

# CHAPTER 1 - BASICS OF COST AUDIT

1. Cost Audit was first introduced in India in the year:
  - (A) 1956
  - (B) 1965
  - (C) 1972
  - (D) 1944
2. The Institute of Cost and Works Accountants of India (ICWAI) was renamed as "The Institute of Cost Accountants of India" in the year:
  - (A) 2008
  - (B) 2010
  - (C) 2012
  - (D) 2014
3. According to CIMA, London, Cost Audit is:
  - (A) Verification of cost statements
  - (B) Verification of cost accounts and adherence to cost accounting plan
  - (C) Analysis of costing policies
  - (D) Review of pricing strategy
4. Cost Audit as defined by The Institute of Cost Accountants of India is:
  - (A) A compliance audit of cost accounts
  - (B) Review of cost accounts by finance team
  - (C) Review, examination and appraisal of cost accounting records
  - (D) Verification of inventory
5. The primary objective of Cost Audit is to ensure:
  - (A) Accurate financial reporting
  - (B) Timely tax payment
  - (C) Accuracy of cost data and overall efficiency
  - (D) Avoidance of penalties
6. Which of the following is not a utility of cost audit?
  - (A) Control over element-wise cost
  - (B) Determination of sales price
  - (C) Review of tax audit
  - (D) Minimizing wastages
7. The Dalmia-Jain fraud case led to the appointment of which Commission?
  - (A) Satyam Commission
  - (B) Dutta Commission
  - (C) Malhotra Commission
  - (D) Cost Commission
8. Cost Audit was made statutory under which section of Companies Act, 1956?
  - (A) Section 210
  - (B) Section 148
  - (C) Section 233B
  - (D) Section 139
9. Cost Audit under Section 148 of Companies Act, 2013 is to be conducted by:

- (A) Chartered Accountant
  - (B) Cost Accountant in Practice
  - (C) Internal Auditor
  - (D) Company Secretary
10. Which of the following is a social objective of Cost Audit?
- (A) Assist in pricing decisions
  - (B) Facilitate efficient resource utilization
  - (C) Reconciliation of cost and financial accounts
  - (D) Review of cost accounting plan
11. Cost Audit helps in:
- (A) Avoiding cost recording
  - (B) Fixation of selling price
  - (C) Increasing tax burden
  - (D) Cost accounting policy changes only
12. As per IFAC, cost audits are beneficial to:
- (A) Only government
  - (B) Only shareholders
  - (C) Only tax authorities
  - (D) Management, consumers, and shareholders
13. Which of the following is not a general objective of Cost Audit?
- (A) Verification of cost accounts
  - (B) Detection of fraud
  - (C) Compliance with SEBI guidelines
  - (D) Optimum utilization of resources
14. Who prepares and issues Cost Accounting Standards?
- (A) CAASB
  - (B) ICAI
  - (C) CASB
  - (D) SEBI
15. Cost Accounting Standards aim to:
- (A) Improve taxation
  - (B) Ensure uniformity and consistency in cost accounting
  - (C) Replace financial accounting
  - (D) Promote financial audits
16. Cost Audit Report is submitted to:
- (A) Ministry of Finance
  - (B) Registrar of Companies
  - (C) Board of Directors
  - (D) Chief Operating Officer
17. Which Committee suggested cost audit to regulate use of scarce resources?
- (A) Kelkar Committee
  - (B) Bose Committee
  - (C) Daphtary-Sastri Committee
  - (D) Sinha Committee

18. Cost Audit enhances:
- (A) Tax liability
  - (B) Shareholder bonus
  - (C) Overall efficiency
  - (D) Interest rate planning
19. One key benefit of Cost Audit to Government is:
- (A) Financial planning
  - (B) Price control and resource regulation
  - (C) Fund allocation
  - (D) Dividend declaration
20. Cost Accounting Standards help in:
- (A) Income tax filing
  - (B) Decision-making support and uniform cost measurement
  - (C) Depreciation analysis
  - (D) Outsourcing decisions
21. Cost Audit was first introduced for industry.
- (A) Cement
  - (B) Iron and Steel
  - (C) Jute
  - (D) Sugar
22. Which of the following is/are the objective(s) for which cost audit is undertaken?
- (A) Verification of cost accounts.
  - (B) Detection of errors and fraud.
  - (C) Ensuring that prescribed procedures of cost accounting records rules are duly adhered to.
  - (D) All of the above
23. The Cost Audit Report along with full information and explanation on every reservation or qualification is to be furnished by the Company to the Central Government in Form CRA-4 within days of the date of receipt.
- (A) 30 days
  - (B) 60 days
  - (C) 90 days
  - (D) 120 days
24. Cost Audit represents true and fair view of the of any product.
- (A) Cost of sale
  - (B) Cost of raw material consumption
  - (C) Cost of production
  - (D) None of these

## **CHAPTER 2: Comp6niss (Cost Rscords 6nd Audit) Rulss, 2014 (As Amsndsd)**

25. The Companies (Cost Records and Audit) Rules, 2014 came into force on:
- (A) 1st July 2014
  - (B) 30th June 2014
  - (C) 1st January 2015
  - (D) 31st December 2014
26. Rule 1 of the Companies (Cost Records and Audit) Rules, 2014 deals with:
- (A) Applicability
  - (B) Maintenance of records
  - (C) Definitions
  - (D) Short title and commencement
27. Cost records must be maintained if turnover from all products and services is at least:
- (A) 25 crore
  - (B) 50 crore
  - (C) 100 crore
  - (D) 35 crore
28. Cost Audit is applicable for regulated sectors when overall turnover is:
- (A) 35 crore
  - (B) 50 crore
  - (C) 25 crore
  - (D) 100 crore
29. CRA-1 relates to:
- (A) Appointment of Cost Auditor
  - (B) Cost Audit Report
  - (C) Maintenance of Cost Records
  - (D) Filing with ROC
30. A company must inform the Central Government about appointment of Cost Auditor in:
- (A) CRA-1
  - (B) CRA-2
  - (C) CRA-3
  - (D) CRA-4
31. Cost Audit Report is to be submitted in:
- (A) CRA-1
  - (B) CRA-2
  - (C) CRA-3
  - (D) CRA-4
32. A company must file the Cost Audit Report to the Central Government in:
- (A) CRA-1
  - (B) CRA-2

- (C) CRA-3
  - (D) CRA-4
33. Any casual vacancy in the office of a cost auditor must be filled within:
- (A) 15 days
  - (B) 30 days
  - (C) 60 days
  - (D) 90 days
34. For non-regulated sectors, cost audit applies if total turnover is at least:
- (A) 25 crore
  - (B) 50 crore
  - (C) 100 crore
  - (D) 35 crore
35. As per Rule 2, 'cost auditor' means a:
- (A) Chartered Accountant
  - (B) Cost Accountant in employment
  - (C) Cost Accountant in practice
  - (D) Internal Auditor
36. CRA-4 is filed in:
- (A) PDF format
  - (B) XML format
  - (C) XBRL format
  - (D) HTML format
37. Cost Audit is governed under which section of the Companies Act, 2013?
- (A) Section 139
  - (B) Section 144
  - (C) Section 148
  - (D) Section 149
38. In case of companies required to constitute an audit committee, cost auditor is appointed by:
- (A) Central Government
  - (B) Shareholders
  - (C) Board on recommendation of Audit Committee
  - (D) Registrar of Companies
39. Form CRA-3 is used for:
- (A) Appointment of Auditor
  - (B) Cost Audit Report
  - (C) Maintenance of Records
  - (D) General Meeting
40. Cost Audit report must be submitted within:
- (A) 90 days of financial year end
  - (B) 120 days of financial year end
  - (C) 180 days of financial year end
  - (D) 30 days of audit
41. CRA-2 must be filed within how many days of cost auditor appointment?

- (A) 7 days
  - (B) 15 days
  - (C) 30 days
  - (D) 60 days
42. Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 deals with:
- (A) Maintenance of records
  - (B) Cost audit
  - (C) Forms to be filed
  - (D) Threshold limits
43. Turnover limits for applicability of Cost Records is provided in:
- (A) Rule 1
  - (B) Rule 2
  - (C) Rule 3
  - (D) Rule 4
44. Industries in Table A of Rule 3 are considered as:
- (A) Exempted
  - (B) Excluded
  - (C) Regulated sectors
  - (D) Special entities
45. Which of the following type of Electricity Company is under the purview of regulated Sector?
- (A) Engaged in Generation
  - (B) Engaged in Transmission
  - (C) Engaged in Distribution and Supply
  - (D) All of the above
46. Every Cost Auditor, who conducts an audit of the cost records of a company, shall submit the cost audit report in Form
- (A) CRA-1
  - (B) CRA-2
  - (C) CRA-3
  - (D) CRA-4
47. As per Rule 6 of Companies (Cost Records and Audit) Rules, 2014, the casual vacancy caused due to death of Cost Auditor to be filled within days.
- (A) 30
  - (B) 60
  - (C) 90
  - (D) 7
48. As per Rule-4(3) of Companies (Cost Records and Audit) Rules, 2014, the requirement for cost audit shall not apply to a company whose revenue from exports, in foreign exchange, exceeds of its total revenue during the immediately preceding financial year.
- (A) 50%
  - (B) 60%
  - (C) 75%

- (D) 80%
49. Machinery used in defense, space and atomic energy sector excluding any ancillary item or items is under
- (A) regulated sector
  - (B) unregulated sector
  - (C) both (A) and (B)
  - (D) neither (A) nor (B)
50. Sugar and Industrial Alcohol belong to sector for the purpose of Application of Cost Records.
- (A) Regulated
  - (B) Unregulated
  - (C) Both (A) and (B)
  - (D) Neither (A) nor (B)
51. The form in which cost records shall be maintained:
- (A) CRA-1
  - (B) CRA-2
  - (C) CRA-3
  - (D) CRA-4
52. The applicability of cost audit under Companies (Cost Records & Audit) - Rules, 2014 for regulated industries having overall annual turnover during immediate preceding financial year is:
- (A) 25.00 crores
  - (B) 35.00 crores
  - (C) 50.00 crores or more
  - (D) None of the above
53. Which one of the below is not a regulated industry?
- (A) Telecommunication
  - (B) Electricity
  - (C) Drugs & Pharmaceuticals
  - (D) Automobile
54. CRA 1 pertains to?
- (A) Cost Accounting Records
  - (B) Cost Accounting Standards
  - (C) Financial Accounting Records
  - (D) Secretarial Records

## **Ch6ptr 3: Cost Auditor's Dutiss 6nd Powsrs**

55. What is the primary duty of a cost auditor?
- (A) To evaluate the company's financial performance
  - (B) To verify the accuracy and compliance of cost records
  - (C) To prepare the company's annual financial report
  - (D) To advise on the tax strategies of the company

56. Which of the following is NOT a power of the cost auditor?
- (A) To access the company's cost records and relevant documents
  - (B) To issue a report on the company's internal controls
  - (C) To report discrepancies in the cost records
  - (D) To recommend corrective actions to the management
57. What is the role of the cost auditor in relation to the company's management?
- (A) To directly manage cost control measures
  - (B) To provide an opinion on the cost accounting policies and records
  - (C) To approve the company's annual budgets
  - (D) To prepare financial statements
58. Which of the following powers does a cost auditor have under the Companies Act, 2013?
- (A) The power to amend financial records
  - (B) The power to attend and speak at the general meeting of the company
  - (C) The power to approve cost control measures
  - (D) The power to determine the company's tax obligations
59. Which of the following is a specific duty of the cost auditor?
- (A) To prepare and sign the company's annual financial statements
  - (B) To evaluate the cost control measures implemented by the company
  - (C) To prepare the company's tax returns
  - (D) To ensure compliance with the Securities and Exchange Board of India (SEBI) regulations
60. What must the cost auditor do if they find discrepancies in the cost records?
- (A) Ignore the discrepancies if they are minor
  - (B) Report the discrepancies to the Board of Directors with recommendations for corrective actions
  - (C) Inform the tax authorities
  - (D) Adjust the discrepancies directly in the records
61. The cost auditor has the authority to do which of the following?
- (A) Approve the financial decisions of the company
  - (B) Suggest changes in the company's management structure
  - (C) Access any document or record related to cost accounting and cost control
  - (D) Appoint the company's external auditor
62. What action should the cost auditor take if the company's management refuses to provide necessary cost records?
- (A) Report the issue to the Board of Directors
  - (B) Proceed with the audit without the records
  - (C) Ignore the issue and continue the audit
  - (D) Report the refusal to the external auditor
63. What is the duty of the cost auditor in relation to the company's cost records?
- (A) To verify the accuracy and completeness of the cost records
  - (B) To maintain the cost records for the company
  - (C) To prepare the company's cost records
  - (D) To calculate the tax obligations based on cost records

64. Which of the following is a power granted to the cost auditor under the Cost Accounting Records Rules?
- (A) The power to alter the company's cost control measures
  - (B) The power to access all the books and records related to cost accounting
  - (C) The power to approve the company's budget
  - (D) The power to decide the tax rates for the company
65. Which of the following is NOT within the scope of the cost auditor's duties?
- (A) Assessing the adequacy of cost accounting records
  - (B) Examining the cost control measures and recommending improvements
  - (C) Determining the company's overall financial position
  - (D) Ensuring compliance with Cost Accounting Standards (CAS)
66. Which of the following should the cost auditor include in their report if they observe any weaknesses in the cost records?
- (A) A recommendation for immediate financial adjustments
  - (B) A detailed report on the company's profitability
  - (C) Recommendations for improving the cost accounting system
  - (D) A suggestion to hire new management
67. In the case of severe non-compliance with cost accounting standards, what should the cost auditor do?
- (A) Ignore the non-compliance if it is not material
  - (B) Report the non-compliance to the Board of Directors
  - (C) Submit a report to the tax authorities
  - (D) Suggest corrections directly to the external auditor
68. Which of the following is a key responsibility of the cost auditor regarding cost statements?
- (A) Preparing the cost statements for the company
  - (B) Reviewing the cost statements for accuracy and compliance
  - (C) Presenting the cost statements to the shareholders
  - (D) Approving the company's cost budget
69. Which of the following can the cost auditor recommend based on their findings?
- (A) Changes in the company's taxation policies
  - (B) Improvements in cost management practices
  - (C) Adjustments to the company's annual dividends
  - (D) The resignation of the company's management
70. What must the cost auditor do if they are unable to obtain necessary information for the audit?
- (A) Proceed with the audit without the information
  - (B) Report the issue to the appropriate authorities
  - (C) Ignore the missing information and complete the audit
  - (D) Adjust the cost records based on assumptions
71. The cost auditor has the authority to verify which of the following during the audit process?
- (A) The effectiveness of the company's sales strategy
  - (B) The accuracy of the cost allocation and cost records

- (C) The performance of the company's stock market investments
  - (D) The legal compliance of the company's marketing strategy
72. What must a cost auditor do in the case of fraud or intentional misstatements in the cost records?
- (A) Adjust the records to reflect true figures
  - (B) Report the matter to the management and Board of Directors immediately
  - (C) Inform the tax authorities about the fraud
  - (D) Ignore the fraud if it is immaterial
73. The cost auditor is required to submit their report within how many days from the completion of the audit?
- (A) 30 days
  - (B) 90 days
  - (C) 180 days
  - (D) 60 days
74. Which of the following is an essential power of the cost auditor regarding the cost records?
- (A) The power to approve the records
  - (B) The power to change the cost records
  - (C) The power to verify and evaluate the accuracy of the records
  - (D) The power to delete records from the cost books
75. The appointment of Cost Auditor is defined under section of the Companies Act, 2013.
- (A) 148(2)
  - (B) 148(3)
  - (C) 144(3)
  - (D) 139
76. As per Section 141(3) of the Companies Act, 2013, a person who has been convicted by a court of an offence involving fraud and a period of years has not elapsed from the date of such conviction, is disqualified from being appointed as Cost Auditor.
- (A) 10
  - (B) 7
  - (C) 5
  - (D) 3
77. Which of the following is not a professional misconduct in relation to Cost Accountants in Practice as per Second Schedule of the CWA Act, 1959?
- (A) Fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion.
  - (B) Fails to report a material mis-statement known to him to appear in a cost or pricing statement with which he is concerned in a professional capacity.
  - (C) Does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.
  - (D) In the opinion of the council, he/she brings disrepute to the Profession or the institute as a result of his action whether or not related to his professional work.

78. As per Rule 8 of Companies (Audit and Auditors) Rules, 2014, the auditor who has resigned from the company shall file within a period of 30 days from the date of his resignation, a statement in the form
- (A) ADT-3
  - (B) ADT-2
  - (C) ADT-1
  - (D) ADT-4
79. The cost auditor of the company who is in default in compliance with section 148 shall be punishable in the manner as provided in:
- (A) Section 139 of Companies Act, 2013
  - (B) sub-sections (1) to (3) of section 148 of Companies Act, 2013
  - (C) Section 143 of Companies Act, 2013
  - (D) sub-sections (2) to (5) of section 147 of Companies Act, 2013
80. C&AG has right to direct how company's accounts shall be audited by the auditor and to give such auditor instructions in regard to any matter relating to the performance of his functions as per section:
- (A) 143 of the Companies Act, 2013
  - (B) 134 of the Companies Act, 2013
  - (C) 173 of the Companies Act, 2013
  - (D) 44AB of the Income Tax Act, 1961
81. A Cost Accountant who fails to comply with the provisions of sub-section (12) of Sec. 143 of the Companies Act, 2013, shall be punishable with fine of maximum
- (A) 5.00 lakhs
  - (B) 25.00 lakhs
  - (C) 1.00 lakhs
  - (D) 10.00 lakhs
82. Cost Auditor is to be appointed within days from the start of the F.Y.
- (A) 50
  - (B) 100
  - (C) 180
  - (D) 200
83. Cost Auditor to report fraud under section of Companies Act, 2013.
- (A) Section 140 (12)
  - (B) Section 148 (3)
  - (C) Section 144 (3)
  - (D) Section 143 (12)
84. Relatives of any partner of the firm holding any security of or interest in the company of face value exceeding lakh can not be appointed as the Cost Auditor of that company.
- (A) One
  - (B) Two
  - (C) Three
  - (D) None of the above
85. The company's auditor is expected to give

- (A) His expert opinion about the accounts.
- (B) A factual position about the accounts.
- (C) A critical review of the accounts.
- (D) Financial assistance.

## Ch6ptsr 4: Cost Audit Rsport

86. What is the primary purpose of the cost audit report?
- (A) To provide an overview of the company's financial position
  - (B) To assess the company's compliance with Cost Accounting Standards (CAS)
  - (C) To determine the company's tax liabilities
  - (D) To prepare the company's financial statements
87. Who is the recipient of the cost audit report?
- (A) The tax authorities
  - (B) The Board of Directors and shareholders
  - (C) The external auditor
  - (D) The regulatory authorities only
88. Which of the following is NOT a required component of the cost audit report?
- (A) Cost auditor's opinion on the cost records
  - (B) Analysis of cost control measures
  - (C) Profit and loss statement
  - (D) Compliance with Cost Accounting Standards (CAS)
89. Which of the following should be included in the cost audit report?
- (A) A detailed balance sheet of the company
  - (B) An opinion on the accuracy and compliance of cost records
  - (C) A recommendation to change the management structure
  - (D) A suggestion for the company's marketing strategy
90. What must the cost auditor do if they find material discrepancies in the cost records?
- (A) Ignore the discrepancies if they are minor
  - (B) Report the discrepancies in the cost audit report
  - (C) Correct the discrepancies in the cost records
  - (D) Notify the shareholders about the discrepancies
91. What does the cost auditor include in the report if the cost records do not comply with Cost Accounting Standards (CAS)?
- (A) A detailed report of the company's profitability
  - (B) An opinion stating the non-compliance with CAS
  - (C) A suggestion for the company's future financial strategies
  - (D) A report on the company's management team
92. The cost audit report must include a statement on:
- (A) The company's strategic objectives
  - (B) The company's internal control system
  - (C) The effectiveness of cost control measures
  - (D) The company's sales revenue

93. Which of the following is a key responsibility of the cost auditor when preparing the cost audit report?
- (A) To prepare the company's financial statements
  - (B) To recommend changes in the company's management structure
  - (C) To evaluate whether the cost records and policies are in compliance with Cost Accounting Standards
  - (D) To suggest new marketing strategies for the company
94. Which of the following should be disclosed in the cost audit report if applicable?
- (A) The company's dividend distribution policy
  - (B) The auditor's fee
  - (C) The details of non-compliance with Cost Accounting Standards
  - (D) The company's stock market performance
95. If the cost auditor identifies areas where cost records are not maintained properly, what should they do?
- (A) Ignore the issue and continue the audit
  - (B) Report the issue in the cost audit report
  - (C) Adjust the records themselves
  - (D) Inform the tax authorities directly
96. The cost auditor is required to submit the cost audit report within:
- (A) 30 days from the audit completion
  - (B) 60 days from the audit completion
  - (C) 90 days from the audit completion
  - (D) 120 days from the audit completion
97. The cost audit report must be signed by:
- (A) The Chief Financial Officer
  - (B) The Board of Directors
  - (C) The Cost Auditor
  - (D) The external auditor
98. Which of the following is NOT typically a section of the cost audit report?
- (A) Auditor's opinion on cost records
  - (B) Evaluation of the company's profitability
  - (C) Identification of discrepancies in the cost records
  - (D) Recommendations for improving cost control measures
99. In case of discrepancies found in cost records, what should the cost auditor provide in the report?
- (A) A detailed list of the discrepancies
  - (B) A detailed financial analysis
  - (C) A recommendation for the company's future investment strategy
  - (D) A suggestion to terminate the management team
100. Which of the following should the cost auditor include in their report if they encounter any limitations during the audit?
- (A) A statement of the limitations encountered
  - (B) A detailed analysis of the company's revenue generation
  - (C) A forecast of the company's financial performance

- (D) An opinion on the effectiveness of the company's marketing strategies
101. What is the consequence of non-compliance with the Cost Accounting Standards, as reported in the cost audit report?
- (A) The company is exempted from submitting the report
  - (B) The company may face penalties or regulatory scrutiny
  - (C) The cost audit is considered void
  - (D) There are no consequences
102. In the cost audit report, which of the following must be disclosed if found?
- (A) Any deviations from the cost accounting policies and standards
  - (B) The company's total sales revenue
  - (C) The company's stock prices over the last year
  - (D) The number of employees in the company
103. If the cost auditor identifies inefficiencies in the cost management system, they should:
- (A) Ignore the inefficiencies if they are not material
  - (B) Recommend improvements in the cost control measures
  - (C) Adjust the cost records to reflect accurate costs
  - (D) Inform the shareholders about the inefficiencies
104. Who has the final authority to approve the cost audit report?
- (A) The Cost Auditor
  - (B) The external auditor
  - (C) The Board of Directors
  - (D) The Shareholders
105. In case of any discrepancies in the cost audit report, the cost auditor should:
- (A) Make adjustments to the records themselves
  - (B) Report the discrepancies to the regulatory authorities
  - (C) Report the discrepancies in the cost audit report with a recommendation for corrective action
  - (D) Ignore the discrepancies if they are minor
106. Cost Accounting Standard 17 deals with
- (A) Royalty and Technical Knowhow fee
  - (B) Material Cost
  - (C) Interest and Finance Charges
  - (D) Research & Development Cost
107. The difference between the time for which employees are paid/payable to employees and the employees' time booked against cost objects is
- (A) Over time
  - (B) Shift Allowance
  - (C) Idle time
  - (D) Incentive
108. Which of the following is not part of the Employee Cost as per CAS-7?
- (A) Leave with Pay
  - (B) Medical benefits to the Employees and dependents
  - (C) Compensation for lay-off period

- (D) Cost of Employees' stock option
109. Cost of Repairs and Maintenance is measured as per principles and methods defined under
- (A) Cost Accounting Standard 11
  - (B) Cost Accounting Standard 12
  - (C) Cost Accounting Standard 13
  - (D) Cost Accounting Standard 14
110. As per Cost Accounting Standard -2, the difference between installed capacity and normal capacity is
- (A) Normal Idle Capacity
  - (B) Abnormal Idle Capacity
  - (C) Excess Capacity
  - (D) Practical Capacity
111. Cost of Self-generation Utilities for own consumption shall comprise of
- (A) Direct Material Cost, Direct Employee Cost, Direct Expenses.
  - (B) Direct Employee Cost, Direct Expenses and Marketing Overheads.
  - (C) Factory Overheads.
  - (D) None of the above
112. The foreign exchange component of imported material is converted at the rate on
- (A) Date of Payment
  - (B) Date of Delivery
  - (C) Date of Transaction
  - (D) Date of Use
113. Penalty paid to PF authorities is in employee cost.
- (A) included
  - (B) excluded
  - (C) as per the instruction of the management
  - (D) as per the decision of the Board of Directors
114. Which of the following does not form part of the cost of transportation?
- (A) Cost of transport
  - (B) Transit insurance
  - (C) Local Octroi charges
  - (D) Demurrage Charge
115. As per CAS 2, Actual Capacity utilization shall be presented as a percentage of
- (A) Installed capacity
  - (B) Practical Capacity
  - (C) Normal Capacity
  - (D) None of the above
116. As per Companies (Cost Records and Audit) Rules, 2014, the Cost of Secondary packing materials shall form part of
- (A) Production Cost
  - (B) Administration Overheads
  - (C) Marketing Overheads
  - (D) Distribution Overheads

117. CAS 5 deals with
- (A) equalized cost of transportation.
  - (B) packing material cost.
  - (C) cost of utilities.
  - (D) cost of service cost centre.
118. Remuneration of Non-Executive Director is treated as:
- (A) Employee Costs
  - (B) Administrative Overhead
  - (C) Non-Cost item
  - (D) Selling and Distribution Overhead
119. Item appearing only in Cost Records is:
- (A) Profit on Sale of Assets
  - (B) Interest Received
  - (C) Loss on Sale of Assets
  - (D) Notional Interest on Capital
120. CAS 21 deals with:
- (A) Cost of Service Cost centre
  - (B) Quality control
  - (C) Capacity determination
  - (D) Cost Classification
121. CAS 9 deals with:
- (A) Direct Expenses
  - (B) Pollution Control Cost
  - (C) Packing Material Cost
  - (D) Employee Cost
122. Under the Generally Accepted Cost Accounting Principles, the cost of cane supplied from own farm to the sugar mill is treated as:
- (A) Direct Material Cost
  - (B) Indirect Material Cost
  - (C) Production Overhead
  - (D) Production Overhead
123. Which Cost Accounting Standards deals with Material Cost?
- (A) CAS 1
  - (B) CAS 2
  - (C) CAS 6
  - (D) CAS 10
124. CAS pertains to Cost of Utilities
- (A) 1
  - (B) 4
  - (C) 8
  - (D) 14
125. Which cost component is variable in nature?
- (A) Raw Material
  - (B) Employee Cost

- (C) Consumable Stores
  - (D) Overheads
126. Which cost component is related to aging of Plant & Machinery?
- (A) Raw Material
  - (B) Packing Material
  - (C) Consumable Stores
  - (D) Overheads
127. Concept of OEM (Original Equipment Manufacture) is related to which cost component?
- (A) Raw Material
  - (B) Utilities
  - (C) Consumable Stores
  - (D) Insurance
128. Source of which Cost component is Fixed Asset Register?
- (A) Consumable Stores
  - (B) Repairs
  - (C) Depreciation
  - (D) Insurance
129. Which Cost Element involves Expenses which are of discretionary in nature?
- (A) Utilities
  - (B) Packing Material
  - (C) Insurance
  - (D) Overheads

## **Ch6ptr 5: Cost Audit 6nd Its Imp6ct on M6n6gmsnt**

130. What is the primary objective of a cost audit in relation to management?
- (A) To assess the company's financial health
  - (B) To ensure that the cost records comply with Cost Accounting Standards (CAS)
  - (C) To provide the management with insights for cost control and efficiency improvements
  - (D) To forecast the company's future profitability
131. How does cost audit impact the management's decision-making process?
- (A) It provides a detailed report on the company's profitability
  - (B) It helps in identifying cost inefficiencies and suggesting corrective measures
  - (C) It assists in preparing the company's financial statements
  - (D) It provides recommendations for investment opportunities
132. What role does the cost audit play in strategic management?
- (A) It focuses solely on the accuracy of financial statements
  - (B) It provides insights into cost-related strategies and decision-making
  - (C) It dictates the company's marketing strategies
  - (D) It determines the company's tax liabilities

133. Which of the following is a direct impact of cost audit on management?
- (A) It helps in improving the product quality
  - (B) It assists in setting the company's pricing strategy
  - (C) It focuses on the company's human resources strategy
  - (D) It helps in designing the company's promotional campaigns
134. How can a cost audit help in improving operational efficiency?
- (A) By identifying areas where costs can be reduced
  - (B) By forecasting market trends
  - (C) By offering insights on the company's profit-sharing plans
  - (D) By recommending changes to the company's workforce structure
135. Which of the following is a key benefit of cost audit for management?
- (A) Detailed analysis of the company's cash flow
  - (B) Identification of areas for cost-saving and process improvements
  - (C) Identification of tax liabilities
  - (D) Suggestions for increasing company revenues
136. Cost audit findings can lead to:
- (A) A better understanding of financial performance
  - (B) Improved tax planning strategies
  - (C) Identifying wastage and recommending corrective actions
  - (D) A detailed report on customer satisfaction
137. Which of the following is one of the management decisions that a cost audit directly influences?
- (A) Pricing decisions
  - (B) Workforce training strategies
  - (C) Market segmentation strategies
  - (D) Product design decisions
138. A cost audit helps management in controlling costs by:
- (A) Reducing the tax burden on the company
  - (B) Assessing the effectiveness of cost control systems
  - (C) Making decisions on the company's market share
  - (D) Forecasting future profit margins
139. Which of the following is an important area of focus for a cost audit from a management perspective?
- (A) Evaluating the company's marketing spend
  - (B) Reviewing the company's cost control policies and procedures
  - (C) Designing the company's growth strategy
  - (D) Assessing the company's external communication strategy
140. What is a key outcome for management from a cost audit?
- (A) A financial statement for the company
  - (B) A recommendation on cost reduction strategies
  - (C) A tax audit report
  - (D) A review of employee satisfaction
141. How does cost audit help in pricing decisions?
- (A) By providing an estimate of future market prices

- (B) By identifying the cost structure and profit margins of the company
  - (C) By forecasting the company's revenue generation
  - (D) By analyzing the company's market share
142. Cost audit helps management to:
- (A) Eliminate inefficiencies in the production process
  - (B) Optimize marketing strategies
  - (C) Design new product lines
  - (D) Prepare detailed financial forecasts
143. How does a cost audit assist in improving profitability?
- (A) By ensuring that the company's revenue generation exceeds costs
  - (B) By reducing unnecessary expenditures and improving cost efficiency
  - (C) By increasing the company's market share
  - (D) By forecasting future profit margins
144. A cost audit can help management in:
- (A) Evaluating the financial impact of marketing decisions
  - (B) Identifying opportunities for cost reduction across different departments
  - (C) Assessing the company's customer satisfaction levels
  - (D) Making decisions on employee benefits
145. Which of the following is an indirect benefit of cost audit for management?
- (A) Enhanced ability to make data-driven decisions
  - (B) Reduced administrative burden
  - (C) Increased market share
  - (D) Improved customer satisfaction
146. How can cost audit findings assist in long-term business planning?
- (A) By providing insights into cost management and optimization
  - (B) By forecasting market trends
  - (C) By providing a report on product quality
  - (D) By predicting future customer needs
147. Which area does a cost audit most directly influence within an organization?
- (A) Sales and revenue generation
  - (B) Supply chain and inventory management
  - (C) Customer service and support
  - (D) Cost and operational efficiency
148. What is the primary focus of a management-focused cost audit?
- (A) Maximizing company profits
  - (B) Identifying cost inefficiencies and recommending improvements
  - (C) Preparing financial statements
  - (D) Assessing tax liabilities
149. Which of the following is an outcome that management can expect from the cost audit?
- (A) A report on revenue generation strategies
  - (B) A cost reduction strategy for future operations
  - (C) An analysis of the company's competitive advantage
  - (D) A review of the company's product development pipeline

150. The susceptibility of an assertion about the measurement, assignment or disclosure of cost to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls, is called as
- (A) Inherent Risk
  - (B) Control Risk
  - (C) Detection Risk
  - (D) Audit Risk
151. Cost Auditing Standard 103 deals with
- (A) Planning an Audit of Cost Statements
  - (B) Cost Audit Documentation
  - (C) overall objectives of the Independent Cost Auditor and the Conduct of an Audit.
  - (D) Knowledge of Business, its process and the business Environment.
152. In planning a cost audit, the Cost Auditor's knowledge about the design of internal control activities should be used to
- (A) identify the types of possible misstatements that could occur.
  - (B) identify evidence to be used to support the assessed level of control risk.
  - (C) determine whether controls have been circumvented by collusion.
  - (D) document the assessed level of control risk.
153. The Cost Auditing Standard which deals with Cost Audit Documentation:
- (A) 101
  - (B) 102
  - (C) 103
  - (D) 104
154. The Cost Auditing Standard which deals with Knowledge of business, its processes and the business environment:
- (A) 101
  - (B) 102
  - (C) 103
  - (D) 104
155. Which Cost Auditing Standard requires Cost Auditor to evaluate and assess IT Environment and Control?
- (A) 101
  - (B) 102
  - (C) 103
  - (D) 104
156. Who is the approving authority of Cost Auditing Standards?
- (A) Ministry of Finance
  - (B) Ministry of External Affairs
  - (C) Ministry of Corporate Affairs
  - (D) Ministry of Coal & Mining
157. Objective of Cost Auditing Standard is to provide guidance regarding planning an audit of Cost Statements.
- (A) 101

- (B) 102
- (C) 103
- (D) 104

## Chapter 6: Audit Programmes

158. What is the main purpose of an audit programme?
- (A) To calculate the audit fee
  - (B) To outline the procedures to be followed during the audit
  - (C) To prepare financial statements
  - (D) To assess the management's performance
159. Which of the following is a characteristic of a good audit programme?
- (A) It is brief and vague
  - (B) It covers only the financial aspects of the company
  - (C) It is flexible and adaptable
  - (D) It is only relevant for internal audits
160. Which of the following is NOT typically included in an audit programme?
- (A) Audit objectives
  - (B) Audit procedures
  - (C) Audit methodology
  - (D) Personal opinions of the auditor
161. What is the role of the auditor in preparing the audit programme?
- (A) To select the financial statements for examination
  - (B) To identify the nature, timing, and extent of audit procedures
  - (C) To complete the audit without any reference to the programme
  - (D) To finalize the management's internal controls
162. What does an audit programme help the auditor to achieve?
- (A) Accuracy of financial reporting
  - (B) An efficient audit process with reduced risk of missing critical areas
  - (C) Determination of the company's future strategy
  - (D) Setting budget targets for the audit team
163. How often should an audit programme be updated?
- (A) Only once at the beginning of the audit process
  - (B) Whenever there is a change in the audit team
  - (C) It should be updated regularly based on findings and changes in the client's environment
  - (D) It is not necessary to update the audit programme
164. What is the first step in preparing an audit programme?
- (A) Conducting audit procedures
  - (B) Reviewing internal control systems
  - (C) Setting the audit objectives
  - (D) Verifying financial statements
165. Which of the following audit procedures would most likely be included in an audit programme for an inventory audit?

- (A) Reviewing the company's debt structure
  - (B) Verifying the inventory records against physical stock
  - (C) Analyzing profitability ratios
  - (D) Reviewing the cash flow statements
166. What is a key characteristic of a "standard" audit programme?
- (A) It is highly customized for each client
  - (B) It includes procedures based on the typical risks of a company's industry
  - (C) It is only used for financial audits
  - (D) It does not require any professional judgment
167. What does the auditor do if the audit programme needs adjustments during the audit process?
- (A) Discard the programme and create a new one
  - (B) Modify the programme to reflect new findings or risks
  - (C) Continue with the original programme regardless
  - (D) Ask the client to update the programme
168. Which of the following factors could lead to changes in the audit programme?
- (A) A new auditor joining the team
  - (B) Changes in accounting principles or financial reporting standards
  - (C) The company changing its location
  - (D) Changes in the internal audit team
169. Which of the following is an example of a testing procedure that might be included in an audit programme?
- (A) Reviewing the budgeted income
  - (B) Verifying the calculation of taxes payable
  - (C) Conducting interviews with the management team
  - (D) Writing a management report
170. Why should an audit programme be detailed?
- (A) To impress the client with a comprehensive report
  - (B) To ensure there is no ambiguity in the procedures and tasks to be performed
  - (C) To make it difficult for auditors to modify it
  - (D) To ensure the programme is approved by the regulatory body
171. Who should approve the audit programme?
- (A) Only the senior auditor
  - (B) The audit manager and the client
  - (C) The client's management team
  - (D) The entire audit team
172. Which of the following could be considered a limitation of an audit programme?
- (A) It helps in achieving audit objectives
  - (B) It can be adjusted as per the client's requirements
  - (C) It may not cover every possible scenario in complex audits
  - (D) It ensures consistency and efficiency
173. When should the audit programme be finalized?
- (A) After the audit begins
  - (B) Before the audit fieldwork begins

- (C) After the audit report is drafted
  - (D) At any stage during the audit process
174. What is the purpose of the audit programme's timing and scheduling?
- (A) To control the budget of the audit
  - (B) To set deadlines for the audit team
  - (C) To ensure audit tasks are completed in a logical sequence and within the required time
  - (D) To prepare a detailed financial report
175. What is the relationship between the audit programme and the risk assessment?
- (A) The audit programme ignores the risk assessment
  - (B) The audit programme is based on the risk assessment, guiding the auditor to focus on high-risk areas
  - (C) The risk assessment is done after the audit programme is completed
  - (D) The audit programme is not affected by the risk assessment
176. What does "materiality" mean in the context of an audit programme?
- (A) The financial statement's importance to investors
  - (B) The minimum threshold for what is considered significant during an audit
  - (C) The cost of the audit process
  - (D) The number of audit procedures required
177. How does the audit programme help in ensuring audit quality?
- (A) By reducing the need for follow-up audits
  - (B) By ensuring the audit is conducted in an organized and systematic manner
  - (C) By increasing the cost of the audit
  - (D) By focusing solely on financial statements

## **Chapter 7: Audit Documentation**

178. What is the primary purpose of audit documentation?
- (A) To help in preparing the financial statements
  - (B) To support the auditor's conclusions and findings
  - (C) To summarize the management's response to audit findings
  - (D) To calculate the audit fees
179. Which of the following is NOT a characteristic of audit documentation?
- (A) It should be prepared in a timely manner
  - (B) It should be complete and accurate
  - (C) It should be easily understandable
  - (D) It should include the auditor's opinions and judgments only
180. Which document provides a record of the audit procedures performed during an audit?
- (A) Audit plan
  - (B) Audit programme
  - (C) Audit documentation
  - (D) Auditor's report
181. How long should audit documentation be retained according to professional

standards?

- (A) Until the next audit engagement
- (B) For at least 5 years
- (C) For a period specified by the client
- (D) For a period specified by applicable legal or regulatory requirements

182. What does "working papers" refer to in the context of audit documentation?

- (A) Financial statements of the company
- (B) The audit engagement letter
- (C) The detailed documentation supporting audit findings
- (D) The audit fees and budget

183. Which of the following is included in audit documentation?

- (A) Copies of financial statements
- (B) Detailed minutes of the board meetings
- (C) Records of audit tests performed
- (D) Auditor's personal notes

184. What is the importance of proper audit documentation for the auditor?

- (A) It supports the audit report
- (B) It serves as a record for the client's financial position
- (C) It helps the auditor prepare tax returns
- (D) It is used to create financial ratios

185. Which of the following is a key requirement for audit documentation?

- (A) It should be submitted to the client
- (B) It must be maintained in electronic format
- (C) It should be prepared after the audit is complete
- (D) It must be complete and clear enough to allow an experienced auditor to understand the work performed and the conclusions reached

186. Which of the following is considered part of the documentation required to support the auditor's judgment about the audit procedures?

- (A) Results from audit testing
- (B) A summary of the financial statements
- (C) Personal notes of the auditor
- (D) Client's internal reports

187. In the context of audit documentation, what does "audit trail" refer to?

- (A) The auditor's work schedule
- (B) The trail of communication between the auditor and client
- (C) The documentation that traces audit evidence from its source to the auditor's conclusions
- (D) The sequence of audit tests performed

188. Who has the right to access the audit documentation?

- (A) Only the audit partner
- (B) The client's management team
- (C) Regulatory authorities or legal entities, as required by law
- (D) Only the auditor who created the documentation

189. What type of information should be included in audit documentation to support the

auditor's assessment of risks?

- (A) Details of the company's operations
- (B) The auditor's understanding of the internal control system
- (C) The number of employees in the company
- (D) The financial budget of the company

190. What is the role of audit documentation in defending the auditor's professional judgment?
- (A) It is not necessary for defending judgments
  - (B) It serves as a record of the auditor's thought process and reasoning
  - (C) It provides a detailed summary of client discussions
  - (D) It outlines the financial statements being audited
191. What is the impact of insufficient audit documentation?
- (A) It will delay the issuance of the auditor's report
  - (B) It may cause the auditor to miss key audit areas
  - (C) It may affect the audit's reliability and could lead to regulatory sanctions
  - (D) It increases the cost of the audit
192. Which of the following best describes the format of audit documentation?
- (A) It should be handwritten by the auditor
  - (B) It must be in a standardized electronic format
  - (C) It should be in a clear, organized, and accessible format
  - (D) It can be informal and contain only summary information
193. What is one of the consequences of not retaining audit documentation as per the required retention period?
- (A) The auditor's opinion is automatically invalidated
  - (B) The audit client may seek compensation
  - (C) The audit firm could face legal or regulatory penalties
  - (D) The auditor cannot issue a report
194. What is the difference between audit documentation and audit evidence?
- (A) There is no difference; both terms mean the same thing
  - (B) Audit documentation is the evidence collected during the audit
  - (C) Audit evidence is the underlying data, while documentation is the record of how the evidence was used in the audit
  - (D) Audit evidence is a summary, while documentation is the audit report
195. What should be done if the auditor needs to update the audit documentation during the audit process?
- (A) Leave the previous version unchanged
  - (B) Make the necessary revisions and document the reasons for changes
  - (C) Delete the old documentation
  - (D) Submit the changes to the client for approval
196. In audit documentation, the term "audit file" refers to:
- (A) The financial records of the company
  - (B) A folder containing the audit evidence and working papers
  - (C) The final audit report
  - (D) The financial statements being audited

197. What is the significance of "audit documentation completeness" in an audit?
- (A) It ensures that the financial statements are ready for publication
  - (B) It allows auditors to show how they conducted the audit and reached their conclusions
  - (C) It helps in preparing tax returns
  - (D) It serves as a tool for financial management decision-making
198. CAATTS is also known as
- (A) Cost and Accounts Treatments
  - (B) Computer Assisted Audit Tools and Techniques
  - (C) Classification and Accounting of Tax Tools
  - (D) Computer Aided Audit Tools and Techniques

## **Ch6ptsr 8: Cost Audit Rsport**

199. What is the main purpose of a cost audit report?
- (A) To evaluate the financial performance of the company
  - (B) To assess compliance with taxation requirements
  - (C) To provide an opinion on the company's cost accounting system and cost records
  - (D) To summarize the company's internal control procedures
200. Who is responsible for issuing the cost audit report?
- (A) The company's management
  - (B) The internal auditor
  - (C) The cost auditor
  - (D) The board of directors
201. Which of the following is typically included in the cost audit report?
- (A) The company's profit and loss statement
  - (B) The auditor's opinion on the cost records and system
  - (C) The company's taxation filings
  - (D) A summary of the company's capital expenditure
202. Which section of the Cost Audit Report deals with the auditor's opinion on the cost records?
- (A) Auditor's conclusion
  - (B) Executive summary
  - (C) Auditor's opinion paragraph
  - (D) Cost accounting system analysis
203. Which of the following statements is true regarding the format of a Cost Audit Report?
- (A) It is highly standardized and follows a fixed template
  - (B) It is free-form and can vary from auditor to auditor
  - (C) It is issued in the form of a letter to the company's shareholders
  - (D) It does not require any formal structure
204. What is the significance of the 'cost statement' in the Cost Audit Report?
- (A) It provides the final audit fee calculation
  - (B) It presents a summary of the company's cost structure and cost behavior

- (C) It is a detailed financial statement of the company
  - (D) It summarizes the company's sales revenue for the audit period
205. Which of the following is NOT a key requirement for the preparation of a cost audit report?
- (A) Understanding the company's accounting system
  - (B) Reviewing the company's internal control processes
  - (C) Verifying the company's tax liabilities
  - (D) Ensuring that the cost records comply with applicable laws and regulations
206. In a cost audit report, what is the 'compliance section' typically used for?
- (A) To summarize financial ratios
  - (B) To review whether the company's cost accounting complies with relevant regulations
  - (C) To discuss potential tax planning strategies
  - (D) To detail management's plans for capital expenditure
207. Which statement accurately describes the responsibility of the cost auditor regarding the cost audit report?
- (A) The cost auditor is responsible for preparing financial statements
  - (B) The cost auditor must review all internal controls and systems, but not the cost records
  - (C) The cost auditor must verify the company's cost records, evaluate the cost accounting system, and issue a report
  - (D) The cost auditor is only responsible for preparing an audit summary without opinion
208. What is one key feature of a Cost Audit Report that differentiates it from other audit reports?
- (A) It focuses primarily on internal controls
  - (B) It includes detailed cost data analysis and recommendations
  - (C) It is directed solely to the company's shareholders
  - (D) It does not require an auditor's opinion
209. When is a Cost Audit Report typically submitted to the government authorities?
- (A) At the end of the financial year
  - (B) Within 180 days from the completion of the cost audit
  - (C) Before the commencement of the audit
  - (D) Only when the company requests a review
210. Which of the following entities typically reviews the Cost Audit Report?
- (A) The company's internal audit committee
  - (B) The board of directors and the regulatory authorities
  - (C) The company's tax advisor
  - (D) The shareholders only
211. What does the 'audit conclusion' section of the cost audit report typically address?
- (A) The company's profitability trends
  - (B) The auditor's opinion on the adequacy of the cost accounting system and cost records
  - (C) The company's sales performance

- (D) The amount of tax payable by the company
212. What type of recommendations might be found in a Cost Audit Report?
- (A) Suggestions related to tax optimization strategies
  - (B) Recommendations to improve cost accounting practices or methods
  - (C) Proposals for capital structure changes
  - (D) Suggestions for expanding the company's market reach
213. What is the relationship between cost audit reports and financial audit reports?
- (A) Both reports serve the same purpose
  - (B) A cost audit report is a detailed version of a financial audit report
  - (C) The cost audit report focuses on cost accounting, while the financial audit report focuses on the company's financial statements
  - (D) A cost audit report is only applicable to large corporations
214. Which of the following is true regarding the presentation of the cost audit report?
- (A) The report should be written in a technical, complex manner
  - (B) The report should be written clearly and concisely, making it understandable to non-experts
  - (C) The report must include detailed marketing strategies
  - (D) The report should exclude any recommendations for management action
215. What is the role of the cost auditor in preparing a cost audit report?
- (A) To calculate the company's tax liabilities
  - (B) To provide detailed analysis and recommend improvements in cost management
  - (C) To draft the company's financial statements
  - (D) To issue the report without any analysis
216. What is the scope of a cost audit report?
- (A) It covers only the financial statements
  - (B) It covers the company's tax filings and liabilities
  - (C) It covers the company's cost records, systems, and compliance with relevant cost accounting regulations
  - (D) It covers internal controls for the whole organization
217. Which of the following is typically excluded from the Cost Audit Report?
- (A) Cost records analysis
  - (B) Auditor's opinion on the cost accounting system
  - (C) Detailed recommendations for the company's marketing strategy
  - (D) Compliance with cost accounting regulations
218. What should a cost auditor do if they find material discrepancies in the cost records during the audit?
- (A) Ignore the discrepancies and proceed with the audit
  - (B) Report the discrepancies to the company's shareholders only
  - (C) Document the discrepancies in the cost audit report and inform the company management
  - (D) Immediately issue a qualified audit report without further investigation
219. Which of the following contains the properties and interrelationships of all the cost elements for the purposes of capturing the required reporting data in XBRL format?
- (A) Costing Data

- (B) Costing Taxonomy
  - (C) Costing Technology
  - (D) None of the above
220. Which of the following particulars relating to wages and salaries is/are to be included in Cost Auditor's Report in respect of each class of labour?
- (A) Total wages paid
  - (B) Total man-days worked for each category of labour
  - (C) Explanation on reasons for variations in the cost of labour
  - (D) All of the above
221. The report on the audit of cost records is submitted by the cost auditor to
- (A) Managing Director
  - (B) Finance Director
  - (C) Audit Committee
  - (D) Board of Directors
222. In Cost Audit Report, General Information is reported in
- (A) Part-A-1
  - (B) Part-A-2
  - (C) Part-A-3
  - (D) Part-A-4
223. As per Part D, Para 4 of the Companies (Cost Records and Audit) Rules, 2014, Value Addition and Distribution of Earnings are to be computed based on
- (A) Audited Financial Data
  - (B) Cost Record Data
  - (C) Unaudited Financial Data
  - (D) Both (A) and (B)
224. Cost Audit Report is to be filed on MCA Portal within days from the end of FY to which the Cost Audit pertains
- (A) 100
  - (B) 120
  - (C) 180
  - (D) 250

## **Ch6ptsr 9: B6sics ofi M6n6gsmsnt Audit**

225. Management Audit is mainly a technique for evaluating:
- (A) Financial performance
  - (B) Statutory compliance
  - (C) Efficiency and effectiveness of management
  - (D) Inventory control
226. Management Audit is a:
- (A) Statutory requirement
  - (B) Non-statutory review
  - (C) Tax audit
  - (D) Government-mandated audit

227. The objective of Management Audit is to:
- (A) Detect fraud
  - (B) Examine the efficiency of management
  - (C) Assess inventory valuation
  - (D) Review accounting policies
228. Management Audit evaluates:
- (A) Financial statements
  - (B) Compliance with tax laws
  - (C) Internal audit function
  - (D) Managerial functions and performance
229. Which of the following is not a benefit of Management Audit?
- (A) Enhances management performance
  - (B) Ensures financial statement audit
  - (C) Helps in organizational improvement
  - (D) Provides suggestions for better utilization of resources
230. One of the important aspects of Management Audit is:
- (A) Statutory compliance
  - (B) Management by exception
  - (C) Evaluation of management decisions
  - (D) Risk management
231. Management Audit helps in:
- (A) Inventory valuation
  - (B) Judging the managerial efficiency
  - (C) Tax planning
  - (D) Recording transactions
232. Management Audit Report is submitted to:
- (A) Government
  - (B) Shareholders
  - (C) Top management
  - (D) Registrar of Companies
233. Which of the following is a basic principle of Management Audit?
- (A) Secrecy
  - (B) Objectivity
  - (C) Conservatism
  - (D) Materiality
234. Which of the following best defines Management Audit?
- (A) Analysis of past financial results
  - (B) Examination of managerial functions for efficiency and effectiveness
  - (C) Checking the compliance with accounting standards
  - (D) Reviewing tax computations
235. One of the key tools used in Management Audit is:
- (A) Ratio analysis
  - (B) Cash flow statement
  - (C) Management questionnaire

- (D) Bank reconciliation
236. A major focus area of Management Audit is:
- (A) Costing system
  - (B) Profitability ratios
  - (C) Human resource policies
  - (D) Fixed asset valuation
237. Management Audit differs from Internal Audit as it focuses on:
- (A) Financial records
  - (B) Statutory compliance
  - (C) Managerial performance
  - (D) Risk analysis
238. Management Audit promotes:
- (A) Financial misstatements
  - (B) Organizational inefficiency
  - (C) Corporate governance
  - (D) Tax evasion
239. The scope of Management Audit is:
- (A) Limited to accounting function
  - (B) Broader than Financial Audit
  - (C) Only for large organizations
  - (D) Mandated under Companies Act
240. Management Audit helps in ensuring:
- (A) Cost audit
  - (B) Compliance with environmental laws
  - (C) Sound managerial practices
  - (D) Detection of cash embezzlement
241. One of the limitations of Management Audit is:
- (A) Only done by internal employees
  - (B) Biased findings
  - (C) Subjectivity in evaluation
  - (D) Limited to public sector
242. Which of the following best describes the need for Management Audit?
- (A) To increase tax revenue
  - (B) To ensure compliance with SEBI
  - (C) To enhance efficiency and effectiveness of operations
  - (D) To detect accounting errors
243. Which one is not a method used in Management Audit?
- (A) Interviews
  - (B) Observation
  - (C) External confirmation
  - (D) Questionnaire
244. Management Audit is an important tool for:
- (A) Shareholder activism
  - (B) Performance appraisal of employees

- (C) Monitoring and improving managerial performance
  - (D) Filing annual return
245. Which of the following statements is true about Management Audit?
- (A) The management audit is made compulsory and statutory.
  - (B) Management audit is a programme of one year.
  - (C) Management audit cannot be conducted by an independent person.
  - (D) No time limit can be fixed for submission of the report under management audit.
246. Management Audit is useful for
- (A) Suggestion for targets
  - (B) Assistance to management
  - (C) Good staff relationship
  - (D) All of the above
247. Which of these reports is written before starting a new project?
- (A) Feasibility report
  - (B) Periodic report
  - (C) Trouble report
  - (D) Progress report

## **Ch6ptr 10: M6n6gsmsnt Rsporing - Issuss 6nd An6lysis**

248. The primary purpose of Management Reporting is to:
- (A) Satisfy statutory requirements
  - (B) Facilitate decision-making by the management
  - (C) Meet tax compliance needs
  - (D) Communicate with shareholders
249. One of the characteristics of a good Management Report is:
- (A) Lengthy and technical
  - (B) Delayed and accurate
  - (C) Timely and relevant
  - (D) Vague and summarized
250. Management Reporting is a part of:
- (A) Tax Audit
  - (B) Statutory Audit
  - (C) Management Information System
  - (D) Financial Reporting Framework
251. Which of the following is not a feature of an effective Management Report?
- (A) Accuracy
  - (B) Relevance
  - (C) Delay
  - (D) Simplicity
252. The responsibility for preparation of Management Reports lies with:
- (A) Statutory Auditor
  - (B) Company Secretary

- (C) Management Accountant
  - (D) Tax Consultant
253. Management Reporting should ensure:
- (A) Legal compliance
  - (B) Historical financial data
  - (C) Proper communication of facts for decision-making
  - (D) Valuation of inventory
254. Which of the following types of reports is usually prepared on a routine basis?
- (A) Investigative Report
  - (B) Special Report
  - (C) Routine Report
  - (D) Research Report
255. A Report that is prepared to analyze specific problems is known as:
- (A) Routine Report
  - (B) Special Report
  - (C) Compliance Report
  - (D) Statutory Report
256. Exception Reporting is a type of:
- (A) Routine Reporting
  - (B) Financial Reporting
  - (C) Operational Reporting
  - (D) Special Reporting
257. A report that highlights only deviations from the standards is called:
- (A) Progress Report
  - (B) Exception Report
  - (C) Forecasting Report
  - (D) Summary Report
258. One of the essential qualities of Management Reporting is:
- (A) Unverified data
  - (B) Objectivity
  - (C) Complexity
  - (D) Generalization
259. A Management Report should be:
- (A) Filled with jargon
  - (B) Selective and manipulative
  - (C) Factual and impartial
  - (D) Prepared by statutory auditors
260. Which of the following is not an objective of Management Reporting?
- (A) Helping management in planning and control
  - (B) Recording business transactions
  - (C) Improving managerial efficiency
  - (D) Timely communication of information
261. Reports generated on monthly or quarterly basis are examples of:
- (A) Informal Reports

- (B) Periodic Reports
  - (C) Statutory Reports
  - (D) Operational Reports
262. Which report is normally used for the day-to-day running of the business?
- (A) Financial Report
  - (B) Strategic Report
  - (C) Operational Report
  - (D) Environmental Report
263. Management Reporting facilitates:
- (A) Cost Audit
  - (B) Forecasting and Budgeting
  - (C) External Audit
  - (D) Statutory compliance
264. Which of the following is a key consideration in the analysis of Management Reports?
- (A) External environment only
  - (B) Benchmarking and Variance Analysis
  - (C) Past audit reports
  - (D) Stock market trends
265. A report that helps to compare actual performance with budgeted performance is called:
- (A) Progress Report
  - (B) Operational Report
  - (C) Variance Report
  - (D) Audit Report
266. Effective Management Reporting System should be:
- (A) Slow and manual
  - (B) Paper-based and static
  - (C) Timely, automated and flexible
  - (D) Designed for auditors only
267. The analysis in Management Reporting is generally based on:
- (A) Legal provisions
  - (B) Accounting policies
  - (C) Comparative and trend analysis
  - (D) Statutory requirements
268. The backbone of any organisation is
- (A) Information
  - (B) Employee
  - (C) Management
  - (D) Capital
269. Which one of the following KPI is used to measure the productivity and efficiency of labour?
- (A) Production per machine hour
  - (B) Material wastage as % of total input

- (C) Production per man-hour
  - (D) Growth in assets
270. A shoe manufacturing company has a plant capacity of producing 700 shoes per shift. During the year of 300 working days, 3 shifts of 8 hours with half-hour recess per shift, it produces 35.91 lakh shoes. The Normal Capacity Utilization percentage is:
- (A) 82%
  - (B) 76%
  - (C) 74%
  - (D) 78%
271. Which one of the following KPI is used to measure productivity & efficiency of a machinery?
- (A) % of Idle time to total available time
  - (B) Machine downtime ratio
  - (C) Production per man hour
  - (D) Contribution per unit of material used
272. What is the variable cost of the product? (Assuming RM, Utilities, Packing Mat are variable from a data set where Sale 100000, Raw Material 50000, Utilities 15000, Packing Material 5000)
- (A) 50000 Per Unit
  - (B) 60000 Per Unit
  - (C) 70000 Per Unit
  - (D) 80000 Per Unit
273. What is the Fixed cost of the product? (Assuming Emp Cost, Consumable Stores, Repair, Depr, Insurance, Overheads are fixed from a data set where Employee Cost 5000, Consumable Stores 4000, Repair Expenses 3000, Depreciation 5000, Insurance 1000, Overheads 2000)
- (A) 10000 Per Unit
  - (B) 20000 Per Unit
  - (C) 25000 Per Unit
  - (D) 30000 Per Unit
274. What is the Contribution of the product? (Given Sales 100000 and Variable Cost 70000)
- (A) 10000 Per Unit
  - (B) 20000 Per Unit
  - (C) 25000 Per Unit
  - (D) 30000 Per Unit
275. What is the Profitability of the product? (Given Contribution 30000 and Fixed Cost 20000)
- (A) 10000 Per Unit
  - (B) 20000 Per Unit
  - (C) 25000 Per Unit
  - (D) 30000 Per Unit
276. What is Raw Material Cost as % of Total Cost? (Given RM Cost 50000 and Total Cost 90000)

- (A) 54.56
- (B) 55.56
- (C) 56.56
- (D) 57.56

277. Net Profit Margin? (Given SKY Co. planned investment 800 lakh (50% Loan @ 10%). Direct Cost 480 lakh (50% Material). Other expenses 80 lakh. Sale at 150% of direct cost. Tax rate 50%.)

- (A) 8.33%
- (B) 8.05%
- (C) 7.09%
- (D) 6.33%

278. Return on Assets? (Using data from previous question)

- (A) 9.05%
- (B) 7.50%
- (C) 7.10%
- (D) 6.50%

279. Return on Equity? (Using data from previous question)

- (A) 20%
- (B) 15%
- (C) 12.5%
- (D) 14%

280. Asset Turnover? (Using data from previous question)

- (A) 0.75
- (B) 0.50
- (C) 0.90
- (D) 1.12

281. Inventory Turnover? (Assuming Inventory=Material Cost. Ratio = Material Cost / Sales) (Using data from previous question)

- (A) 38%
- (B) 35.33%
- (C) 36.33%
- (D) 33.33%

282. Cash operating cycle? (Given DG Solutions Co: Sales 18L, Purchases 15L, Avg receivables 1.53L, Avg inventory 2.475L, Avg payables 1.15L. GP margin 25%. 365 days)

- (A) 65 days
- (B) 59 days
- (C) 70 days
- (D) 88 days

283. Current Ratio? (Using data from previous question, and Avg overdraft 2.5L)

- (A) 1.10 times
- (B) 1.25 times
- (C) 1.00 times
- (D) 1.30 times

284. Quick Ratio? (Using data from previous question)
- (A) 0.56 times
  - (B) 0.42 times
  - (C) 0.60 times
  - (D) 1.20 times
285. Sales to Working Capital Ratio? ( $WC = Inv + Rec - Payables$ ) (Using data from previous question)
- (A) 5.60 times
  - (B) 6.30 times
  - (C) 7.69 times
  - (D) 5.75 times
286. Which statement is most correct? (Using data from previous question and Industry avg: Inv days 53, Rec days 23, Pay days 47)
- (A) Cash operating cycle is longer than industry average, likely leading to liquidity problems
  - (B) Liquidity position is favourable
  - (C) Liquidity position is better than industry standard
  - (D) Resources are efficiently utilized
287. Sales at BEP? (Given Company X: Sales 24475 Lacs, Variable Cost 13429 Lacs, Fixed Cost 4557 Lacs)
- (A) 10,097.10
  - (B) 11,000.20
  - (C) 11,078.35
  - (D) 12,035.52
288. P/V Ratio(%)? (Using data from previous question)
- (A) 45.21
  - (B) 44.26
  - (C) 48.25
  - (D) 45.13
289. Contribution at Break Even point of Sales? (Using data from previous question)
- (A) 4589
  - (B) 4557
  - (C) 4253
  - (D) 4569
290. Sales above BEP (Margin of Safety Sales)? (Using data from previous question)
- (A) 14,897
  - (B) 14,565
  - (C) 14,378
  - (D) 14,225
291. Variable cost ratio(%)? (Using data from previous question)
- (A) 54.87
  - (B) 54.79
  - (C) 51.75
  - (D) 55.74

## Ch6ptsr 11: M6n6gmsnt Audit in Dififirsnt Functions

292. The objective of Management Audit in functional areas is to:
- (A) Detect frauds and errors
  - (B) Ensure compliance with tax laws
  - (C) Evaluate efficiency and effectiveness of functional areas
  - (D) Prepare financial statements
293. A key purpose of Management Audit of Production Function is to:
- (A) Verify financial accounting records
  - (B) Examine the quality control measures
  - (C) Assess compliance with CSR policies
  - (D) Audit IT systems
294. In the context of Management Audit of Human Resource Function, which of the following is not a focus area?
- (A) Training and Development
  - (B) Recruitment and Retention
  - (C) Shareholder Communication
  - (D) Employee Productivity
295. Which of the following is reviewed in the Management Audit of the Finance Function?
- (A) Vendor selection process
  - (B) Capital structure and financial planning
  - (C) Environmental impact
  - (D) Labour disputes
296. In Management Audit of Marketing Function, an important area of evaluation is:
- (A) Store keeping
  - (B) Sales promotion and pricing policies
  - (C) Payroll system
  - (D) Tax filings
297. Which of the following is a major aspect of Production Function Audit?
- (A) Advertisement strategy
  - (B) Labour cost control
  - (C) Share transfer process
  - (D) Dividend policy
298. Audit of HR Function under Management Audit does not cover:
- (A) Employee morale
  - (B) Staff turnover
  - (C) Production wastage
  - (D) Grievance handling
299. The main aim of conducting audit of Finance Function is to assess:
- (A) Tax evasion practices
  - (B) Effectiveness of fund utilization

- (C) Performance of external auditors
  - (D) Cost allocation of raw material
300. Sales forecasting and pricing decisions are part of which functional audit?
- (A) Finance Audit
  - (B) HR Audit
  - (C) Production Audit
  - (D) Marketing Audit
301. Which of the following is not covered under Management Audit of Production Function?
- (A) Inventory management
  - (B) Plant layout
  - (C) Advertising efficiency
  - (D) Labour productivity
302. In Finance Function Audit, analysis of working capital management involves:
- (A) Recruitment strategies
  - (B) Inventory turnover ratio
  - (C) Advertisement expenses
  - (D) Grievance redressal mechanism
303. HR Audit under Management Audit includes evaluation of:
- (A) Market share
  - (B) Training and skill development
  - (C) Cost-volume-profit analysis
  - (D) Capital budgeting
304. The Management Audit of Production Function assesses:
- (A) Purchase policies
  - (B) Maintenance practices and plant utilization
  - (C) Sales target achievement
  - (D) Employee grievance handling
305. In Marketing Function Audit, audit of distribution channels helps in evaluating:
- (A) Internal control system
  - (B) Dealer network and sales returns
  - (C) Payroll processing
  - (D) Production efficiency
306. Capital budgeting decisions are reviewed under the audit of:
- (A) Marketing Function
  - (B) Production Function
  - (C) HR Function
  - (D) Finance Function
307. Which area is not part of HR Function Audit?
- (A) Employee benefits
  - (B) Staff absenteeism
  - (C) Product pricing
  - (D) Job satisfaction survey

308. In Production Audit, an important parameter to evaluate is:
- (A) Dealer incentives
  - (B) Capacity utilization
  - (C) Advertisement appeal
  - (D) Fund raising strategy
309. In Marketing Audit, pricing decisions are assessed to ensure:
- (A) Compliance with tax provisions
  - (B) Effectiveness in cost control
  - (C) Competitiveness and profitability
  - (D) HR satisfaction index
310. Cost control and cost reduction techniques are reviewed in:
- (A) Finance Audit
  - (B) HR Audit
  - (C) Production Audit
  - (D) Legal Audit
311. The overall objective of Management Audit in functional areas is to improve:
- (A) Tax planning
  - (B) Public image
  - (C) Internal control over cash
  - (D) Organizational performance
312. The consumer service audit critically examines:
- (A) Outstanding payment of consumers.
  - (B) Price consumers are ready to pay for particular product/service.
  - (C) Appraise management of business enterprise of responsibility towards consumers.
  - (D) Demand of a product by consumers.
313. Aspects may be taken into consideration for proper inventory control
- (A) Maximum, minimum and reorder level fixation.
  - (B) Fixed order quantity system and different replenishment systems.
  - (C) Fast-moving, slow-moving and non-moving analysis, etc.
  - (D) All of the above

## **Ch6ptr 12: Ev6lu6tion ofi Corpor6ts Im6gs**

314. Corporate Image refers to:
- (A) Physical assets of a company
  - (B) The perception of the company in the minds of stakeholders
  - (C) The profitability of the company
  - (D) The tax structure of the company
315. A strong Corporate Image helps in:
- (A) Reducing working capital requirement
  - (B) Achieving market leadership and better stakeholder confidence
  - (C) Decreasing dividend payout
  - (D) Avoiding CSR activities

316. Which of the following is not a determinant of Corporate Image?
- (A) Quality of products and services
  - (B) Employee morale
  - (C) Market share
  - (D) Tax payments
317. The process of Corporate Image Evaluation is mainly:
- (A) Quantitative
  - (B) Qualitative
  - (C) Purely technical
  - (D) Legal in nature
318. Corporate Image is built over a period through:
- (A) One-time advertisement
  - (B) Consistent performance and positive public relations
  - (C) Delay in product delivery
  - (D) Employee strikes
319. Which of the following does not influence Corporate Image?
- (A) Social responsibility
  - (B) Ethical behavior
  - (C) Timely filing of income tax
  - (D) Public relations
320. The image of the company among the community is strengthened through:
- (A) Avoiding press releases
  - (B) Ignoring customer complaints
  - (C) Engaging in Corporate Social Responsibility (CSR)
  - (D) Decreasing employee welfare activities
321. Corporate Image is evaluated to:
- (A) Detect frauds
  - (B) Assess the goodwill and market perception of the organization
  - (C) Determine tax liability
  - (D) Prepare trial balance
322. One of the key elements in building Corporate Image is:
- (A) Non-compliance with laws
  - (B) Delayed payment to creditors
  - (C) Strong leadership and governance
  - (D) Ignoring media presence
323. Which of the following does not help in creating a good Corporate Image?
- (A) Quality assurance
  - (B) Transparency in operations
  - (C) Employee exploitation
  - (D) Good customer service
324. In the long run, Corporate Image can impact:
- (A) Only the balance sheet
  - (B) Recruitment, customer loyalty, and profitability
  - (C) Only tax planning

- (D) Only operational cost
325. The Corporate Image of a company is primarily influenced by:
- (A) The number of shareholders only
  - (B) Stakeholders' perception and public interaction
  - (C) Only the income tax returns
  - (D) The company's age
326. Which of the following is not a tool to build Corporate Image?
- (A) Corporate social responsibility
  - (B) Transparent communication
  - (C) Disregard for employee welfare
  - (D) Ethical practices
327. Corporate Image acts as:
- (A) A tool for operational cost reduction
  - (B) An intangible asset enhancing brand equity
  - (C) A financial liability
  - (D) A substitute for management audit
328. Evaluation of Corporate Image requires:
- (A) Stock verification
  - (B) Analysis of stakeholder perception
  - (C) Verification of tax paid
  - (D) Bank reconciliation
329. Corporate Image helps in attracting:
- (A) Regulatory notices
  - (B) High employee turnover
  - (C) Investments and talent
  - (D) Labour disputes
330. Which of the following is not considered in Corporate Image evaluation?
- (A) Customer satisfaction
  - (B) Media coverage
  - (C) Company logo
  - (D) Defective products
331. Corporate Image provides competitive advantage in terms of:
- (A) Decreased production
  - (B) Increased taxation
  - (C) Customer loyalty and brand positioning
  - (D) Reducing R&D efforts
332. Which among the following enhances the corporate image in external environment?
- (A) Ethical business practices
  - (B) Internal memos
  - (C) Management hierarchy
  - (D) Inventory levels
333. Which of the following is a risk associated with poor Corporate Image?
- (A) Increased demand

- (B) Reduced market trust and customer attrition
- (C) Higher tax benefits
- (D) Improved employee morale

## **Chapter 13: Information Systems Security Audit**

334. Information Systems Security Audit is primarily conducted to:
- (A) Reduce capital cost
  - (B) Improve HR efficiency
  - (C) Evaluate adequacy of controls over IT assets
  - (D) Increase customer base
335. The major objective of Information Systems Security Audit is to:
- (A) Assess GST compliance
  - (B) Safeguard data and IT assets from internal and external threats
  - (C) Calculate financial ratios
  - (D) Evaluate CSR performance
336. Which of the following is not an objective of Information Systems Security Audit?
- (A) Detection of frauds
  - (B) Protection against unauthorized access
  - (C) Validation of sales returns
  - (D) Ensuring data integrity
337. Which of the following is not a threat to Information Systems Security?
- (A) Virus
  - (B) Hacking
  - (C) Encryption
  - (D) Phishing
338. Firewalls are used to:
- (A) Reduce electricity consumption
  - (B) Prevent unauthorized access to or from a private network
  - (C) Prepare internal audit reports
  - (D) Allocate system resources
339. Which of the following is a major benefit of Information Systems Security Audit?
- (A) Reduces headcount
  - (B) Enhances system reliability and reduces risk of breach
  - (C) Minimizes rent expense
  - (D) Improves taxation system
340. Risk assessment in IS Security Audit primarily identifies:
- (A) Tax risks
  - (B) Financial risks only
  - (C) Potential vulnerabilities in systems and controls
  - (D) Labour law violations
341. Authentication means:
- (A) Verifying identity of a user before granting access
  - (B) Changing passwords

- (C) Uploading data to cloud
  - (D) Rebooting a system
342. Which of the following is not a type of control evaluated in IS Security Audit?
- (A) Preventive controls
  - (B) Detective controls
  - (C) Curative controls
  - (D) Corrective controls
343. Data encryption ensures:
- (A) Accessibility of data by unauthorized users
  - (B) Data transmission in unreadable format to protect confidentiality
  - (C) Increasing system speed
  - (D) Reduction of hardware
344. A security policy is:
- (A) An HR document
  - (B) A set of rules that dictate how sensitive information is managed and protected
  - (C) A marketing plan
  - (D) A training manual
345. One of the tools used in Information Systems Security Audit is:
- (A) Balance sheet analysis
  - (B) Vulnerability scanning
  - (C) Ratio analysis
  - (D) SWOT analysis
346. In IS Security Audit, availability refers to:
- (A) Ensuring data is encrypted
  - (B) Ensuring authorized users have access when needed
  - (C) Restricting all system access
  - (D) Limiting storage space
347. One of the key challenges in conducting IS Security Audit is:
- (A) Inventory valuation
  - (B) Changing regulatory framework and evolving technology
  - (C) Physical verification
  - (D) Vendor contract review
348. An intrusion detection system (IDS) is used to:
- (A) Block incoming spam emails
  - (B) Monitor and analyze system activities for signs of security breaches
  - (C) Back up data
  - (D) Reboot software
349. Logical access controls deal with:
- (A) Restricting access to physical offices
  - (B) Restricting access to systems, applications, and data
  - (C) Controlling guest visits
  - (D) Managing travel reimbursements
350. Which of the following is a typical step in the IS Security Audit process?
- (A) Estimating labour costs

- (B) Evaluating system configurations and access controls
  - (C) Preparing audit trail for fixed assets
  - (D) Analyzing production output
351. Password policy is a part of:
- (A) Capital budgeting
  - (B) Logical security control
  - (C) Interest rate policy
  - (D) Inventory turnover
352. A common external threat to IS security is:
- (A) Natural disaster
  - (B) Virus and malware
  - (C) Employee exit interview
  - (D) Vendor registration
353. In the context of Information Systems, confidentiality means:
- (A) Data should be accurate
  - (B) Data should be available to all
  - (C) Data should not be disclosed to unauthorized persons
  - (D) Data should be stored in paper form
354. Parallel runs are used:
- (A) During regular operation of an information system.
  - (B) When a system is initially implemented
  - (C) Whenever errors are found in a computerized system
  - (D) Whenever management insists

## **Ch6ptr 14: Intsrn6l Control 6nd Intsrn6l Audit**

355. Internal control is defined as a process effected by:
- (A) Board of Directors only
  - (B) Management only
  - (C) Entity's Board of Directors, Management, and other personnel
  - (D) Statutory Auditors
356. Internal control is designed to provide:
- (A) Absolute assurance
  - (B) Partial assurance
  - (C) Reasonable assurance
  - (D) No assurance
357. The primary objective of internal control is to:
- (A) Eliminate external audit
  - (B) Detect tax evasion
  - (C) Achieve effectiveness and efficiency of operations
  - (D) Finalize financial statements
358. Internal control includes:
- (A) Control Environment
  - (B) Risk Assessment

- (C) Control Activities
  - (D) All of the above
359. Which of the following is not a component of internal control system as per COSO framework?
- (A) Control Environment
  - (B) Financial Reporting
  - (C) Information and Communication
  - (D) Monitoring
360. Control environment includes:
- (A) Attitude of management towards internal controls
  - (B) Inventory reconciliation
  - (C) Trial balance
  - (D) Cost variance analysis
361. Risk assessment in internal control refers to:
- (A) Assessing profitability of a product
  - (B) Assessing potential events that may affect achievement of objectives
  - (C) Assessing inventory turnover
  - (D) Assessing depreciation methods
362. Control activities are policies and procedures that help:
- (A) Management to bypass controls
  - (B) Ensure directives are carried out
  - (C) Employees to avoid responsibility
  - (D) Auditors to draft reports
363. Internal audit is a part of:
- (A) External audit
  - (B) Government audit
  - (C) Internal control system
  - (D) Tax audit
364. Internal auditor is appointed by:
- (A) Shareholders
  - (B) Statutory auditor
  - (C) Management
  - (D) Government
365. Internal audit provides:
- (A) Absolute assurance
  - (B) Independent assurance to management
  - (C) Assurance to external auditor
  - (D) Tax compliance certificate
366. As per Companies Act, 2013, internal audit is mandatory for:
- (A) All partnership firms
  - (B) All private companies
  - (C) Certain class of companies as prescribed
  - (D) All NGOs
367. Internal auditor should be:

- (A) Employee of the company
  - (B) Independent of the operations he audits
  - (C) Member of family business
  - (D) Auditor of group company only
368. Internal audit is primarily:
- (A) Retrospective in nature
  - (B) Forward-looking and preventive in nature
  - (C) Concerned with tax compliance only
  - (D) Concerned only with balance sheet
369. One of the key roles of internal auditor is to:
- (A) Approve financial statements
  - (B) Prepare cost audit report
  - (C) Evaluate adequacy and effectiveness of controls
  - (D) File income tax returns
370. Internal audit may be conducted by:
- (A) Only Chartered Accountants
  - (B) Only Government Auditors
  - (C) Professionals having knowledge of audit techniques and company processes
  - (D) Only Cost Accountants
371. The report of internal audit is submitted to:
- (A) SEBI
  - (B) Statutory auditor
  - (C) Management or Audit Committee
  - (D) Registrar of Companies
372. Which of the following is not an objective of internal control?
- (A) Reliability of financial reporting
  - (B) Compliance with applicable laws
  - (C) Increase in shareholder wealth
  - (D) Safeguarding of assets
373. Which of the following is a limitation of internal control?
- (A) Human error
  - (B) External audit
  - (C) Company law provisions
  - (D) SEBI guidelines
374. Preventive controls are those which:
- (A) Identify issues after occurrence
  - (B) Eliminate the need for audit
  - (C) Deter occurrence of errors or frauds
  - (D) Allow direct access to systems
375. Several Checks and Controls exercised in a business to ensure its efficient working is known as
- (A) Internal Check
  - (B) Internal Control
  - (C) Internal Audit

- (D) Interim Check
376. Internal Controls and Internal Checks are:
- (A) one and the same.
  - (B) different.
  - (C) internal control includes internal checks.
  - (D) none of the above
377. Internal Audit is conducted
- (A) Periodically
  - (B) Continuously
  - (C) At the end of financial year
  - (D) Both (A) and (B)
378. Which of the following statements is not true about a continuous audit?
- (A) It is conducted at regular intervals.
  - (B) It may be carried out on daily basis.
  - (C) It is needed when the organisation has a good internal control system.
  - (D) It is expensive.
379. Test checking is done when there is an effective system of
- (A) Internal control
  - (B) Internal audit
  - (C) Internal check
  - (D) Both (a) and (b)
380. The work of one clerk is automatically checked by another clerk is called:
- (A) Internal control
  - (B) Internal audit.
  - (C) Internal check
  - (D) None of the above.
381. In comparison to the independent auditor an internal auditor is more likely to be concerned with:
- (A) Cost accountancy system
  - (B) Internal control system
  - (C) Legal compliance
  - (D) Accounting system

## **Ch6ptsr 15: Opsr6tion6l Audit 6nd Intsrn6l Audit undsr Comp6niss Act, 2013**

382. Operational audit is a systematic review of:
- (A) Financial records
  - (B) Operations and procedures
  - (C) Legal compliance only
  - (D) Audit manual
383. Operational audit focuses on:
- (A) Profitability of operations only
  - (B) Evaluation of effectiveness, efficiency, and economy of operations

- (C) Finalization of financial statements
  - (D) Compliance with tax laws
384. Operational audit is also called:
- (A) Final audit
  - (B) Concurrent audit
  - (C) Performance audit
  - (D) Social audit
385. The ultimate goal of operational audit is:
- (A) Review of books of account
  - (B) Assessment of internal controls only
  - (C) Enhancing overall operational performance
  - (D) Certification of financial statements
386. One of the key tools used in operational audit is:
- (A) External benchmarking
  - (B) Statutory registers
  - (C) Legal cases
  - (D) MOA and AOA
387. The scope of operational audit includes:
- (A) Past financial performance only
  - (B) Verification of vouchers only
  - (C) All activities related to operations
  - (D) Filing of returns
388. Operational audit evaluates whether the operations are carried out:
- (A) Without any employee participation
  - (B) With maximum tax saving
  - (C) As per management instructions
  - (D) Effectively, efficiently, and economically
389. Operational audit helps management in:
- (A) Preparing audit report for government
  - (B) Identifying areas for improvement and cost saving
  - (C) Recovering loans
  - (D) Conducting market surveys
390. Operational audit is concerned with:
- (A) Verification of statutory dues
  - (B) Preventing fraud
  - (C) Assisting management in achieving business objectives
  - (D) Filling statutory forms
391. Which of the following is not a feature of operational audit?
- (A) It is futuristic
  - (B) It is continuous
  - (C) It evaluates performance
  - (D) It is statutory
392. Internal audit under the Companies Act, 2013 is governed by:
- (A) Section 138

- (B) Section 148
  - (C) Section 139
  - (D) Section 134
393. As per Section 138 of Companies Act, internal audit is applicable to:
- (A) All companies
  - (B) Listed companies and certain prescribed classes of unlisted companies
  - (C) Partnership firms
  - (D) All private companies
394. Rule 13 of Companies (Accounts) Rules, 2014 prescribes:
- (A) Filing of cost audit report
  - (B) Applicability of internal audit
  - (C) Appointment of independent director
  - (D) Format of audit committee
395. Which of the following companies is not compulsorily required to conduct internal audit?
- (A) Listed companies
  - (B) Unlisted public companies meeting certain criteria
  - (C) Private companies with turnover less than 100 crore
  - (D) All companies incorporated under Companies Act
396. Internal auditor may be:
- (A) An individual
  - (B) A firm
  - (C) A body corporate
  - (D) Any of the above
397. Internal auditor may or may not be:
- (A) An employee of the company
  - (B) An outsider
  - (C) A cost accountant or chartered accountant
  - (D) All of the above
398. The internal auditor is required to report to:
- (A) Registrar of Companies
  - (B) Audit Committee or Board of Directors
  - (C) Shareholders
  - (D) Statutory Auditor
399. Which of the following statements is true?
- (A) Internal auditor is appointed by shareholders
  - (B) Internal audit ensures compliance with labour laws
  - (C) Internal auditor is appointed by the Board
  - (D) Internal auditor's report is submitted to the ROC
400. As per Companies (Accounts) Rules, 2014, internal audit is mandatory for private companies having:
- (A) Turnover of 200 crore or more during preceding financial year
  - (B) Paid-up capital of 10 crore
  - (C) Net worth of 25 crore

- (D) Borrowings from bank less than 50 crore
401. Internal audit under Companies Act, 2013 must be conducted by:
- (A) Statutory Auditor only
  - (B) Practising Cost Accountant or Chartered Accountant or other professionals as decided by Board
  - (C) Income Tax Practitioner
  - (D) Company Secretary
402. Operational Audit can lead to better management with the focus on
- (A) financial propriety.
  - (B) compliance objective.
  - (C) risk identification, process improvement.
  - (D) None of the above

## **Ch6ptr 16: Audit of Dififersnt Ssrvics Org6nis6tions**

403. The main objective of auditing a service organisation is to:
- (A) Review past financial results
  - (B) Evaluate production efficiency
  - (C) Assess operational efficiency and ensure value for money
  - (D) Determine taxation liability
404. In the case of hospitals, the audit includes examination of:
- (A) Patent rights
  - (B) Operation theatres and patient charges
  - (C) Raw material stock
  - (D) Engineering contracts
405. For hotels, the operational audit includes evaluation of:
- (A) Employee housing schemes
  - (B) Guest satisfaction and room occupancy rates
  - (C) Shareholding pattern
  - (D) Road tax payment
406. Audit of educational institutions includes verification of:
- (A) Stock in transit
  - (B) Receipts of fees and donations
  - (C) Coal consumption
  - (D) Trade receivables
407. Which of the following is not a key area in the audit of Transport Undertakings?
- (A) Route coverage and scheduling
  - (B) Fuel consumption and maintenance
  - (C) Salary structure of factory workers
  - (D) Revenue from ticket sales
408. While auditing hospitals, one of the specific areas of review is:
- (A) Royalty payments
  - (B) Working of OPD and Emergency services
  - (C) Dividend payout

- (D) GST on imports
409. In hotel audits, proper internal control is required over:
- (A) Classroom management
  - (B) Stores, kitchen, and bar
  - (C) Legal drafting
  - (D) Construction work
410. Which of the following aspects is crucial in the audit of an educational institution?
- (A) Maintenance of salary register for labour
  - (B) Collection of tuition fees and hostel charges
  - (C) Allocation of product cost
  - (D) Transportation charges on export
411. In transport sector audit, fuel consumption records are important to check:
- (A) Legal compliance
  - (B) Payment of custom duty
  - (C) Operational efficiency
  - (D) Acquisition of fixed assets
412. In the audit of hospitals, auditors must review:
- (A) E-way bills
  - (B) Doctor-patient ratio and use of diagnostic facilities
  - (C) Export incentives
  - (D) Capital reduction scheme
413. The audit of hotels should cover:
- (A) Profit from foreign branches
  - (B) Occupancy rate and services offered
  - (C) IT refund cases
  - (D) Provident fund default
414. The operational audit of transport undertakings includes:
- (A) Compliance with ICAI standards
  - (B) Route planning and fleet utilisation
  - (C) Calculation of customs duty
  - (D) Setting transfer pricing policy
415. The key area of internal control in hotels is:
- (A) Power consumption in plants
  - (B) Revenue from banquets and restaurants
  - (C) Security margin on loans
  - (D) Investment in shares
416. Auditing of educational institutions often involves examination of:
- (A) Land acquisition documents
  - (B) Grant-in-aid, donations, and scholarships
  - (C) Oil and gas royalties
  - (D) Recovery of bad debts
417. In hospital audit, key records to be examined include:
- (A) Patents and trademarks
  - (B) Patient billing, pharmacy and diagnostics reports

- (C) Amortisation schedule
  - (D) Sales promotion expenses
418. The audit of transport companies includes:
- (A) Quality control procedures
  - (B) Ticketing system and traffic revenue
  - (C) Voting rights verification
  - (D) Litigation management
419. The audit of educational institutions should ensure:
- (A) Student attendance matches fee collection
  - (B) Goods received note is matched with invoices
  - (C) Labour hours are captured precisely
  - (D) Environmental pollution is monitored
420. Internal control in hospitals must ensure:
- (A) Periodical inventory valuation of drugs
  - (B) Control over foreign exchange earnings
  - (C) Statutory audit report to board
  - (D) Compliance with the Companies Act
421. The audit of a hotel involves checking:
- (A) Royalty on mining
  - (B) Cost per occupied room
  - (C) Outsourcing of research
  - (D) Import-export ratio
422. Operational audit of transport undertakings would cover:
- (A) Recovery of excise duty
  - (B) Compliance of SEBI rules
  - (C) Mileage per vehicle and tyre usage
  - (D) Maintenance of plant and machinery
423. Field Balance Sheet approach to Audit can be applied in case of audit of
- (A) Cooperative societies for social well-being.
  - (B) Self-Help Group for collective earning.
  - (C) Partnership firm for specific purpose.
  - (D) Any of the above
424. Co-operative Auditor has to examine the overdue debts if any, and a valuation of the assets and liabilities of the society while conducting an internal audit as per:
- (A) Section 17(3) of the Cooperative Societies Act, 1912
  - (B) Section 17(2) of the Cooperative Societies Act, 1912
  - (C) Section 17(5) of the Cooperative Societies Act, 1912
  - (D) Section 37(2) of the Cooperative Societies Act, 1912

## **Ch6ptr 17: Forsnsic Audit**

425. Forensic Audit is a process of examining financial records to detect and investigate:
- (A) Tax defaults

- (B) Price variations
  - (C) Financial frauds and white-collar crimes
  - (D) Investment risks
426. Forensic Audit includes:
- (A) Only statutory audit
  - (B) Only internal audit
  - (C) Investigation, litigation support and expert witness services
  - (D) Only cost audit
427. Forensic Audit requires knowledge of:
- (A) Art and aesthetics
  - (B) Law, auditing, accounting, and investigation
  - (C) Pure mathematics
  - (D) Business promotion
428. The primary objective of Forensic Audit is to:
- (A) Determine cost of production
  - (B) Assess direct tax compliance
  - (C) Prevent, detect and investigate frauds
  - (D) Fix selling prices
429. Forensic Auditors may be engaged in:
- (A) Building maintenance
  - (B) Due diligence reviews and asset tracing
  - (C) Machinery procurement
  - (D) Stock transfer pricing
430. One of the important uses of forensic audit is:
- (A) Designing cost sheet
  - (B) Preparing feasibility study
  - (C) Resolving disputes and facilitating litigation
  - (D) Filing income tax returns
431. Forensic Audit is mostly used in cases of:
- (A) Cost control
  - (B) Environmental audit
  - (C) White-collar crimes
  - (D) Labour productivity
432. Forensic Auditors act as:
- (A) Legal representatives
  - (B) External valuers
  - (C) Expert witnesses in court proceedings
  - (D) Government liaisons
433. A key aspect of forensic auditing is:
- (A) Preparing audit programme
  - (B) Evidence gathering and documentation
  - (C) Marketing analysis
  - (D) Industrial relations

434. A forensic audit report is generally:
- (A) Confidential and admissible in court
  - (B) Published in newspapers
  - (C) Meant for advertisement
  - (D) Shared with tax authorities only
435. Forensic Audit is a blend of:
- (A) Sociology and ethics
  - (B) Auditing and cost management
  - (C) Auditing and investigative techniques
  - (D) Costing and marketing
436. In forensic audit, corroborative evidence includes:
- (A) Only legal contracts
  - (B) Only accounting data
  - (C) Combination of documents, interviews, and digital evidence
  - (D) Only bank statements
437. The forensic auditor is expected to maintain:
- (A) Balance Sheet
  - (B) Personal diary
  - (C) Chain of custody for all evidence
  - (D) GST ledgers
438. Forensic auditing differs from statutory audit in terms of:
- (A) Legal framework
  - (B) Compliance checking
  - (C) Investigative objective and use in legal proceedings
  - (D) Budget preparation
439. One of the tasks in forensic audit includes:
- (A) Calculation of depreciation
  - (B) Implementation of CSR
  - (C) Identifying modus operandi of the fraud
  - (D) Planning advertising budget
440. The forensic auditor must have an understanding of:
- (A) Graphic design
  - (B) Cost standards
  - (C) Legal proceedings and evidentiary requirements
  - (D) Purchase orders
441. In India, forensic audits are frequently conducted under directions of:
- (A) Chamber of Commerce
  - (B) Sports Authority
  - (C) Regulatory agencies like SEBI, SFIO, CBI
  - (D) Banks' customers
442. The role of forensic audit in corporate governance is to:
- (A) Allocate directors' remuneration
  - (B) Assist in ethical and transparent functioning
  - (C) Calculate employee bonuses

- (D) Handle customer grievances
- 443. The output of forensic audit helps in:
  - (A) Finalising annual report
  - (B) Controlling advertisement expenses
  - (C) Prosecution and disciplinary action
  - (D) Preparing feasibility reports
- 444. In forensic audit, data analytics is used for:
  - (A) Estimating fixed cost
  - (B) Determining depreciation rate
  - (C) Identifying fraud patterns and anomalies
  - (D) Setting up pay scale
- 445. Which of the following is not likely to be a fraud risk factor relating to management characteristics?
  - (A) Tax evasion
  - (B) Failure to correct known weakness in internal control system
  - (C) Adoption of conservative accounting principles
  - (D) High management turnover
- 446. As per the study of ACFE, the following category of individuals commit the highest frauds (in monetary terms):
  - (A) Low-level management
  - (B) Mid-level management
  - (C) Senior level management
  - (D) All of the above
- 447. Pressure, opportunity & are the aspects of a fraud triangle
  - (A) Rationalization.
  - (B) Creation.
  - (C) Commitment
  - (D) None of the above.
- 448. The main objective of investigation is
  - (A) To discover errors and frauds.
  - (B) To prevent errors and frauds.
  - (C) To verify statements.
  - (D) All the above.
- 449. Concept of Red Flag pertains to which Audit?
  - (A) Productivity Audit.
  - (B) Energy Audit.
  - (C) Inventory Audit.
  - (D) Forensic Audit.
- 450. The principle of 3D vision includes
  - (A) Time dimension analysis.
  - (B) Space dimension analysis.
  - (C) Both (a) & (b).
  - (D) None of the above.

## Chapter 18: Anti-Money Laundering

451. Money Laundering is the process of:
- (A) Legalizing foreign currency
  - (B) Concealing the origins of illegally obtained money
  - (C) Banking foreign currency in India
  - (D) Filing income tax returns
452. The primary objective of Anti-Money Laundering (AML) laws is to:
- (A) Encourage investment in real estate
  - (B) Track foreign investors
  - (C) Prevent and detect money laundering activities
  - (D) Promote mutual funds
453. Which of the following is not a stage in the money laundering process?
- (A) Placement
  - (B) Layering
  - (C) Investment
  - (D) Integration
454. The first stage of money laundering is:
- (A) Integration
  - (B) Placement
  - (C) Layering
  - (D) Structuring
455. The process of separating illicit proceeds from their source through complex layers is known as:
- (A) Merging
  - (B) Layering
  - (C) Distribution
  - (D) Pooling
456. Final stage where laundered money is integrated into the economy is called:
- (A) Disintegration
  - (B) Placement
  - (C) Integration
  - (D) Projection
457. The key Indian law to combat money laundering is:
- (A) FEMA
  - (B) Income Tax Act
  - (C) PMLA, 2002
  - (D) SEBI Act
458. PMLA stands for:
- (A) Prevention of Money Law and Audit
  - (B) Prevention of Money Laundering Act
  - (C) Protection of Monetary Legislation Act
  - (D) Promotion of Market Liquidity Act
459. Under PMLA, the agency responsible for investigating money laundering in India is:

- (A) SEBI
  - (B) RBI
  - (C) Enforcement Directorate (ED)
  - (D) CBI
460. Under PMLA, reporting entities include:
- (A) Only manufacturing companies
  - (B) Only educational institutions
  - (C) Banks, financial institutions, intermediaries
  - (D) Public sector units
461. The authority that maintains the record of transactions under PMLA is:
- (A) CAG
  - (B) CBDT
  - (C) FIU-IND
  - (D) TRAI
462. FIU-IND stands for:
- (A) Financial Intelligence Unit - India
  - (B) Foreign Investment Union - India
  - (C) Financial Investigation Unit - International
  - (D) Finance Integration Utility - India
463. PMLA defines "Proceeds of Crime" as:
- (A) Income from legal trade
  - (B) Any property derived or obtained from criminal activity
  - (C) Agricultural income
  - (D) Government grants
464. The act of using money obtained from illegal means for legitimate business is called:
- (A) Tax planning
  - (B) Money laundering
  - (C) Fund rotation
  - (D) Financial engineering
465. Under PMLA, a person shall be guilty of the offence if:
- (A) He uses personal savings for investment
  - (B) He acquires or uses proceeds of crime knowingly
  - (C) He fails to repay loans
  - (D) He delays tax payments
466. The maximum punishment for money laundering offence under PMLA is:
- (A) 3 years
  - (B) 5 years
  - (C) 7 years
  - (D) 10 years
467. One of the major international organisations fighting money laundering is:
- (A) UNDP
  - (B) FATF
  - (C) WHO

- (D) ILO
468. FATF stands for:
- (A) Financial Audit and Taxation Forum
  - (B) Financial Action Task Force
  - (C) Foreign Asset Tracking Force
  - (D) Federal Anti-Terrorism Fund
469. One of the red flags in money laundering detection is:
- (A) Frequent small deposits below reporting threshold
  - (B) Salaried employee depositing salary
  - (C) Business paying taxes
  - (D) Savings interest credited
470. AML compliance includes:
- (A) TDS calculation
  - (B) Inventory valuation
  - (C) Customer due diligence and transaction monitoring
  - (D) Product costing
471. Which of the following is not prescribed in the provision of the Prevention of Money Laundering Act, 2002?
- (A) Seizure of property
  - (B) Attachment of Property
  - (C) Confiscation of Property
  - (D) Life Imprisonment
472. Whoever commits the offence of money-laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to years.
- (A) three years
  - (B) five years
  - (C) seven years.
  - (D) ten years

# Answer Summary

## CHAPTER 1: BASICS OF COST AUDIT

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
1	B	7	B	13	C	19	B
2	C	8	C	14	C	20	B
3	B	9	B	15	B	21	A
4	C	10	B	16	C	22	D
5	C	11	B	17	C	23	A
6	C	12	D	18	C	24	C

## CHAPTER 2: Companies (Cost Records and Audit) Rules, 2014 (As Amended)

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
25	B	35	C	45	D
26	D	36	C	46	C

27	D	37	C	47	A
28	B	38	C	48	C
29	C	39	B	49	B
30	B	40	C	50	A
31	C	41	C	51	A
32	D	42	B	52	C
33	B	43	C	53	D
34	C	44	C	54	A

### Chapter 3: Cost Auditor's Duties and Powers

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
55	B	66	C	77	D
56	B	67	B	78	A
57	B	68	B	79	D
58	B	69	B	80	A
59	B	70	B	81	B

60	B	71	B	82	C
61	C	72	B	83	D
62	A	73	B	84	A
63	A	74	C	85	A
64	B	75	B		
65	C	76	A		

#### Chapter 4: Cost Audit Report

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
86	B	97	C	108	C	119	D
87	B	98	B	109	B	120	B
88	C	99	A	110	A	121	C
89	B	100	A	111	C	122	A
90	B	101	B	112	C	123	C
91	B	102	A	113	B	124	C
92	C	103	B	114	D	125	A
93	C	104	C	115	A	126	C

94	C	105	C	116	D	127	C
95	B	106	C	117	A	128	C
96	C	107	C	118	B	129	D

### **Chapter 5: Cost Audit and Its Impact on Management**

<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>
130	C	137	A	144	B	151	C
131	B	138	B	145	A	152	A
132	B	139	B	146	A	153	B
133	B	140	B	147	D	154	D
134	A	141	B	148	B	155	D
135	B	142	A	149	B	156	C
136	C	143	B	150	A	157	A

## Chapter 6: Audit Programmes

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
158	B	163	C	168	B	173	B
159	C	164	C	169	B	174	C
160	D	165	B	170	B	175	B
161	B	166	B	171	A	176	B
162	B	167	B	172	C	177	B

## Chapter 7: Audit Documentation

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
178	B	185	D	192	C
179	D	186	A	193	C
180	C	187	C	194	C
181	D	188	C	195	B
182	C	189	B	196	B
183	C	190	B	197	B

184	A	191	C	198	B
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## Chapter 8: Cost Audit Report

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
199	C	208	B	217	C
200	C	209	B	218	C
201	B	210	B	219	B
202	C	211	B	220	D
203	A	212	B	221	D
204	B	213	C	222	A
205	C	214	B	223	A
206	B	215	B	224	C
207	C	216	C		

## Chapter 9: Basics of Management Audit

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
225	C	233	B	241	C
226	B	234	B	242	C
227	B	235	C	243	C
228	D	236	C	244	C
229	B	237	C	245	D
230	C	238	C	246	D
231	B	239	B	247	A
232	C	240	C		

## Chapter 10: Management Reporting - Issues and Analysis

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
248	B	259	C	270	B	281	D
249	C	260	B	271	B	282	C
250	C	261	B	272	C	283	A

251	C	262	C	273	B	284	B
252	C	263	B	274	D	285	B
253	C	264	B	275	A	286	A
254	C	265	C	276	B	287	A
255	B	266	C	277	A	288	D
256	D	267	C	278	B	289	B
257	B	268	A	279	B	290	C
258	B	269	C	280	C	291	A

### Chapter 11: Management Audit in Different Functions

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
292	C	298	C	304	B	310	C
293	B	299	B	305	B	311	D
294	C	300	D	306	D	312	C
295	B	301	C	307	C	313	D
296	B	302	B	308	B		

297	B	303	B	309	C		
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## Chapter 12: Evaluation of Corporate Image

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
314	B	319	C	324	B	329	C
315	B	320	C	325	B	330	C
316	D	321	B	326	C	331	C
317	B	322	C	327	B	332	A
318	B	323	C	328	B	333	B

## Chapter 13: Information Systems Security Audit

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
334	C	341	A	348	B
335	B	342	C	349	B

336	C	343	B	350	B
337	C	344	B	351	B
338	B	345	B	352	B
339	B	346	B	353	C
340	C	347	B	354	B

### Chapter 14: Internal Control and Internal Audit

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
355	C	364	C	373	A
356	C	365	B	374	C
357	C	366	C	375	B
358	D	367	B	376	C
359	B	368	B	377	D
360	A	369	C	378	C
361	B	370	C	379	C
362	B	371	C	380	C

363	C	372	C	381	B
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### **Chapter 15: Operational Audit and Internal Audit under Companies Act, 2013**

<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>
382	B	389	B	396	D
383	B	390	C	397	D
384	C	391	D	398	B
385	C	392	A	399	C
386	A	393	B	400	A
387	C	394	B	401	B
388	D	395	C	402	C

### **Chapter 16: Audit of Different Service Organisations**

<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>	<b>Q.No.</b>	<b>Ans.</b>
403	C	409	B	415	B	421	B

404	B	410	B	416	B	422	C
405	B	411	C	417	B	423	B
406	B	412	B	418	B	424	B
407	C	413	B	419	A		
408	B	414	B	420	A		

## Chapter 17: Forensic Audit

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
425	C	434	A	443	C
426	C	435	C	444	C
427	B	436	C	445	C
428	C	437	C	446	C
429	B	438	C	447	A
430	C	439	C	448	D
431	C	440	C	449	D
432	C	441	C	450	C

433	B	442	B		
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## Chapter 18: Anti-Money Laundering

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
451	B	457	C	463	B	469	A
452	C	458	B	464	B	470	C
453	C	459	C	465	B	471	D
454	B	460	C	466	D	472	C
455	B	461	C	467	B		
456	C	462	A	468	B		