

FINAL COURSE: GROUP I

PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(MTP 14: Ch. 14 – Audit of Banks and NBFC)

Suggested Answers

Q. No.	Correct Option	Remarks
1	(b) ₹13,955 crore, by adding interest accrual and cash margins but excluding capital/reserves and exempt long-term bonds.	DTL must include interest accrued and cash margins as they are liabilities. Paid-up capital/reserves and eligible long-term bonds are excluded. Recoveries from written-off accounts credited to sundry deposits are included.
2	(b) The NPA must be removed from books only when legal ownership is transferred, and no income should be recognised on sale other than the actual cash received.	Under RBI norms, NPA sale removal requires transfer of economic and legal ownership. Only actual cash received can be recognised; SRs cannot trigger income recognition.
3	(d) Concurrent auditors must be appointed by the bank's competent authority as per board-approved policy, and firms with existing internal assignments at the same branch cannot be appointed.	RBI guidelines require concurrent auditors to be appointed strictly under a board-approved framework, and firms doing internal audit at a branch cannot simultaneously act as concurrent auditor for that same branch.
4	(c) Classify Finstrive as NBFC-ICC under Middle Layer until the invoice-financing activity independently meets the regulatory parameters for NBFC-Factor categorization.	NBFC-ICC, NBFC-MFI, NBFC-Factors may lie in any layer based on parameters, not intention. Since invoice-financing does not yet independently qualify, entity remains ICC-type under Middle Layer due to asset size > ₹1000 crore.
5	(c) Loan-sanction collusion = unauthorised credit facilities; invoice-fabrication = cheating/forgery; cash shortage > ₹10,000 = fraud unless intent disproved — Total fraud = ₹48 lakh + ₹12,500 + ₹30 lakh.	RBI fraud classification (page 14.105) treats unauthorised credit facilities for gratification as fraud; cash shortage > ₹10,000 is fraud even without intent; forged invoices fall under cheating/forgery. All three are reportable, giving total = ₹78,12,500.

Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)

1	Youtube Channel	https://www.youtube.com/@altclassesca9193	 CA Pankaj Garg
2	Telegram Channel	https://t.me/altclasses	
3	Whatsapp Group for Doubts	https://chat.whatsapp.com/LSDM362gij2ErmRgTi7ceA	
4	LMS Link	https://altclasses.in/knowledge-forum-ca-final/	
5	Contact Number	9319805511 , 7206941195	
6	Website Link	https://altclasses.in/	

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