

PAPER - 12

COMPANY ACCOUNTS AND AUDIT BIT QUESTIONS



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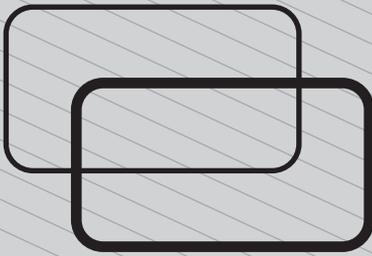
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Company Accounts and Audit Bit Questions

COMPANY ACCOUNTS

(I) Choose the most appropriate one from given four alternatives

1. Underwriting Agreements are of
 - (A) One type
 - (B) Two types
 - (C) Three types
 - (D) Four types

2. Segment Reporting is covered under
 - (A) AS 16
 - (B) AS 17
 - (C) AS 18
 - (D) AS 19

3. On redemption of Debentures, the amount lying in Debenture Redemption Reserve, which is no longer necessary to be retained, should be transferred to
 - (A) Revaluation Reserve
 - (B) Securities Premium Reserve
 - (C) Capital Reserve
 - (D) General Reserve

4. Rate of provisioning by a Bank for Advances doubtful for more than 1 year but less than 3 years is
 - (A) 25%
 - (B) 40%
 - (C) 60%
 - (D) 100%

5. Balance of Interest Accrued on Security Deposit A/c of an Electricity company should be shown
 - (A) under Current Liability
 - (B) under Non-current Liability
 - (C) under Current Asset
 - (D) under Non-current Asset

6. Which of the following items is not a part of cash flow from operating activities?
 - (A) Collection from customers
 - (B) Payment of outstanding wages
 - (C) Payment to suppliers of machinery
 - (D) Advances to foreign suppliers for raw materials

7. Which of the following is an intangible asset?
 - (A) Trade Marks
 - (B) Franchises
 - (C) Accounts Receivables
 - (D) Secret Profit

8. IASB stands for
 - (A) International Accounting Standard Board
 - (B) Indian Accounting Standard Board
 - (C) Institution of Accounting School Board
 - (D) None of the above

9. Inventory is
- (A) Included in Fixed Assets
 - (B) An investment
 - (C) A part of Current Assets
 - (D) An intangible
10. Which of the following is/are the source/s of bonus issue of shares?
- (A) Free Reserves
 - (B) Securities Premium Account
 - (C) Capital Redemption Reserve Account
 - (D) All of the above
11. When a shareholder fails to pay calls, the company, if empowered by its articles, may _____
- (A) Surrender the shares
 - (B) Forfeit the shares
 - (C) Reissue the shares
 - (D) All of the above
12. Which of the following is/are the advantage/s of buy-back:
- (A) Free reserves which are utilized for buy-back instead of dividend enhance the value of the company's shares and improve earnings per share
 - (B) Surplus cash may be utilized by the company for buy-back and avoid the payment of dividend tax
 - (C) Buy-back may be used as a weapon to frustrate any hostile take-over of the company by undesirable persons
 - (D) All of the above
13. Provision is created for
- (A) Unknown Liability
 - (B) Known Liability
 - (C) Creation of secret reserve
 - (D) None
14. If a company has contingent liability it appears in the
- (A) Balance Sheet
 - (B) Director's Report
 - (C) Notes to accounts
 - (D) Chair man's Report
15. Which of the following is not a financial statement
- (A) P & L A/c
 - (B) Balance Sheet
 - (C) Fund Flow Statement
 - (D) Trial Balance
16. Declaration of dividend is covered under section
- (A) Sec 122
 - (B) Sec 123
 - (C) Sec 124
 - (D) Sec 125
17. Sundry Creditors for Goods or Services, and acceptances should be disclosed as part of _____.
- (A) Trade payable
 - (B) Trade receivable

- (C) Non-current investments
(D) None of the above
18. Cash receipts from disposal of fixed assets is a/an
(A) Operating Activity
(B) Investing Activity
(C) Financing Activity
(D) None of the above
19. X Ltd. holds 51% of Y Ltd., Y Ltd. holds 51% of W Ltd., Z Ltd. holds 49% of W. Ltd. As per AS 18, Related Parties are:
(A) X Ltd., Y Ltd. & W Ltd.
(B) X Ltd. & Z Ltd.
(C) Y Ltd. & Z Ltd.
(D) X Ltd. & Y Ltd. only
20. The fair value of Plan assets of A LTD. at beginning and end of the year 2015-2016 were Rs. 4,00,000 and Rs. 5,70,000 respectively. The employer's contribution to the plan during the year was Rs. 1,40,000. If benefit payments to retirees were Rs. 1,00,000 what would be the actual return on plan assets (as per AS15) ?
(A) Rs. 1,50,000 lakhs
(B) Rs. 1,30,000 lakhs
(C) Rs. 1,20,000 lakhs
(D) Insufficient Information
21. General Ledger of a Banking Company does not contain _____
(A) Control Accounts of all personal ledgers
(B) Assets_ Accounts
(C) Contra Accounts
(D) Balance Sheet
22. The Electricity Act, 2003 replaced which of the following three existing legislations?
(A) The Indian Electricity Act, 1910
(B) The Electricity (Supply) Act, 1948
(C) The Electricity Regulatory Commissions Act, 1998
(D) All of the above
23. Losses of theft are covered by _____ insurance policies
(A) Burglary
(B) Fire
(C) Marine
(D) None of the above
24. Cash receipts from disposal of fixed assets is a cash flow from _____ activity
(A) Operating
(B) Investing
(C) Financing
(D) None of the above
25. Which of the following is not a component of Cash Flow Statement?
(A) Cash payments to suppliers for goods and services
(B) Charging of Depreciation
(C) Cash advances and loans made to third parties
(D) Cash repayments of amounts borrowed

26. _____ Cost of Materials Consumed will come in
 (A) Profit and Loss Account
 (B) Balance Sheet
 (C) Both (A) & (B)
 (D) None of the above
27. 10% Debenture will come under _____ of Balance Sheet (Schedule III)
 (A) Long term Borrowing
 (B) Current Liabilities
 (C) Non Current Assets
 (D) Other current Liabilities
28. Which of the following is/are statutory book/s of a company
 (A) Register of Charges
 (B) Register of Members
 (C) Register of Debenture holders
 (D) All of the above
29. For which of the following Share Premium Account may be applied?
 (A) issue of fully paid bonus shares to the members of the company
 (B) writing off preliminary expenses of the company
 (C) writing off the expenses of the commission paid or discount allowed on any issue of shares or debentures of the company
 (D) All of the above
30. Which of the following is not a source of Bonus issue of Shares?
 (A) Free Reserves
 (B) Securities Premium Account
 (C) Capital Redemption Reserve Account
 (D) Asset Revaluation Reserves
31. The term current asset doesn't cover
 (A) Car
 (B) Debtors
 (C) Stock
 (D) Prepaid expenses
32. Premium on redemption of redeemable preference shares can be paid out of?
 (A) Capital Redemption Reserve account
 (B) Existing shares premium account
 (C) Proceed of fresh issue of shares
 (D) All of the above
33. When shares are allotted, they will be credited to which account?
 (A) Share Capital Account
 (B) Share Allotment Account
 (C) Share Application Account
 (D) Share First and Final Call Account
34. While preparing Cash Flow Statement of XY Ltd., a finance company, interest received on loans should be shown as
 (A) Cash Flow from Operating Activities
 (B) Cash Flow from Investing Activities
 (C) Cash Flow from Financing Activities
 (D) Cash and Cash Equivalent

35. As per Schedule III Current Maturities of Long Term Borrowings should be shown under
- (A) Current Assets in Balance Sheet
 - (B) Non-current Liability in Balance Sheet
 - (C) Current Liabilities in Balance Sheet
 - (D) Other Expenses in Statement of Profit and Loss
36. Which of the following is not a criterion for selecting a reportable segment under AS 17?
- (A) 10% or more of aggregate revenue of all segment
 - (B) 10% or more of aggregate assets of all segment
 - (C) 10% or more of aggregate liabilities of all segment
 - (D) 10% or more of aggregate profit or loss of all segment (higher of the two)
37. Which of the following is not a mandatory financial statement of a General Insurance Company as per IRDA regulations?
- (A) Revenue Account
 - (B) Profit and Loss Account
 - (C) Balance Sheet
 - (D) Cash Flow Statement
38. A Banking Company needs to transfer a minimum of _____ its profit to reserve fund.
- (A) 10%
 - (B) 15%
 - (C) 20%
 - (D) 25%
39. In case of an electricity company, depreciation on assets is calculated based on the rates notified by
- (A) Companies Act 2013
 - (B) State Electricity Commission
 - (C) Central Electricity Regulatory Commission
 - (D) Income Tax Act 1961
40. The Electricity Act, 2003 replaced which of the following three existing legislations?
- (A) The Indian Electricity Act, 1910
 - (B) The Electricity (Supply) Act, 1948
 - (C) The Electricity Regulatory Commissions Act, 1998
 - (D) All of the above
41. Which of the following is a principle of insurance?
- (A) Principle of indemnity
 - (B) Insurable interest
 - (C) Principle of uberrimae fidei
 - (D) All of the above
42. Underwriting commission payable on the shares taken up by the promoters is
- (A) 2.5%
 - (B) 2%
 - (C) 5%
 - (D) Nil
43. Which of the following reserves cannot be used for the purpose of issuing bonus shares?
- (A) Revaluation Reserve
 - (B) Dividend Equalization Reserve
 - (C) Capital Redemption Reserve
 - (D) General Reserve

44. In Case of Life Insurance Business, Bonus may be of
(A) One type
(B) Two types
(C) Three types
(D) None of the above
45. Installment of principal amount of long term loan payable within next 12 months is shown under Balance Sheet of a company under the heading
(A) Non current Assets
(B) Non current Liabilities
(C) Current Assets
(D) Current Liabilities
46. Which of the following is not a condition of buy-back of securities?
(A) Both fully and partly paid-up securities can be bought back
(B) Buy-back must be authorized by the Articles of Association
(C) Buy-back must be authorized by passing a special resolution in general meeting
(D) Buy-back should be completed within 1 year from the date of passing of special resolution
47. A banking company is required to maintain----- provision on unsecured portion of doubtful advances
(A) 25%
(B) 40%
(C) 50%
(D) 100%
48. Which of the following is correct?
(A) Debenture carries a fixed rate of dividend
(B) A company limited by shares may issue irredeemable preference shares
(C) Unmarked applications are those applications that bear the stamp of the underwriter
(D) Except as provided in Section 54, a company shall not issue shares at a discount
49. Profit on forfeiture and re-issue of equity shares is credited to
(A) Dividend Equalization Reserve
(B) General Reserve
(C) Capital Reserve
(D) Securities Premium
50. In a Balance Sheet prepared under Schedule III of Companies Act, 2013, 'Share application money pending allotment' shall be shown
(A) under Shareholder's Fund
(B) under Non-current Liabilities
(C) under Current Liabilities
(D) as a separate line item.
51. In case of Cash Flow Statement prepared under Direct Method, decrease in current liabilities is
(A) added to cash flow from operating activities
(B) deducted to cash flow from operating activities
(C) added to cash flow from investing activities
(D) None of the above

52. For calculation of depreciation, Central Electricity Regulatory Commission has recommended
- Straight Line Method
 - Optimized Depreciated Replacement Cost Method
 - Written Down Value Method
 - Both (A) and (B)
53. In case of Electricity Company while calculating depreciation for the purpose of tariff as per Regulation 21, the salvage value of the Asset shall be considered as
- 3%
 - 5%
 - 10%
 - None of the above
54. As per Section 52 of Companies Act 2013, Securities Premium A/c cannot be used
- to issue fully paid up bonus shares
 - to pay interim dividend
 - to write off the discount on issue of debentures
 - to write off the premium on redemption of preference shares
55. At present, a company can issue preference shares which are
- irredeemable
 - redeemable after the expiry of 20 years from the date of issue
 - redeemable before the expiry of 20 years from the date of issue
 - redeemable after the expiry of 25 years from the date of issue
56. In case of purchase of assets under installment payment system, installments due after 12 months from the reporting date are shown as
- Current liability
 - Current assets
 - Non-current liability
 - Non-current assets
57. Bonus paid at the end along with the policy amount to the policy holders is called
- Production bonus
 - Reversionary bonus
 - Gratuitous bonus
 - Maturity bonus
58. In relation to an Electricity Company the amount of security deposit = Load x Load factor of the category in which the customer falls x Current tariff x _____.
- Billing cycle + 45 days
 - Billing cycle + 30 days
 - Billing cycle + 15 days
 - Billing cycle + 20 days
59. In case of a Banking Company General Ledger does not contain
- Control Accounts of all personal ledger
 - Assets Accounts
 - Contra Accounts
 - Revenue Accounts

Answer Key:

- (1) (B) Two types
- (2) (B) AS 17
- (3) (D) General Reserve
- (4) (B) 40%
- (5) (B) under Non-current Liability
- (6) (C) Payment to suppliers of machinery
- (7) (A) Trade Marks
- (8) (A) International Accounting Standard Board
- (9) (C) A part of Current Assets
- (10) (D) All of the above
- (11) (B) forfeit the shares
- (12) (D) All of the above
- (13) (A) Unknown Liability
- (14) (C) Notes to accounts
- (15) (D) Trial Balance
- (16) (B) Sec 123
- (17) (A) Trade payable
- (18) (B) Investing Activity
- (19) (A) X Ltd., Y Ltd. & W Ltd
- (20) (B) Rs. 1,30,000 lakhs
- (21) (D) Balance Sheet
- (22) (D) All of the above
- (23) (A) Burglary
- (24) (B) Investing
- (25) (B) Charging of Depreciation
- (26) (A) Profit and Loss Account
- (27) (A) Long term Borrowing
- (28) (D) All of the above
- (29) (D) All of the above
- (30) (D) Asset Revaluation Reserves
- (31) (A) Car
- (32) (B) Existing shares premium account
- (33) (A) Share Capital Account
- (34) (A) Cash Flow from Operating Activities
- (35) (C) Current Liabilities in Balance Sheet
- (36) (C) 10% or more of aggregate liabilities of all segment
- (37) (D) Cash Flow Statement
- (38) (D) 25%
- (39) (C) Central Electricity Regulatory Commission
- (40) (D) All of the above
- (41) (D) All of the above
- (42) (D) Nil
- (43) (A) Revaluation Reserve
- (44) (C) Three types
- (45) (D) Current Liabilities
- (46) (A) Both fully and partly paid-up securities can be bought back
- (47) (D) 100%
- (48) (D) Except as provided in Section 54, a company shall not issue shares at a discount
- (49) (C) Capital Reserve
- (50) (D) as a separate line item
- (51) (B) deducted to cash flow from operating activities
- (52) (D) Both (A) and (B)
- (53) (C) 10%
- (54) (B) to pay interim dividend

- (55) (C) redeemable before the expiry of 20 years from the date of issue
- (56) (C) Non-current liability
- (57) (B) Reversionary bonus
- (58) (A) Billing cycle + 45 days
- (59) (D) Revenue Accounts

(II) Match the following in Column I with the appropriate in Column II

1. Match the following:

	Column I		Column II
1.	Grants received from Government	A	Capital Redemption Reserve
2.	Redemption of Debentures	B	AS 15
3.	Issue of Bonus Shares	C	AS 12
4.	Defined benefit plans	D	Sinking Fund

2. Match the following:

	Column I		Column II
1.	AS 16	A	Employee Benefits
2.	AS 19	B	Borrowing costs
3.	AS 12	C	Accounting for Government Grants
4.	AS 15	D	Accounting for Leases

3. Match the following:

	Column I		Column II
1.	Section 54	A	Sweat Equity Shares
2.	Section 68	B	Power of company to purchase its own security
3.	Section 55	C	Issue and Redemption of Preference Shares
4.	Section 71	D	Issue of Debentures

4. Match the following:

	Column I		Column II
1.	Treatment of Voluntary Retirement Scheme Payments	A	Capital Reserve
2.	Balance of Forfeited Shares A/c	B	Amalgamation
3.	Interest and Dividend Received	C	AS – 26
4.	Pooling of Interest Method	D	AS – 15
5.	Recognition of Intangible Asset	E	Investing activities of Cash Flow

5. Match the following:

	Column I		Column II
1.	AS – 17	A	Premium on issue of shares
2.	Tax paid	B	Segmental Reporting
3.	Capital Profit	C	Dividend unpaid
4.	Contingent Liability	D	Revenue expenditure
5.	Current Liability	E	Notes to account

6. Match the following:

	Column I		Column II
1.	Defined Contribution Plans	A	AS – 20
2.	Amalgamation in the nature of merger	B	Unearned finance income
3.	Diluted Potential Equity Shares	C	AS – 15

4.	AS – 29	D	Pooling of Interest Method
5.	AS – 19	E	Onerous Contract

7. Match the following:

	Column I		Column II
1.	All costs associated with amalgamation are capitalized	A	AS – 26
2.	Accounting treatment of foreign currency transactions.	B	Purchase Method
3.	Guidance on internally generated computer software	C	AS – 20
4.	Provision for Restructuring Cost	D	AS – 11
5.	Diluted Potential Equity Share	E	AS - 29

8. Match the following:

	Column I		Column II
1.	Result of Transaction	A	AS – 9
2.	Charged against profit	B	Current Liability
3.	Bank overdraft	C	Event
4.	Revenue Recognition	D	AS – 29
5.	Provision and Contingents	E	Depreciation

9. Match the following:

	Column I		Column II
1.	Long Term Liability	A	Preliminary Expenses
2.	Fictitious Asset	B	Historical Cost
3.	Unearned Income	C	Debenture
4.	Asset Required	D	Liability
5.	Accumulated Depreciation	E	Asset

10. Match the following:

	Column I		Column II
1.	AS – 2	A	Construction Contract
2.	AS – 6	B	Accounting for Fixed Assets
3.	AS – 7	C	Valuation of Inventory
4.	AS – 9	D	Depreciation Accounting
5.	AS – 10	E	Revenue Recognition

11. Match the following:

	Column I		Column II
1.	Preliminary Expenses	A	Premium on issue of shares
2.	Tax Paid	B	Deferred Revenue Expenditure
3.	Capital Profit	C	Dividend unpaid
4.	Contingent Liability	D	Revenue Expenditure
5.	Current Liability	E	Notes to Account

12. Match the following:

	Column I		Column II
1.	AS 16	A	Export Credit Guarantee Corporation

2.	Underwriting	B	Benefits provided in exchange for the termination of employment.
3.	Banking Service	C	Segment Revenue minus segment expenses
4.	Central Electricity Regulatory Commission	D	Borrowing Cost
5.	Termination Benefits	E	Two types
6.	Segment Result	F	Automated Teller Machines (ATM)
7.	Government Grants	G	Body Corporate
8.	ECGC	H	Is Void
9.	Issue of Shares at a Discount	I	Are available for distribution
10.	Free Reserves	J	Assistance by Government in return for compliance with conditions.

13. Match the following:

	Column I		Column II
1.	Guaranteed Residual Value (GRV)	A	Capital Reserve
2.	Premium on Redemption of Preference Shares	B	AS 11
3.	Exchange Difference	C	Securities Premium A/c
4.	Profit on reissue of forfeited shares	D	AS 19

14. Match the following:

	Column I		Column II
1.	Government Grants	A	Capital Redemption Reserve
2.	Redemption of Debentures	B	AS 16
3.	Un-guaranteed Residual Value	C	AS 12
4.	Borrowing Cost	D	AS 19

15. Match the following:

	Column I		Column II
1.	Functional Currency	A	Electricity Company
2.	Surrender Value	B	AS 19
3.	Service Line Development Charges	C	AS 11
4.	Contingent Rent	D	Insurance Company
		E	No match found

16. Match the following:

	Column I		Column II
1.	Underwriting	A	Issue and Redemption of Preference shares
2.	Borrowing cost	B	Firm
3.	Dividend and Interest	C	Qualifying Assets
4.	Section 55 of Companies Act 2013	D	Investing Activity

17. Match the following:

	Column I		Column II
1.	Contribution on actuarial basis for Gratuity benefits	A	AS 17
2.	Buy back of equity shares	B	AS 15
3.	Capitalization of borrowing costs	C	Securities Premium a/c
4.	Geographical segment	D	AS 16

Answer Key:**Ans: 1**

- i) C
- ii) D
- iii) A
- iv) B

Ans: 2

- (i) B
- (ii) D
- (iii) C
- (iv) A

Ans: 3

- (i) C
- (ii) D
- (iii) B
- (iv) A

Ans: 4

- (i) D
- (ii) A
- (iii) E
- (iv) B
- (v) C

Ans: 5

- (i) B
- (ii) D
- (iii) A
- (iv) E
- (v) C

Ans: 6

- (i) C
- (ii) D
- (iii) A
- (iv) E
- (v) B

Ans: 7

- (i) B
- (ii) D
- (iii) A
- (iv) E
- (v) C

Ans: 8

- (i) C
- (ii) E
- (iii) B
- (iv) A
- (v) D

Ans: 9

- (i) C
- (ii) A
- (iii) E
- (iv) B
- (v) D

Ans: 10

- (i) C
- (ii) D
- (iii) A
- (iv) E
- (v) B

Ans: 11

- (i) B
- (ii) D
- (iii) A
- (iv) E
- (v) C

Ans: 12

- (i) D
- (ii) E
- (iii) F
- (iv) G
- (v) B
- (vi) C
- (vii) J
- (viii) A
- (ix) H
- (x) I

Ans: 13

- (i) D

- (ii) C
- (iii) B
- (iv) A

Ans: 14

- (i) C
- (ii) A
- (iii) D
- (iv) B

Ans: 15

- (i) C
- (ii) D
- (iii) A
- (iv) B

Ans: 16

- (i) B
- (ii) C
- (iii) D
- (iv) A

Ans: 17

- (i) B
- (ii) C
- (iii) D
- (iv) A

(III) State whether the following are 'True' or 'False'

1. Exchange difference arising in respect of monetary items is to be recognized as income or expenditure during the year.
2. Capital Reserve is a Reserve which is available for distribution as Dividend.
3. Interest received by a finance company is a part of cash flow from investing activities.
4. Interest accrued and due should be shown under the head Other Current Liabilities in a Balance Sheet of a Company.
5. When the same risk and the same subject matter is insured with more than one insurer the same is called reinsurance.
6. Part I of Schedule III is related to preparation of Profit and Loss Statement.
7. A company cannot buy-back its shares from any person through a negotiated deal whether on or off the stock.
8. ODRC represents Optimised Depreciated Replaced Cost.
9. A company limited by shares shall issue any preference shares which are irredeemable.
10. Schedule III deals only with presentation and disclosure requirements.
11. Interest income in case of a Finance Company is treated as a part of revenue from Operation.
12. Non-performing assets bear a little amount of risk like normal risk and they do not create any trouble regarding their realization.
13. A company can issue bonus shares even if its Articles does not authorise to do so.
14. In case of Forfeiture of Shares a shareholder is not able to pay the further calls and returns his shares to the company for cancellation voluntarily.
15. Any surplus cash may be utilized by the company for buy-back and avoid the payment of dividend tax.
16. Transfer to capital redemption reserve account is allowed from Dividend Equalisation fund.
17. When debentures are issued at discount, it is prudent to write off the loss during the life of debentures.
18. In order to spread the risk of under-subscription, the principal underwriters may enter into subsidiary agreements with sub-leases.
19. Marked applications are those applications which bear the stamp of an underwriter.
20. Interest expenses are Finance Cost.
21. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
22. An issuance of stock following a company's Initial Public Offer is called a Follow on Public Offer.
23. In case of an underwriting arrangement, marked applications are those applications that bear the stamp of the issuing company.
24. In case the leaseback is a finance lease, the sale proceeds in excess of the carrying amount should be immediately recognized in the Income Statement.
25. Issue of fully paid up bonus shares increases the total shareholders fund.
26. Interest and dividend received form a part of financing cash flow.
27. As per Sec 2(43) of the Companies Act, 2013, "Free Reserves" mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend.
28. After the allotment of shares, sometimes a shareholder is not able to pay the further calls and returns his shares to the company for cancellation. Such voluntary return of shares to the company by the shareholder himself is called Forfeiture of Shares.
29. A company with capital, which cannot be profitably employed, may get rid of it by resorting to buy-back, and re-structure its capital and it is a disadvantage.
30. Issue of debentures as a collateral security means issue of debentures as a main security, that is, a security in addition to the prime security.
31. Debenture carries a fixed rate of dividend.

32. 'Unmarked' applications are those applications which bear the stamp of an underwriter.
33. The sum which is still to be paid to the Company for a share is known as calls in arrears.
34. One of the conditions for issue of sweat equity shares is — not less than one year has, at the date of such issue, elapsed since the date on which the company had commenced business.
35. The value base for the purpose of depreciation for the purpose of Tariff as per Regulation 21 shall be the historical cost of the asset.
36. Every banking company incorporated in India is required to transfer at least 15% of its profit to the reserve fund.
37. A bank can maintain Cash reserve with itself or by way of a balance in the Current account with the reserve bank or by way of net balance in current accounts or in one or more of the aforesaid ways.
38. Every banking company is required to submit a return in the prescribed form and manner to the Reserve Bank of India at the end of each calendar year of all accounts in India which could not be operated for 5 years.
39. The Electricity Act, 2003 replaced four existing legislations.
40. The Central Electricity Regulatory Commission shall consist of a chairperson and 3 Members.
41. In case of Electricity Company, Balance of Security Deposit A/c at the end of the accounting period should be disclosed as a Non-current liability in the Balance Sheet.
42. The profit on forfeiture and re-issue of equity shares are credited to Capital Redemption Reserve.
43. As per Companies Act 2013, companies are not permitted to buy back their own shares out of securities premium.
44. Bonus is the share of profit which is payable by the insurance company to the policyholders.
45. Interest on loan is included in 'other operating expenses' under the Statement of Profit and Loss.
46. Buy-back of shares can also be made out of the proceeds of the earlier issues of the same kind of shares.
47. Operating Lease is a lease which transfers substantially all the risks and rewards incidental to ownership.
48. Machinery purchased by issuing shares is shown under Cash Flow from Investments Activities in Cash Flow Statement.
49. Rollover must be with the written consent of the debenture holders.
50. Cash comprises cash in hand and foreign currency balances.
51. Minimum aggregate value of Paid-up Capital and Reserve in case of a Banking Company incorporated outside India not having place(s) of business in the city of Mumbai or Kolkata or both should be Rs. 15 lakhs.

Answer Key:

1. True
2. False
3. False
4. True
5. False
6. True
7. True
8. True
9. False
10. True
11. True
12. False
13. False
14. False
15. True
16. True
17. True
18. False
19. True
20. True
21. True
22. True
23. False
24. False
25. False
26. False
27. True
28. False
29. False
30. True
31. False
32. False
33. True
34. True
35. True
36. False
37. True
38. False
39. False
40. True
41. True
42. False
43. False
44. True
45. False
46. False
47. False
48. False
49. True
50. True
51. True

AUDITING

(I) Choose the most appropriate one from given four alternatives

1. Which of the following is not an audit risk?
(A) Inherent Risk
(B) Detection Risk
(C) Control Risk
(D) Omission Risk
2. Dividend cannot be paid out of
(A) current year's profit after providing depreciation
(B) undistributed profits for any previous financial year or years after providing for depreciation
(C) profit on revaluation of any fixed assets
(D) money provided by the Central Government or a State Government
3. Permanent Audit File does not contain
(A) a record of study and evaluation of internal control system
(B) significant audit observations of earlier years
(C) copies of management letters
(D) analysis of significant ratios and trends
4. Audit Procedures to obtain audit evidences include
(A) Compliance Procedure
(B) Substantive Procedure
(C) Both (A) and (B)
(D) Neither (A) nor (B)
5. A Cost Auditor submits his report to
(A) Board of Directors
(B) Government
(C) Shareholders
(D) Statutory Auditor
6. The first Auditor of a Company shall be appointed by the Board of Directors within
(A) 30 days from the date of registration
(B) 90 days from the date of registration
(C) 30 days from the date of first AGM
(D) 1 year from the date of registration
7. The _____ is also expected to provide the resources needed and select staff members to accompany the auditors.
(A) Auditor
(B) Client
(C) Internal auditor
(D) Auditee
8. Each of the three parties involved in an audit _____ plays a role that contributes to its success.
(A) the client, the auditor, and the auditee
(B) the client, the auditor, and the auditee
(C) the client, the moderator, and the auditee
(D) the client, the auditor, and the auditee

9. SA 230 stands for _____.
- (A) Quality control for an audit of financial Statements
 - (B) Agreeing the terms of Audit engagements
 - (C) Audit Documentation
 - (D) Responsibility of Joint Auditor
10. Permanent Audit file contains _____.
- (A) Copies of management letters
 - (B) Audit Programme
 - (C) Analysis of transaction and balances
 - (D) Analysis of significant ratios and trends
11. Secretarial Audit is covered under Section _____ of Companies Act, 2013.
- (A) Section 204
 - (B) Section 148
 - (C) Section 139
 - (D) None of the above
12. The purpose of internal audit is to protect the
- (A) Assets
 - (B) Audit staff
 - (C) Accountant
 - (D) Management
13. Proving the truth means vouching of _____.
- (A) Payment
 - (B) Expenses
 - (C) Assets
 - (D) Liabilities
14. Form for maintenance of Cost Records by the Company is _____.
- (A) CRA-1
 - (B) CRA-2
 - (C) CRA-3
 - (D) CRA-4
15. The meetings of Audit committee should be _____ in a year.
- (A) 4
 - (B) 5
 - (C) 3
 - (D) 2
16. An audit report is the _____ product of audit.
- (A) Main
 - (B) Final
 - (C) Semi final
 - (D) None of the above
17. Authorization for Government Audit.
- (A) BOD
 - (B) Audit committee
 - (C) CAG
 - (D) None of the above
18. Final Audit is known as _____.
- (A) Tax Audit

- (B) Internal Audit
 - (C) Annual Audit
 - (D) All of the above
19. Maximum term of Individual Auditor
- (A) 1 term of 5 years
 - (B) 2 term of 5 years
 - (C) 3 term of 5 years
 - (D) None of the above
20. SA 300 stands for _____.
- (A) Responsibility of Joint Auditor
 - (B) Overall planning of audit
 - (C) Audit Planning
 - (D) None of the above
21. Audit is conducted to draw overall opinion on _____.
- (A) Financial Statement
 - (B) Cost Statement
 - (C) Income Statement
 - (D) None of the above.
22. An auditor is required to retain the books of accounts for how long?
- (A) 1 yrs
 - (B) 5 yrs
 - (C) 7 yrs
 - (D) None of the above
23. SA-700 stands for _____.
- (A) Audit Planning
 - (B) Joint Auditor
 - (C) Forming an opinion and reporting on Financial Statement
 - (D) None of the above
24. An auditor should submit a Disclaimer of Opinion when
- (A) he is satisfied with the truth and fairness of financial statements
 - (B) he has certain reservations as to the presentation of truth and fairness in financial statements
 - (C) some material information is not available
 - (D) the effect of any disagreement with the management is not so material
25. In case of a company other than a Government Company, any casual vacancy in the post of auditor is to be filled by the
- (A) Board of Directors
 - (B) Managing Director
 - (C) Comptroller and Auditor General (CAG)
 - (D) Shareholders
26. An Audit Committee should have a minimum of _____ number of directors.
- (A) 4
 - (B) 3
 - (C) 5
 - (D) 6
27. SA 530 stands for
- (A) Audit Documentation

- (B) Audit Sampling
 - (C) Responsibility of Joint Auditor
 - (D) Agreeing the terms of Audit Engagements
28. Unpaid dividend standing at the credit of Unpaid Dividend A/C should be transferred to Investor Education and Protection Fund after _____ years of its remaining unpaid.
- (A) six
 - (B) eight
 - (C) seven
 - (D) five
29. Which of the following services cannot be rendered by an auditor as per Companies Act 2013?
- (A) Vouching
 - (B) Verification of assets and liabilities
 - (C) Issuing certificates on relevant matters
 - (D) Providing investment advisory services
30. Various types of quality audits are;
- (A) Product
 - (B) Process
 - (C) Management (system)
 - (D) Registration (certification)
 - (e) All of above
31. When the auditor is an employee of the organization being audited (auditee), the audit is classified as a ____ Quality audit.
- (A) Internal
 - (B) External
 - (C) Compliance
 - (D) Both A & B
32. The most comprehensive type of audit is the ____ system audit, which examines suitability and effectiveness of the system as a whole.
- (A) Quantity
 - (B) Quality
 - (C) Preliminary
 - (D) Sequential
33. Audit is a fact-finding process that compares actual results with _____
- (A) Specified standards and plans
 - (B) Expected results
 - (C) Premature results
 - (D) Preliminary results
34. CAAT stands for-
- (A) Cornwall Air Ambulance Trust
 - (B) Children Air Ambulance Trust
 - (C) Center for alternatives to Animal Testing
 - (D) Computer Assisted Auditing Technique
35. Chartered Accountants have to retain the working papers for-
- (A) 2 yrs
 - (B) 3 yrs
 - (C) 5 yrs
 - (D) 7 yrs

36. SA 210 stands for-
- (A) Quality control for an audit of financial Statements
 - (B) Agreeing the terms of Audit engagements.
 - (C) Audit Documentation
 - (D) Responsibility of Joint Auditor
37. Current Audit file contains-
- (A) AOA and MOA of the company
 - (B) Analysis of significant ratios and trends
 - (C) Notes regarding significant accounting policies
 - (D) Audit programme
38. Objective of an Audit is to formulate an overall opinion on
- (A) Cost Statement
 - (B) Financial Statement
 - (C) Books of Accounts
 - (D) None of these
39. The purpose of Internal audit is to detect the error in the;
- (A) Accounting records
 - (B) Employees records
 - (C) Cash records
 - (D) Bank records
40. The purpose of internal audit is to determine liabilities of;
- (A) Employer
 - (B) Employees
 - (C) Accountant
 - (D) External auditor
41. The assets protection is possible through
- (A) Internal Audit
 - (B) Internal Control
 - (C) Internal Check
 - (D) None of the above
42. The function of internal audit is meant for-
- (A) Dearth of Staff
 - (B) Dearth of time
 - (C) Dearth of time and funds
 - (D) Dearth of funds
43. Review of internal control system is very important for the auditor as the effectiveness of internal control system will determine the extent of checking to be done by the:
- (A) Management
 - (B) Auditor
 - (C) Accountant
 - (D) None of the above
44. Check list contains the instruction to be followed by the –
- (A) Internal Auditor
 - (B) External Auditor
 - (C) Audit Assistants
 - (D) Employee of the organization

45. Appointment of auditor for government company is done by
(A) BOD
(B) Audit committee
(C) Managing Director
(D) CAG
46. While conducting audit of financial statement auditor need to comply with
(A) Cost Audit Standards
(B) Secretarial standards
(C) Auditing Standards
(D) None of the above
47. Cost Audit can be done by the-
(A) Employee of the organization
(B) Cost Auditor
(C) Secretarial Auditor
(D) None of the above
48. Secretarial Audit can be done by-
(A) Employee of the organization
(B) Cost Auditor
(C) Secretarial Auditor
(D) None of the above
49. Secretarial Audit is applicable to the public sector company having the turnover of-
(A) 100 crore
(B) 200 crore
(C) 250 crore
(D) 300 crore
50. Form for Secretarial Audit Report is-
(A) MR-2
(B) MR-3
(C) MR-4
(D) MR-5
51. The _____ shall act as the secretary of the Audit Committee.
(A) Employee
(B) Auditor
(C) Company Secretary
(D) Chairman
52. A nomination and remuneration committee should have _____ directors.
(A) 3
(B) 2
(C) 1
(D) 4
53. Statutory Auditor is appointed by the shareholder in the
(A) General Meeting
(B) Statutory Meeting
(C) EGM
(D) Board Meeting

54. Statutory Auditor can be removed by the
(A) Shareholders
(B) Audit committee
(C) BOD
(D) None of the above
55. If the Debentures are issued as collateral security either to Banks or Creditors the Auditor needs to ensure that such issue is approved by
(A) Shareholders
(B) Board of Directors
(C) Debenture Trustee
(D) Audit Committee
56. As per SQC 1, Audit working papers should be retained for a period of
(A) 2 years
(B) 5 years
(C) 7 years
(D) 10 years
57. Internal Auditor is appointed by
(A) Audit Committee
(B) Shareholders in General Meeting
(C) Extraordinary General Meeting
(D) Board of Directors
58. Cost Audit Report is submitted to Board of Directors in Form No.
(A) CRA-1
(B) CRA-2
(C) CRA-3
(D) CRA-4
59. Audit of debenture is covered under section
(A) 70
(B) 71
(C) 72
(D) 73
60. An individual auditor who has completed his term shall not be eligible for reappointment as auditor in the same company for
(A) Next 3 Years
(B) Next 5 Years
(C) Next 7 Years
(D) Next 8 Years
61. Secretarial Audit is applicable to the Public Company having the paid-up share capital of Rs. _____.
(A) 50 crore
(B) 75 crore
(C) 100 crore
(D) 200 crore
62. Internal Control Questionnaire contains the questions which need to be followed by the _____.
(A) Employer of the organisation
(B) Employee of the organisation
(C) Auditor of the entity
(D) Banker to the organisation

63. Declaration of dividend is covered under section _____ of the Companies Act, 2013.
 (A) 122
 (B) 123
 (C) 124
 (D) 125
64. Section 146 of the Companies Act, 2013 deals with
 (A) Auditor not to render certain services
 (B) Auditor to sign Audit Reports
 (C) Auditor to attend general meeting
 (D) Punishment for contravention
65. Which of the following is not included in the Current Audit File?
 (A) Memorandum and Articles of Association
 (B) Current year's audit programme
 (C) Internal Control Questionnaire
 (D) Copies of budget
66. Which of the following is not external audit evidence?
 (A) Quotations
 (B) Confirmation from debtors
 (C) Goods Received Note
 (D) Confirmation from bankers
67. Cost Auditor is appointed by
 (A) Audit Committee
 (B) Board of Directors
 (C) Board of Directors on recommendation from Audit Committee
 (D) None of the above
68. Remuneration of Auditors is covered under the following section of Companies Act, 2013:
 (A) Section 142
 (B) Section 148
 (C) Section 139
 (D) Section 143

Answer Key:

- (1) (D) Omission Risk
 (2) (C) profit on revaluation of any fixed assets
 (3) (C) copies of management letters
 (4) (C) Both (A) and (B)
 (5) (A) Board of Directors
 (6) (A) 30 days from the date of registration
 (7) (D) Auditee
 (8) (D) the client, the auditor, and the auditee
 (9) (C) Audit Documentation
 (10) (D) Analysis of significant ratios and trends
 (11) (A) Section 204
 (12) (A) Assets
 (13) (B) Expenses
 (14) (A) CRA-1
 (15) (A) 4
 (16) (B) Final

- (17) (C) CAG
- (18) (C) Annual Audit
- (19) (A) 1 term of 5 years
- (20) (C) Audit Planning
- (21) (A) Financial Statement
- (22) (C) 7 yrs
- (23) (C) Forming an opinion and reporting on Financial Statement
- (24) (C) some material information is not available
- (25) (A) Board of Directors
- (26) (B) 3
- (27) (B) Audit Sampling
- (28) (C) seven
- (29) (D) Providing investment advisory services
- (30) (e) All of above
- (31) (A) Internal
- (32) (B) Quality
- (33) (A) Specified standards and plans
- (34) (D) Computer Assisted Auditing Technique
- (35) (D) 7 yrs
- (36) (B) Agreeing the terms of Audit engagements
- (37) (D) Audit programme
- (38) (B) Financial Statement
- (39) (A) Accounting records
- (40) (B) Employees
- (41) (A) Internal Audit
- (42) (A) Dearth of Staff
- (43) (B) Auditor
- (44) (C) Audit Assistants
- (45) (D) CAG
- (46) (C) Auditing Standards
- (47) (B) Cost Auditor
- (48) (C) Secretarial Auditor
- (49) (C) 250 crore
- (50) (B) MR-3
- (51) (C) Company Secretary
- (52) (A) 3
- (53) (A) General Meeting
- (54) (A) Shareholders
- (55) (B) Board of Directors
- (56) (C) 7 years
- (57) (D) Board of Directors
- (58) (C) CRA-3
- (59) (B) 71
- (60) (B) Next 5 Years
- (61) (A) 50 crore
- (62) (B) Employee of the organization
- (63) (B) 123
- (64) (C) Auditor to attend general meeting
- (65) (A) Memorandum and Articles of Association
- (66) (C) Goods Received Note
- (67) (C) Board of Directors on recommendation from Audit Committee
- (68) (A) Section 142

(II) Match the following in Column I with the appropriate in Column II

(1) Match the following:

	Column I		Column II
1.	Responsibility of Joint Auditor	A	Qualified Audit Report
2.	Unable to form an overall conclusion on Financial Statement	B	SA 230
3.	Audit Report with reservations	C	SA 299
4.	Audit Documentation	D	Disclaimer of Opinion

(2) Match the following:

	Column I		Column II
1.	Independent Directors	A	Unqualified Opinion
2.	Maximum term of Firm as Auditor	B	2 Consecutive terms of 5 years
3.	Maximum term of Individual as Auditor	C	Audit committee
4.	True and Fair Audit Report	D	1 term of 5 years

(3) Match the following:

	Column I		Column II
1.	Statutory Audit	A	Final Audit
2.	Annual Audit	B	Comptroller and Auditor General of India
3.	Functional Classification of Audit	C	Tax Audit
4.	The authority for Govt. Audit	D	External and Internal Audit

(4) Match the following:

	Column I		Column II
1.	Independent Appraisal Activity	A	Secretarial Audit Report
2.	Verification	B	Final product of audit
3.	Audit Report	C	Section 123
4.	Form MR 3	D	Internal Audit
5.	Declaration of Dividend	E	Proving the truth

(5) Match the following:

	Column I		Column II
1.	Appointment of Company Auditor	A	Current Audit File
2.	Remuneration of a Company Auditor	B	Sec. 139 of Companies Act, 2013
3.	Different Accounting Schedules such as schedule of debtors and creditors	C	Permanent Audit File
4.	Analysis of significant ratios and trends	D	Sec. 142 of Companies Act, 2013

(6) Match the following:

	Column I		Column II
1.	Statutory Audit	A	Comptroller and Auditor General of India
2.	Functional Classification of Audit	B	Audit against provision of funds
3.	Tax Audit limit for a person carrying on profession	C	Basic principal governing an audit
4.	Primary Objective of Audit	D	Tax Audit
5.	The authority for Government Audit	E	Final Audit
6.	Scope of Work	F	Determine whether financial statement presents true and fair view.
7.	SA 200	G	Audit Engagement
8.	Tax Audit limit for a Company	H	External and Internal Audit
9.	To ensure that the expenditure is made according to limit.	I	Twenty Five Lakh Rupees
10.	Annual Audit	J	Hundred Lakh Rupees

(7) Match the following:

	Column I		Column II
1.	SA 210	A	Audit Note Book
2.	SA 230	B	Audit Sampling
3.	Detailed of Audit work to be performed	C	Opinion of Financial Statement
4.	Copies of Management Letters	D	Audit Working Papers
5.	Analysis of Significant Ratios & Trends	E	Audit Planning
6.	SA 530	F	Current Audit File
7.	Detail about the name and organization structure	G	Permanent Audit File
8.	Property of Auditor	H	Audit Programme
9.	SA 300	I	Agreeing the terms of Audit Engagements
10.	Objective of an Audit	J	Audit Documentation

(8) Match the following:

	Column I		Column II
1.	GAR 7 Challan	A	Excise Duty
2.	Ind AS 37	B	Contingent Liability
3.	SA 265	C	Communication deficiencies in Internal Control to those charged with Governance and Management.
4.	Proving the Truth	D	Verification
5.	Section 138 of the Companies Act	E	Intangible Assets

(9) Match the following:

	Column I		Column II
1.	Maximum term of firm as Auditor	A	2 Consecutive terms of 5 years
2.	Minimum fees for contravention of Section 139	B	BOD
3.	Maximum fees for contravention of Section 139	C	A company which is a subsidiary of Government Company
4.	Independent Directors	D	Sec. 145 of the Companies Act, 2013

5.	First Auditor appointment is done by	E	1 term of 5 years
6.	Auditor Remuneration is to be fixed at	F	Special Resolution
7.	Government Company	G	Rs. 25,000
8.	Maximum term of Individual Auditor	H	Rs. 5,00,000
9.	Resolution for removal of auditor before expiry of term	I	General Meeting
10.	Signing of audit report	J	Audit Committee

(10) Match the following:

	Column I		Column II
1.	Secretarial Audit Report	A	CRA – 1
2.	Sec. 204 of the Companies Act	B	Cost Audit
3.	Secretarial Audit	C	Board of Directors
4.	Intimation for appointment of Cost Auditor to Central Government	D	CRA – 4
5.	Casual Vacancy in the office of a Cost Auditor is filed by -	E	Cost Audit Report by the Auditor to Company
6.	Form for filling Cost Audit Report with the Central Government	F	MR 3
7.	Sec. 148 of the Companies Act	G	1 lakh rupees which can extend to 5 lakh rupees
8.	CRA 3	H	Secretarial Audit
9.	Cost Accounting Records	I	Listed Companies
10.	Penalty for non compliance of Sec. 204	J	CRA - 2

(11) Match the following:

	Column I		Column II
1.	True and Fair Audit Report	A	Forming and Opinion and Reporting on Financial Statements.
2.	Audit report with certain reservations	B	Audit Report
3.	SA 700	C	Unable to form overall opinion on Financial Statement.
4.	Negative Report	D	One Lakh Rupees
5.	Fine for Violation of Sec. 143 (12)	E	Four Times
6.	SA 600	F	Unqualified Opinion
7.	Expression of opinion of Financial Statement	G	Using the work of Another Auditor
8.	Disclaimer of Opinion	H	Does not agree with affirmation made by the management in the books.
9.	Scope paragraph	I	Qualified Report.

(12) Match the following:

	Column I		Column II
1.	More than one persons or firm of Chartered Accountants are appointed	A	Branch Audit

2.	Sec. 68 of the Companies Act, 2013	B	Alteration of share capital
3.	Sec. 63 of the Companies Act, 2013	C	Power of company to purchase its own securities
4.	Sec. 61 of the Companies Act, 2013	D	Joint Audit
5.	Sec. 139 of the Companies Act, 2013	E	Issue of Bonus Shares

(13) Match the following:

	Column I		Column II
1.	Independent Appraisal Activity	A	Secretarial Audit Report
2.	SA700	B	Section 123
3.	Form MR 3	C	Internal Audit
4.	Declaration of Dividend	D	Forming an opinion and reporting on financial statements.

(14) Match the following:

	Column I		Column II
1.	The authority for Government Audit	A	Audit Programme
2.	Details of Audit work to be performed	B	Comptroller on Auditor General
3.	Removal of Statutory Company Auditor	C	Audit Note Book
4.	Details about Name and Organization Structure	D	Section 40
		E	No match found

(15) Match the following:

	Column I		Column II
1.	CRA – 1	A	Audit Sampling
2.	Verification	B	Maintenance of Cost Records by the Company
3.	SA 530	C	Comptroller and Auditor General of India
4.	The authority for Government Audit	D	Providing the truth

(16) Match the following:

	Column I		Column II
1.	Section 144 of the Companies Act	A	Fundamental Accounting Assumption
2.	Reporting of fraud by Auditor to Central Government	B	External and Internal Audit
3.	Functional Classification of Audit	C	Form ADT – 4
4.	Going Concern	D	Auditors not to render certain services

Answer Key:

Ans: 1

- i) C
- ii) D
- iii) A
- iv) B

Ans: 2

- i) C
- ii) B
- iii) D
- iv) A

Ans: 3

- i) C
- ii) A
- iii) D
- iv) B

Ans: 4

- i) D
- ii) E
- iii) B
- iv) A
- v) C

Ans: 5

- i) B
- ii) D
- iii) A
- iv) C

Ans: 6

- i) D
- ii) H
- iii) I
- iv) F
- v) A
- vi) G
- vii) C
- viii) J
- ix) B
- x) E

Ans: 7

- i) I
- ii) J
- iii) H

- iv) F
- v) G
- vi) B
- vii) A
- viii) D
- ix) E
- x) C

Ans: 8

- i) A
- ii) B
- iii) C
- iv) D
- v) E

Ans: 9

- i) E
- ii) G
- iii) H
- iv) J
- v) B
- vi) I
- vii) C
- viii) A
- ix) F
- x) D

Ans: 10

- i) F
- ii) H
- iii) I
- iv) J
- v) C
- vi) D
- vii) B
- viii) E
- ix) A
- x) G

Ans: 11

- i) G
- ii) J
- iii) A
- iv) I
- v) E
- vi) H
- vii) B
- viii) C
- ix) D

Ans: 12

- i) D
- ii) C
- iii) E
- iv) B
- v) A

Ans: 13

- i) C
- ii) D
- iii) A
- iv) B

Ans: 14

- i) B
- ii) A
- iii) D
- iv) C

Ans: 15

- i) B
- ii) D
- iii) A
- iv) C

Ans: 16

- i) D
- ii) C
- iii) B
- iv) A

(III) State whether the following are 'True' or 'False'

1. Audit Programme is a part of Current Audit File.
2. Internal audit is conducted by the staff of the entity or by an independent professional appointed for that purpose.
3. The first auditor of a company is appointed by the shareholders of the company at the general meeting.
4. A company auditor can render actuarial services to his client.
5. "Branch office", in relation to a company, means any establishment described as such by the company.
6. Internal Auditor can be removed by the Board.
7. Final dividend is declared in the general meeting.
8. "Debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.
9. Should reporting in Audit report comply with the requirements as made by statutes?
10. An audit work reflects the work done by the management.
11. The concept of true or fair is a fundamental concept in auditing.
12. An auditor is not insurer.
13. As per Section 138 of Companies Act 2013, no private company or unlisted company is required to appoint an internal auditor.
14. Audit Memorandum is a detailed plan of audit work clearly specifying the responsibilities of the audit staff and time allotted to perform the same.
15. Substantive procedure is also known as test of control.
16. Cut-off procedures are adopted to allocate revenues and costs to the proper accounting period.
17. For the benefit of the organisation, quality auditing should only report non-conformances and corrective actions, but should not highlight areas of good practice.
18. There is no difference between Statutory and external audit.
19. The time required and costs involved in an external audit are much higher as compared to internal audits.
20. The auditor examines in depth the implementation of the quality system.
21. An investigation is done with the generally accepted auditing procedure.
22. The primary objective of the audit is for detecting frauds and error in the books of accounts and financial records of the clients business.
23. Auditor has right to disclose the client information to a third party.
24. An Audit report is the end product of the auditing.
25. An audit engagement is the initial stage of a audit during which the auditor notifies the client that he has accepted the audit work.
26. An audit programme is a detailed plan of the auditing.
27. An Audit note book is a bound book in which a large variety of matters observed during the course of audit are recorded.
28. An Audit note book does not contain details about the name of key management personnel.
29. As per ICAI (C.A) auditor need to retain the working papers for a period of 5 yrs.
30. An audit report should have a proper title.
31. In an audit report the Membership number of the Chartered Accountants is irrelevant.
32. Is reporting in Audit report should comply with the requirements as made by statutes.
33. Internal Audit is an Independent Appraisal activity.
34. Internal Check and Internal Audit are one and the same.
35. Internal auditor has a big role to play in preventing fraud.
36. Audit committee is only luxury to the company.
37. Internal Auditing is a function distinct from authorisation and recording.
38. Special consideration is applicable for audit of expenses of a company.
39. Internal auditor of a company cannot be its Cost Auditor.

40. Cut off procedures are generally applied to trading transactions.
41. An unexplained decrease in the Gross Profit ratio may result due to fictitious sales.
42. Proving the truth means vouching of expenses.
43. In case of Government Company auditor is appointed by the CAG within 182 Days from the commencement of Financial Year.
44. Cooling period of Individual Auditor is 2 consecutive terms of 5 years.
45. The first auditor appointed shall hold office till the conclusion of first AGM.
46. Government Company means a company where 21% of shares are held by the Central government or State Government or partly by Central Government or State Government.
47. A Body Corporate can become Auditor of the company.
48. The auditor shall have access at all times to the books of account and voucher of the company.
49. An auditor of a company can render Investment Banking Service.
50. The auditor report shall be signed only by the person appointed as an auditor of the company.
51. All notices of the general meeting shall be forwarded to the auditor of the company.
52. An audit committee shall have minimum 5 directors.
53. Cost Records are to be maintained as per Form CRA-1.
54. The Cost Auditor has to follow the Cost Auditing Standards while conducting Cost Audit.
55. Cost Accounting Standards is mandatory as per section 143 of the companies Act 2013.
56. CRA-2 is used to intimate the appointment of Cost Auditor to the Central Government.
57. Chartered Accountants are eligible to conduct Secretarial Audit having valid certificate of practice.
58. Company Secretaries are eligible to conduct Cost Audit having valid certificate of practice.
59. Secretarial Audit is applicable to all unlisted companies.
60. Secretarial Audit report is given as per the Form MR-3.
61. Appointment of Secretarial Auditor is done by means of resolution at Board Meetings.
62. Secretarial Audit Report is attached with the Board report.
63. SA 700 stands for "Forming an opinion and reporting on Financial Statement".
64. Audit report reflects the work done by the employees.
65. An audit report is addressed to the authority appointing the Auditor.
66. The auditor gives a clean report when he doesn't have any significant reservation in respect of matters contained in the Financial Statements.
67. A disclaimer of opinion is issued by the auditor when he cannot form an overall opinion about the matters contained in the Financial Statements.
68. A piecemeal opinion is issued when whole of the matters contained in the financial statement is true and fair.
69. An adverse reports given when the auditor concludes that based on his examination he does not agree with the affirmations made in the financial report.
70. CARO order 2016 is applicable to the Banking Company.
71. "Branch office", in relation to a company, means any establishment described as such by the company.
72. Where a company has a branch office, the accounts of that office shall be audited by auditor appointed at EGM.
73. Where the branch office of a company is situated in a country outside India, the accounts of the branch office shall be audited either by the company's auditor or by an accountant or by any other person duly qualified to act as an auditor.
74. The branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the Audit committee.
75. In big corporate more than one persons or firm of Chartered Accountants are appointed as a Joint Auditor for conducting the audit of the company.

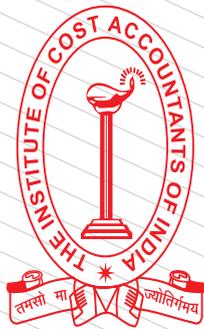
76. "Debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.
77. Statutory Auditor is appointed by the shareholder in the general meeting.
78. If the debentures are issued as collateral security to the banks or creditors then auditor needs to ensure that such issue is approved by debenture trustee.
79. Section 70 deals with the Audit of Debenture.
80. An Audit Committee should have 4 directors.
81. CARO-Companies (Auditor's Report) order, 2016 is applicable to Banking Companies.
82. Internal Check is part of Accounting Control.
83. The Branch Auditor shall prepare report on the Accounts of the Branch examined by him and send it to Audit Committee.
84. Maintenance of Cost Accounting Standards is mandatory as per Section 143 of Companies Act.
85. Routine checking is a substitute of vouching.
86. Casual vacancy in the office of Cost Auditor is filled by Board of Directors.
87. An Audit notebook is a bound book in which a large variety of matters observed during the course of audit are recorded.
88. First auditor of the company is appointed by the Board of Directors within 45 days from the date of first AGM.
89. A Statutory Audit is an official investigation into alleged wrong doing.
90. An audit work reflects the work done by the Management.
91. There is no difference between Statutory and External audit.

Answer Key:

1. True
2. True
3. False
4. False
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- 81. False
- 82. True
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