO OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

1. When revision of the audited financial statements is necessary and management refuses to make the revision, the auditor shall _____.
 a) Modify the opinion
 b) Unmodified opinion
 c) Inform the central government
 d) Inform ICAI

2. When revision of the other information is necessary and management refuses to make the revision, the auditor shall _____.
 a) Modify the opinion
 b) Communicate the matter to those charged with governance
 c) Communicate the matter with central government
 d) All of the above

3. When revision of the audited financial statements is necessary, the auditor shall follow the relevant requirements in _____.
 a) SA 720
 b) SA 560
 c) SA 299
 d) SA 570

S. No.	Answer	Reason
1.	(a) Modify the opinion	
2.	(b) Communicate the matter to those charged with governance	
3.	(b) SA 560	

SA 800 : SPECIAL CONSIDERATIONS – AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

1. According to SA 800, the financial reporting framework designed to meet the financial information needs of _____.
 a) Central government
 b) Specific user
 c) Intended user
 d) All of the above

2. In an audit of special purpose financial statements, the auditor shall obtain an understanding of _____.
 a) The purpose for which financial statements are prepared
 b) The intended users
 c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances
 d) All of the above

3. The auditor's report shall also describe the _____ for which the financial statements are prepared.

- a) Objective
- b) Purpose
- c) Intend
- d) Applicable standard

4. The auditor's report on special purpose financial statement shall include an _____ alerting the users of the auditor's report that the financial statements are prepared in accordance with special purpose framework.

- a) SA 706 : Emphasis of matter paragraph and other matter paragraph in the independent audit report
- b) SA 705 : Modification to the opinion in the Independent audit report
- c) SA 701 : Communicating Key Audit matters in the independent audit report
- d) All of the above

S. No.	Answer	Reason
1.	(b) Specific user	
2.	(d) All of the above	
3.	(b) Purpose	
4.	(a) SA 706 : Emphasis of matter paragraph and other matter paragraph in the independent audit report	

SA 805 : SPECIAL CONSIDERATIONS – AUDITS OF SINGLE PURPOSE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

1. SA 805 deals with special considerations in the application of those SAs to an audit of a _____

- a) Single financial statement or of a specific element, account or item of a financial statement
- b) Engagement to report on summary financial statement
- c) Engagement to review summary financial statement
- d) None of the above

2. _____ financial statement means a part of complete set of financial statement and special elements.

- a) Double
- b) Single
- c) Consolidated
- d) Specific

S. No.	Answer	Reason
1.	(a) Single financial statement or of a specific element, account or item of a financial statement	
2.	(b) Single	

SA 810 : ENGAGEMENT TO REPORT ON SUMMARY FINANCIAL STATEMENT

1. _____ is the historical financial information derived from financial statement but contains less details than financial statements.

- a) Summary financial statement
- b) Interim financial statement
- c) Consolidated financial statement
- d) Past year financial statement

- 2.** The auditor shall, ordinarily accept an engagement to report on summary financial statements in accordance with SA 810 only when the auditor has been engaged to conduct an audit in accordance with _____ of the financial statements from which the summary financial statement is derived.
- Applicable financial reporting framework
 - Laws and regulation
 - Accounting Standards
 - Standards of Auditing
- 3.** Who is eligible to be appointed as the auditor to report on summary financial statements?
- CA in practice eligible to be appointed as the auditor under Section 141
 - Auditor of the historical financial statements
 - Any professional

S. No.	Answer	Reason
1.	(a) Summary financial statement	
2.	(d) Standards of Auditing	
3.	(b) Auditor of the historical financial statements	

SRE 2400 : ENGAGEMENTS TO REVIEW FINANCIAL STATEMENT

- 1.** The purpose of SRE 2400 is to develop and offer guidance on the professional responsibilities of a practitioner's when he/she is not being the auditor of the entity, assumes _____ to reviewing the financial statement.
- Responsibility
 - Duty
 - Engagement
 - Accounting
- 2.** As per SRE 2400, the practitioner must abide by the _____ which has been issued by the ICAI.
- Auditing Pronouncement
 - Code of Ethics
 - Rules and responsibilities
 - Accounting Principles
- 3.** Ethical principles which govern the professional responsibilities of the practitioner are _____.
- Integrity
 - Confidentiality
 - Technical Standards
 - All of the above
- 4.** The practitioner must question and investigate about events following the _____ which might be necessitate adjustments or disclosures in financial statements.
- Date of financial statements
 - Date of audit report
 - Both a and b
 - Due date of audit report
- 5.** A review report must have an expression of _____ assurance written in clear and unambiguous form.
- Positive
 - Reasonable
 - Absolute
 - Negative

- 6.** The practitioner must not date his /her review report prior to the date on which such _____ were agreed and approved by the management.
- Financial statements
 - Audit report
 - Both a and b
 - None of the above

S. No.	Answer	Reason
1.	(c) Engagement	
2.	(b) Code of Ethics	
3.	(d) All of the above	
4.	(a) Date of financial statements	
5.	(d) Negative	
6.	(a) Financial statements	

SRE 2410 : REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY

- 1.** An auditor must make _____, predominately of persons who are responsible for accounting and financial matters.
- Observation
 - Inquiries
 - Standards
 - All of the above
- 2.** The auditor must _____ whether the management has changed the assessment of the ability of the entity in continuing as the going concern.
- Observe
 - Obtain written representation
 - Inquire
 - Investigate
- 3.** When, in the judgment of the auditor, persons charged with the governance doesn't appropriately respond within a sensible time frame, the auditor must think of _____.
- Modifying the report
 - Withdraw from the engagement
 - Resigning from such appointment for Auditing the annual financial statements
 - All of the above
- 4.** When an auditor isn't able to finish his review, the auditor must communicate the same, in writing, to _____, the intension and reasons for the same.
- Those charged with governance
 - Shareholder
 - Central government
 - Authority to governing the company

S. No.	Answer	Reason
1.	(b) Inquiries	
2.	(d) Investigate	
3.	(d) All of the above	
4.	(a) Those charged with governance	

SAE 3400 : THE EXAMINATION OF PROSPECTIVE FINANCIAL INFORMATION

- 1.** SAE 3400 does not apply to the examination of prospective financial information expressed in _____ terms, such as that found in management discussion.
- Monetary
 - General
 - Narrative
 - Both b or c
- 2.** _____ is responsible for the preparation of prospective financial information.
- Auditor
 - Accountant of the company
 - Management
 - Company secretary
- 3.** _____ is required to validate and report on the prospective financial information.
- General public
 - Central government
 - Accountant of the company
 - Auditor
- 4.** _____ means financial information based on assumptions about the events that may occur in future and possible actions by an entity.
- Prospective financial information
 - Summary financial information
 - Interim financial information
 - Past financial information
- 5.** As per SAE 3400, the auditor can provide _____ level of assurance on the reasonableness of management's assumption.
- Reasonable
 - High
 - Appropriate
 - Moderate
- 6.** The auditor should obtain _____ from the management for completeness of significant management assumption as per SAE 3400.
- Assumptions
 - Written representation
 - Documentation
 - All of the above
- 7.** As per SAE 3400, the auditor should consider adequate disclosure of _____ in the notes including nature while assessing the prospective financial statement.
- Assumptions
 - Going concern
 - Audit Risk
 - All of the above
- 8.** The auditor should document the management's acceptance of it's _____ for the information.
- Responsibilities
 - Written representation
 - Working paper
 - Audit plan

S. No.	Answer	Reason
1.	(d) Both b or c	

2.	(c) Management
3.	(d) Auditor
4.	(a) Prospective financial information
5.	(d) Moderate
6.	(b) Written representation
7.	(a) Assumptions
8.	(a) Responsibilities

SAE 3402 : ASSURANCE REPORTS ON CONTROLS AT A SERVICE ORGANIZATION

- 1.** SAE 3402 deals with the assurance engagement carried on by a professional accountant to report on controls at a _____.
- a) Manufacturing organization
 - b) Service organization
 - c) Trading organization
 - d) All of the above
- 2.** Before agreeing to accept or continue an engagement, the service auditor should, _____
- a) Determine the capabilities and competence of service auditor to perform the engagement
 - b) The scope of engagement and the service organization's description of its system will be useful to the user entities and their auditor
 - c) Criteria used to prepare the description of service organization's description of its system will be suitable and available to user entities and their auditor
 - d) All of the above
- 3.** If the service organization does not provide the written representation of control design deficiency, the service auditor shall _____ as per SAE3402.
- a) Give an adverse opinion
 - b) Give a disclaimer of opinion
 - c) Withdraw from service engagement
 - d) Obtain legal advise
- 4.** Service auditor should maintain the _____ until its retention period.
- a) Professionalism
 - b) Documentation
 - c) Evidence
 - d) Procedure

S. No.	Answer	Reason
1.	(b) Service organization	
2.	(d) All of the above	
3.	(b) Give a disclaimer of opinion	
4.	(b) Documentation	

SAE 3420 : ASSURANCE ENGAGEMENTS TO REPORT ON THE COMPIRATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

1. As per SAE 3420, _____ should access appropriateness of source of information.
 - a) Audit
 - b) Responsible Party
 - c) Management
 - d) Practitioner

2. SAE 3420 deals with reasonable assurance engagement undertaken by a _____ to report on the responsible party's compilation of pro forma financial information included in a prospectus.
 - a) Auditor
 - b) Management
 - c) Those charged with governance
 - d) Practitioner

3. SAE 3420 applies where such reporting is required by _____.
 - a) Management
 - b) Securities law or regulation
 - c) Practitioner
 - d) Central government

4. Before accepting an engagement, the practitioner should determine the _____ to perform the engagement.
 - a) Engagement letter
 - b) Capabilities and competence
 - c) Accounting Principles
 - d) Responsibilities

5. If modified opinion is necessary and the responsible party does not agree to required changes, practitioner should _____.
 - a) Give an unmodified opinion
 - b) Give an adverse report
 - c) Withdraw from the engagement
 - d) Give a disclaimer of opinion

S. No.	Answer	Reason
1.	(d) Practitioner	
2.	(d) Practitioner	
3.	(b) Securities law or regulation	
4.	(b) Capabilities and competence	
5.	(c) Withdraw from the engagement	

SRS 4400 : ENGAGEMENTS TO PERFORM AGREED UPON PROCEDURES REGARDING FINANCIAL INFORMATION

1. As per SRS 4400, when an auditor isn't independent, the auditor needs to provide a statement to such effect in his report of the _____.
 - a) Financial statement
 - b) Company
 - c) Factual findings
 - d) Accounting Standards applicable

S. No.	Answer	Reason
1.	(c) Factual findings	

SRS 4410 : COMPILATION ENGAGEMENTS

1. Management might request the _____ who is in public practice for helping them with the preparation and presentation of their financial information.
- a) Accountant
 - b) Company secretary
 - c) Professional accountant
 - d) All of the above
2. As the compilation engagement isn't an assurance engagement, the compilation engagement doesn't need a practitioner's verification for the completeness or accuracy of information provided by the entity's management for such compilation.
- a) True
 - b) False
 - c) Partially True and partially False
 - d) Can't form an opinion
3. While compiling the financial information, a practitioner must seek help of documents, explanations, records and such other information, which includes the _____ by the management.
- a) Notification
 - b) Circular
 - c) Important judgment
 - d) Terms
4. In case the practitioner is not able to finish the engagement due to management failure in providing documents, records, explanation or such other information which includes important judgments, the practitioner should _____.
- a) Modify the report
 - b) Withdraw from the engagement
 - c) Not submit the report
 - d) Give an incomplete report
5. While performing the compilation engagement, a practitioner comes to know that the documents, records explanation or such other information, which includes important judgments, provided by the management for such compilation are inaccurate, incomplete or otherwise inadequate, the practitioner should _____.
- a) Bring the same to the management's attention
 - b) Give an modified opinion
 - c) Withdraw from the engagement
 - d) All of the above

S. No.	Answer	Reason
1.	(c) Professional accountant	
2.	(a) True	
3.	(c) Important judgment	
4.	(b) Withdraw from the engagement	
5.	(a) Bring the same to the management's attention	

- 1.** Who shall appoint the first auditors in case of non-government company?
- a) Central Government
 - b) ROC
 - c) Board of Directors
 - d) Shareholders
- 2.** Within how many days the auditor is required to intimate ROC about his appointment?
- a) 15 days
 - b) 30 days
 - c) 45 days
 - d) 60 days
- 3.** The tenure of the first auditor is valid till
- a) Commencement of first AGM.
 - b) Conclusion of first AGM.
 - c) Conclusion of fifth AGM.
- 4.** Mr Ram who has been appointed by the members suddenly meets a plane crash and died. The casual vacancy shall be filled by
- (a) BOD within 30 days.
 - (b) Members within 30 days.
 - (c) BOD within 60 days.
 - (d) Central Government
- 5.** The first auditor of a Government Company shall be appointed by
- (a) BOD within 30 days
 - (b) C&AG within 60 days
 - (c) C&AG within 30 days
 - (d) Central Government
- 6.** The subsequent auditor of a Government Company is appointed by
- a) C&AG within 180 days from commencement of financial year.
 - b) C&AG within 180 days from the commencement of calendar year.
 - c) Members in the General Meeting
 - d) Central Government.
- 7.** A company ABC Ltd whose shareholding pattern is as follows; 20 percent shareholding by Central Government, 20 percent by State Government, 20 percent by Government Company. Who shall appoint the first auditor?
- a) BOD
 - b) C&AG
 - c) Members
 - d) Government

8. A company ABC Ltd whose shareholding pattern is as follows; 30 percent shareholding by Central Government, 30 percent by State Government. The auditor of the same is appointed by C&AG. Subsequently he is disqualified. The vacancy is filled by?

- a) C&AG within 30 days.
- b) C&AG within 60 days.
- c) BOD within 30 days.

9. While determining the applicability of rotation of auditor's , the amount of paid up share capital for private company shall be taken as?

- a) 20 crores or more
- b) exceeding 20 crores
- c) 50 crores or more
- d) exceeding 50 crores

10. Which of the following statement is correct?

- a) Where at any annual general meeting, no auditor is appointed or re-appointed , the existing auditor shall continue to be the auditor of the company.
- b) Where at any annual general meeting, no auditor is appointed or re-appointed , it shall be deemed to be a casual vacancy as per Section 139(8).
- c) Where at any annual general meeting, no auditor is appointed or re-appointed , the CG shall appoint any other auditor.

11. Mr Ram the auditor of the company submitted his resignation. He is required to intimate to ?

- a) The BOD
- b) The ROC
- c) Both a and b.
- d) BOD, ROC and CG.

12. Mr Ram the auditor of the company submitted his resignation and failed to intimate to the ROC. The penalty for the same shall be?

- a) Minimum: Rs 50,000, Maximum Rs 5,00,000
- b) Minimum: Rs 50 ,000 or Audit fees whichever is less, Maximum Rs 5,00,000
- c) Minimum: Rs 50 ,000 or Audit fees whichever is high, Maximum Rs 5,00,000
- d) Minimum: Rs 1,00,000 , Maximum Rs 5,00,000

13. The company proposes to remove Mr , Shyam the Auditor before the expiry of term. The procedure to be followed is?

- a) Firstly BR , then SR, then CG approval.
- b) Firstly BR, then application to CG, then SR.
- c) Firstly BR, then application to CG , then SR after giving an opportunity of being heard.

14. Mr. Ram, the auditor of the company has been removed by the Tribunal on the grounds of fraud. Which of the following implication is correct?

- a) He cannot be appointed as the auditor of the same company for a period of 5 years.

- b) He cannot be appointed as the auditor in any company for a period of 5 years.
- c) He cannot be appointed as the auditor in any company for a period specified in the Tribunal order.

15. Mr. Hanuman ,is a director of the company. He can't be appointed as the auditor in

- a) The company.
- b) The company and its subsidiary.
- c) The company, subsidiary and associate.
- d) He can be appointed as the auditor in all of them.

16. Rahul's grandfather holds security of Rs 10 lakh face value in ABC Ltd. Which of the following statement is correct?

- a) Rahul is disqualified to be appointed as auditor in the company.
- b) Rahul is disqualified to be appointed as auditor in the company and its subsidiary.
- c) Rahul is disqualified to be appointed as auditor in the company and its subsidiary and associate.
- d) He can be appointed as the auditor in all of them.

17. Rahul's mother holds security of Rs 10 lakh face value in ABC Ltd. Which of the following statement is correct?

- a) Rahul is disqualified to be appointed as auditor in the company.
- b) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding.
- c) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding and associate.
- d) He can be appointed as the auditor in all of them.

18. Rahul purchases goods of Rs 7,00,000 on credit. Subsequently he gets appointed as an auditor of ABC Ltd . However, before getting appointed as auditor he pays off all his dues. Which of the following statement is correct?

- a) Rahul is disqualified to be appointed as auditor in the company.
- b) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding.
- c) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding and associate.
- d) He can be appointed as the auditor in all of them.

19. Singhi and Enterprise (CA Firm) has a business relationship with ABC Ltd. Singhi and Enterprise are disqualified to be appointed as auditor of?

- a) ABC Ltd
- b) ABC Ltd , its subsidiary, holding, associate and subsidiary of holding.
- c) ABC Ltd , its subsidiary, holding, associate and subsidiary of holding and associate.
- d) He can be appointed as the auditor in all of them.

20. "ABC and Company" is an audit firm having partners "Mr. A", "Mr B" and "Mr C" Chartered Accountants "Mr. A", Mr. B "and "Mr. C" are holding appointments as Auditor in 4, 6 and 10 Companies respectively. How many audits they can accept?

- a) 16, 14 and 10 respectively.
- b) 6, 4 and 0 respectively.

- c) Unlimited accounts.
- d) He 26, 24 and 20 respectively.

21. "ABC and Company" are statuary auditors of ABC Ltd. Subsequently they started providing actuarial services to the company. Which of the following statement is correct?

- a) Disqualified to be appointed as auditor in the company.
- b) Disqualified to be appointed as auditor in the company, holding and subsidiary.
- c) Disqualified to be appointed as auditor in the company, holding and subsidiary and associate.
- d) There is no prohibition in providing actuarial services.

22. The remuneration of auditors of government company is fixed by the

- a) C&AG.
- b) Members.
- c) Government.

23. The auditor has the right to access the records of

- a) the company
- b) the company and its subsidiary
- c) the company, its subsidiary and its associate.
- d) the company, its holding, its subsidiary and associate.

24. Which of the following are to be included mandatorily in the audit report?

- a) Whether all the information and explanation relevant for the audit has been obtained.
- b) Whether personal expenditure is debited to revenue account.
- c) Whether the loans and advances given are unsecured and prejudicial to the interest of the company.
- d) Whether the book entries are prejudicial.

25. Who is empowered to conduct supplementary and test audit of Government Companies?

- a) Government
- b) C&AG
- c) Members

26. The Standards of Auditing shall be prescribed by

- a) ICAI as recommended by CG
- b) CG as recommended by ICAI
- c) MCA

27. Reporting of Fraud to CG as per Section 143(12) is required only in case of

- a) Actual Frauds
- b) Suspected Frauds
- c) Both

28. Reporting of Fraud to CG as per Section 143(12) is required only when

- a) The amount of fraud exceeds Rs 1 crore
- b) The amount of fraud is Rs 1 crore or above.
- c) As per his professional judgement.

29. The auditor is liable for penalty under Section 147 for contravention of the following sections:

- a) 139 to 146
- b) 139, 143, 144 and 145
- c) 139, 140, 141 and 143

30. Which of the following do not fall in the category of regulated sectors for the purpose of cost audit?

- a) Fertilizers
- b) Telecommunication
- c) Turbo jets
- d) Electricity

31. A company dealing in petroleum and natural gas has an overall turnover of 65 crores and turnover of the individual products is 30 crores. However, the company generates electricity and uses it for captive consumption. Considering the above situations which of the following statement is correct

- a) Company is exempted from the requirements of cost audit and maintenance of cost records.
- b) Company is exempted from the requirements of cost audit but not from the requirement to maintain the cost records.
- c) Both the requirements of cost records and cost audit are mandatory.

32. X Ltd. Is engaged in the production of Iron and Steel. A CA Firm ABC Co was appointed as the statuary auditor of X Ltd. for the current financial year. During the year, the management of the company realized that the company is required to maintain cost records in their books of account and get it audited. Therefore, in a general meeting , the members of the company appointed ABC Co as the cost auditor of the company. You are required to examine the validity of appointment of ABC Co. as the cost auditor.

- a) Appointment done by the members is valid.
- b) Appointment done by the members is invalid. Appointment shall be done by the BOD.

33. Cost Audit Report shall be submitted to

- a) Members
- b) BOD.
- c) Both a and b.

S. No.	Answer	Reason
1.	(c) Board of Directors	
2.	(a) 15 days	

3.	(b) Conclusion of first AGM	
4.	(a) BOD within 30 days	
5.	(b) C&AG within 60 days	
6.	(a) C&AG within 180 days from commencement of financial year	
7.	(a) BOD	ABC LTD co is not a government holding of cg and sg is only 40 percent.
8.	(a) C&AG within 30 days.	ABC LTD is a government company
9.	(c) 50 crores or more	
10.	(a) Where at any annual general meeting, no auditor is appointed or re-appointed , the existing auditor shall continue to be the auditor of the company	
11.	(c) Both a and b	As per section 140
12.	(b) Minimum: Rs 50 ,000 or Audit fees whichever is less, Maximum Rs 5,00,000	
13.	(c) Firstly BR, then application to CG , then SR after giving an opportunity of being heard	
14.	(b) He cannot be appointed as the auditor in any company for a period of 5 years	
15.	(a) The company	
16.	(d) He can be appointed as the auditor in all of them	Grandfather is not included in definition of relative
17.	(b) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding	As per section 141(3)(d)(i)
18.	(d) He can be appointed as the auditor in all of them	Indebtness is to be seen on the date of appointment
19.	(c) ABC Ltd , its subsidiary, holding, associate and subsidiary of holding	

	and associate
20.	(a) 16, 14 and 10 respectively
21.	(b) Disqualified to be appointed as auditor in the company, holding and subsidiary
22.	(c) Government
23.	(c) the company, its subsidiary and its associate
24.	(a) Whether all the information and explanation relevant for the audit has been obtained
25.	(b) C&AG
26.	(b) CG as recommended by ICAI
27.	(c) Both
28.	(b) The amount of fraud is Rs 1 crore or above
29.	(b) 139, 143, 144 and 145
30.	(c) Turbo jets
31.	(b) Company is exempted from the requirements of cost audit but not from the requirement to maintain the cost records
32.	(a) Appointment done by the members is valid.
33.	(b) BOD.

1. CARO 2016 is applicable to which of the following company -

- a) Banking company
- b) Insurance company
- c) Foreign company
- d) Licensed company u/s 8

2. CARO is applicable to all the companies including **Foreign Company** defined under Section 2(42) of Companies Act, 2013.

CARO 2016 is not applicable to which of the following companies-

- a) One person companies
- b) Small companies
- c) Banking companies
- d) All of the above

3. X ltd. Is a listed company . Y pvt. ltd is a subsidiary of X ltd. CARO 2016 is applicable on....

- a) X ltd.
- b) Y pvt ltd.
- c) Both companies
- d) Not applicable to any company

4. Private companies not being subsidiary or holding of public company are exempted from CARO 2016. If -

- a) Paid up capital & reserves not more than 1 crore
- b) Total borrowings not exceed 1 crore
- c) Turnover not exceed 10 crore
- d) A , B & C (all conditions cumulative)

5. Auditor has to report on..... number of matters under CARO 2016.

- a) 16
- b) 14
- c) 12
- d) 15

6. A private limited company reports the following on 31st March 2018.

Paid up capital 70 lacs

Revaluation reserve 24 lacs

Capital reserve 20 lacs

Profit & loss dr bal. 24 lacs

Is CARO 2016 applicable ??

Assume. Borrowings and turnover are within prescribed limits.

- a) Yes
- b) No

7. Whether loans obtained from NBFC's included in calculating the total borrowing prescribed limit for applicability of caro?

- a) Yes
- b) No

8. SN ltd entered into non cash transactions with MR Ramesh .Son of one of the directors of the company under which clause as a statutory auditor , you would report?

- a) Clause xv
- b) Clause x
- c) Clause vii
- d) No reporting

9. Nidhi companies has to comply with net owned funds to deposit requirement's .what ratio companies has to maintain ?

- a) 1: 10
- b) 2: 20
- c) 1: 20
- d) 20 : 1

10. Nidhi companies has to maintain % unencumbered term deposits as specified in Nidhi rules , 2014.

- a) 15
- b) 10
- c) 20
- d) 25

11. Non cash transactions entered in violation of section 192 of companies act 2013 are .

- a) Void
- b) Valid
- c) Voidable
- d) Partially void

12. SN pvt ltd is a manufacturer of jewellery. A senior employee of the company informed you that company does not disclose the purity of gold used on the jewellery. What reporting requirement as per caro 2016.

- a) Clause x
- b) Clause xii
- c) Clause iii
- d) Clause xv

13. Term loan has been obtained from a bank for construction of factory. There is delay in construction activities, due to which funds were invested temporarily in short term deposits. Reporting under which clause?

- a) Clause ix
- b) clause iii
- c) Clause x
- d) Clause iv

14. S ltd has defaulted in repayment of dues to financial institutions in the year 2017 -18. However company has settled the amount in april 2018. Is the reporting required under Caro?

- a) Yes
- b) No

15. Neha ltd received a Show cause notice from central excise department to levy a demand of 26 lakh in october 2017. The company replied in jan 2018. No further action taken till 31st March. How would you report this transaction.

- a) Clause xii
- b) Clause vii
- c) Both clauses
- d) No reporting

16. Bhanu ltd. Has not deposited provident fund contributions of 7 lacs with the authorities till year end. How would you report this transaction .

- a) Clause xii
- b) Clause vii
- c) Clause viii
- d) No reporting

17. Caro 2016, requires the auditor of the company to report whether maintenance of cost records has been specified by CG under section 148 and whether they are maintained are not. How you would report.

- a) Clause xii
- b) Clause iii
- c) Clause vi
- d) No reporting

18. The company has advanced a loan to a firm in which director was interested at a lower rate than prevailing rate. How you will report in caro 2016?

- a) No reporting
- b) Clause iv
- c) Clause xii
- d) Clause iii

19. Reporting requirement for closing stock of inventory has to be reported in in caro under which clause.

- a) Clause i
- b) Clause ii
- c) Clause iii
- d) No reporting

20. While reporting under clause (i) on fixed assets auditor has to report on which of the following things.

- a) Adequacy of record
- b) Physical verification

- c) Title deeds
- d) All of above

21. Sahil ltd has its factory building , appearing as fixed assets in its financial statement in the name of one of its director who was overlooking production activities. How would you report.

- a) Clause 1(a)
- b) Clause 1(b)
- c) Clause 1 (c)
- d) No reporting

22. Sonu ltd granted a loan of 20 crore to its associate bhanu pvt ltd at the beginning of the year and it remained outstanding at the year end. Will you report this transaction ?? Specify the clause if answer is yes.

- a) Yes
- b) No

23. While reporting under clause iv , compliance of sections has to be taken care of companies act 2013. What are those sections

- a) Section 188
- b) Section 185
- c) section 186
- d) B & C

24. Company has to complied with section before accepting public deposit

- a) Section 139 to 140
- b) Section 73 to 76
- c) section 143
- d) none of above

25. Provisions of section 197 , to be checked while reporting under clause for caro 2016.

- a) Clause xi
- b) Clause xii
- c) Clause vii
- d) Clause x

26. While reporting in related party transaction , auditor has to take care for the compliance of.

- a) As 18
- b) Sa 550
- c) Section 177 , 188
- d) All of above

27. If the company has made any preferential allotment or private placement of shares. Will this be reported. If answer is yes specify the clause no.

- a) Yes

b) No

28. When the company is required to register u/s 45 -IA of the RBI act , 1934.if so Reporting under which clause.

- a) Clause xiii
- b) Clause xvi
- c) Both clauses
- d) No reporting

29. Electricity companies are exempted from the reporting of caro 2016.

- a) True
- b) False

30. Reporting for caro 2016 is done as per para.....

- a) Para 4
- b) Para 3
- c) None of above

31. If the provisions of caro 2016 are applicable to particular company, whether caro is equally applicable on branches also.

- a) Yes
- b) No

32. Following is the detail of Abc pvt company Sales during year 10.2 crores Sales return 10 lac Cash discount 15 lac Other income 6 lacs Is caro applicable ?

- a) Yes
- b) No

33. What matters to be taken care when the title deeds of immovable property are not held in the name of the company.
In case of land.

- a) Total no. Of cases
- b) Whether lease hold / freehold
- c) Gross block and net block
- d) All of above

34. Reporting on nidhi companies to be done in which clause. As per caro 2016.

- a) Clause x
- b) clause xii
- c) Clause vii
- d) Clause ix

35. As per section..... of companies act, 2013 . Auditor has to report on caro 2016.

- a) 143 (10)



- b) 143 (12)
- c) 143 (11)
- d) 147

36. While reporting default in clause xi that is reporting on managerial remuneration what details are required to be given.

- a) Payment made to WTD/ Managing director/ manager
- b) Amount paid in excess of limits.
- c) Amount due for recovery & steps taken to secure recovery.
- d) All of above

37. When the fraud is done is done by any vendor of the company against the company. Is this reportable?.

- a) Yes
- b) No

38. While reporting on inventories under clause ii auditor should consider....

- a) Whether physical verification has been conducted at reasonable time
- b) Whether any material discrepancies found and whether it is dealt in books of account.
- c) Both A & B
- d) None of above

39. When auditor has to report on loan and advances. Under clause iii . Following matters are to be taken care of.

- a) Whether terms & conditions are not prejudicial to companies interest.
- b) Schedule of repayment.
- c) If amount is overdue, steps taken for recovery.
- d) All of above.

40. Company has borrowed 10 lacs from Mr x , and defaulted in repayment. Is this transaction reportable in caro 2016.

- a) Yes
- b) no

41. Xyz ltd has filed a case against the company on not completing the some conditions of the contract. Company in future has to pay certain amount if they loose a case. Transaction is reportable under which clause.

- a) Clause x
- b) Clause xi
- c) Clause vii
- d) No reporting

42. While reporting on immovable property in case of buildings what points to be reported in case they are not held in name of company.

- a) Total no. Of cases
- b) Gross block & net block

- c) Market value of building
- d) A & B

43. Company has paid penalty of 20 lacs on violation of certain laws applicable. Is this reportable.

- a) Yes
- b) No

44. Fraud involving amount of Rs 50 lakhs committed by officers of ABC Ltd, A Non Profitable organisation. The same is reportable under.

- a) Clause x
- b) Clause xii
- c) Clause iv
- d) Not reportable

S. No.	Answer	Reason
1.	(c) Foreign company	
2.	(d) All of the above	
3.	(c) Both companies	
4.	(d) A , B & C (all conditions cumulative)	
5.	(a) 16	
6.	(b) No	70+24+20-20=90 lakh ie not exceeding 1 crore.
7.	(a) Yes	
8.	(a) Clause xv	
9.	(c) 1: 20	
10.	(b) 10	
11.	(c) Voidable	
12.	(a) Clause x	
13.	(a) Clause ix	
14.	(a) Yes	Reporting is required under clause viii of Para 3 of CARO 2016.
15.	(d) No reporting	The applicable clause that can be referred is clause vii but reporting is not mandatory since there is no default.
16.	(b) Clause vii	
17.	(c) Clause vi	
18.	(d) Clause iii	

19.	(b) Clause ii	
20.	(d) All of above	
21.	(c) Clause 1 (c)	
22.	(a) Yes	Reporting is required under clause iii of Para 3 of CARO 2016.
23.	(d) B & C	
24.	(b) Section 73 to 76	Reporting is required under clause v of Para 3 of CARO 2016
25.	(a) Clause xi	
26.	(d) All of above	
27.	(a) Yes	under Clause xiv
28.	(b) Clause xvi	
29.	(b) False	
30.	(b) Para 3	
31.	(a) Yes	
32.	(a) Yes	$10.2 - 10.15 + .6 = 10.1$ which exceeds 10 crore.
33.	(d) All of above	
34.	(b) clause xii	
35.	(c) 143 (11)	
36.	(d) All of above	
37.	(b) No	3 rd party fraud's are not to be reported under clause x
38.	(c) Both A & B	
39.	(d) All of above.	
40.	(a) Yes	The same is to be reported under clause viii of Para 3 of CARO 2016.
41.	(d) No reporting	Future contingency is to be reported under clause vii only when there is a dispute w.r.t. Government dues.
42.	(d) A & B	
43.	(b) No	
44.	(d) Not reportable	Not reportable because Section 8 companies are exempted from CARO.

- 1.** Which of the following service can be rendered by a CA-
- Portfolio management service.
 - Broking
 - Underwriting
 - Insurance Financial Advisory services.
- 2.** Mr. Aquib was found guilty of professional misconduct under clause 2 part 2 of II schedule. To which authority his case will be referred as per sec 21 of the CA Act, 1949.
- Board of Discipline.
 - Disciplinary Committee.
 - Council of ICAI.
 - Regional Council of the region.
- 3.** Mr. Jignesh was a newly qualified CA and had just started his practice with his friend Jigna. In order to cope up with sufficient space in office Mr. Jignesh also put the name board of the firm at his residence and started handling client there. One of the member objected upon this act of Jignesh. Which of the following is correct in above context?
- Member is not correct as Jignesh has is trying to setup his practice and he can work from home.
 - Member is correct as using the sign board of firm at residence is not permissible.
 - Mr. Jignesh have to take permission from ICAI for this.
- 4.** Mr. Murali a sole proprietor has an office in suburbs of Kolkata. Due to increase in GST work and frequent departmental visit he opened an office in Kolkata which is 49 km away from the municipal limits of the main office. He appointed an advocate, a reputed Indirect Tax practitioner as the in charge of the office. Which of the following is correct in the given case?
- Mr. Murali is correct as the professional can take help of another professional.
 - Mr. Murali is correct as the branch office is only 49 kms away from municipal limits of main office and there is no need to appoint another CA as separate in charge of the branch.
 - Mr. Murali is not correct as the branch office is 49 kms away from municipal limits of main office and there is need to appoint another CA as separate in charge of the branch.
 - None of the above.
- 5.** Mr. Kumar was working on an assignment for a very long time. After the completion of work he raised the bill to the client. The client even after several reminders did not pay the fees to him as a consequence Mr. Kumar kept the documents of client with him till the time client pays him the full fees, according to the rights given under section 143. Client opposed the contention of Mr. Kumar and said that he cannot exercise lien. Which of the following is correct in the given case?
- Mr. Kumar is correct as he has exercised lien on the document on which he has worked and fees is due for the same and the documents are obtained with the consent of client.
 - Mr. Kumar is not correct as CA cannot exercise lien on clients document even if it came on the will of client.
 - Mr. Kumar should waive of the fees.
- 6.** A member has 59 tax audit assignment u/s 44AB. He got an opportunity to conduct u/s 5 audit u/s 44AD, 2 audit u/s 44AF and 1 audit u/s 44AB. State whether he can accept all audit?
- Yes
 - No.

7. Due to immense work pressure Mr. A could not complete the work on time and did not submit report on time due to which company failed to comply with statutory requirement. Under which clause does Mr. A will be held guilty?

- a) Clause 1 part 2 II schedule
- b) Clause 7 part 1 II schedule
- c) Clause 8 part 1 I schedule
- d) None of the above.

8. Mr. X is the accounts department-in-charge of M/s XYZ Ltd.. Mr. X used to file statement to file monthly statements to the management. Mr. X failed to disclose about the fact that company has defaulted in making sinking fund for the period in his report submitted to the management. State whether X is guilty of misconduct or not?

- a) Mr. X is guilty has he has failed to disclose material fact in his report.
- b) Mr. X is not guilty as the statements for internal use of management that are not to be circulated and are given purely in capacity of employee are not to be considered.
- c) Mr. X is guilty under clause 5 part 1 II schedule.

9. Mr. X had 20 articles in his office. Considering peak season in his family business he directed 2 articles to assist them in the business for 2 weeks which helped them gaining practical knowledge. Which of the following is correct in the given case?

- a) Mr. X is not guilty.
- b) Mr. X is guilty of other misconduct under clause 1 part 3 of II schedule.
- c) Mr. X is guilty of other misconduct under clause 2 part 4 of I schedule.

10. CA Yash having wide knowledge of Tax used to writes articles in journals and professional articles. CA Yash recently edited two professional journal and one journal on yoga. All the books got very nice response. State whether Yash is guilty of misconduct or not?

- a) Yash is not guilty of misconduct as editorship of journals are allowed.
- b) Yash is guilty of misconduct as editorship of professional journals are allowed for non-professional journals separate permission is required to be taken.

11. Which of the following is not a fundamental principle to be followed by an accountant as per sec. 110 of CA Act, 1949?

- a) Integrity
- b) Objectivity
- c) Confidentiality
- d) Competence.

12. Which of the following does create self-interest threats?

- a) Potential employment with client.
- b) Undue independence on total fees.
- c) Concern about the possibility of losing client.
- d) All of the above.

13. As per sec. 5 of the CA Act ,a member shall be considered as FCA when

- a) A member who is in continuous practice for 5 years.
- b) A member who is in continuous practice for 3 years in India.
- c) A member who is in continuous practice for 5 years in India.
- d) Any member of institute after 5 years of becoming a CA.

14. Mr. A, a reputed Chartered Accountant was suffering from severe disease and he was unable to continue his practice in a proper manner. All of his funds exhausted in his treatment. He borrowed monies from lenders as well but due to his illness he was unable to pay debts and became insolvent. Recoveries were made from his estate and lenders were paid and he was discharged. He wanted to start practice again. Under the light of CA Act, which of the following is correct?

- a) He can start practice as he is discharged.
- b) He cannot start his practice as being a discharged insolvent, he has not obtained from the court a certificate stating that his insolvency was caused by misfortune without any misconduct on his part.
- c) He has to apply to Institute to re-enter his name in the register of member and after that he can start his practice.
- d) None of the above.

15. Mr. C, a young and talented boy got rank in his CA final examination. His proud father wanted through a party to celebrate two occasions- his 20th birthday and for clearing CA final examination with a rank. He also gifted him an office to start practice. From when Mr. can start his practice?

- a) After applying to the institute for membership.
- b) When all the rituals are over and he have clients.
- c) He cannot start practice for one year.

16. What actions can appellate authority can take under CA Act:

- a) modify or set aside the order;
- b) impose any penalty or set aside, reduce, or enhance the penalty imposed by the order;
- c) pass such other order as the Authority thinks fit
- d) All of the above.

17. As per section 20 of the Act, the Council may remove, from the Register, the name of any member of the Institute in which of the following cases-

- a) who is dead
- b) from whom a request has been received to that effect
- c) who has not paid any prescribed fee required to be paid by him
- d) All of the above.

18. Mr. A, commerce graduate, for the purpose of getting work represented himself to be a CA in front of his client. One of the clients came to knew about the fact and complained to the ICAI about this act. What can be the actions that can be taken against Mr. A?

- a) He will be warned by the institute to not to do that again.
- b) A fine of Rs. 2000/- will be imposed.
- c) A fine upto Rs.1000/- can be imposed.
- d) No action will be taken.

19. Which of the following feature website of a CA firm cannot have

- a) Website opening in push mode.
- b) Having different colours.
- c) No. of articled clerks
- d) None of the above.

20. Which of the following link are not permitted to be given on the website of a CA Firm:

- a) mca.gov.in
- b) icai website
- c) income tax website
- d) Chartered accountants welfare association.

- 21.** A Chartered Accountant practicing in India can enter into partnership with-
- A Certified Public Accountant in New York.
 - A chartered Accountant from the Institute of Chartered Accountants in England and Wales in London, and in each case, the members concerned take the profits earned in their own country.
 - Tax Consultant.
 - Cost Accountant.
- 22.** For which of the following, no prior approval from ICAI is required to be taken by member:
- Editorship of professional Journal.
 - Editorship of Journal.
 - Full time lecturer in college
 - Participation in family business.
- 23.** Which of the following is NOT defined as Management Consultancy and Other Services as per Section 2(2)(iv) of CA Act-
- Working capital management
 - Budgeting
 - Liquidator
 - Recovery consultant in banking sector
- 24.** “To act diligently in accordance with applicable technical and professional standards” is one of the principles of which Fundamental Principles in the Code of Ethics?
- Confidentiality
 - Integrity
 - Professional competency and Due care
 - Professional behaviour
- 25.** Which one of these is an example of advocacy threat?
- Promoting shares in a listed entity when that entity is a financial statement audit client.
 - Having prepared the original data used to generate records that are the subject matter of the engagement.
 - Long association of senior personnel with the assurance client.
 - Being pressured to reduce inappropriately the extent of work performed in order to reduce fees.
- 26.** In which of the following cases name of the member can be re-entered in the register of Member after fulfilling prescribed conditions as mentioned in Section 20 of CA Act?
- who is dead; or
 - from whom a request has been received to that effect; or
 - who has not paid any prescribed fee required to be paid by him; or
 - who is found to have been subject at the time when his name was entered in the Register, or who at any time thereafter has become subject, to any of the disabilities mentioned in Section 8, or who for any other reason has ceased to be entitled to have his name borne on the Register.
- 27.** Which of the following is allowed to do as per CA Act for a member of ICAI?
- to appear before the various authorities including Company Law Board, Income Tax Appellate Tribunal, Sales Tax Tribunal where the law has permitted the same, so far as the designation “Corporate Lawyer” is concerned
 - to use the initials ‘CPA’ (standing for Certified Public Accountant) on their visiting cards”.
 - to state on his professional documents that he is an Income-tax Consultant
 - to designate himself as a Cost Accountant when he is a member of that Institute.

28. Exemption has been given to members practicing in hill areas subject to certain conditions. Choose the correct option among the alternatives given-

- a) Such members/firm be allowed to open temporary offices in a city in the plains for a limited period not exceeding 4 months in a year.
- b) All correspondence should be made at this office.
- c) The temporary office should be mentioned in the letterheads, visiting cards or any other documents as a place of business of the member/firm.
- d) Before commencement of every winter it shall be obligatory on the member/firm to inform the Institute that he/it is opening the temporary office from a particular date

29. Mr. X & Mr. Y, partners of a Chartered Accountant Firm, one in-charge of Head Office and another in-charge of Branch at a distance of 80 kms from the municipal limits, puts up a name-board of the firm in both premises and also in their respective residences. Choose the correct option-

- a) CA is guilty of misconduct as you can put the name plate in both office located at a distance of 50 kms from municipality.
- b) CA is not guilty of misconduct as there is no such time limit restriction present.
- c) CA is guilty of misconduct because of putting firm's sign board at residence. Distance given in the question is not relevant for deciding.
- d) CA is not guilty of misconduct as he has done everything within the limits of CA Act.

30. In which of the following cases exemption will not be granted to a member or a firm of Chartered Accountants in practice to have a second office without such second office being under the separate charge of a member of the Institute-

- a) the second office is located in the same premises, in which the first office is located
- b) the second office is located in the same city, in which the first office is located or,
- c) the second office is located within a distance of 50 km. from the municipal limits of a city, in which the first office is located.
- d) the second office is located within a distance of 100 km. from the municipal limits of a city, in which the first office is located.

31. Which of the following is not prescribed in the KYC Norms as approved by Council of ICAI?

- a) Company Identification No.
- b) Directors' Names & Addresses
- c) Directors' Identification No.
- d) Directors' specimen signatures

32. Which of the following is not a body for Disciplinary procedure of Code of Ethics?

- a) Director Discipline
- b) Board of Discipline
- c) Quality Review Board
- d) Appellate Authority

33. Choose the correct option-

- a) Any member aggrieved by order of Board or Disciplinary Committee can prefer an appeal within 90 days to Appellate Authority.
- b) Any member or Director (Discipline) aggrieved by order of Board or Disciplinary Committee can prefer an appeal within 60 days to Appellate Authority.
- c) Any member or Director (Discipline) aggrieved by order of Board or Appellate Authority can prefer an appeal within 60 days to Disciplinary Committee.
- d) Any member or Disciplinary Committee aggrieved by order of Board or Director (Discipline) can prefer an appeal within 90 days to Appellate Authority.

34. What can be the consequences to a member of ICAI guilty of misconduct under Second Schedule to CA Act-

- a) reprimand the member
- b) remove name of the member for any schedule

- c) impose fine upto Rs.5,00,000
- d) All of the above.

35. Which of the following may not be an offence that would fall under the category of Other Misconduct?

- a) Conviction by a competent court of law for any offence under Section 8 (v) of the Chartered Accountants Act 1949.
- b) Misappropriation by office-bearer of a Regional Council of the Institute, of a large amount and utilisation thereof for personal use.
- c) Not replying within a reasonable time and without a good cause to the letter of the public authorities.
- d) Offence of a technical nature committed by the member in his professional capacity

36. Which clause is intended to safeguard the public against unqualified accountant practicing under the cover of qualified accountants and ensures that the work of the accountant will be carried out by a Chartered Accountant who may be his partner, or his employee and would work under his control and supervision?

- a) Clause 1 Part III, First Schedule to CA Act
- b) Clause 1 Part II, Second Schedule to CA Act
- c) Clause 1 Part II, First Schedule to CA Act
- d) Clause 1 Part I, First Schedule to CA Act

37. The Council has prescribed [Regulation 53A(1) of the Chartered Accountants Regulations, 1988] certain professional bodies. Choose the incorrect option:-

- a) The Institute of Company Secretaries of India established under the Company Secretaries Act, 1980.
- b) The Institute of Cost & Works Accountants of India established under the Cost & Works Accountants Act, 1959.
- c) Indian Institute of Management
- d) Bar Council of India established under the Advocates Act, 1961.

38. Mr. Desi, Chartered Accountant in practice, died in a road accident. His widow proposes to sell the practice of her husband to Mr. Pardeshi, Chartered Accountant, for Rs. 5 lakhs. The price also includes right to use the firm name – Desi and Associates. Can widow of Desi sell the practice and can Mr. Pardeshi continue to practice in that name as a proprietor?

- a) widow of Desi can sell the practice but Mr. Pardeshi cannot continue to practice in that name as a proprietor.
- b) widow of Desi cannot sell the practice but Mr. Pardeshi can continue to practice in that name as a proprietor.
- c) widow of Desi cannot sell the practice and hence the act is not permissible.
- d) widow of Desi can sell the practice and hence the act is permissible.

39. Where a Chartered Accountant had engaged himself as a partner in two business firms and Managing Director in two Companies and was also holding Certificate of Practice without obtaining permission of the Institute. Held that he was guilty of professional misconduct inter alia under-

- a) Clause 4 and Clause 10 of Part I of First Schedule to CA Act
- b) Clause 4 and Clause 10 of Part I of Second Schedule to CA Act
- c) Clause 4 and Clause 11 of Part I of First Schedule to CA Act
- d) Clause 4 and Clause 11 of Part II of First Schedule to CA Act

40. The Respondent was a Taxation Advisor of a group of Companies. During search and seizure under Section 132 of The Income Tax Act, 1961 of the group and also of the Chartered Accountant, the Complainant found that the Respondent was colluding with this group in evasion of tax. The Respondent had signed two sets of financial statements of the same auditee, for the same financial year. The two financial statements showed different figures of contract receipts, net profits and balance sheet. He was grossly negligent in the conduct of his professional duties. The Respondent admitted that he was managing partner/partner in two partnership firms where there were other partners who were not Chartered Accountants. Held, the respondent is guilty under –

- a) Clause 4 of Part I of First Schedule and Clause 5,6,7 of Part I of Second Schedule to CA Act
- b) Clause 4 of Part I of First Schedule and Clause 5,6,7,8 of Part I of Second Schedule to CA Act
- c) Clause 4 of Part I of First Schedule and Clause 5,6,7 of Part II of Second Schedule to CA Act
- d) Clause 4, 5, 6 & 7 of Part I of First Schedule to CA Act

41. A Chartered Accountant wrote various letters to officers of different Army Canteens giving details about him and his experience, his partner & office and the norms for charging audit fees. He was held guilty for violation of-

- a) Clause 5 of Part I of First Schedule to CA Act
- b) Clause 6 of Part I of First Schedule to CA Act
- c) Clause 5 & 6 of Part I of First Schedule to CA Act

- d) Clause 5, 6, 7 of Part I of First Schedule to CA Act

42. As per the guideline issued by the Council of the Institute of Chartered Accountants of India, a member of the Institute in practice shall not respond to-

- a) any tender issued by an organization or user of professional services in areas of services
- b) any tender issued by an organization or user of professional services in areas of services which are exclusively reserved for chartered accountants,
- c) any tender issued by an organization or user of professional services where minimum fee of the assignment is prescribed in the tender document itself
- d) Where the areas are open to other professionals along with the Chartered Accountants.

43. Choose the most appropriate option among the following alternatives –

- a) An advertisement of Coaching /teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949.
- b) An advertisement of Coaching /teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949.
- c) An advertisement of Coaching /teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (7) of Part II of the First Schedule to the Chartered Accountants Act, 1949.
- d) An advertisement of Coaching /teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 and amounts to Other Misconduct.

44. Which of the following is not a means of solicitation under Clause 6 Part I of First Schedule to CA Act-

- a) advertisement
- b) circular
- c) visiting cards
- d) personal communication

45. It would not be proper for the Chartered Accountant to make roving enquiries by applying to any organization for having his name included in any panel maintained by the organisation. As a consequence CA will be held guilty under-

- a) Clause 5 of Part I of First Schedule to CA Act
- b) Clause 6 of Part I of First Schedule to CA Act
- c) Clause 7 of Part I of First Schedule to CA Act
- d) Clause 5, 6, 7 of Part I of First Schedule to CA Act

46. What is not allowed to be displayed in website of a CA in practice as per Council guidelines –

- a) Job vacancies for the Chartered Accountant/firm of Chartered Accountants (including article ship).
- b) No. of articled clerks. (to be displayable on specific “pull” request).
- c) Nature of assignments handled (to be displayable only on specific “pull” request).
- d) Names of clients and fee charged (to be displayable only on specific “pull” request)

47. What are not allowed to be displayed in website of a CA in practice as per Council guidelines –

- a) a link to the Website of ICAI, its Regional Councils and Branches and also the Website of Govt./Govt. Departments/Regulatory authorities/other Professional Bodies
- b) on line advice to their clients who specifically request for the advice whether free of charge or on payment.
- c) bulletin boards
- d) Display of photograph receiving award from chief Minister.

48. A member wrote a letter to a Company in standard format highlighting his expertise in sales tax matters and had requested for a draft of ` 200/- if his knowledge of the Sales tax matters has been found worthwhile. The member was found guilty in terms of –

- a) Clause 5 of Part I of First Schedule to CA Act
- b) Clause 6 of Part I of First Schedule to CA Act
- c) Clause 7 of Part I of First Schedule to CA Act
- d) Clause 5, 6, 7 of Part I of First Schedule to CA Act

49. M/s XYZ, a firm of Chartered Accountants created a website “www.xyzindia.com”. The website besides containing details of the firm and bio-data of the partners also contains the passport size photographs of all the partners of the firm. There is a violation of –

- a) Clause 5 of Part I of First Schedule to CA Act
- b) Clause 6 of Part I of First Schedule to CA Act
- c) Clause 7 of Part I of First Schedule to CA Act
- d) There is no violation.

50. Mr. X, a Chartered Accountant accepted his appointment as tax auditor of a firm under Section 44AB, of the Income-tax Act, and commenced the tax audit within two days of his appointment since the client was in a hurry to file Return of Income before the due date. After commencing the audit, Mr. X realised his mistake of accepting this tax audit without sending any communication to the previous tax auditor. In order to rectify his mistake, before signing the tax audit report, he sent a registered post to the previous auditor and obtained the postal acknowledgement. Mr. X is guilty under-

- a) Clause 7 of Part I of First Schedule to CA Act
- b) Clause 8 of Part I of First Schedule to CA Act
- c) Clause 9 of Part I of First Schedule to CA Act
- d) Clause 10 of Part I of First Schedule to CA Act

51. Which body is formed by ICAI to examine various ethical issues and safeguard the independence of Auditors?

- a) Quality Review Board
- b) Ethical Standards Board
- c) Director Discipline
- d) Board of Discipline

52. In which of the following case a professional cannot charge fees as a percentage of profits?

- a) In the case of a receiver or a liquidator, the fees may be based on a percentage of the realization or disbursement of the assets
- b) In the case of an auditor of a co-operative society, the fees may be based on a percentage of the paid up capital or the working capital or the gross or net income or profits
- c) In case of a project report work for one of its clients to obtain bank loan and charging fees as percentage of loan sanctioned
- d) In the case of a valuer for the purposes of direct taxes and duties, the fees may be based on a percentage of the value of property valued

53. For which of the following cases permission of ICAI is to be taken specifically?

- a) Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like.
- b) Part-time tutorship under the coaching organisation of the Institute.
- c) Office of managing director or a whole-time director of a body corporate within the meaning of the Companies Act, 1956
- d) Valuation of papers, acting as paper-setter, head-examiner or a moderator, for any examination

54. A chartered Accountant had offered to help Mr. Anand in disposing of odd lot share holding, sold them at much lower rate than he had sent of the Mr. Anand's notes etc. and the said chartered accountant was personally involved in the share transfer and broker's business besides his professional activities. He was guilty under-

- a) Clause 5 of Part I of First Schedule to CA Act
- b) Clause 10 of Part I of First Schedule to CA Act
- c) Clause 11 of Part I of First Schedule to CA Act
- d) Clause 12 of Part I of First Schedule to CA Act

55. Which assurance engagement standard is to be followed by CA in practice if he permits his name to be used in connection with an estimation of earnings contingent upon future transaction:

- a) SAE 3400
- b) SAE 4410
- c) SAE 3004
- d) SAE 4410

56. Mr. F was engaged in rendering some professional services to M/s XYZ Pvt. Ltd. for the first time. While conducting his professional work he discovered a tax fraud committed by client in previous year. Which of the following is correct in this context?



- a) There is no obligation to inform the tax authorities about taxation frauds as he was not directly related to such matter and is of previous year.
- b) Mr. F should report to the tax authorities because fraud has been committed by entity and it's the moral duty of Mr. F
- c) Mr. F is not the auditor of M/s XYZ Pvt Ltd hence he is not liable to report as it is the duty of the auditor.
- d) Mr. F should disclose the fact to management and to tax authorities.

57. M/s XYZ & co. is internal auditor of M/s Chintu Pvt. Ltd. M/s PQR were appointed as statutory auditor of the company. M/s PQR demanded working papers of M/s XYZ & Co. so that they can do their work on time and with ease.

- Which of the following is correct in the given context?
- a) M/s PQR can ask for working papers as they are statutory auditor and they have right to review the work of Internal auditor.
 - b) M/s XYZ are not bound to give their working paper as their property as per SA 230 and Clause 1 Part 1 II schedule.

58. Mr.P has just started his practice and is not having regular cash flows. He has an article trainee Mr. Chotu. He asked Mr. Chotu to take stipend in the month of cash flows with an interest for delay. Under which clause is the CA guilty?

- a) Clause 1 Part 2 II schedule
- b) Clause 2 Part 1 II schedule
- c) Clause 8 Part 2 II schedule
- d) None of the above.

59. What should be the ratio qualified and non-qualified member in a practicing firm engaged in audit work

- a) 1:5
- b) 2:5
- c) 3:5
- d) 1:15

60. Mr. A has been appointed statutory auditor of a private limited company where his spouses' sisters' husband is having 75% ownership. Which of the following statement is correct?

- a) Mr. A is qualified to be appointed as auditor.
- b) Mr. A is not qualified to be appointed as auditor.
- c) Mr. A is qualified to be appointed as auditor only after he takes prior approval from ICAI.
- d) None of the above.

S. No.	Answer	Reason
1.	(d) Insurance Financial Advisory services.	Ref Sec.-2(2) of CA Act
2.	(b) Disciplinary Committee	Misconduct under schedule II of the act is dealt by Disciplinary committee
3.	(b) Member is correct as using the sign board of firm at residence is not permissible.	Ref. Sec 27 of CA Act
4.	(c) Mr. Murali is not correct as the branch office is 49 kms away from municipal limits of main office and there is need to appoint another CA as separate in charge of the branch.	
5.	(b) Mr. Kumar is not correct as CA cannot exercise lien on clients document	Ref. ESB judgement: As per ESB judgment a CA cannot exercise lien on clients document.

even if it came on the will of client.

6.	(a) Yes	Ref- Council general guidelines- while counting limit of 60 only audit u/s 44AB to be considered.
7.	(b) Clause 7 part 1 II schedule	Mr. A acted in a grossly negligent manner
8.	(b) Mr. X is not guilty as the statements for internal use of management that are not to be circulated and are given purely in capacity of employee are not to be considered	
9.	(c) Mr. X is guilty of other misconduct under clause 2 part 4 of I schedule.	
10.	(b) Yash is guilty of misconduct as editorship of professional journals are allowed for non-professional journals separate permission is required to be taken.	
11.	(d) Competence.	
12.	(d) All of the above.	
13.	(c) A member who is in continuous practice for 5 years in India.	
14.	(d) None of the above.	
15.	(c) He cannot start practice for one year	[sec.8 -he has not attained the age of 21 years at the time of his application for the entry of his name in the Register]
16.	(d) All of the above.	
17.	(d) All of the above	
18.	(c) A fine upto Rs.1000/- can be imposed.	
19.	(a) Website opening in push mode	website should be in “pull” mode
20.	(d) Chartered accountants welfare association	
21.	(d) Cost Accountant.	
22.	(a) Editorship of professional Journal.	
23.	(c) Liquidator	
24.	(c) Professional competency and Due care	

- 25.** (a) Promoting shares in a listed entity when that entity is a financial statement audit client.
- 26.** (c) who has not paid any prescribed fee required to be paid by him
- 27.** (a) to appear before the various authorities including Company Law Board, Income Tax Appellate Tribunal, Sales Tax Tribunal where the law has permitted the same, so far as the designation "Corporate Lawyer" is concerned
- 28.** (d) Before commencement of every winter it shall be obligatory on the member/firm to inform the Institute that he/it is opening the temporary office from a particular date
- 29.** (c) CA is guilty of misconduct because of putting firm's sign board at residence. Distance given in the question is not relevant for deciding.
- 30.** (d) the second office is located within a distance of 100 km. from the municipal limits of a city, in which the first office is located
- 31.** (d) Directors' specimen signatures
- 32.** (c) Quality Review Board
- 33.** (a) Any member aggrieved by order of Board or Disciplinary Committee can prefer an appeal within 90 days to Appellate Authority.
- 34.** (d) All of the above.
- 35.** (d) Offence of a technical nature committed by the member in his professional capacity
- 36.** (d) Clause 1 Part I, First Schedule to CA Act
- 37.** (c) Indian Institute of Management
- 38.** (d) widow of Desi can sell the practice and hence the act is permissible.
- 39.** (c) Clause 4 and Clause 11 of Part I of

First Schedule to CA Act	
40.	(a) Clause 4 of Part I of First Schedule and Clause 5,6,7 of Part I of Second Schedule to CA Act
41.	(c) Clause 5 & 6 of Part I of First Schedule to CA Act
42.	(b) any tender issued by an organization or user of professional services in areas of services which are exclusively reserved for chartered accountants,
43.	(a) An advertisement of Coaching /teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949
44.	(c) visiting cards
45.	(b) Clause 6 of Part I of First Schedule to CA Act
46.	(d) Names of clients and fee charged (to be displayable only on specific “pull” request
47.	(d) Display of photograph receiving award from chief Minister
48.	(b) Clause 6 of Part I of First Schedule to CA Act
49.	(d) There is no violation.
50.	(b) Clause 8 of Part I of First Schedule to CA Act
51.	(b) Ethical Standards Board
52.	(c) In case of a project report work for one of its clients to obtain bank loan and charging fees as percentage of loan sanctioned
53.	(c) Office of managing director or a whole-time director of a body corporate within the meaning of the Companies Act, 1956

54.	(c) Clause 11 of Part I of First Schedule to CA Act	
55.	(a) SAE 3400	
56.	(a) There is no obligation to inform the tax authorities about taxation frauds as he was not directly related to such matter and is of previous year.	Ref: Clause 1 Part 1 II schedule
57.	(b) M/s XYZ are not bound to give their working paper as their property as per SA 230 and Clause 1 Part 1 II schedule	
58.	(a) Clause 1 Part 2 II schedule	Since it's a violation of the regulations of the CA Act.
59.	(a) 1:5	Ref: Self-regulatory measures by council
60.	(a) Mr. A is qualified to be appointed as auditor.	Ref: Mr. A is qualified to be appointed as auditor as spouses' sisters' husband is not covered under the definition as per AS 18

- 1.** XYZ Ltd, a listed co., which has registered office in Mumbai wants to shifts its books of accounts from Mumbai to Kathmandu, where its majority of director lives. State the resolution which is required to shifts its books of accounts?
- (a) Board resolution in Board Meeting
 - (b) Unanimous resolution in board meeting
 - (c) Special resolution in general meeting
 - (d) None of the above
- 2.** PQR Ltd., a listed co., which runs its business from 9 p.m. to 10a.m.in the morning, director of its wants to inspect the books of accounts of co. which is located in Nagpur. But they have doubt about the time during which it can inspect books of accounts. Assist them to know about the timing of inspection of books of accounts?
- (a) Any time
 - (b) Before sunset
 - (c) Business hours
 - (d) None of the above
- 3.** Who among the following have the authority to inspect the books of accounts?
- (a) Directors
 - (b) Members
 - (c) Officer of Sebi
 - (d) Both (a) and (c)
 - (e) All the above
- 4.** ABC Ltd maintain its books of accounts in Africa. The director of the company wants to inspect the books of accounts. Which of the following options is correct?
- (a) Company shall send the copies of books within 15 days.
 - (b) Company shall send the copies of books within reasonable time.
 - (c) Company is entitled to refuse the directors to inspect the books.
- 5.** ABC Ltd, a listed co., which is running its business from 1992.The secretary of the company wants to know the duration during which they are required to maintain the financial statements of co.?
- (a) 8 years
 - (b) 5Years
 - (c) 10 years
 - (d) None of the above
- 6.** Which of the following statements is incorrect?
- (a) One person co. whose turnover is greater than 10 crore are required to maintained cash flow statements.
 - (b) whole time director who is in charge of finance are required to maintain books of accounts.
 - (c) Financial statements also include any explanatory notes forming part of financial statements.
 - (d) All of the above

7. ABC Ltd, a listed co., which has 5 subsidiaries in India, are required to attach salient features of subsidiaries in separate form. State the form in which they are required to attach features of subsidiaries?

- (a) AOC-3
- (b) AOC-1
- (c) AOC-2
- (d) None of the above

8. ABC Ltd., a listed company, has one subsidiary and it is also a wholly owned subsidiary of XYZ Ltd. what are the circumstances under which company is not required to prepare consolidated financial statements?

- (a) If co. inform all its members in writing and no members have objected to the same.
- (b) If its ultimate holding company file consolidated financial statement with registrar.
- (c) None of the above.
- (d) Both (A) and (B).

9. Who among the following are entitled to inspect the financial statements?

- (a) Directors
- (b) Members
- (c) Officer of Sebi
- (d) Both (a) and (c)
- (e) All the above

10. The financial statement of the company does not comply with the Accounting Standards. The penalty for the above contravention is

- (a) Fine ranging from 50000 rs to 5,00000 Rs.
- (b) Fine ranging from Rs 50,000 to 5,00,000 or upto 1 year imprisonment or both.
- (c) Fine ranging from Rs 50,000 to 5,00,000 and upto 1 year imprisonment..
- (d) Fine ranging from Rs 1,00,000 to 5,00,000 and upto 2 years imprisonment.

11. Ram, CA in Practice who has his sole proprietorship is guilty of professional misconduct. NFRA has the power to impose penalty as under

- (a) Minimum 1 lakh Rs which may extend upto 5 times of fees received.
- (b) Minimum 1 lakh Rs which may extend upto 5 times of fees received and power to debar the member for a period of 10 years.
- (c) Minimum 5 lakh Rs which may extend Upto 10 times of fees received and power to debar the member for a period of 10 years.
- (d) NFRA does not have any power to impose penalty on Chartered Accountants.

12. PNC Ltd, a firm of Chartered Accountants is found guilty of negligence under clause 7 of Part 1 of First Schedule of the Chartered Accountants Act, 1949. NFRA has the power to impose penalty as under

- (a) Minimum 1 lakh Rs which may extend upto 5 times of fees received.
- (b) Minimum 1 lakh Rs which may extend upto 5 times of fees received and power to debar the member for a period of 10 years.
- (c) Minimum 5 lakh Rs which may extend Upto 10 times of fees received and power to debar the member for a period of 10 years.
- (d) NFRA does not have any power to impose penalty on Chartered Accountants.

13. Financial statements of ABC Ltd for the last 5 years are made not in compliance with the financial statements. The Management wants to revise the financial statements. Which of the following statement is correct?

- (a) Company can revise its financial statements for last 3 years by applying to ROC.
- (b) Company can revise its financial statements for any of the last 3 years by applying to ROC.
- (c) Company can revise its financial statements for last 3 years by applying to Tribunal.
- (d) Company can revise its financial statements for any of the last 3 years by applying to Tribunal.

14. The financial statements of the company shall be authenticated by

- (a) Chief executive officers even he is not the director
- (b) Chief financial officer only if he is director.
- (c) Chairperson only if he is authorized by the board.
- (d) All of the above

15. Which among of the following is not a part of director responsibility statement?

- (a) To ensure the proper conduct of Board Meetings.
- (b) That directors have prepared annual accounts on going concern basis
- (c) Directors have devised proper system to compliance with provisions of all applicable laws.
- (d) None of the above

16. Company has not disclosed about material frauds that has happened in the company in its Board Report. The penalty for the officers in default for the contravention shall be

- (a) Fine ranging from Rs 50,000 to 5,00,000 or upto 3 years imprisonment or both.
- (b) Fine ranging from Rs 50,000 to 5,00,000 ans upto 3 years imprisonment .
- (c) Fine ranging from Rs 50,000 to 5,00,000 or upto 1 years imprisonment or both.
- (d) Fine ranging from Rs 50,000 to 5,00,000 and upto 1 years imprisonment or both.

17. A listed company is having a networth of Rs 495 crore, Net Profit of Rs 3 crores and Turnover of 990 crores in the Financial Year 2016-2017. Which of the following statement is correct?

- (a) CSR is applicable in FY 2017-18 being a listed company.
- (b) CSR is applicable in FY 2016- 17 and 2017-18 being a listed company.
- (c) CSR is not applicable.

18. ABC Co is a Non Profitable organization and has a Turnover of 1100 crores in FY 2017-18. Which of the following statement is correct regarding the applicability of CSR?

- (a) CSR is applicable.
- (b) CSR is not applicable being a Section 8 company.

19. Which among of the following is not a part of CSR activities?

- (a) Contribution toward welfare of minorities.
- (b) Contribution toward setting up public libraries
- (c) Salary paid to regular CSR staff of company

- (d) All of the above
- (e) None of the above

20. Which of the following company is exempted to file financial statement in e-form AOC-4 to the ROC?

- (a) Awaas ltd a housing finance company having turnover of 500 crore rupees
- (b) Sarvsuraksha ltd, a insurance co., having turnover of 305 crore
- (c) Akash ltd. having turnover of 5 crore rupees
- (d) All of the above
- (e) none of the above

21. The AGM of ABC Ltd is Scheduled at May, 2019. However , the company makes a default and does not conduct AGM at all. Which of the following statement is incorrect?

- (a) Company is not required to file the financial statements as per Section 137 to ROC since the AGM is not held.
- (b) Company is required to file financial statements to ROC whenever the AGM is held.
- (c) Company is required to file financial statements to ROC within 30 days from the last day in which AGM should have been held.

22. ABC Ltd. Has a networth of Rs 1 crores and Turnover of Rs 10 crore . Whether they have the option to circulate the Financial statements in electronic mode?

- (a) Yes
- (b) No

23. ABC Ltd. Which is listed on the stock exchange Has a networth of Rs 1 crores and Turnover of Rs 10 crore . Whether they have the option to circulate the Financial statements in electronic mode?

- (a) Yes
- (b) No

24. State among the following which is required to comply for compliance of provisions of sec. 138?

- (a) Public Co. which has paid up share capital of 100 crore.
- (b) An Unlisted public Co. which has turnover of 100 crore.
- (c) A listed public co. which has outstanding deposits of 20 crore
- (d) All of the above
- (e) None of the above

25. Which among the following statement is incorrect?

- (a) Internal auditor can be a company secretary.
- (b) Internal auditor can be employee of company
- (c) Internal Auditor can be an Statuary Auditor
- (d) All of the above

26. ABC ltd, a nonprofit organization, are required circulate copies of audited financial statements to its members and trustees. What is the time limit during which this is required to be circulated among the members?

- (a) At least 7 days before meeting.

- (b) At least 14 days before meeting
- (c) At least 21 days before meeting
- (d) At least 30 days before meeting

27. Which is included in books and papers as per sec 2(12)?

- (a) all sums of money received and expended
- (b) all assets and liabilities of company
- (c) statement of sales and purchases of goods and services
- (d) All of the above
- (e) None of the above

28. Which authority has the power to prescribe accounting standards?

- (a) NFRA
- (b) ICAI
- (c) CG

29. Which section confers powers to members to inspect the financial statements?

- (a) Section 128
- (b) Section 129
- (c) Section 136
- (d) Members do not have the power to inspect the financial statements.

30. Which of the following are functions of NFRA?

- (a) laying down accounting and auditing standards.
- (b) making recommendations to the CG for laying down accounting and auditing standards.**
- (c) To give relief to the members from oppression and mismanagement.

S. No.	Answer	Reason
1.	(a) Board resolution in Board Meeting	As per Section 128, BOD are required to intimate to ROC within 7 days of passing Board Resolution.
2.	(c) Business hours	As per Section 128 of the Companies Act 2013, Directors are allowed to inspect books of account of the company in business hours.
3.	(d) Both (a) and (c)	The members have not been conferred the power to inspect Books of Accounts.
4.	(a) Company shall send the copies of books within 15 days.	As per Section 128 read with Companies (Accounts) Rules, 2014, if books of accounts are maintained outside India, the directors can furnish a written request and the company is required to furnish books within 15 days.

5.	(a) 8 years	
6.	(a) One person co. whose turnover is greater than 10 crore are required to maintained cash flow statements.	
7.	(b) AOC-1	
8.	(d) Both (A) and (B).	
9.	(e) All the above	
10.	(b) Fine ranging from Rs 50,000 to 5,00,000 or upto 1 year imprisonment or both.	
11.	(b) Minimum 1 lakh Rs which may extend upto 5 times of fees received and power to debar the member for a period of 10 years.	Refer Section 132.
12.	(c) Minimum 5 lakh Rs which may extend upto 10 times of fees received and power to debar the member for a period of 10 years.	Refer Section 132
13.	(d) Company can revise its financial statements for any of the last 3 years by applying to Tribunal.	Refer section 130.
14.	(c) Chairperson only if he is authorized by the board.	Refer Section 134
15.	(a) To ensure the proper conduct of Board Meetings.	Refer Section 134.
16.	(a) Fine ranging from Rs 50,000 to 5,00,000 or upto 3 years imprisonment or both.	Refer Section 134.
17.	(c) CSR is not applicable.	As per Section 135 CSR is applicable to any company exceeding the prescribed limits. The word listed company is not used.
18.	(a) CSR is applicable.	As per clarification issued , CSR is also applicable to Section 8 Companies as Section 8 Companies are not specifically excluded from CSR.

19.	(e) None of the above	
20.	(d) All of the above	Refer XBRL Rules.
21.	(c) Company is required to file financial statements to ROC within 30 days from the last day in which AGM should have been held.	Refer Section 137
22.	(b) No	As per Rule 11(Section 136), Listed companies and all public companies having net worth of more than one crore rupees and turnover of more than ten crore rupees may send the financial statements in electronic mode.
23.	(a) Yes	As per Rule 11(Section 136), Listed companies and all public companies having net worth of more than one crore rupees and turnover of more than ten crore rupees may send the financial statements in electronic mode.
24.	(d) All of the above	
25.	(c) Internal Auditor can be an Statuary Auditor	
26.	(b) At least 14 days before meeting	Refer Section 136
27.	(d) All of the above	
28.	(c) CG	Refer Section 133.
29.	(c) Section 136	
30.	(b) making recommendations to the CG for laying down accounting and auditing standards.	Refer Section 132.

- 1.** Audit Risk means the risk that the auditor gives inappropriate audit opinion when -
a) Financial statements are affected by material facts
b) Financial statements do not give true and fair view
c) Financial statements do not present fairly
d) Financial statements are materially misstated
- 2.** Components of Internal Control Structure are -
a) Control Activities
b) Entity risk assessment procedure
c) Accounting System
d) All of the above
- 3.** Internal Controls is a process designed implemented and maintained by TCWG, management and other personnel to give -
a) Moderate assurance
b) Reasonable but not high level of assurance
c) High level of assurance
d) Reasonable assurance
- 4.** The nature of the internal control system is -
a) Set of internally generated policies and procedures adopted by the management as a prerequisite
b) Maintaining adequate internal control by auditor to size and nature of business
c) All of the above
d) None of the above
- 5.** The scope of internal controls comprise of -
a) Safeguarding of assets, prevention and detection of fraud and errors and accuracy and completeness of accounting and timely preparation of reliable financial information
b) Policy appraisal, production method, time & motion study etc.
c) Both of above
d) None of above
- 6.** Segregation of duties includes -
a) To minimize the occurrence of fraud and errors
b) Considering the cost and efficacy
c) None of above
d) (a) and (b)
- 7.** Control environment includes -
a) Management philosophy
b) Participation by Employees
c) Managements policies and procedures
d) All the above
- 8.** Risks relevant to financial reporting includes -
a) External and internal events
b) Circumstances that adversely affect entity's ability to initiate
c) Records, process and report financial data consistent with the assertions of management in the financial statement.
d) All the above
- 9.** Risk can arise due to -
a) Expanded foreign operations
b) Limitation in the scope of internal control

- c) Inadequate experience
- d) Lack of independence of Auditor

10. Control activities that may be relevant to audit may be categorized that pertains to –

- a) Information processing
- b) Control environment
- c) Control procedure
- d) All the above

11. Effectiveness and efficient system of internal check depends upon –

- a) Appraisal
- b) Standardisation
- c) None of above
- d) (a) and (b) both

12. In internal control questionnaire the weakness is highlighted by –

- a) No
- b) Yes
- c) Not applicable
- d) None of above

13. In checklist the weakness is highlighted by –

- a) No
- b) Yes
- c) Not Applicable
- d) None of the above

14. The relation between inherent risk and control risk is –

- a) Direct
- b) Inverse
- c) None of the above

15. Inherent and control risk combined results in –

- a) Risk of material facts
- b) Error and fraud
- c) Risk of material misstatement
- d) Insufficient audit evidence

16. Test of controls include –

- a) Observation/Substantive procedures
- b) Re – performance/Inquiries (any option)
- c) Analytical procedures
- d) (a) and (b) both

17. Relation between inherent risk and detection risk is –

- a) Direct
- b) Inverse
- c) None of the above

18. Which is not the stage in risk based audit.

- a) Understanding the auditee operations.
- b) Determining and managing residual risk.
- c) Reporting to auditee.

- d) Making an audit plan

19. Factors to be evaluated to assess inherent risk at level of financial statements.

- a) Integrity of management
- b) Unusual pressure on management
- c) A & b both
- d) None of above

20. Objective of internal check is.

- a) To detect error and fraud with ease.
- b) To avoid and minimize the possibility of commission of error and fraud
- c) To prevent and avoid misappropriation of cash.
- d) All of above

S. No.	Answer	Reason
1.	(d) Financial statements are materially misstated	
2.	(c) Accounting System	
3.	(d) Reasonable assurance	
4.	(a) Set of internally generated policies and procedures adopted by the management as a prerequisite	
5.	(c) Both of above	
6.	(d) (a) and (b)	
7.	(a) Management philosophy	
8.	(d) All the above	
9.	(a) Expanded foreign operations	
10.	(a) Information processing	
11.	(d) (a) and (b) both	
12.	(b) Yes	
13.	(a) No	

- | | |
|-----|---|
| 14. | (a) Direct |
| 15. | (c) Risk of material misstatement |
| 16. | (b) Re – performance/Inquiries (any option) |
| 17. | (b) Inverse |
| 18. | (d) Making an audit plan |
| 19. | (c) A & b both |
| 20. | (d) All of above |

- 1.** Apart from adopting conventional audit procedures, what are the other auditing techniques to employ for conducting statutory audit?
- Vouching
 - Analytical Procedure
 - Casting
 - Posting
- 2.** Which technique provides evidence to evaluate the effectiveness of the controls design and confirm that the controls have been placed in operation?
- Walk through test
 - Cut off Procedure
 - None of the above
- 3.** Audit Planning is a _____ phase
- Discrete
 - Iterative
 - Continual and discrete
 - Continual and Iterative
- 4.** Auditor needs to modify overall audit strategy due to:
- Results of expected events
 - No changes in conditions
 - Audit Evidence Obtained from the results of Audit procedures
 - None of above
- 5.** The Auditor shall document:-
- Results of unexpected events
 - Changes in conditions
 - Overall Audit Strategy
 - All of the above
- 6.** To design audit approach to achieve necessary audit assurance at the lowest cost is –
- Audit Plan
 - Audit Programme
 - Audit Strategy
 - None of the above
- 7.** Factors to evaluate to assess the inherent risk at the financial level includes –
- Degree of judgement involved
 - Management Experience
 - Quality of Accounting System
 - (a) and (c) of above
- 8.** Reviewing the earlier audit programme is essential if –
- Experience gained in previous audit
 - Important changes in Internal control
 - None of above
 - (a) and (b) both
- 9.** Overall Audit Strategy and Audit plan is responsibility of –
- Management
 - Auditor
 - Both of above

- d) None of above

10. Audit plan starts from –

- a) Start from previous audit till completion of previous audit.
- b) Completion from previous audit till completion of current audit
- c) Completion from previous audit till start of current audit
- d) Start of current audit till completion of current audit

11. Adequate planning benefits in the audit of financial statements is described as under –

- a) Appropriate levels of capabilities and competence of engagement team
- b) Reviewing the work of engagement team
- c) Identifying and resolving potential problems on timely basis
- d) All of the above

12. Nature of planning vary according to –

- a) Current Experience
- b) Change in Environment
- c) (a) and (b) both
- d) None of above

13. Following activities are taken at the beginning of the current audit engagement-

- a) Continuance of client relationship in combined reading of SA 220 and SQC 1
- b) Compliance with Ethical Requirements
- c) Understanding the terms of engagement
- d) All the above

14. The auditor develop an audit plan that shall include a description of –

- a) Planned audit procedures in compliance with SA's
- b) Size and Complexity of Auditee
- c) Elements as described with entity's management
- d) None of the above

15. Overall Audit strategy involve

- a) Identifying the scope of engagement
- b) Timely resolution of Problems
- c) Attention to Important areas
- d) All of the above

16. Benefits of Overall Audit strategy includes –

- a) Employment of Quantity Resources (quality of resources)
- b) Allocation of Quantity Resources
- c) Timing of Deployment of Resources
- d) All of the above

17. Audit Programme considers following –

- a) Accounting and Management policies
- b) System of internal control and accounting procedures
- c) None of above
- d) (a) and (b) both

18. Major sources of obtaining information about the client's business are .

- a. Annual reports circulated to share holders
- b. Working papers of previous year.
- c. Minutes of meeting , policy and procedure manuals of client

d. All of above

19. Specific factors of audit strategy for online shopping

- a) Nature of transaction significant to fin. Statement
- b) Controls used to record non recurring transactions.
- c) System by which the information system capture events and conditions
- d) All of above.

20. Factors to be considered in development of overall audit plan are.

- a) Accounting policies adopted by client
- b) Nature and extent of audit evidence to be obtained.
- c) Identification of significant areas.
- d) All of above

21. Objective of audit planning does not include

- a) Facilitate review
- b) Identity potential problems
- c) Reporting on internal control deficiencies
- d) Assist in proper assignment of work

S. No.	Answer	Reason
1.	(b) Analytical Procedure	
2.	(a) Walk through test	
3.	(d) Continual and Iterative	
4.	(c) Audit Evidence Obtained from the results of Audit procedures	
5.	(c) Overall Audit Strategy	
6.	(c) Audit Strategy	
7.	(b) Management Experience	
8.	(d) (a) and (b) both	

9.	(b) Auditor
10.	(b) Completion from previous audit till completion of current audit
11.	(d) All of the above
12.	(b) Change in Environment
13.	(d) All the above
14.	(a) Planned audit procedures in compliance with SA's
15.	(a) Identifying the scope of engagement
16.	(c) Timing of Deployment of Resources
17.	(d) (a) and (b) both
18.	(d) All of above
19.	(d) All of above
20.	(d) All of above
21.	(c) Reporting on internal control deficiencies

1. Under which type of market pay in and pay out takes place on the same day.

- a) Auction market
- b) Spot market
- c) Odd lot market
- d) Normal market

2. This type of margin is calculated where it is felt that margin cover vis-a-vis the exposure of the member is inadequate.

- a) Mark to market margin.
- b) Volatility margin
- c) Special margin
- d) Ad hoc margin

3. is a document through which a contractual obligation is established between a member and a client.

- a) Sauda book
- b) Contract notes
- c) Both of above
- d) None of above

4. Rolling settlement period , at present is ...

- a) T + 5 days
- b) T+ 3 days
- c) T+ 2 days
- d) T + 7 days

5. Sauda book contains details of...

- a) Members own business on the exchange.
- b) Members business on the exchange on behalf of clients.
- c) Members business with the clients on principal to principal basis.
- d) All of above

6. Contract notes should be issued within..... hours of the trade execution.

- a) 12 hours
- b) 24 hours
- c) 48 hours
- d) 7 days

7. Contact notes includes.

- a) Sebi registration number
- b) Brokerage shown separately.
- c) Appropriate stamps.
- d) All of above

8. Circuit filters is applied on scrips traded in rolling settlement if their price fluctuates more than % of closing price of scrip on prev. Day.

- a) 5
- b) 15
- c) 10
- d) 2

9. Duration of Trading halt shall be....., if index movement is 20 % on any particular day.

- a) 15 min
- b) 45 min
- c) 1 hr 45 min
- d) Entire remaining period day

10. Demat securities belonging to the members for their own accounts are held in which account.

- a) Pool account
- b) Beneficiary account
- c) Both accounts
- d) None of above

11. Demat securities of the clients are temporary lodged in this account.

- a) Pool account
- b) Beneficiary account

12. This margin is computed to cover the notional loss, which a member would incur if position is closed out at closing price of relevant trading day.

- a) Volatility margin
- b) Gross exposure margin
- c) Mark to market margin
- d) Ad hoc margin

13. The facility used for limited physical market and where price and quantity should tally with each other for order matching. This is which type of market for members of Stock Exchange?

- a) Odd Lot Market
- b) Spot Market
- c) Auction Market
- d) Normal Market

14. The _____ book contains all orders that have either All or None attributes or conditions or Minimum Fill attributes or conditions.

- a) Regular Lot Book
- b) Special Term Book

- c) Spot Book
- d) Odd Lot Book

15. Mr. Rakesh wants to be appointed as an Auditor of Mutual Fund. He has doubt as to who shall appoint him. The appointment shall be made by _____.

- a) Board of Directors
- b) Members
- c) Trustees
- d) SEBI

16. For the purposes of the financial statements, mutual funds shall mark all investments to market and carry investments in the balance sheet at _____.

- a) Market Value
- b) Fair Value
- c) Book Value
- d) Mutually decided Value

17. What are the aspects to be considered to enumerate the main areas to be dealt over Environmental Audit.

- i) Emergency Safety Arrangements
 - ii) Compliance with Regulatory Mechanism
 - iii) Medical Facilities
 - iv) Occupational Health
- a) iii) iv)
 - b) iv)
 - c) ii) iii)
 - d) ii) iii) iv)

18. The energy auditor is normally expected to give recommendations on efficiency improvements leading to monetary benefits and also advise on energy management issues. State which of the following is/are the key function(s) of the energy auditor:

- i) Highlight areas that need attention for detailed investigations.
 - ii) Reviewing energy procurement practices.
 - iii) Data collection and analysis.
 - iv) Advise and check the compliance of the organisation for policy and regulation aspects.
- a) ii) iii) iv)
 - b) ii) iv)
 - c) ii) iii) iv)
 - d) iv)

S. No.	Answer	Reason
1.	(b) Spot market	
2.	(d) Ad hoc margin	

3. (b) Contract notes

4. (c) T+ 2 days

5. (d) All of above

6. (b) 24 hours

7. (d) All of above

8. (c) 10

9. (d) Entire remaining period day

10. (b) Beneficiary account

11. (a) Pool account

12. (c) Mark to market margin

13. (a) Odd Lot Market

14. (b) Special Term Book

15. (c) Trustees

16. (a) Market Value

17. (d) ii) iii) iv)

18. (c) ii) iii) iv)

1. PXL Ltd is a public company having Rs. 40 lakhs paid up capital in previous year which raised Rs. 60 lakhs in current year under audit. The company had turnover of previous three consecutive financial years being Rs. 49 crores, 145 crores and 150 crores. During the previous year, the company borrowed a loan from Public financial institution of Rs. 110 crores but squared up Rs. 20 crores by the year end.

The Company does not have any internal audit system. In the view of manange, internal audit is not mandatory.

- a) Contention of management is correct
- b) Contention of management is not correct
- c) It is not mandatory for public comapies to conduct internal audit
- d) Can't say in the above situation

2. Under which approach the auditor discusses the ideas for improvements with those managers that have to implement them and develops friendly attitude.

- a) Constructive criticism
- b) Participative approach
- c) Dominance Approach
- d) Resistance to change Approach

3. Which of the following is the not correct to decide as to whether when management audit is needed.

- a) For detecting and overcoming current problems
- b) Tool to accomplish objectives
- c) Helpful for PSUs
- d) Providing information and appraisal of activities

4. In the task of _____, an operational auditor is heavily dependant upon availability of acceptable standards and he is not expected to possess technical background in so many diverse technical fields.

- a) Appraisal of Objectives and Plans
- b) Appraisal of Controls
- c) Evaluation of Performance
- d) Appraisal of Organizational Structure

5. Which of the following is not one of the types of operational audits?

- a) Audit of payroll function
- b) Audit of expenses done unnecessarily
- c) Audit of organizational units
- d) Investigating possibility of fraud in a division

6. In the situations where it is deemed advisable to inform management of significant developments during the course of the audit or at least preceding the release of the main report is which type of management audit report from the following?

- a) Interim Written Report
- b) Summary Written Report
- c) Oral Report
- d) Regular Written Report

7. State which of the following is correct?

- a) Internal auditing may be regarded as merely an extension of Operational auditing into internal control areas
- b) Operational auditing may be regarded as merely an extension of Internal auditing into operational areas
- c) Internal audit and operational audit are complementary and supplementary to each other
- d) There is no relationship between Internal auditing and operational auditing

S. No.	Answer	Reason
1.	(b) Contention of management is not correct	
2.	(b) Participative approach	
3.	(d) Providing information and appraisal of activities	
4.	(c) Evaluation of Performance	
5.	(b) Audit of expenses done unnecessarily	
6.	(a) Interim Written Report	
7.	(b) Operational auditing may be regarded as merely an extension of Internal auditing into operational areas	

- 1.** The report to the Central Government in case of reporting on fraud for amount Rs. 1 Crore or more shall be in the form of a statement as specified in _____.
 a) Form ADT 2
 b) Form ADT 4
 c) Form ADT 5
 d) Form ADT 3
- 2.** State which of the following is Non-Statutory type of Investigation.
 a) Investigation of ownership of a company
 b) Investigation by inspector through an order of the Central Government
 c) Investigation into frauds of the company
 d) Investigation by Serious Fraud Investigation Office
- 3.** Which of the following is not related to fraud by operational level employees?
 a) Cash misappropriation
 b) Teeming and lading
 c) Payroll fraud
 d) Advance Billing
- 4.** The purpose of _____ is to assist the purchaser or the investor in finding out all the reasonably can about the business he is acquiring or investing in prior to completion of the transaction including its critical success factors as well as its strength and weaknesses.
 a) Investigation
 b) Due Diligence
 c) Audit
 d) Assessment
- 5.** In assessing the turnover which the business would be able to maintain in the future, which of the following factors should be taken into account?
 i) Political Considerations
 ii) Competition
 iii) Economical Considerations
 iv) Marketability
 a) ii) iv)
 b) iii) iv)
 c) ii) iii) iv)
 d) iv)
- 6.** What are the areas where due diligence can take place?
 a) Information System Due Diligence
 b) Legal Due Diligence
 c) Personnel Due Diligence
 d) All of the Above

7. Audit is mainly concerned with _____ evidence.

- a) Conclusive
- b) Referral
- c) Prima facie
- d) Structural

8. Who can be appointed as Inspector to conduct Investigation under Companies Act, 2013?

- a) A firm
- b) An Individual
- c) A Body Corporate
- d) All of the above

9. Factors to be considered in assessing future maintainable turnover.

- i. Trend
 - ii. Marketability
 - iii. Competition
 - iv. Political and economic considerations
- a) i , ii , iii , iv
 - b) ii , iv
 - c) i , ii , iii
 - d) None of above

10. Overvalued assets includes.

- a) Assets under litigation
- b) Intangible of no value
- c) Uncollected receivables
- d) All of above

11. To evaluate whether proposed merger would create operational synergies . Area in which due diligence can take place is.....

- a) Financial due diligence
- b) Operational / commercial due diligence
- c) Tax due diligence
- d) Legal due diligence

12. Outcome of investigation is reported to...

- a) Share holders of company
- b) Directors of company
- c) Person (s) on whose behalf investigation is carried out
- d) Auditors of company

13. Under investigation we seek..... type of evidence.

- a) Conclusive

- b) Prima facie
- c) Reasonable
- d) Any of above

14. The scope of investigation may be governed by statute or it may be non statutory.

- a) True
- b) False

15. Central government may order investigation u/s 210, on the circumstances.

- a) On receipt of report of the registrar u/s 208
- b) In public interest
- c) Intimation of special resolution passed by the company.
- d) All of above

S. No.	Answer	Reason
1.	(b) Form ADT 4	
2.	(c) Investigation into frauds of the company	
3.	(d) Advance Billing	
4.	(b) Due Diligence	
5.	(c) ii, iii, iv	
6.	(d) All of the Above	
7.	(c) Prima facie	
8.	(b) An Individual	
9.	(a) i, ii, iii, iv	
10.	(d) All of above	
11.	(b) Operational / commercial due diligence	
12.	(C) Person(s) on whose behalf investigation is carried out	
13.	(a) Conclusive	
14.	(a) True	
15.	(d) All of above	

- 1.** Entities which have raised funds from public or banks or financial institutions of over Rs 50 crores during the period, has to apply for peer review -
- Once in 3 years
 - Once in 4 years
 - Once in 5 years
 - Not applicable
- 2.** When the P.U selects one out of 3 reviewer, has to intimidate board within
- 15 days
 - 10 days
 - 30 days
 - 7 days
- 3.** When P.U apply to the board voluntarily, board shall act upon same within-
- 30 days
 - 60 days
 - 7 days
 - 15 days
- 4.** P.U which are central statutory auditors of insurance companies. Peer review is applicable -
- Once in 3 years
 - Once in 4 years
 - Once in 5 years
 - Not applicable
- 5.** For being eligible to be peer reviewer, a peer reviewer shall be a member for atleast years of experience in practice.
- 15 years
 - 5 years
 - 3 years
 - 10 years
- 6.** Peer review board shall consist maximum of..... members appointed by council.
- 20 members
 - 10 members
 - 5 members
 - 12 members.
- 7.** Tenure of members of peer review board shall be -
- 2 years
 - 1 year

- c) 3 years
- d) 5 years

8. Under which stage, preliminary reports is submitted by reviewer -

- a) Selection of P.U
- b) Planning stage
- c) Execution stage
- d) Reporting stage

9. P.U has to respond and send its representations, within days from the receipt of preliminary report.

- a) 10 days
- b) 15 days
- c) 7 days
- d) 30 days

10. Assurance services not include which of the following.

- a) Management consultancy engagement
- b) Engagement of due diligence
- c) Accepting deposits from client
- d) Testifying as an expert witness.

11. Technical, Professional and Ethical Standards issued by ICAI includes.

- a) Engagement standard
- b) Statement
- c) Guidance notes
- d) All of the above

12. Primary objective of peer review is not to find our deficiencies but to improve the quality of services rendered by members. Is this statement correct

- a) True
- b) False

13. Scope of peer review includes.

- a) quality of reporting
- b) compliance with technical professional and ethical standards
- c) both
- d) none of above

14. Statutory auditors of entities having net worth of over 5 crore and annual turnover of more than 50 crore during period under review. Peer review is required to be conducted

- a) once in 3 years

- b) once in 4 years
- c) once in 5 years
- d) not applicable

15. Statutory auditors of asset management companies or mutual funds are required to get there peer review done

- a) once in 3 years
- b) once in 4 years
- c) once in 5 years
- d) not applicable

16. For being a eligible reviewer , peer reveiwer must have conducted audit of level 1 entities for a minimum of

- a) 7 years
- b) 10 years
- c) 5 years
- d) 15 years

17. This of these is not a disqualification for being a peer reviewer

- a) Have net worth of less than 50 crore
- b) Disciplinary action pending against peer reviewer
- c) Conflict of interest in p.u
- d) Convicted by competent court

18. Peer reviewer collects evidence by which methods

- a) Inspection
- b) observation
- c) Enquiries
- d) all of above

19. P.U are requires to give access of their working papers to the reviewer.

- a) true
- b) false

20. Name of reviewer is forwarded by board to P.u

- a) 2
- b) 5
- c) 3
- d) 10

21. If the report is modified, board can order follow on for a period of one year, but may reduce that period but it shall not be less than,

- a) 9 months
- b) 3 months
- c) 6 months
- d) 5 months

22. P.U will be notified in advance of commencement of peer review.

- a) 30 days
- b) 15 days
- c) one week
- d) two weeks

23. Compliance review procedures includes

- a) Independence
- b) Professional skills and standards
- c) none of above
- d) both of above

24. In peer review boardpercentage of members shall be amongst the members of council.

- a) 10
- b) 25
- c) 50
- d) 75

25. Casual vacancies of peer review board is filled by..

- a) Council
- b) Central government
- c) Sebi
- d) C&AG

26. Maximum on site review allowed is....

- a) 10 days
- b) 7 days
- c) 5 days
- d) 15 days

S. No.	Answer	Reason
1.	(a) Once in 3 years	

2.	(d) 7 days
3.	(a) 30 days
4.	(a) Once in 3 years
5.	(c) 3 years
6.	(d) 12 members
7.	(b) 1 year
8.	(d) Reporting stage
9.	(b) 15 days
10.	(c) Accepting deposits from client
11.	(d) All of the above
12.	(a) True
13.	(c) both
14.	(b) once in 4 years
15.	(a) once in 3 years
16.	(a) 7 years
17.	(a) Have net worth of less than 50 crore
18.	(d) all of above
19.	(a) true
20.	(c) 3
21.	(c) 6 months
22.	(d) two weeks
23.	(d) both of above
24.	(c) 50
25.	(a) Council
26.	(b) 7 days

- 1.** NBFC'S which are core investment company must hold % of its total assets in form of shares , debt or loans in group companies.
- a) 60
 - b) 50
 - c) 90
 - d) 10
- 2.** Infrastructure companies has to maintain net owned funds of ..
- a) 200 cr and above
 - b) 300 cr and above
 - c) 100. Cr and above
 - d) 500 cr and above
- 3.** Minimum of% of its total assets should be deployed in infrastructure loans. By infrastructure finance companies.
- a) 75
 - b) 60
 - c) 50
 - d) 25
- 4.** Exception report is submitted by auditor in case company has not complied with.
- a) Provisions of RBI act 1934
 - b) NBFC acceptance of public deposits direction 2016
 - c) NBFC - non systematically important non deposit taking direction 2016
 - d) All of above
- 5.** Capital to risk asset ratio (CRAR) Is to be maintained at% , in case of infrastructure finance companies.
- a) 15
 - b) 25
 - c) 40
 - d) 10
 - e)
- 6.** Compliance of AS has to be checked in case of equipment leasing finance company.
- a) 15
 - b) 19
 - c) 14
 - d) 13
- 7.** Auditor needs to report under CARO, 2016 whether the registration has been obtained by NBFC under which clause.
- a) Clause xvi
 - b) Clause xiii
 - c) Clause xi
 - d) Clause xv

8. In case of investment companies, company cannot lend and invest not more than..... % of its owned funds to any single borrower or entity.

- a) 50
- b) 20.
- c) 10
- d) 15

9. NBFC's which are loan companies can give loan against own shares.

- a) True
- b) false

10. To carry on business , minimum credit rating A to be obtained by .

- a) Loan companies.
- b) Infrastructure finance companies
- c) Core investment company
- d) Asset finance company

11. Which of the statement is incorrect.

- a) NBFC can accept demand deposits.
- b) RBI issue directions to NBFC's. On acceptance of public deposit.
- c) Deposit insurance facility is not available to depositor of NBFC.
- d) NBFC which have asset size of 500 cr or more are known as systematically important NBFC

12. An asset, in respect of which, interest has remained overdue for a period of..... or more, shall be treated as non-performing asset.

- a) 2 months
- b) 1 month
- c) 3 months
- d) 45 days

13. For matters to be included in Audit Report in case of Non Banking Financial Companies not accepting or holding Public Deposits, which of the matters is not included:

- a) Whether half yearly return on Prudential Norms as per RBI direction furnished
- b) Whether Capital Adequacy Ratio is disclosed in return submitted to Bank
- c) Whether NBFC Prudential Norms are being complied on Income recognition and asset classification
- d) Whether Company has accepted any public deposits during relevant year

14. Section 45-IA inserted by the RBI Act, has made it incumbent on the part of all NBFCs to comply with registration requirements and have minimum net owned funds (NOF) of _____.

- a) Rs. 1 Crore
- b) Rs. 25 lakhs
- c) Rs. 2 Crores

d) Rs. 50 lakhs

15. Negligence and cash shortages is one of the classification of Frauds by NBFC. Such cash shortages is treated as intentional fraud if amount is more than _____ if detected by management/ auditor/ inspecting officer and not reported on the occurrence by the persons handling cash.

- a) Rs.10,000
- b) Rs. 15,000
- c) Rs. 20,000
- d) Rs. 5,000

16. Financial activity as principal business is when a company's financial assets constitute more than _____ per cent of the total assets and income from financial assets constitute more than _____ per cent of the gross income.

- a) 25;25
- b) 50;50
- c) 25;50
- d) 50;25

17. As per CARO 2016, the auditor is required to report that – “Whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained.” Such reporting is done under which clause?

- a) Clause (xiii)
- b) Clause (xiv)
- c) Clause (xvi)
- d) Clause (xv)

S. No.	Answer	Reason
1.	(c) 90	
2.	(b) 300 cr and above	
3.	(a) 75	
4.	(d) All of above	
5.	(a) 15	
6.	(b) 19	
7.	(a) Clause xvi	
8.	(b) 15	
9.	(b) false	
10.	(b) Infrastructure finance companies	

- | | |
|------------|---|
| 11. | (a) NBFC can accept demand deposits. |
| 12. | (c) 3 months |
| 13. | (a) Whether half yearly return on Prudential Norms as per RBI direction furnished |
| 14. | (c) Rs. 2 Crores |
| 15. | (d) Rs. 5,000 |
| 16. | (b) 50;50 |
| 17. | (c) Clause (xvi) |

1. Which of the following areas of Propriety Audit are covered under the Companies Act, 2013?

- (i) Enquiry into certain matters like loans & advances
- (ii) Supplementary Audit & Test Audit by Comptroller and Auditor General in case of Government Companies
- (iii) Cost Records and Audit
- (iv) Information regarding energy conservation, Director's Responsibility Statement etc.
- a) i), iii), iv)
- b) ii), iv)
- c) i), ii), iii)
- d) i), ii), iii), iv)

2. Under _____, the C&AG do not really cover again the field which has already been covered.

- a) Performance Audit
- b) Propriety Audit
- c) Comprehensive Audit
- d) Financial Audit

3. According to the guidelines issued by the C&AG of India, Performance Audits usually address the issues of:

- i) Economy
- ii) Efficiency
- iii) Effectiveness
- iv) Operations
- a) ii) iv)
- b) ii) iii)
- c) iii) iv)
- d) iii)

4. The areas covered in comprehensive audit naturally vary from enterprise to enterprise depending on the nature of the enterprise, its objectives and operations.

Issues addressed by comprehensive Audit are

- a) Has the planned rate of return been achieved?
- b) If the enterprise has an adequate system of repairs and maintenance?
- c) Is there any poor or insufficient or inefficient project planning?
- d) All of the Above

5. Mr. Mohan being a member of Public Accounts Committee wants to know which of the following is/are not the function(s) of the Committee

- i) satisfaction that the expenditure was authorised.
- ii) satisfaction that moneys were disbursed legally on the service or purpose to which they were applied.
- iii) suggest the form in which the estimates shall be presented to Parliament
- iv) to examine the reports of the Comptroller and Auditor General on Public Undertakings.
- a) iii) iv)
- b) ii) iii)
- c) iv)
- d) iii)

- 6.** Which of the following is not the principle relating to Planning the Audit of Public Sector Undertaking? Obtain understanding of the entity
- Identify risks of frauds
 - Evaluate audit evidence
 - Conduct risk assessment of problem analysis
- 7.** Compliance Audit is the independent assessment of whether subject matter is in compliance with the applicable authorities identified in criteria. It is concerned with
- Propriety and Financial Audit
 - Financial and Regularity Audit
 - Regularity and Propriety Audit
 - Performance and Comprehensive Audit
- 8.** Organisations subject to CAG audit are.
- Public companies having turnover 500 cr or above.
 - Commercial autonomous body .
 - Non commercial autonomous bodies owned or controlled by union or states.
 - All of above
- 9.** Audit report and annual accounts of entities subject to CAG audit will be referred to specialized committee which is...
- Public accounts committee
 - Public company accounting board
 - RBI
 - None of above
- 10.** The CAG shall within..... days from the date of receipt of audit report , can order supplementary audit u/s 143 (6).
- 30 days
 - 60 days
 - 45 days
 - 15 days
- 11.** Elements of performance audit include.
- Economy
 - Efficiency audit
 - Effectiveness
 - All of above

S. No	Answer	Reason
1.	(d) i), ii), iii), iv)	
2.	(e) Comprehensive Audit	

- | | |
|-----|--|
| 3. | (b) ii) iii) |
| 4. | (d) All of the Above |
| 5. | (a) iii) iv) |
| 6. | (b) Evaluate audit evidence |
| 7. | (c) Regularity and Propriety Audit |
| 8. | (e) Non commercial autonomous bodies owned or controlled by union or states. |
| 9. | (a) Public accounts committee |
| 10. | (b) 60 days |
| 11. | (d) All of above |

- 1.** Ploy Ltd, engaged in the leasing of goods carriage, appointed you as the tax auditor for financial year 2017-18. Will the following matters be reported in your tax audit report:
- i) Payments of 6 invoices of Rs. 5000 each made in cash to Mr. Zavier on 4th July, 2018.
 - ii) Payments of 2 invoices of Rs. 18000 each made in cash to Mr. Yogesh on 5th July, 2018 and 6th July, 2018 respectively.
 - iii) Payment of Rs. 40000 made in cash to Mr. Z on 7th July, 2015 against an invoice for expenses booked in 2016-17.
- a) Yes, Yes, No
 - b) No, No, Yes
 - c) Yes, No, Yes
 - d) No, Yes, No
- 2.** A member of the Institute in practice, shall be deemed to be guilty of professional misconduct if he accepts in a financial year more than _____ tax audit assignments or such other limit as may be prescribed by ICAI from time to time under section 44AB.
- a) 20
 - b) 40
 - c) 60
 - d) 45
- 3.** A HUF has turnover of Rs.3 Crores and follows cash system of accounting. Choose appropriate alternative.
- a) It has to follow Income Computation and Disclosure Standards as turnover is more than required in 44AB for the audit
 - b) It is not required to follow ICDS as it is an HUF
 - c) It is not required to follow ICDS as it is following cash system of accounting
 - d) It has to follow ICDS as it is following cash system of accounting
- 4.** In the case of a person who carries on business or profession but who is not required by or under any other law to get his accounts audited, the audit report has to be given in Form No. _____
- a) 3CA
 - b) 3CB
 - c) 3CD
 - d) Not required to report
- 5.** While conducting the tax audit of Albert & Company, you observed that it made an escalation claim to one of its customers but which was not accounted as income. Under which clause of Form 3CD this shall be reported?
- a) Clause 17
 - b) Clause 32
 - c) Clause 16
 - d) Clause 21
- 6.** Clause 13 requires reporting of method of accounting employed in previous year and also whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2).
Also, it requires disclosure as per ICDS in Clause 13(f). Which of the following are not required to be disclosed.

- a) ICDS VI
- b) ICDS IV
- c) ICDS VII
- d) ICDS IX

7. State which of the following particulars will not be deducted from turnover to be calculated for applicability of Tax Audit

- a) Cash discount given in sales invoice
- b) Turnover Discount
- c) Cash discount not given in sales invoice
- d) Special Rebate in nature of trade discount

8. Public Charitable Trusts can claim exemption under Section 11 and 12 of Income Tax Act,1961 by complying certain conditions and one of the conditions is application for registration of trust shall be made within ____ months from creation of the Trust.

- a) Six
- b) Twelve
- c) Nine
- d) Three

9. Mr. Jagan is a Chartered Accountant and wants to be appointed as Tax auditor in Jagga Ltd, company in which he is indebted for Rs. 1,20,000. Is the appointment valid?

- a) He cannot be appointed as he is indebted for amount more than Rs. 1,00,000.
- b) Appointment is valid as amount of indebtedness is less than Rs.5,00,000
- c) Appointment is valid as amount of indebtedness is less than Rs.1,50,000
- d) He cannot be appointed as he is indebted for amount more than Rs. 10,000

10. Under which clause the following will be reported:

Whether a change in shareholding of the company has taken place in the previous year due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of Section 79.

- a) 32
- b) 33
- c) 30
- d) 35

11. 11. Mr. Harish is Tax Auditor of M/s Shantilal Limited wants to revise the Tax Audit Report. State in which of the following circumstances Tax Audit Report cannot be revised.

- a) Change in interpretation of Law
- b) Revision of accounts of company after adoption in AGM
- c) Change in law
- d) Revision of terms of engagement

12. X ltd, an Indian Company, subject to Indian Income tax Act,1961, discloses advance Income-tax paid and provision

for Income tax separately in the Balance Sheet for the year ended 31/3/2018. Which of the following factors will be taken into consideration for setting off the amounts.

- a) Has legally enforceable right to set off
- b) Intends to set off the amounts
- c) Both
- d) Can never be set off and shown separately only

13. As a tax auditor, under which clause shall the following be reported:

Mr. Bhupesh, is a renowned criminal lawyer, practicing in Meerut. During previous year, he collected service tax of 25 lakhs but utilized it for his personal use. The Commissioner of Central Excise issued a show cause notice to him as to why the tax, collected by him, is not deposited to the government account. He appeared before the Commissioner and stated his inability to pay the sum due to financial crisis. The proceedings are still pending.

- a) Clause 3
- b) Clause 4
- c) Clause 5
- d) Clause 6

14. GJM Ltd, a non resident company, is engaged in the business of extraction of mineral oils, having turnover of Rs. 20 lakhs during 2017-18. The company claims that its profits and gains chargeable to tax under the head "Profits and Gains of Business or Profession" is lower than the deemed income chargeable under section 44BB of the Income Tax Act. Under which clause is the above situation reported?

- a) Clause 10
- b) Clause 14
- c) Clause 11
- d) Clause 12

15. As a tax auditor, under which clause would you report on the following? Labour charges paid on which tax is deducted at source at an inappropriate rate.

- a) Clause 21
- b) Clause 23
- c) Clause 24
- d) Clause 22

16. PQR Pvt Ltd, a Company in which public are not substantially interested, issued 1000000 equity shares at a premium of Rs 70 per share having face value Rs. 10 per share. The fair market value of the shares as on the date of issue was Rs. 60 per share. As Tax Auditor of company, under which clause the same shall be reported?

- a) 27
- b) 28
- c) 29
- d) 30

17. Every registered person must get its accounts audited by Chartered Accountant or Cost Accountant if his aggregate turnover during a FY exceeds _____

- a) 1 Crore

- b) 2 Crores
- c) 5 Crores
- d) 50 lakhs

18. The Chartered Accountant or Cost Accountant appointed shall submit the audit report, mentioning the specified particulars there in within a period of ____ days, which can be further extended by ____days.

- a) 45;90
- b) 90;90
- c) 45;60
- d) 45;55

S. No.	Answer	Reason
1.	(b) No, No, Yes	
2.	(c) 60	
3.	(c) It is not required to follow ICDS as it is following cash system of accounting	
4.	(b) 3CB	
5.	(c) Clause 16	
6.	(a) ICDS VI	
7.	(c) Cash discount not given in sales invoice	
8.	(b) Twelve	
9.	(d) He cannot be appointed as he is indebted for amount more than Rs. 10,000	
10.	(a) 32	
11.	(d) Revision of terms of engagement	
12.	(c) Both	
13.	(b) Clause 4	
14.	(d) Clause 12	
15.	(a) Clause 21	

- | | |
|-----|--------------|
| 16. | (c) 29 |
| 17. | (b) 2 Crores |
| 18. | (b) 90;90 |

1. The responsibility for the preparation and presentation of consolidated financial statements, among other things, is that of the management of the parent. This includes:

- a) Identifying reportable segments for segmental reporting
- b) obtaining accurate and complete financial information from components
- c) GAAP conversion
- d) All of the Above

2. Which of the following is not Current Account Transaction

- a) Unrealised intra-group profits on assets acquired or transferred from or to other subsidiaries
- b) Determination of movement in equity attributable to the non-controlling interest since the date of acquisition of the subsidiary.
- c) Determination of amount of equity attributable to non-controlling interests.
- d) Adjustments related to harmonising the different accounting policies being followed by the parent and subsidiaries.

3. Which of the following is not a Permanent Account Consolidated Adjustment?

- i) Determination of goodwill or capital reserve as per applicable accounting standards.
 - ii) Determination of movement in equity attributable to the non-controlling interest since the date of acquisition of the subsidiary
 - iii) Determination of amount of equity attributable to minority/ non-controlling interests.
 - iv) intra-group indebtedness
- a) ii)
 - b) iv)
 - c) iv)
 - d) ii) iii)

4. In addition, the information required pursuant to Schedule III to the Companies Act, 2013 should be disclosed. Which of the following information is not required to be disclosed in the consolidated financial statements separately for the parent and each of its components which has been consolidated:

- a) amount of share of expenses attributable to the component
- b) amount of net assets and net assets as a percentage of consolidated net assets;
- c) amount of share in profit or loss and the percentage share in profit or loss as a percentage of consolidated profit or loss
- d) amount in other comprehensive income and the percentage of OCI as a percentage of Consolidated OCI

5. The auditor of the consolidated financial statements obtains written representations from parent management on matters material to the consolidated financial statements.

Examples of such representations include:

- a) Completeness of components included in the consolidated financial statements;
- b) Identification of reportable segments for segmental reporting;
- c) Identification of related parties and related party transactions for reporting;
- d) All of the Above

S. No.	Answer	Reason
1.	(d) All of the Above	
2.	(c) Determination of amount of equity attributable to non-controlling interests.	
3.	(b) iv)	
4.	(a) amount of share of expenses attributable to the component	
5.	(d) All of the Above	

- 1.** As per the provisions of the relevant enactments, the auditor of a banking company is to be appointed by _____ whereas the auditor of a nationalised bank is to be appointed by _____. The auditors of the State Bank of India are to be appointed by _____.
 a) Members ; Board of Directors ; Comptroller and Auditor General of India
 b) Board of Directors ; Comptroller and Auditor General of India ; Board of Directors
 c) Members ; Comptroller and Auditor General of India ; Board of Directors
 d) Comptroller and Auditor General of India ; Board of Directors ; Members
- 2.** The Auditor of the Banking Company has to report under CARO, 2016 in which clause?
 a) Clause (ix)
 b) Clause (ix)
 c) Clause (xii)
 d) Not required to report
- 3.** Non performing investment (NPI), similar to a non-performing advance (NPA), is one where- Interest/ instalment (including maturity proceeds) is due and remains unpaid for more than _____ days.
 a) 45
 b) 90
 c) 60
 d) 30
- 4.** Where the credit extended by banks are guaranteed by EXIM Bank, to what extent the advance may not be treated as NPA?
 a) To the extent of Rs. 5 Crores
 b) To the extent of Rs. 10 Crores
 c) To the extent payment has been received from EXIM Bank on guarantee
 d) To the extent payment has not been received from EXIM Bank on guarantee
- 5.** The individual scrips in Available for Sale category of Investments will be marked to market at _____ or at more frequent intervals.
 a) Quarterly
 b) Monthly
 c) Annually
 d) Semi Annually
- 6.** A non performing financial asset should be held by purchasing bank in its books of accounts for a period of....., before it is sold to other banks .
 a) 6 months
 b) 9 months
 c) 15 months
 d) 18 months.
- 7.** An agricultural advance is classified as NPA , if interest or principal is overdue for....., in case of long duration crops.
 a) One crop season

- b) Two crop season
- c) 90 days
- d) 45 days

8. Principal enactments governing bank audit are.

- a) Banking regulation act , 1949
- b) Companies act, 2013
- c) RBI act, 1934
- d) All of above

9. Income from unit of mutual funds should be accounted.

- a) Cash basis
- b) Accrual basis
- c) Any if above
- d) Not to be done

S. No.	Answer	Reason
1.	(a) Members ; Board of Directors ; Comptroller and Auditor General of India	
2.	(d) Not required to report	
3.	(b) 90	
4.	(c) To the extent payment has been received from EXIM Bank on guarantee	
5.	(a) Quarterly	
6.	(c) 15 months	
7.	(b) Two crop season	
8.	(d) All of above	
9.	(b) Accrual basis	

1. Qualifications of Auditors in connection with the Audit of co-operative society are:

- a) Chartered Accountant within the meaning of Chartered Accountants Act, 1949
- b) person who has served as an auditor in the co-operative department of a government to act as an auditor.
- c) persons holding a government diploma in co-operative accounts or in co-operation
- d) All of the above

2. According to section 5 of the Central Act, in the case of a society where the liability of a member of the society is limited, no member of a society other than a registered society can hold such portion of the share capital of the society as would exceed a maximum of _____ percent of the total number of shares or of the value of shareholding to _____.

- a) 25 ; Rs. 10,000
- b) 20 ; Rs. 10,000
- c) 20 ; Rs. 1,000
- d) 25 ; Rs. 1,000

3. The following persons are not eligible for appointed as auditors of a Multi-State co-operative society-

- (i) A body corporate.
 - (ii) An employee of the Multi-State co-operative society.
 - (iii) A person who is in the employment, of an employee of the Multi-State co-operative society.
 - (iv) A person who is indebted to the Multi-State co-operative society or who has given any guarantee or provided any security in connection with the indebtedness of any third person to the Multi-State co-operative society for an amount exceeding Rs. 1000.
- a) ii) iii) iv)
 - b) iv)
 - c) iii)
 - d) ii) iii)

4. A co-operative society has to transfer at least _____ percent of its profit to reserve funds, before distribution of dividends or bonus to members.

In case the financial position of the society does not permit such transfer, the Registrar can reduce the transfer not below _____ percent.

- a) 30 ; 15
- b) 25 ; 10
- c) 20 ; 10
- d) 20 ; 15

5. Mr. Punit is owed by Multi-State Co-operative Societies and wants to request for Inspection of the Society to the Central Registrar. He wants to know who are eligible to request for Inspection.

- i) A Creditor
 - ii) not less than one-third of the members of the Board
 - iii) not less than one-fifth of total number of members of the Society
 - iv) Central Registrar suo Motu
- a) ii) iii) iv)
 - b) ii) iii)
 - c) iv)
 - d) iii)

6. Classification of overdue debts to be done for which period.

- a) 6 month to 5 year
- b) More than 5 year
- c) both above
- d) none of above

7. Overdue interest is included in interest outstanding and accrued due while calculating profits. Is this statement correct.

- a) Yes
- b) No

8. Auditor has to award a class to society. Aggrieved society can appeal to.

- a) RBI
- b) Central government
- c) Registrar
- d) No complaint

9. Auditor of cooperative society is appointed by Members of society Central government **C. Registrar of society**. None of above% of profit should be transferred to reserve fund, before distribution of dividend to members.

- a) 40
- b) 15
- c) 25
- d) 5

10. Contribution to charitable purpose , with the sanction of registrar shall not exceed% of profit after transfer to reserve fund.

- a) 10
- b) 15
- c) 5
- d) 20

11. Mode of investment of society can be

- a) Central or state cooperative bank
- b) Share bond & debentures of any other society with limited liability.
- c) Cooperative bank other than central or state cooperative bank
- d) All of above

12. Circumstances in which special report is required to give to registrar.

- a) Detection of fraud
- b) Mis management
- c) Personal profiteering by members of managing committee.
- d) All of above

13. No inspection shall be made unless a notice of not less than days given to multi state cooperative society.

- a) 15
- b) 14
- c) 7

14. A person who is indebted for rs 1100 can be appointed as auditor of multi state cooperative society.

- a) True
- b) False

15. Books of accounts of cooperative society include..

- a) All sum of money received & expended.
- b) All sale and purchase of goods.
- c) Asset and liabilities of society
- d) all of above

16. C.G can order special audit if....

- a) Financial position is such as to endanger its solvency.
- b) Affairs are not managed in accordance with cooperative principles.
- c) Both
- d) cannot order

17. Schedules forming part of audit report includes.

- a) All transactions which appear to be contrary
- b) Any material property appearing to be bad and doubtful to auditor
- c) Any material irregularity or impropriety in expenditures.
- d) all of above

S. No.	Answer	Reason
1.	(d) All of the above	
2.	(c) 20 ; Rs. 1,000	
3.	(a) ii) iii) iv)	
4.	(b) 25 ; 10	
5.	(b) ii) iii)	
6.	(c) both above	
7.	(b) No	
8.	(c) Registrar	
9.	(c) 2	
10.	(a) 10	
11.	(d) All of above	
12.	(d) All of above	
13.	(a) 15	
14.	(b) False	
15.	(d) all of above	
16.	(c) Both	
17	(d) all of above	

1. The requirement of internal control under Computer Based System may not cover which of the following aspects:

- a) Data Entry and Program Control
- b) Computer Operation Control
- c) Control over Planning Activities
- d) Control over Input

2. _____ are enhanced productivity tools that are typically part of sophisticated operating systems environment.

- a) Utility Programs
- b) Purpose-written programs
- c) System management programs
- d) Package Programs

3. _____ are generalised computer programs designed for reading data, creating data files.

- a) Utility Programs
- b) Purpose-written programs
- c) System management programs
- d) Package Programs

4. For sorting, creating and printing files, _____ are used by an entity to perform common data processing functions.

- a) Utility Programs
- b) Purpose-written programs
- c) System management programs
- d) Package Programs

5. _____ enables to ascertain whether the controls residing in the hardware and in the programmes are operating correctly.

- a) Audit Trail
- b) Test Data Techniques
- c) Special Audit Techniques
- d) Control Techniques

6. In CIS environment, the risk of Material financial statement assertions being erroneously stated could not arise from the deficiencies in which of the following?

- a) Physical CIS security
- b) System Software Support
- c) Program Development and Maintenance
- d) Processing and Storage of data

7. In _____ approach, the Auditor concentrates on input and output only.

- a) White Box
- b) Black Box

- c) Grey Box
- d) None of the above

8. Errors made in transcribing and keying data can have serious consequences. One control used to guard against these types of errors is _____.

- a) File Checks
- b) Reasonableness checks
- c) Digit Checks
- d) Field Checks

9. _____ are attached tape reels or disk packs to identify the contents.

- a) External Labels
- b) Magnetic Labels
- c) Disk Labels
- d) Reel Labels

10. Auditing through the computer is also called _____.

- a) Black Box Approach
- b) White Box Approach
- c) Grey Box Approach
- d) Red Box Approach

S. NO.	Answer	Reason
1.	(c) Control over Planning Activities	
2.	(c) System management programs	
3.	(d) Package Program	
4.	(a) Utility Programs	
5.	(b) Test Data Techniques	
6.	(d) Processing and Storage of data	
7.	(b) Black Box	
8.	(c) Digit Checks	
9.	(a) External Labels	
10	(b) White Box Approach	

1. Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 requires the companies prescribed under the said Rules to appoint an auditor within _____ of the commencement of every financial year.

- (a) 90 days
- (b) 45 days
- (c) 180 days
- (d) 60 days

2. "Whether maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained." The Auditor is required to report the above under Clause _____ of CARO, 2016.

- (a) (v)
- (b) (vi)
- (c) (iv)
- (d) (vii)

3. CARO, 2016 requires the auditor to report whether cost accounts and records have been made and maintained. The word "made" applies in respect of _____ and the word "maintained" applies in respect of _____.

- (a) Cost Records ; Cost Accounts
- (b) Cost Records ; Cost Statements
- (c) Cost Statements ; Cost Records
- (d) Any of the Above

4. Before appointment of Cost Auditor is made, the written consent of the cost auditor to such appointment and a certificate from him shall be obtained.

The certificate to be obtained from the cost auditor shall certify that

- i) the cost auditor is eligible for appointment and is not disqualified for appointment under the Companies Act, 2013
 - ii) names of the companies or firm in which he is already acting as cost auditor
 - iii) the list of proceedings against the cost auditor with respect to professional matters of conduct, as disclosed in the certificate, is true and correct.
 - iv) the proposed appointment is within the limits laid down by or under the authority of the Companies Act, 2013
- (a) ii) iii)
 - (b) iii)
 - (c) iv)
 - (d) iii) iv)

5. The cost auditor shall submit the cost audit report along with his or its reservations or qualifications or observations or suggestions, if any, in Form _____.

- (a) CRA-3
- (b) CRA-2
- (c) CRA-4
- (d) CRA-1

6. Mr. Gautam, being the Cost Auditor is in dilemma regarding within what time he shall submit his Cost Audit Report to the Board of the Company Gastro Ltd. Guide him.

He shall forward his duly signed report to the Board of Directors of the company within a period of _____ from the closure of the financial year to which the report relate.

- (a) 45 days
- (b) 9 months
- (c) 180 days
- (d) 3 months

7. Cost Audit is comprised in which of the following steps?

- (a) Verification, Review, Reporting
- (b) Planning, Review, Reporting
- (c) Review, Verification, Reporting
- (d) Planning, Conducting, Reporting

8. Expro Ltd. is engaged in the production of steel. A Chartered Accountant Firm M/s Kantilal & Co was appointed as statutory auditor of Expro Ltd. for the current financial year. During the year, the management of the Company realised that the company is required to maintain cost Records in their books of accounts and get it audited. Therefore, in general meeting, the members of the company appointed M/s Kantilal &Co as the cost auditor.

- (a) The company is not required to maintain the Cost Records and get it audited
- (b) The appointment is valid as members are eligible for making the appointment
- (c) The appointment is not valid as the Board shall appoint the cost auditor
- (d) The appointment is not valid as the statutory auditor cannot be the cost auditor of the same company

9. Princess Ltd, a foreign company, having place of business in Mumbai, is engaged in the production, import and export of orthopaedic implants and pacemaker. The company's revenue from export is usually in foreign currency. Its total revenue classification for the year is as under:

Intra-state sale is Rs. 140 lakhs

Inter-state sale is Rs. 155 lakhs

Export to US is Rs. 490 lakhs

Export to UK is Rs. 690 lakhs

Is the company required to include cost records and conduct cost Audit?

- (a) It is not required to include cost records and not conduct audit
- (b) It is required to include cost records but not conduct the Audit
- (c) It is required to include cost records and conduct the Audit.
- (d) It is all on the discretion of the company whether to include cost records or conduct audit

10. Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 provides services, having an overall turnover from all its products and services of _____ or more during the immediately preceding financial year, required to include cost records in their books of accounts.

- (a) Rs. 50 crores
- (b) Rs. 100 crores
- (c) Rs. 25 crores
- (d) Rs. 35 crores

S. NO.	Answer	Reason
1.	(c) 180 days	
2.	(b) (vi)	
3.	(c) Cost Statements ; Cost Records	
4.	(d) iii) iv)	
5.	(a) CRA-3	
6.	(c) 180 days	
7.	(c) Review, Verification, Reporting	
8.	(c) The appointment is not valid as the Board shall appoint the cost auditor	
9.	(b) It is required to include cost records but not conduct the Audit	
10.	(d) Rs. 35 crores	

1. Which of the following is a General IT control?

- (a) IT Environment
- (b) Application Control
- (c) Access Security
- (d) IT Dependent Control

2. Which of the following is an automated control?

- (a) Program change
- (b) System generated report
- (c) Application control
- (d) Configurations

3. Who is mainly responsible for implementation of internal financial controls in a company?

- (a) Auditors
- (b) Directors
- (c) Employees
- (d) Regulators

4. The Guidance Note on Audit of Internal Financial Controls over Financial Reporting has been issued by

- (a) ICAI
- (b) SEBI
- (c) MCA
- (d) RBI

5. The standard that requires auditors to analyse journal entries in an audit is?

- (a) SA 260
- (b) SA 230
- (c) SA 315
- (d) SA 240

S. No.	Answer	Reason
1.	(c) Access Security	
2.	(d) Configurations	
3.	(b) Directors	
4.	(a) ICAI	
5.	(d) SA 240	

1. Which of the following statement is correct w.r.t Quality Review?

- a.) Quality reviews included reviews of all statutory audit assignments
- b.) Quality reviews included reviews of selected statutory audit assignments
- c.) Quality reviews included reviews of all statutory and internal audit assignments
- d.) Quality reviews included reviews of selected statutory and internal audit assignments

2. Which of the following statement is incorrect?

- a) Quality review should not be understood to provide any assurance that the firm's audits, or its clients' financial statements or reporting thereon, are free of any deficiencies.
- b) Quality review provides assurance that the firm's audits, or its clients' financial statements or reporting thereon, are free of any deficiencies.

3. The Quality Review Board Comprises of

- a) 10 members
- b) 12 members
- c) 15 members
- d) 18 members

4. Which among the following is the function of Quality Review Group?

- a) Decide the final course of action.
- b) Consider the report of the Technical Reviewer and responses of the Audit firm and make recommendations to Quality Review Board.
- c) Both of the above
- d) None of the above

5. Technical reviewer should have ___ years of post-qualification experience as a Chartered Accountant?

- a) 10 years
- b) 12 years
- c) 15 years
- d) 18 years

6. What is the maximum number of onsite visits a technical reviewer can undertake?

- a) One
- b) Two
- c) Three
- d) Four

7. A technical reviewer can take the assistance of maximum

- a) One CA
- b) Two CA
- c) Three CA
- d) Four CA

S. No.	Answer	Reason
1.	(b) Quality reviews included reviews of selected statutory audit assignments	
2.	(b) Quality review provides assurance that the firm's audits, or its clients' financial statements or reporting thereon, are free of any deficiencies.	
3.	(a) 10 members	
4.	(b) consider the report of the Technical Reviewer and responses of the Audit firm and make recommendations to Quality Review Board.	
5.	(c) 15 years	
6.	(a) One	
7.	(c) Three CA	

- 1.** In forensic audits, the auditor obtains a
- Persuasive evidence
 - Conclusive evidence
 - Both of above
 - None of the above
- 2.** The objective of forensic audit is to
- To obtain reasonable assurance that Financial statements reflect true and fair view.
 - To detect the frauds in companies that suspected fraudulent transactions.
 - To assist the statutory auditor .
- 3.** In which of the following areas Forensic Auditor's are in great demand
- Criminal Investigation
 - Arbitration Service
 - Fraud Investigation
 - All of the above
- 4.** Which is the final stage in the process of forensic audit?
- Reporting
 - Assistance in Court Proceedings.

S. No.	Answer	Reason
1.	(b) Conclusive evidence	
2.	(b) To detect the frauds in companies that suspected fraudulent transactions.	
3.	(d) All of the above	
4.	(b) Assistance in Court Proceedings.	

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