

**CMA INTER
CORPORATE ACCOUNTS AND
AUDITING
MCQ MATERIAL**

1. Accounting for Shares and Debentures

1. The balance of Securities Premium A/C cannot be utilized for
 - A. Writing off preliminary expenses
 - B. Payment of dividend
 - C. Buyback of shares
 - D. Discount on issue of shares
2. Which of the following is not a Free Reserve?
 - A. General Reserve
 - B. Dividend Equalization Reserve
 - C. Revaluation Reserve
 - D. Revenue Reserve
3. 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
4. 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 authorised by the Articles of Association.
 - C. Buy-back must be authorised by passing a special resolution in general meeting.
 - D. Buy-back should be completed within 1 year from the state of passing of special resolution
5. 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.
6. At present, a company can issue preference shares which is:
 - A. Irredeemable
 - B. Redeemable after the expiry of 20 years from the date of issue
 - C. Redeemable before the expiry of 20 years from the date of issue
 - D. Redeemable after the expiry of 25 years from the date of issue
7. Partly paid-up preference shares can be redeemed
 - A. After the permission from Company Law Board
 - B. After making them fully paid up
 - C. After passing a special resolution
 - D. After the permission from the BOD
8. _____ of the Companies Act, 2013 prohibits issue of shares at a discount.
 - A. Section 53
 - B. Section 54
 - C. Section 61
 - D. Section 62

9. The net profit on forfeiture and reissue of equity shares is transferred to ____.
- Capital Reserve
 - General Reserve
 - Dividend Equalization Reserve
 - Revaluation Reserve
10. Which of the following is/are statutory book(s) of a company?
- Register of charges
 - Register of Members
 - Register of debenture holders
 - All of the above
11. Which of the following is not a condition of buy-back of securities?
- Both fully and partly paid-up securities can be bought back.
 - Buy-back must be authorised by the Articles of Association.
 - Buy-back must be authorised by passing a special resolution in general meeting.
 - Buy-back should be completed within 1 year from the state of passing of special resolution.
12. Which of the following is the modern approach of fixation of issue price of shares?
- Fixed price method.
 - Mark-to-Market method.
 - Book Building method.
 - None of the above
13. Which of the following is/ are advantage(s) of Rights issue?
- Control in the hands of existing shareholders.
 - Less costly
 - No dilution in existing value of shares.
 - All of the above.
14. When an entire issue of securities is underwritten by two or more underwriters jointly, it is referred to as
- Full underwriting
 - Firm underwriting
 - Regular underwriting
 - Syndicate underwriting
15. Which of the following is not a feature of sweat equity shares?
- These are only to its directors or employees.
 - They are issued only for acquisition of tangible assets.
 - They are by nature equity shares
 - All of the above
16. Which of the following cannot be used for issue of bonus shares as per the Companies Act?
- Revaluation Reserve

- B. Securities Premium Account
 - C. Capital Redemption Reserve
 - D. General Reserve
17. According to Section 52 of the Companies Act, 2013 the amount in the Securities Premium A/c cannot be used for the purpose of
- A. Issue of fully paid bonus shares
 - B. Writing off losses of the company
 - C. For purchase of own securities
 - D. Issue of partly paid bonus shares
18. Which of the following statement is true?
- A. A debenture holder is an owner of the company
 - B. A debenture holder can get his money back only on the liquidation of the company
 - C. A debenture issued at a discount can be redeemed at a premium
 - D. Debentures cannot be redeemed during the life time of the company
19. Partly paid-up preference shares can be redeemed_.
- A. After the permission from company law board
 - B. After making them fully paid up
 - C. After passing a special resolution
 - D. After the permission from BOD
20. Given Paid up Share Capital ₹10 lakhs & Free Reserves ₹2 lakhs what is the maximum amount permissible for buy back of shares.
- A. ₹2,00,000
 - B. ₹2,50,000
 - C. ₹2,80,000
 - D. ₹3,00,000
21. Which of the following is not a Free Reserve?
- A. General Reserve
 - B. Dividend Equalization Reserve
 - C. Revaluation Reserve
 - D. Revenue Reserve
22. 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

23. Fair value before right issue ₹20. Theoretical ex-right fair value ₹18. Calculate right factor.
- A. 1.2
 - B. 1.15
 - C. 1.11
 - D. 1.10
24. Which of the following is not a statutory book of a company?
- A. Register of Investments held and their names
 - B. Annual returns
 - C. Register of Officers
 - D. Register of shareholdings of the directors
25. When share is issued at a price equal to its face value, it is called issue
- A. at Par
 - B. Issue at a Premium
 - C. Issue at a Discount
 - D. at Bonus
26. Buy-back of equity shares in any financial year should not exceed__.
- A. 10% of net worth
 - B. 25% of the aggregate of paid-up capital and free reserves of the Company
 - C. Company
 - D. 25% of the paid-up equity capital
 - E. None
27. Company may purchase its own shares or other specified securities out of -
- A. Free reserves
 - B. Securities premium account
 - C. Proceeds of issue of any shares
 - D. Any of these
28. No offer of buy-back shall be made within a period of reckoned from the date of the closure of the preceding offer of buy-back
- A. 1 Year
 - B. 2 Years
 - C. 3 Years
 - D. 4 Years
29. _____ is the amount of share capital that a company is permitted to issue.
- A. Issued Share Capital
 - B. Authorized Share Capital
 - C. Subscribed Capital
 - D. None
30. Shares can be forfeited_____.

- A. For failure to attend meetings
- B. For failure to repay the loan to the bank
- C. For non-payment of call money
- D. All the above

2. Preparation of the Statement of Profit and Loss and Balance Sheet (as per Schedule III of Companies Act, 2013)

31. 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
32. As per Schedule III of Companies Act 2013, while preparing the financial statements in case of a Finance Company, interest received from borrowers should be shown under
- A. Revenue from operation
 - B. Other Income
 - C. Current assets
 - D. Non-current assets
33. 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
34. In case of purchase of assets under instalment payment system, instalments due after 12 months from the reporting date are shown as
- A. Current liability
 - B. Current assets
 - C. Non-current liability
 - D. Non-current assets
35. For the issuer, unpaid matured debentures and interest accrued thereon will be shown under the head
- A. Non-current liabilities
 - B. Current liabilities
 - C. Non-current assets
 - D. Current assets

36. Installment of principal amount of long term loan payable within next 12 months is show under Balance sheet of a company under the heading .
- Non-Current Assets
 - Non-Current liabilities
 - Current Assets
 - Current liabilities
37. In a Balance Sheet prepared under Schedule III of Companies Act, 2013, 'Share application money pending allotment' shall be shown .
- under Shareholder's Fund
 - under Non-Current Liabilities
 - under Current Liabilities
 - as a separate line item
38. The financial statements of company shall be in the from provided in____
- Schedule IV
 - Schedule III
 - Schedule V
 - Schedule VI
39. Part I of the Schedule III to the Companies Act, 2013 gives the
- Format of Profit & Loss Account
 - General instructions for preparation of Profit & Loss Account
 - Format of Balance Sheet
 - Format of Comparative Statements
40. Which of the following is/are not a criteria to classify a liability as current liability?
- it is expected to be settled in the company's normal operating cycle
 - it is held primarily not for the purpose of being traded
 - it is due to be settled within twelve months after the reporting date
 - the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date
41. Under which heading the Deferred Tax Liabilities appears in the balance sheet.
- Current Liabilities
 - Non-Current Liabilities
 - Deferred Liabilities
 - Contingent Liabilities
42. In the Balance Sheet Bank Overdraft will be shown as a liability under the heading _____
- Other Current Liabilities
 - Short Term Borrowings
 - Current Liabilities
 - Cash & Cash Equivalent Liabilities

3. Cash Flow Statement

43. Which of the following items would be subtracted from net income when using the indirect method of calculating cash flows provided by operating activities?
- A. Depreciation expense
 - B. Repayment of bonds payable
 - C. A gain on the sale of land
 - D. A loss on the sale of equipment
44. Which of the following would be considered a cash-flow item from a "financing" activity?
- A. A cash outflow to the government for taxes
 - B. A cash outflow to repurchase the firm's own common stock
 - C. A cash outflow to lenders as interest
 - D. A cash outflow to purchase bonds issued by another company
45. The method for presenting Net cash provided by operating activities that starts with net income and adjusts it for items that affected reported net income but that did not affect cash is called as _____.
- A. Direct method
 - B. Working capital method
 - C. Indirect method
 - D. Cost-benefit method
46. Under which activates cash paid for preferred stock dividends should be shown on the statement of cash flows?
- A. Investing activities
 - B. Financing activities
 - C. Noncash investing and financing activities
 - D. Operating activities
47. Which of the following would not be considered a cash flow from "operating" activities?
- A. Payments for the inventory
 - B. Collection from customers
 - C. Tax payments
 - D. Payment of debt principle
48. Under which of the following, a business must generate positive net cash flow for it to survive in the long run?
- A. Investing activities
 - B. Financing activities
 - C. Operating activities
 - D. Non cash activities
49. Depreciation is added back to profit when arriving at the cash flow from operating

- activities as _____.
- A. Depreciation is a non-cash expenditure
 - B. Depreciation does not affect profit
 - C. Depreciation only affects the balance sheet, not the profit and loss account
 - D. None of Above
50. Which of the following would not represent the cash outflows for the business?
- A. Purchase of building for cash
 - B. The sale of land for cash
 - C. Retirement of long-term debt
 - D. The payment of cash for dividends
51. The statement of cash flows does not include cash inflows and outflows for which of the following activities?
- A. Financing activities
 - B. Investing activities
 - C. Operating activities
 - D. Revenue activities
52. Sale of copyright is concerned with cash flow from _____.
- A. Operating activities
 - B. Financing activities
 - C. Investing activities
 - D. Revenue activities
53. Net Profit for the year is ₹15,000, interest received in advance on 1.1.21 is ₹2,000 and on 31.12.21 is ₹3,000 cash from operation will be _____.
- A. ₹16,000
 - B. ₹22,000
 - C. ₹13,000
 - D. ₹15,000
54. If the net profits earned during the year is ₹50,000 and the bills receivables have decreased by ₹10,000 during the year then the cash flow from operating activities will be equal to:
- A. ₹30,000
 - B. ₹40,000
 - C. ₹50,000
 - D. ₹60,000
55. Sale of copyright is concerned with cash flow from _____.
- A. Operating activities
 - B. Financing activities
 - C. Investing activities
 - D. Revenue activities

56. Cash receipts from disposal of shares is classified under
- Investing Activity
 - Operating Activity
 - Financing Activity
 - Cash Equivalent
57. The main difference in direct and indirect method is to calculate the
- Investing Activity
 - Operating Activity
 - Financing Activity
 - Cash Equivalent
58. When company repurchases its own shares it records a _____
- Cash inflow
 - Cash outflow
 - No effect on cash
 - None of these
59. A Cash Flow Statement begins with _____.
- Investing Activity
 - Operating Activity
 - Financing Activity
 - Cash Equivalent
60. Which of the following is an example of Non-cash Expenses
- Depreciation
 - Wages and Salaries
 - Payment of Dividend
 - All of these
61. If the Net Operating Profit is Rs.90,000 and the Debtors are decreased by Rs.20,000 during the year. Then Cash from Operation will be _____.
- Rs.70,000
 - Rs.1,10,000
 - Rs.90,000
 - None
62. Increase of Bills Receivable by Rs.30,000 results in
- Decrease in Cash
 - Increase in Cash
 - No effect on cash
 - None of these
63. Acquired the assets of a company through issue of equity shares is classified as _____.

- A. Cash Flows from Investing Activity
- B. Cash Flows from Operating Activity
- C. Cash Flows from Financing Activity
- D. None of these

4. Accounts of Banking, Electricity and Insurance Companies

64. Rate of provisioning for advances doubtful for more than 1 year but less than 3 years is
- A. 25%
 - B. 40%
 - C. 60%
 - D. 100%
65. 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
66. A Banking Company needs to transfer a minimum of _ of its profit to reserve fund.
- A. 10%
 - B. 15%
 - C. 20%
 - D. 25%
67. 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
68. A banking company is required to maintain_____ provision on unsecured portion of doubtful advances.
- A. 25%
 - B. 40%
 - C. 50%
 - D. 100%
69. 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
70. In case of an Electricity Company, balance of Security Deposit A/c at the end of the accounting period should be disclosed as
- A. A current liability in the Balance Sheet
 - B. A non-current liability in the Balance Sheet
 - C. A current asset in the Balance Sheet
 - D. A non-current asset in the Balance Sheet
71. 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
72. Which of the following is/are a part of General Ledger of a Banking Company?
- A. Control Accounts of all personal ledgers.
 - B. Profit and Loss Account.
 - C. Assets' Accounts.
 - D. All of the above.
73. Rate of provision on advances doubtful for more than 3 years is __.
- A. 40%
 - B. 25%
 - C. 100%
 - D. Nil
74. Date of bill: 5.01.22, period 5 months, rate of discount is 8% p.a. What is rebate on bills discounted if accounting year ends on 31.3.22?
- A. ₹852.46
 - B. ₹818.85
 - C. ₹873.22
 - D. ₹825.45
75. 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
76. Losses of theft are covered by _____ insurance policies.
- A. Burglary
 - B. Fire
 - C. Marine

- D. None of the above
77. Which of the following is/are main feature of Electricity Act, 2003?
- A. The activities like generation, transmission and distribution of power have been separately identified.
 - B. Power generation has partially been delicensed
 - C. 20% of the power supplied by suppliers and distributors to the consumers has to be generated using renewable and nonconventional sources of energy
 - D. Metering of all electricity supplied has been made optional
78. _____ is a reserve which should be created by the insurers towards losses which might arise due to entirely unexpected set of events and not for any specific known purpose
- A. General Reserve
 - B. Capital Reserve
 - C. Revenue Reserve
 - D. Surplus

5. Accounting Standards

79. The objective of Ind AS 1 Presentation of Financial Statements is to:
- A. provide basis for presentation of general-purpose financial statements
 - B. sets out overall requirements for the presentation of financial statements,
 - C. sets out guidelines for financial statements structure
 - D. All of the above
80. An entity shall apply Ind AS 1 in:
- A. preparing and presenting general purpose financial statements in accordance with Indian Accounting Standards (Ind ASs).
 - B. preparing and presenting financial statements in accordance with Indian Accounting Standards (Ind ASs).
 - C. preparing and presenting financial statements in accordance with Accounting Standards.
 - D. preparing and presenting general purpose financial statements in accordance with Accounting Standards.
81. Ind AS 1 "Presentation of financial statements" applies to
- A. Consolidated financial statements in accordance with Ind AS 110, Consolidated Financial Statements,
 - B. Separate financial statements in accordance with Ind AS 27, Separate Financial Statements.
 - C. Both of the above

- D. Only a
82. Ind AS 2, Inventories, does not apply to
- A. Financial Instruments
 - B. Biological Assets
 - C. Both the above
 - D. (A) but not (B)
83. Cost of inventories does not include
- A. costs of purchase,
 - B. costs of conversion
 - C. other costs incurred in bringing the inventories to their present location and condition
 - D. Finance cost
84. Which of the following costs are not excluded from cost of inventory?
- A. Selling cost
 - B. Administrative cost
 - C. Abnormal loss
 - D. Carriage and freight inward
85. Which of the following is an employee benefit?
- A. Short term employee benefits
 - B. Long term employee benefits
 - C. Termination benefits
 - D. All of the above
86. Which of the following is not a part of other long-term benefits?
- A. long-term disability benefits
 - B. retirement benefits
 - C. profit-sharing and bonuses
 - D. deferred remuneration
87. Short term employee benefits include -
- A. Wages
 - B. Salaries
 - C. Employer's contribution to P.F
 - D. All of the above
88. Which of the following is a defined contribution plan?
- A. Multi-employer plan
 - B. State plan

- C. Insured benefits
D. All of the above
89. Rate of provisioning for advances doubtful for more than 1 year but less than 3 years is
- A. 25%
B. 40%
C. 60%
D. 100%
90. 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
91. 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
92. A Banking Company needs to transfer a minimum of its profit to reserve fund.
- A. 10%
B. 15%
C. 20%
D. 25%
93. 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
94. Which of the following Acts has not been replaced by The Electricity Act, 2003
- A. The Indian Electricity Act, 1910,
B. The Electricity (Supply) Act, 1948 and
C. The Electricity Regulatory Commissions Act, 1998
D. Companies Act 1956
95. Ind AS 1 "Presentation of financial statements" applies to _.
- A. Consolidated financial statements in accordance with Ind AS 110, Consolidated Financial Statements,

- B. Separate financial statements in accordance with Ind AS 27, Separate Financial Statements.
- C. Both of a. and b.
- D. None of the above
96. Ordinary shares are 1,00,000 of ₹1.00; 10% Preference shares are 200,000 of ₹1.00; PAT ₹10,00,000. Calculate basic EPS.
- A. ₹9.80
- B. ₹9.60
- C. ₹9.40
- D. ₹9.20
97. 01.04.2021 B Ltd. has 1200 ordinary shares outstanding. On 31.08.2022 it issued 400 ordinary shares for cash. On 31.01.22 it bought back 200 ordinary shares. Calculate weighted average number of shares as on 31.03.22.
- A. 1300
- B. 1400
- C. 1500
- D. 1600
98. The expected sales value of stock is ₹20 lakhs and a commission at 10% on sale is payable to the agent. Calculate NRV.
- A. ₹ 12 lakh
- B. ₹ 14 lakh
- C. ₹ 18 lakh
- D. ₹ 16 lakh
99. Eps is calculated on the basis of which amount?
- A. Profit as per Statement of Profit or loss
- B. Total Comprehensive Income
- C. Gross Profit
- D. Fixed Assets
100. Which of the following is not a part of other long-term benefits?
- A. Long-term disability benefits
- B. Retirement benefits
- C. Profit-sharing and bonuses
- D. Deferred remuneration
101. Which of the following is included in cost of inventory as per Ind AS 2?
- A. Duties and taxes subsequently recoverable from taxing authorities

- B. Freight inward
- C. Rebates
- D. None

Answers:

1	2	3	4	5	6	7	8	9	10
B	C	A	A	C	C	B	B	A	D
11	12	13	14	15	16	17	18	19	20
A	C	D	D	B	A	B	C	B	D
21	22	23	24	25	26	27	28	29	30
B	D	C	C	A	B	D	A	B	C
31	32	33	34	35	36	37	38	39	40
C	A	D	C	B	D	D	B	C	B
41	42	43	44	45	46	47	48	49	50
B	B	C	B	C	B	D	C	A	B
51	52	53	54	55	56	57	58	59	60
D	C	A	D	C	A	B	B	B	A
61	62	63	64	65	66	67	68	69	70
B	A	D	B	B	D	C	D	D	B
71	72	73	74	75	76	77	78	79	80
D	D	C	A	D	C	A	B	B	B
81	82	83	84	85	86	87	88	89	90
D	D	C	D	D	A	C	C	D	D
91	92	93	94	95	96	97	98	99	100
D	B	D	D	C	A	B	C	A	B
101									
B									

AUDITING

1. Nature and scope of Auditing

1. Audit is conducted to draw overall opinion on _____
 - A. Financial Statement
 - B. Cost Statement
 - C. Income Statement
 - D. None of the above.
2. 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
3. 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
4. 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
5. 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
6. The Companies Act 1913 used the term "True and _____".
 - A. Fair
 - B. True
 - C. False
 - D. Correct
7. _____ is conducted with a particular object in view, viz to know financial position, earning capacity, prove fraud, invest capital, etc.

- A. Auditing
 - B. Accounting
 - C. Investigation
 - D. Sampling
8. Misappropriation of goods is a _____
- A. Fraud
 - B. Clerical error
 - C. Error of principle
 - D. Compensating error
9. Audit is derived from Latin word _____.
- A. Audiro
 - B. Audiu
 - C. Audire
 - D. Audiris
10. The word "Auditing" has been derived from Latin word "audiere" which means _____.
- A. To Hear
 - B. To verify
 - C. To Examine
 - D. To Identify
11. Management is interested in the Financial Statements for _____.
- A. For day-to-day decision-making
 - B. For Collection of Taxes
 - C. For research purpose
 - D. None of the above
12. Government is interested in the Financial Statements for _____.
- A. For day-to-day decision-making
 - B. For Collection of Taxes
 - C. For research purpose
 - D. None of the above
13. Which of the following is/are advantage/s of audit?
- A. Audit is a tool, which different stakeholders can use to protect their interests in the enterprise
 - B. Audit is not only a corrective measure but has a deterrent effect. It serves as a moral check on the employees from committing defalcations or embezzlements
 - C. The employees of the organisation remain alert and vigilant as regards the updating of books of accounts and other records
 - D. All of these

2. Auditing Standards

14. SA 530 stands for
 - A. Audit Documentation
 - B. Audit Sampling
 - C. Responsibility of Joint Auditor
 - D. Agreeing the terms of Audit Engagements
15. 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
16. SA 210 stands for
 - A. Audit Planning
 - B. Audit Working Papers
 - C. Agreeing the terms of Audit Engagements
 - D. Audit Documentation
17. SA 300 stands for _____.
 - A. Responsibility of Joint Auditor
 - B. Overall planning of audit
 - C. Audit Planning
 - D. None of the above
18. SA-700 stands for _____.
 - A. Audit Planning
 - B. Joint Auditor
 - C. Forming an opinion and reporting on Financial Statement
 - D. None of the above
19. SA 530 stands for _____.
 - A. Audit Documentation
 - B. Audit Sampling
 - C. Responsibility of Joint Auditor
 - D. Agreeing the terms of Audit Engagements
20. 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
21. SA 300 stands for
 - A. Audit Planning'
 - B. Audit Sampling

- C. Audit Documentation
- D. None of these

3. Types of Audit

22. Final Audit is known as _____.
- A. Tax Audit
 - B. Internal Audit
 - C. Annual Audit
 - D. All of the above
23. An audit which is conducted considering the particular area of accounting which the owner thinks essential is known as _____.
- A. Complete Audit
 - B. Partial Audit
 - C. Balance Sheet Audit
 - D. Cost Audit
24. Various types of quality audits are
- A. Product
 - B. Process
 - C. Management (system)
 - D. Registration (certification)
 - E. All of above
25. An audit which is conducted considering the particular area of accounting which the owner thinks essential is known as _____.
- A. Complete Audit
 - B. Partial Audit
 - C. Balance Sheet Audit
 - D. Cost Audit
26. Verification of the value of assets, liabilities, and the balance of reserves, provision and the amount of profit earned or loss suffered by an entity is called as _____.
- A. Continuous audit
 - B. Balance sheet audit
 - C. Interim audit
 - D. Partial audit

4. Audit Engagement

27. 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

28. Audit Procedures to obtain audit evidences include
- A. Compliance Procedure
 - B. Substantive Procedure
 - C. Both of A and B
 - D. Neither A nor B
29. Which of the following is not a part of Temporary Audit file?
- A. Correspondence relating to acceptance of annual reappointment.
 - B. Audit programme.
 - C. Extracts of minutes of board meetings
 - D. Legal and organisation structure of the company
30. 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
31. Audit Procedures to obtain audit evidences include
- A. Compliance Procedure
 - B. Substantive Procedure
 - C. Both (A) and (B)
 - D. Neither (A) nor (B)
32. 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
33. 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
34. 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
35. 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

36. Chartered Accountants have to retain the working papers for _____
- A. 2 yrs
 - B. 3 yrs.
 - C. 5 yrs.
 - D. 7 yrs.
37. Which of the following is not external audit evidence?
- A. Quotations
 - B. Confirmation from debtors
 - C. Goods Received Note
 - D. Confirmation from bankers
38. Audit procedure to obtain audit evidence includes_.
- A. Compliance procedure
 - B. Substantive procedure
 - C. Both A & B
 - D. Neither A or B
39. _____ is a detailed plan of the auditing work to be performed, specifying the procedures to be followed in verification of each item and the financial statements and the estimated time required
- A. Audit programme
 - B. Flow-chart
 - C. Audit Documentation
 - D. Audit Working Papers

5. Audit Risk

40. Which of the following is not an audit risk?
- A. Inherent Risk
 - B. Detection Risk
 - C. Control risk
 - D. Omission Risk
41. Check list contains the instructions to be followed by the
- A. Employer of the organisation
 - B. Employee of the organisation
 - C. Banker to the organisation
 - D. Audit staff engaged by the auditor of the organisation
42. Which of the following is not an audit risk?
- A. Inherent Risk
 - B. Detection Risk
 - C. Control Risk
 - D. Omission Risk
43. The purpose of internal audit is to protect the

- A. Assets
 - B. Audit staff
 - C. Accountant
 - D. Management
44. The purpose of Internal audit is to detect the error in the;
- A. Accounting records
 - B. Employees records
 - C. Cash records
 - D. Bank records
45. The purpose of internal audit is to determine liabilities of;
- A. Employer
 - B. Employees
 - C. Accountant
 - D. External auditor
46. The assets protection is possible through
- A. Internal Audit
 - B. Internal Control
 - C. Internal Check
 - D. None of the above
47. 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
48. 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
49. Check list contains the instruction to be followed by the -
- A. Internal Auditor
 - B. External Auditor
 - C. Audit Assistants
 - D. Employee of the organization
50. Internal Auditor is appointed by
- A. Audit Committee
 - B. Shareholders in General Meeting
 - C. Extraordinary General Meeting
 - D. Board of Directors
51. 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
52. The purpose of internal audit is to protect the
- A. Assets
 - B. Audit staff.
 - C. Accountant
 - D. Management
53. The purpose of Internal audit is to detect the error in the
- A. Accounting records
 - B. Employees records
 - C. Cash records
 - D. Bank records
54. The purpose of internal audit is to determine liabilities of
- A. Employer
 - B. Employees
 - C. Accountant
 - D. External auditor
55. The assets protection is possible through
- A. Internal Audit
 - B. Internal Control
 - C. Internal Check
 - D. None of the above
56. 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
57. 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
58. Check list contains the instruction to be followed by the
- A. Internal Auditor
 - B. External Auditor
 - C. Audit Assistants
 - D. Employee of the organisation
59. Internal Control Questionnaire contains the questions 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
60. Accounting control
- A. Administrative control
 - B. Internal audit
 - C. Internal check
 - D. Financial control
61. allocation of duties among the staff in such a way that it eliminates the chances of any duplicity of work
- A. Internal check
 - B. Internal control
 - C. Internal audit
 - D. Operational control
62. Internal Audit is mandatory for every unlisted public company having paid up share capital of
- A. ₹ 100 crores during the preceding financial year
 - B. ₹ 50 crores during the preceding financial year
 - C. ₹ 500 crores during the preceding financial year
 - D. ₹ 200 crores during the preceding financial year
63. 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
64. Internal audit is mandatory for every unlisted public company having paid up share capital of _____.
- A. ₹100 crores
 - B. ₹50 crores
 - C. ₹500 crores
 - D. ₹200 crores
65. A flow chart, made by the auditor, of an entity's internal control system is a graphic representation that depicts the auditor's _____.
- A. Understanding of the system
 - B. Understanding of fraud risk factors
 - C. Documentation of assessment of control risk
 - D. Both 1 and 3
66. The work of one clerk is automatically check by another clerk is called _____.

- A. Internal control
 - B. Internal check
 - C. Internal check
 - D. None of the above
67. The most important objective of internal audit is _____.
- A. Early detection of errors and fraud
 - B. Facilitating final audit
 - C. Early finalization of annual account
 - D. Ensuring systematic accounting
68. _____ refers to the possibility of material misstatement due to complex transactions or even due to organised fraud.
- A. Control Risk
 - B. Inherent Risk
 - C. Detection Risk
 - D. None of these

6. Audit Sampling

69. Test checking requires application of _____.
- A. mathematical theory
 - B. sampling theory
 - C. geometry theory
 - D. stakeholder theory
70. Which of the following is not a step of Audit Sampling?
- A. Sample Design
 - B. Sample Size Determination
 - C. Sample Selection
 - D. Sample Displaying
71. Test Checking reduces the _____.
- A. Power of an auditor
 - B. Expenses of auditor
 - C. Work of an auditor
 - D. Liability of an auditor
72. Benefits of Audit Sampling are _____.
- A. It reduces the workload of the auditor
 - B. It saves time and cost
 - C. It gives dependable result as it is based on statistical sampling methods
 - D. All of these

7. Statutory Audit

73. Any casual vacancy in a govt. company is filled by the CAG of India within _____
- A. 15
 - B. 30
 - C. 45
 - D. 60
74. No audit firm shall be appointed or reappointed as auditor for more than two terms of consecutive years.
- A. 3
 - B. 5
 - C. 7
 - D. 10
75. Each qualified chartered accountant not in full time employment can be the auditor of at most _____ companies.
- A. 10
 - B. 15
 - C. 20
 - D. 30
76. An Audit Committee should have a minimum of _____ number of directors.
- A. 4
 - B. 3
 - C. 5
 - D. 6
77. 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
78. The meetings of Audit committee should be _____ in a year.
- A. 4
 - B. 5
 - C. 3
 - D. 2
79. Authorization for Government Audit.
- A. BOD
 - B. Audit committee
 - C. CAG
 - D. None of the above
80. 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
81. 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
82. An Audit Committee should have a minimum of _____ number of directors.
- A. 4
 - B. 3
 - C. 5
 - D. 6
83. Appointment of auditor for government company is done by
- A. BOD
 - B. Audit committee
 - C. Managing Director
 - D. CAG
84. The _____ shall act as the secretary of the Audit Committee.
- A. Employee
 - B. Auditor
 - C. Company Secretary
 - D. Chairman
85. A nomination and remuneration committee should have _____ directors.
- A. 3
 - B. 2
 - C. 1
 - D. 4
86. Statutory Auditor is appointed by the shareholder in the
- A. General Meeting
 - B. Statutory Meeting
 - C. EGM
 - D. Board Meeting
87. Statutory Auditor can be removed by the
- A. Shareholders
 - B. Audit committee
 - C. BOD
 - D. None of the above

88. 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
89. 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
90. 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
91. The first auditor of a Company is appointed by -
- A. Board of Directors
 - B. Managing Director
 - C. Comptroller and Auditor General (CAG)
 - D. Shareholders
92. An Audit Committee should have a minimum of _____ number of directors.
- A. 4
 - B. 3
 - C. 5
 - D. 6
- A. Providing investment advisory services
93. Casual Vacancy of a company auditor is filled by
- A. Managing Director
 - B. Board of Directors
 - C. Central Govt.
 - D. Shareholders
94. A company auditor resigning from his post shall inform the same to the Registrar in
- A. Form No. ADT - 1
 - B. Form No. ADT - 2
 - C. Form No. ADT - 3
 - D. Form No. ADT - 4
95. Auditor not to render certain services under section _____
- A. 139
 - B. 144

- C. 142
D. 145
96. Statutory Auditor can be removed by the _____.
A. Shareholders
B. Audit committee
C. BOD
D. None of the above
97. A nomination and remuneration committee should have _____ directors.
A. 5
B. 10
C. 2
D. 3
98. The company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the Registrar within fifteen days of the meeting in which the auditor is appointed in Form_.
A. ADT-1
B. ADT-2
C. ADT-3
D. None of these
99. 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
100. A company auditor resigning from his post shall inform the same to the Registrar in _____.
A. Form No. ADT - 1
B. Form No. ADT - 2
C. Form No. ADT - 3
D. Form No. ADT - 4
101. Each qualified chartered accountant not in full time employment can be the auditor of at least ___ companies.
A. 10
B. 15
C. 20
D. 30

8. Cost Audit and secretarial Audit

102. Cost Audit is covered under
- A. Section 204
 - B. Section 148
 - C. Section 139
 - D. None of the above
103. Secretarial Audit is covered under section
- A. Section 204
 - B. Section 148
 - C. Section 139
 - D. None of the above
104. A cost auditor submits his report along with reservations and observations in Form No.
- A. CRA 1
 - B. CRA 2
 - C. CRA 3
 - D. CRA 4
105. A Cost Auditor submits his report to
- A. Board of Directors
 - B. Government
 - C. Shareholders
 - D. Statutory Auditor
106. Secretarial Audit is covered under Section _____ of Companies Act, 2013.
- A. Section 204
 - B. Section 148
 - C. Section 139
 - D. None of the above
107. Form for maintenance of Cost Records by the Company is _____ .
- A. CRA-1
 - B. CRA-2
 - C. CRA-3
 - D. CRA-4
108. Cost Audit can be done by the-
- A. Employee of the organization
 - B. Cost Auditor
 - C. Secretarial Auditor
 - D. None of the above
109. Secretarial Audit can be done by-
- A. Employee of the organization
 - B. Cost Auditor

- C. Secretarial Auditor
D. None of the above
110. 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
111. Form for Secretarial Audit Report is _____
- A. MR-2
B. MR-3
C. MR-4
D. MR-5
112. Cost Audit Report is submitted to Board of Directors in Form No.
- A. CRA-1
B. CRA-2
C. CRA-3
D. CRA-4
113. 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
114. 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
115. A cost auditor submits his report to -
- A. Government
B. Shareholders
C. Statutory Auditor
D. Board of Directors
116. A cost auditor submits his report along with reservations observations in form NO. _____.
- A. CRA1
B. CRA2
C. CRA3
D. CRA4
117. Secretarial audit is covered under _____.
- A. Section 204
B. Section 148

- C. Section 139
D. Section 141
118. Secretarial Audit is applicable to the public sector company having the paid up share capital of__.
- A. 50 crore
B. 75 crore
C. 100 crore
D. 200 crore
119. A cost auditor submits his report along with reservations and observations in Form No. __.
- A. CRA 3
B. CRA 2
C. CRA 1
D. CRA 5

9. Audit of various items of financial statements

120. 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
121. 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
122. Audit of debenture is covered under section
- A. 70
B. 71
C. 72
D. 73
123. Declaration of dividend is covered under section _____ of the Companies Act, 2013.
- A. 122
B. 123

- C. 124
D. 125
124. 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
125. 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
126. Which of the following is/are benefits of Internal Financial Control?
- A. Improved controls over financial reporting process
B. Trickling down of accountability to operational management
C. Improved investor confidence in entity's operations and financial reporting process
D. All of the above
127. For any default on the part of the company to deposit to the unpaid dividend account within the stipulated time, the company needs to pay interest @ _p.a.
- A. 11%
B. 16%
C. 19%
D. 12%
128. The main role of _____ is the following: A. Recommending Auditing Standards, B. Monitoring and Enforcing Compliance with Auditing Standards and C. Power to Investigate
- A. NFRA
B. NACAS
C. IFC
D. None of these
129. NFRA consists which of the following?
- A. Accounting Standards Committee
B. Auditing Standards Committee
C. Enforcement Committee
D. All of these
130. Which of the following is not a duty of duties of the NFRA?

- A. Recommend Accounting and auditing policies and standards to be adopted by companies for approval by the Central Government
 - B. Monitor and enforce compliance with Income Tax Act and auditing standards
 - C. Perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.
 - D. Oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service
131. Auditor shall verify whether the unpaid dividend has been transferred to the Unpaid Dividend Account within _____ days from the expiry of _____ days allowed for declaration and payment of dividend.
- A. 7,20
 - B. 7,30
 - C. 15,20
 - D. 15,15

10. Audit Report

132. Which of the following is not a content of audit report as per CARO?
- A. Inventory
 - B. Acceptance of deposit
 - C. Recruitment of employees
 - D. Repayment of loan
133. Which of the following is not a content of audit report?
- A. Signature of the auditor
 - B. Date of the report
 - C. Attachment of audit evidences
 - D. Auditor's address
134. An auditor shall submit a unmodified report when _____.
- A. The financial statements exhibit true and fair view
 - B. The financial statements are partially correct
 - C. The financial statements are incomplete
135. An audit report is the _____ product of audit.
- A. Main
 - B. Final
 - C. Semi final
 - D. None of the above
136. 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
137. 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.
138. 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
139. Which of the following is not a content of audit report?
- A. Signature of the auditor
B. Date of the report
C. Attachment of audit evidences
D. Auditor's address
140. An auditor expresses _____ opinion on financial statements when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, either individually or in aggregate, are both material and pervasive to the financial statements.
- A. Qualified
B. Disclaimer
C. Adverse
D. None of these
141. An audit report with an unmodified opinion is also known as '_____' or 'Unqualified Report'
- A. Clean Report
B. Clear Report
C. Neet Report
D. Honest Report
142. Basic Elements of Audit Report as per Standards on Auditing are_____.
- A. Key Audit Matters
B. Auditor's Opinion
C. Basis for Opinion
D. All of these
143. Essential Characteristics of a Good Audit Report are _____.
- A. Simplicity, Clarity, Brevity, Firmness, Objectivity, Disclosure, Impartiality,

Information based and Timeliness

- B. Simplicity, Clarity, Brevity, Firmness, Objectivity, Disclosure, Impartiality, Information-based and Popularity
- C. Simplicity, Clarity, Brevity, Firmness, Objectivity, Disclosure, Impartiality, Information based and ambiguity
- D. None of these above

11. Audit of Different types of Undertakings

144. Which of the following is not a part of urban self-governance system in India?
- A. Municipal Corporation
 - B. Town Panchayat
 - C. Municipality
 - D. Municipal Society
145. Which of the following is not a part of rural self-governance system in India?
- A. Gram Panchayat
 - B. Gram Parishad
 - C. Panchayat Samiti
 - D. Zilla Parishad
146. The amendments that gave the local self-governance in India the constitutional protection are _____ and .
- A. 53 and 54
 - B. 63 and 64
 - C. 73 and 74
 - D. 83 and 84
147. According to the Central Co-operatives Societies Act, _____ of the profits of a co-operative society should be transferred to a Reserve Fund before distribution of dividend or payment of bonus to its members.
- A. 20%
 - B. 25%
 - C. 30%
 - D. 35%
148. Which of the following conditions is not mandatory while utilizing past reserves for payment of dividend?
- A. The rate of dividend shall not exceed the average of rates in the three immediately preceding years.
 - B. Total amount to be withdrawn shall not exceed one -tenth of the sum of its paid-up share capital and free reserves.
 - C. After withdrawn the balance of reserves shall not fall below 15% of its paid up share capital.

- D. The company must obtain prior approval from the Central Govt. in this regard.
149. The amendments that gave the local self-governance in India the constitutional protection are and _____.
- A. 53 and 54
 - B. 53 and 54
 - C. 73 and 74
 - D. 83 and 84
150. Steps of audit common for all organizations are _____.
- A. Understand the ownership structure of the organisation
 - B. Evaluate the internal control system
 - C. Check that the organisation has a valid license from an appropriate authority to run the business
 - D. All of these above.

ANSWER:									
1	2	3	4	5	6	7	8	9	10
C	B	D	D	A	D	C	A	C	A
11	12	13	14	15	16	17	18	19	20
A	B	D	B	C	C	C	C	B	B
21	22	23	24	25	26	27	28	29	30
A	C	B	E	B	B	C	C	D	C
31	32	33	34	35	36	37	38	39	40
C	D	D	C	A	D	C	C	A	D
41	42	43	44	45	46	47	48	49	50
D	D	A	A	B	A	A	B	C	D
51	52	53	54	55	56	57	58	59	60
B	A	A	B	A	A	B	C	B	D
61	62	63	64	65	66	67	68	69	70
A	A	A	A	A	B	A	B	B	D
71	72	73	74	75	76	77	78	79	80
C	D	B	B	C	B	A	A	C	A

81	82	83	84	85	86	87	88	89	90
A	B	D	C	A	A	A	B	C	A
91	92	93	94	95	96	97	98	99	100
A	B	B	C	B	A	D	A	B	C
101	102	103	104	105	106	107	108	109	110
C	B	A	C	A	A	A	B	C	C
111	112	113	114	115	116	117	118	119	120
B	C	C	C	D	C	A	A	A	C
121	122	123	124	125	126	127	128	129	130
C	D	B	C	D	D	D	A	D	B
131	132	133	134	135	136	137	138	139	140
B	C	C	A	B	C	C	C	C	C
141	142	143	144	145	146	147	148	149	150
A	D	A	B	B	C	B	D	C	D