

CMA Inter

***Corporate Accounting &
Auditing***

MCQs



CA BISHNU KEDIA

CHAPTER 1: ACCOUNTING FOR SHARES AND DEBENTURE

1. The discount on reissue of forfeited equity shares is debited to
- General Reserve A/c
 - Forfeited Shares A/c
 - Capital Reserve A/c
 - Discount on Issue of Shares A/c

Answer: b

2. Issue of fully paid-up Bonus shares
- reduces the shareholders' fund.
 - increases the shareholders' fund.
 - does not change the shareholders' fund.
 - increases the total liability.

Answer: c

3. The term „FPO“, in the context of issuing shares by a company, refers to
- Future Public Offer
 - First Public Offer
 - Follow-on Public Offer
 - Full Public Offer

Answer: c

4. Which of following is not a source of dividend?
- Out of current year's profit after providing for past losses
 - Out of profits of any previous financial year without providing depreciation
 - Out of profits for current year after providing for depreciation for current year
 - Out of past reserves subject to certain conditions

Answer: b

5. Partly paid-up preference shares can be redeemed
- After obtaining the permission from Company Law Board
 - After passing a special resolution
 - After the permission from the Board of Directors
 - After making them fully paid up

Answer: d

6. A company may purchase its own shares out of
- free reserves
 - all of these
 - securities premium account
 - proceeds of the issue of any shares or other specified securities

Answer: b

7. For the issuer, unpaid matured debentures and interest accrued thereon will be shown under the head
- Non-current liabilities
 - Non-current assets
 - Current assets
 - Current liabilities

Answer: d

8. The balance of Securities Premium A/C cannot be utilized for
- Writing off preliminary expenses
 - Payment of dividend
 - Buyback of shares
 - Discount on issue of shares

Answer: b

9. Which of the following is not a Free Reserve?
- General Reserve
 - Dividend Equalization Reserve
 - Revaluation Reserve
 - Revenue Reserve

Answer: c

10. Which of the following reserves cannot be used for the purpose of issuing bonus shares?
- Revaluation Reserve
 - Dividend Equalization Reserve
 - Capital Redemption Reserve
 - General Reserve

Answer: a

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

Answer: a

12. Which of the following is correct?
- Debenture carries a fixed rate of dividend.
 - A company limited by shares may issue irredeemable preference shares.
 - Unmarked applications are those applications that bear the stamp of the underwriter
 - Except as provided in Section 54, a company shall not issue shares at a discount.

Answer: d

13. At present, a company can issue preference shares which is:
- 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

Answer: c

14. Partly paid-up preference shares can be redeemed
- After the permission from Company Law Board
 - After making them fully paid up
 - After passing a special resolution
 - After the permission from the BOD

Answer: b

15. The net profit on forfeiture and reissue of equity shares is transferred to_.
- a) Capital Reserve
 - b) General Reserve
 - c) Dividend Equalization Reserve
 - d) Revaluation Reserve

Answer: a

16. 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

Answer: d

17. Given, paid -up share capital ₹10,00,000 and free reserves ₹2,00,000, 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

Answer: d

18. In determining the number of shares to be bought back, which of the following tests is not relevant as per Section 68 of the Companies Act, 2013?
- a) Share outstanding test
 - b) Resource test
 - c) Current ratio test
 - d) Debt-equity ratio test

Answer: c

19. 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

Answer: a

CHAPTER 2: PREPARATION OF THE STATEMENT OF PROFIT & LOSS AND BALANCE SHEET (AS PER SCHEDULE III OF COMPANIES ACT, 2013)

20. Trade receivable likely to be settled within the normal operating cycle is.

- a) current assets
- b) current liabilities
- c) non-current assets
- d) non-current liabilities

Answer: a

21. 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

Answer: c

22. Deferred Tax Liabilities is a part of_ as per Schedule II of Companies

- a) Current Liabilities
- b) Non- Current Liabilities
- c) Either of (A) or (B)
- d) None of (A) and (B)

Answer: b

23. 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

Answer: c

24. 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

Answer: a

25. 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

Answer: d

26. Grant received specifically for a fixed asset is disclosed in the financial statement:
- I. By way of deduction from the gross block of asset
 - II. The grant is treated as deferred revenue income and charged off on a systematic basis over the useful life of asset. Which of the following is correct?
- a) Both I and II
 - b) Either I or II
 - c) Only II
 - d) Only I

Answer: b

CHAPTER 3: CASH FLOW STATEMENT

27. Cash payment to suppliers is a part of _____ under direct method.
- a) cash flow from operating activities
 - b) cash flow from investing activities
 - c) cash flow from financing activities
 - d) cash flow from non-operating activities

Answer: a

28. While preparing Cash Flow Statement of XY Ltd., a finance company, interest received on loans should be shown as a.
- a) Cash Flow from Operating Activities
 - b) Cash Flow from Investing Activities
 - c) Cash Flow from Financing Activities
 - d) Cash and Cash Equivalent

Answer: a

29. 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

Answer: c

30. 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

Answer: c

31. Under which activities 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

Answer: b

32. 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 principal

Answer: d

33. 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

Answer: c

34. 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

Answer: a

35. 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

Answer: b

36. 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

Answer: d

37. Sale of copyright is concerned with cash flow from.
- a) Operating activities
 - b) Financing activities
 - c) Investing activities
 - d) Revenue activities

Answer: c

38. X Ltd. purchased machinery of ₹10,00,000 issuing a cheque of ₹2,50,000 and 105 Debentures of ₹7,50,000. In the cash flow statement, the transaction will be shown as
- a) Outflow under investing activity ₹10,00,000, inflow under financing activity as receipt for debentures 7,50,000
 - b) Outflow under investing activity ₹2,50,000
 - c) Inflow of ₹7,50,000 as financing activity.
 - d) None of the above

Answer: b

39. Given salary expenses ₹40,000, Outstanding in the beginning of the year ₹5,000 and outstanding at the end of the year ₹10,000. Cash outflow on salary will be_.
- a) 55,000
 - b) 45,000
 - c) 35,000
 - d) 15,000

Answer: c

40. If the net profits earned during the year is ₹50,000 and the amount of debtors in the beginning and end of the year is ₹10,000 and ₹20,000 respectively, then the cash from operating activities will be equal to ____.
- a) 30,000
 - b) 40,000
 - c) 50,000
 - d) 60,000

Answer: b

41. 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

Answer: d

42. Which of the following is a part of cash flow from financing activities of manufacturing company?
- a) Proceeds from sale of old machinery
 - b) Collection from customers
 - c) Dividend received from a foreign company
 - d) Interest paid on a partly convertible debenture

Answer: d

- 43.** How should the revaluation of Fixed Assets be treated in a Cash Flow Statement?
- a) Under cash flow from financing activities
 - b) Do not appear in cash flow statement
 - c) Under cash flow from operating activities
 - d) Under cash flow from investing activities

Answer: b

CHAPTER 4: ACCOUNTS OF INSURANCE, ELECTRICITY AND BANKING COMPANIES

44. A Banking Company needs to transfer a minimum of _____ of its profit to reserve fund.
- a) 10%
 - b) 15%
 - c) 20%
 - d) 25%

Answer: d

45. Losses of theft are covered by
- a) Burglary
 - b) Fire
 - c) Marine
 - d) None of the above

Answer: a

46. Which of the following are mandatory financial statements of a General Insurance Company as per IRDA regulations?
- a) Balance Sheet
 - b) Profit and Loss Account
 - c) All of these
 - d) Revenue Account

Answer: c

47. 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

Answer: d

48. When an insurer transfers a part of the risk to another insurer, it is called
- a) under insurance
 - b) reinsurance
 - c) over insurance
 - d) double insurance

Answer: b

49. 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 non-current asset in the Balance Sheet
 - b) A current liability in the Balance Sheet
 - c) A non-current liability in the Balance Sheet
 - d) A current asset in the Balance Sheet

Answer: c

50. Bonus paid at the end along with the policy amount to the policy holders is called
- a) Production bonus
 - b) Reversionary bonus
 - c) Gratuitous bonus
 - d) Maturity bonus

Answer: b

51. 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

Answer: d

52. 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
- a) Billing cycle + 45 days
 - b) Billing cycle + 30 days
 - c) Billing cycle + 15 days
 - d) Billing cycle + 20 days

Answer: a

53. Which of the following is not a part of General Ledger of a Banking Company?
- a) Control Accounts of all personal ledger
 - b) Profit and Loss Account
 - c) Revenue and Expense Accounts
 - d) Assets Account

Answer: c

54. 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%

Answer: b

55. 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

Answer: c

56. A banking company is required to maintain provision on unsecured portion of doubtful advances.
- a) 25%
 - b) 40%
 - c) 50%
 - d) 100%

Answer: d

57. 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.

Answer: d

58. Rate of provision on advances doubtful for more than 3 years is__.
- a) 40%
 - b) 25%
 - c) 100%
 - d) Nil

Answer: c

59. If a loan is identified to be a sub-standard advance with secured exposure of ₹200 lakh and unsecured portion of ₹ 300 lakh, calculate the provision at applicable rate in case of a banking company.
- a) 80 lakh
 - b) 85 lakh
 - c) 90 lakh
 - d) 95 lakh

Answer: c

CHAPTER 5: ACCOUNTING STANDARDS

60. As per Ind AS 2, Inventories, cost of conversion should not include
- a) direct material
 - b) direct labour
 - c) indirect material
 - d) abnormal waste materials

Answer: d

61. In which of the following schemes retirement benefit is determined by contribution at agreed rate to the fund together with earnings thereof?
- a) Defined Contribution plan
 - b) Defined Benefit plan
 - c) Special Benefit plan
 - d) None of the above

Answer: a

62. 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

Answer: d

63. 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.

Answer: a

64. 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

Answer: c

65. Ind AS 2, Inventories, does not apply to
- a) Financial Instruments
 - b) Biological Assets
 - c) Both the above
 - d) A but not B

Answer: c

66. 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

Answer: d

67. 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

Answer: d

68. 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

Answer: d

69. 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

Answer: b

70. Short term employee benefits include –

- a) Wages
- b) Salaries
- c) Employer's contribution to P.F
- d) All of the above

Answer: d

71. Which of the following is a defined contribution plan?

- a) Multi-employer plan
- b) State plan
- c) Insured benefits
- d) All of the above

Answer: d

72. 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) 16 lakh
- d) 18 lakh

Answer: d

73. 01.04.2020 B Ltd. has 1200 ordinary shares outstanding. On 31.08.2021 it issued 400 ordinary shares for cash. On 31.01.21 it bought back 200 ordinary shares. Calculate weighted average number of shares as on 31.03.21.

- a) 1300
- b) 1400
- c) 1500
- d) 1600

Answer: b

74. 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

Answer: c

75. Salary payable per day ₹1000; Working days 300; leave unutilized during the year 3 days; unutilized leaves are not allowed to carried forward but are settled through payment. What is the expense to be recognised as per Ind AS 19?

- a) 3,00,000
- b) 3,30,000
- c) 3,03,000
- d) 3,000

Answer: c

76. Ordinary shares are 1,00,000 of ₹1.00; 10% Preference shares are 200000 of ₹1.00; PAT ₹10,00,000. Calculate basic EPS.

- a) 9.80
- b) 9.60
- c) 9.40
- d) 9.20

Answer: a

CHAPTER 6: BASIC CONCEPTS OF AUDITING

77. Which of the following is not a basic principle of governing an audit as per SA 200?

- a) Integrity
- b) Confidentiality
- c) Subjectivity
- d) Audit evidence

Answer: c

78. SA 210 stands for

- a) Audit Planning
- b) Audit Working Papers
- c) Agreeing the terms of Audit Engagements
- d) Audit Documentation

Answer: c

79. SA 230 is 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

Answer: c

80. CA Vijay is the statutory auditor of XYZ Ltd. for the FY 2021-22. During the process of assembling the audit file, CA Vijay briefed his team as to what all changes can be made to the audit documentation at that stage. Which of the following changes cannot be made to the audit documentation during the final assembly process?

- a) Sorting, collating & cross referencing of working papers.
- b) Signing off completion checklists relating to the file assembly process.
- c) Deleting or discarding superseded documents.
- d) Recalculation of Depreciation.

Answer: d

81. Audit documentation provides:

- a) evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; or evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.
- b) evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.
- c) evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor
- d) evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

Answer: b

82. Audit Procedures to obtain audit evidences include

- a) Compliance Procedure
- b) Substantive Procedure
- c) Both of A and B
- d) Neither A nor B

Answer: c

83. Which of the following is not an external audit evidence?

- a) Quotations
- b) Confirmation from debtors
- c) Goods Received Note
- d) Confirmation from bankers

Answer: c

84. 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

Answer: c

85. Copies of management letters are a part of
- a) None of these
 - b) Current Audit File
 - c) Permanent Audit File
 - d) Both Current and Permanent Audit File

Answer: b

86. 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 organization structure of the company.

Answer: d

87. Which of the following is not an example of internal audit evidence?
- a) Credit Note and Debit Note
 - b) Sales Invoices
 - c) Quotations
 - d) Goods Received Notes

Answer: c

88. Audit working paper is the property of the.
- a) Auditor
 - b) Government
 - c) Client
 - d) Registrar of Companies

Answer: a

89. 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

Answer: a

90. Which of the following is not an audit risk?

- a) Inherent Risk
- b) Detection Risk
- c) Control risk
- d) Omission Risk

Answer: d

91. Components of risk of material misstatement at the assertion level are:

- a) inherent risk and detection risk
- b) inherent risk and control risk
- c) control risk and detection risk
- d) inherent risk, control risk and detection risk

Answer: b

92. Which of the following is not a technique for evaluation of internal control system?

- a) Narrative records
- b) Flow chart
- c) Survey form
- d) Check list

Answer: c

93. Which of the following is an audit risk?

- a) Financial Risk
- b) Operational Risk
- c) Control Risk
- d) Systematic Risk

Answer: c

94. Which of the following statements is true?

- a) Internal check is an independent appraisal.
- b) Internal check is an allocation of duties among the staff in such a way that it eliminates the chances of any duplicity of work.
- c) Internal check is an alternative to internal audit
- d) Internal check is a reactive process.

Answer: b

95. 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

Answer: b

96. SA 530 stands for
- a) Audit Documentation
 - b) Audit Sampling
 - c) Responsibility of Joint Auditor
 - d) Agreeing the terms of Audit Engagements

Answer: b

97. Check list contains the instructions to be followed by the
- a) Employer of the organization
 - b) Employee of the organization
 - c) Banker to the organization
 - d) Audit staff engaged by the auditor of the organization

Answer: d

98. Test checking requires application of_____.
- a) mathematical theory
 - b) sampling theory
 - c) geometry theory
 - d) stakeholder theory

Answer: b

CHAPTER 7: PROVISIONS RELATING TO AUDIT UNDER COMPANIES ACT, 2013

99. Any casual vacancy in a govt. company is filled by the CAG of India within ____ days
- a) 15
 - b) 30
 - c) 45
 - d) 60

Answer: b

100. 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

Answer: b

101. 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

Answer: c

102. An Audit Committee should have a minimum of _number of directors.
- a) 4
 - b) 3
 - c) 5
 - d) 6

Answer: b

103. No audit firm shall be appointed or reappointed as auditor for more than _____ term(s) of _____ consecutive years.
- a) one, four
 - b) two, four
 - c) one, five
 - d) two, five

Answer: d

104. 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

Answer: a

105. Auditor's duty to report fraud to the Central Government is guided by of the Companies Act, 2013.
- a) Section 139(1)
 - b) Section 141(3)
 - c) Section 143(12)
 - d) Section 148(1)

Answer: c

106. 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

Answer: c

107. The _____ shall act as the secretary of the Audit Committee.
- a) Auditor
 - b) Managing Director
 - c) Comptroller and Auditor General
 - d) Company Secretary

Answer: d

- 108.** Remuneration of the auditors is covered under the following section of Companies Act, 2013
- a) Section 142
 - b) Section 148
 - c) Section 139
 - d) Section 143

Answer: a

- 109.** Which of the following services by an auditor is not restricted under Section 144 of the Companies Act 2013?
- a) Actuarial services
 - b) Rendering outsourced financial services
 - c) Investment Advisory Services
 - d) Issuing Deposit Return Certificate

Answer: d

- 110.** Cooling period of an individual auditor is
- a) Two consecutive terms of 5 years each
 - b) One term of 4 years
 - c) Two consecutive terms of 4 years each
 - d) One term of 5 years

Answer: d

- 111.** Cost Audit is covered under
- a) Section 204
 - b) Section 148
 - c) Section 139
 - d) None of the above

Answer: b

- 112.** A cost auditor submits his report along with reservations and observations in Form
- a) CRA 1
 - b) CRA 2
 - c) CRA 3
 - d) CRA 4

Answer: c

113. Form ____ is used for the purpose of intimation of appointment of cost auditor by the company to the Central Govt.
- a) CRA-1
 - b) CRA-2
 - c) CRA-3
 - d) CRA-4

Answer: b

114. Casual vacancy in the office of a cost auditor is filled by
- a) Board of Directors
 - b) Shareholders
 - c) Government
 - d) Comptroller and Auditor General of India

Answer: a

115. Appointment of a cost auditor is communicated to the Central Government through
- a) CRA 1
 - b) CRA 4
 - c) CRA 2
 - d) CRA 3

Answer: c

116. Cost audit report is submitted in Form No.
- a) CRA – 1
 - b) CRA – 2
 - c) CRA – 3
 - d) CRA – 4

Answer: c

117. 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

Answer: c

118. Secretarial Audit is covered under section

- a) Section 204
- b) Section 148
- c) Section 139
- d) None of the above

Answer: a

119. Secretarial Audit is applicable to the Public company having turnover of at least

- a) ₹100 crores
- b) ₹250 crores
- c) ₹300 crores
- d) ₹200 crores

Answer: b

120. SA 700 stands for

- a) Forming an Opinion and Reporting on Financial Statements
- b) Audit Sampling
- c) Communicating Key Audit Matters in the Independent Auditor's Report
- d) Audit Evidence

Answer: a

121. 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
- d) The financial statements are unavailable

Answer: a

122. 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

Answer: c

123. 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

Answer: c

124. Which of the following is not a basic element of audit report as per SA-700 (Revised)?

- a) Auditor's opinion
- b) Basis of opinion
- c) Report of Accrual Assumption
- d) Key audit matters

Answer: c

125. Which of the following is not a content of audit report as per SA 700 (Revised)?

- a) Addressee
- b) Auditor's opinion
- c) Basis of opinion
- d) Management discussion and analysis

Answer: d

126. The audit report where an Auditor gives an opinion on the truth and fairness of financial statements, subject to certain reservations, is known as

- a) Unqualified Audit Report
- b) Qualified Audit Report
- c) Adverse Audit Report
- d) Disclaimer of Opinion

Answer: b

CHAPTER 8: AUDITING OF DIFFERENT TYPES OF UNDERTAKINGS

127. 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

Answer: d

128. 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

Answer: b

129. 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

Answer: c

130. According to the Central Co-operatives Societies Act, _____ percentage 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%

Answer: b