

**FINAL COURSE: GROUP I**

**PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS**

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

**Time Allowed- 20 Minutes**

**Maximum Marks-10**

*Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All MCQs are compulsory and carry 2 Marks each.*

**Case Scenario I [MCQ 1-3]**

Pratham Bank Ltd., a scheduled commercial bank with 820 branches, is under statutory central audit. During the year, the bank migrated its treasury reporting into a new ADF-based module, resulting in periodic mismatches between branch-level trial balances and the consolidated DTL computations submitted for SLR reporting. On review of selected dates, the audit team found that certain items were inconsistently treated as “excluded liabilities,” including a few sundry deposit accounts reflecting partial recovery from written-off advances and cash margins for non-funded facilities. Further, one branch mistakenly included long-term bonds issued for infrastructure financing as part of time liabilities for DTL computation, despite such bonds qualifying for exemption under RBI guidelines.

In the previous quarter, the bank’s distressed asset division negotiated a transfer of a corporate NPA (secured against plant & machinery) to a registered ARC. The agreement specified that the ARC would acquire 60% upfront in cash with the balance 40% via SRs. While the branch recorded the transaction on the date of receipt of cash, the security release documents were executed three days later, and the branch prematurely reversed unrealised interest even though the NPA was sold on “as-is-where-is” basis without recognition of any accrued income.

Simultaneously, at several high-risk branches, the internal audit department observed a lack of continuous monitoring in foreign exchange transactions. The audit committee recommended immediate appointment of concurrent auditors at these branches. However, some branch managers contended that concurrent audit appointments could be made directly by regional managers without board-level approval, and that the same audit firm already doing internal audit could be appointed for concurrent audit as well. The statutory auditor noticed inconsistency in understanding of eligibility criteria for such appointments.

**Based on the above facts, answer the following:**

1. On one of the selected reporting Fridays, the bank has the following balances (₹ in crore):
  - Demand deposits: 8,200
  - Time deposits: 5,600
  - Cash margins for non-funded facilities: 150

- Paid-up capital and reserves: 950
- Long-term bonds eligible for exemption: 400
- Partial recoveries from written-off accounts credited to sundry deposits: 60
- Interest accrued on deposits not yet booked in CBS: 45

Compute the total DTL for SLR purposes after considering inclusions/exclusions as per RBI norms.

- ₹13,855 crore, excluding interest accrual and including long-term bonds, since they form part of liabilities normally.
  - ₹13,955 crore, by adding interest accrual and cash margins but excluding capital/reserves and exempt long-term bonds.
  - ₹14,005 crore, by including all items except capital/reserves as all others create obligations.
  - ₹13,795 crore, excluding cash margins and recoveries from written-off accounts as these are not operational liabilities.
2. In the NPA sale described, identify the correct compliance requirement as per RBI norms.
- The bank must recognise accrued unrealised interest on the NPA up to the date of sale because the ARC settlement includes SRs.
  - 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.
  - The bank may recognise profit on sale immediately since SRs represent future assured recovery under security receipts.
  - The bank may reverse provisions fully on the date of sale even if the consideration received is partly in SRs.
3. Based on the scenario described, which statement correctly reflects RBI-prescribed norms for appointment of concurrent auditors in banks?
- A concurrent auditor can simultaneously handle internal audit assignments in the same branch if safeguards are documented by the bank.
  - Appointment of concurrent auditors may be finalised at branch level if the value of transactions is below a specified threshold.
  - The statutory auditor must approve the appointment of concurrent auditors before the bank issues the engagement letter.
  - 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.

### Case Scenario II [MCQ 4-5]

Finstrive Capital Solutions Pvt. Ltd. is a rapidly growing non-deposit taking financial institution with an asset size of ₹1,650 crore. Its principal business includes unsecured digital personal loans, dealer financing for consumer durables, and a small portfolio of gold-backed loans. During the current year, Finstrive created a new business vertical offering invoice-based financing to small merchants. Management claims that this new vertical will account for nearly 22% of total financial assets within two years and will require categorising Finstrive as a Factor-type NBFC for regulatory reporting.

The statutory auditor observed that the company's activities include lending, acquisition of receivables, short-term advances to channel partners, and investment in debt securities of group entities. Based on scale-based regulations, the management classified Finstrive as a Middle Layer NBFC, as its asset size exceeds ₹1,000 crore. However, the Board-appointed compliance officer expressed concerns regarding whether this classification is appropriate for all specific activities carried out by the company, especially the new invoice-financing vertical, which does not yet independently meet the threshold for Factor classification.

During the audit, the auditor also noticed instances that may amount to fraud under RBI's "Monitoring of Frauds in NBFCs Directions, 2016". A branch-level review revealed:

- A credit manager approved five unsecured loans totalling ₹48 lakh without following underwriting procedures. Borrowers defaulted within two months, and internal audit suspects collusion for illegal gratification.
- A cash shortage of ₹12,500 was identified during an unannounced verification at a collection centre, and the employee on duty did not report the shortage at the time of occurrence.
- A borrower submitted fabricated invoices to avail invoice-financing limits, leading to a potential loss of ₹30 lakh.

Finstrive wants the auditor's view on whether the above cases fall under specific fraud categories and how they must be classified for reporting. Management claims that only the invoice-fabrication incident is a fraud, while the loan-sanction collusion and cash shortage do not meet fraud criteria.

#### Based on the above facts, answer the following:

4. Finstrive's management proposes to classify the new invoice-financing vertical as a Factor NBFC category, claiming that overall company classification must follow the activity carried out by any major vertical. Based on RBI Scale-Based Regulations and activity-based categories:

Which classification approach is most appropriate for Finstrive?

- (a) Classify as Factor NBFC because the activity exists even if its asset share is currently low, provided management intends to scale it.
- (b) Classify each business vertical separately and report the company under the strictest vertical-level classification irrespective of asset size.
- (c) Classify Finstrive as NBFC-ICC under Middle Layer until the invoice-financing activity independently meets the regulatory parameters for NBFC-Factor categorisation.
- (d) Classify as Base Layer NBFC because it has multiple small activities, and no single activity dominates operating assets.

5. Based on RBI fraud classification, identify the correct fraud categories and total reportable fraud amount for Finstrive:

- Unauthorised loan sanction collusion = ₹48 lakh
- Cash shortage unreported at occurrence = ₹12,500
- Fabricated invoice submission = ₹30 lakh

What is the correct classification and total fraud amount reportable to RBI?

- (a) All three fall under “negligence and cash shortages”; total fraud = ₹48 lakh + ₹12,500.
- (b) Only invoice-fabrication is fraud; total fraud = ₹30 lakh.
- (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.
- (d) Loan-sanction collusion is operational error; cash shortage is not fraud; only invoice-fabrication is fraud; total fraud = ₹30 lakh.



# CA Final - Advanced Auditing

## MCQ – Mock Test Series 1: Nov. 2025

### Detailed Schedule of MCQ Test Series – Nov. 2025

Date	Day	Topic	MCQ Style	Marks
6 Nov.	Wed.	Ch. 19 - Professional Ethics	5 MCQs in the form of Case Studies and General MCQ	10
7 Nov.	Thu.	Ch. 1 - Quality Control		10
8 Nov.	Fri.	Ch. 2 - General Auditing Principles & A.R.		10
10 Nov.	Mon.	Ch. 3 - Audit Planning		10
11 Nov.	Tue.	Ch. 4 - Materiality, Risk Assessment and I.C.		10
12 Nov.	Wed	Ch. 5 - Audit Evidence		10
13 Nov.	Thu.	Ch. 6 - Completion and Review		10
14 Nov.	Fri.	Ch. 7 - Reporting		10
17 Nov.	Mon.	Ch. 8 - Specialised Areas		10
18 Nov.	Tue.	Ch. 9 – Related Services & Ch. 10 – Review of F.I.		10
19 Nov.	Wed	Ch. 11 - Financial info. & Other Assurance		10
20 Nov.	Thu.	Ch. 12 - Digital Auditing and Assurance		10
21 Nov.	Fri.	Ch. 13 - Group Audits		10
24 Nov.	Mon.	Ch. 14 - Audit of Banks and NBFC		10
25 Nov.	Tue.	Ch. 15 - Audit of PSU		10
26 Nov.	Wed	Ch. 16 - Internal Audit		10
27 Nov.	Thu.	Ch. 17 - Investigation, Diligence & Forensic		10
28 Nov.	Fri.	Ch. 18 - SDG and ESG Assurance		10

**Note: Test Papers and Answer Key will be uploaded on Knowledge Portal of [www.altclasses.in](http://www.altclasses.in)**

**“TEST – ANALYSE – IMPROVE”**

**TEST SERIES** ALT CLASSES  
FOR JAN. 2026 EXAMS

**CA FINAL  
AUDITING**

Under Direction & Supervision of  
**CA PANKAJ GARG**

**Key Highlights**

- 6 Chapter Wise Tests
- 2 Full Syllabus Tests
- Based on ICAI Latest Exam Pattern
- Evaluation by Ex - Examiner of ICAI

**FEES**  
**₹1249**

**“TEST – ANALYSE – IMPROVE”**

**No Charges for Class Students**

9319805511, 7206941195 www.altclasses.in

S. No.	Chapter No. and Name	Date of Test
WT - 1	Ch. 1 - Quality Control	26 Nov. 2025
	Ch. 19 - Professional Ethics	
WT - 2	Ch. 2 - General Auditing Principles	29 Nov. 2025
	Ch. 3 - Audit Planning, Strategy & Execution	
	Ch. 4 - Materiality, Risk Assessment & IC	
WT - 3	Ch. 5 - Audit evidence	03 Dec. 2025
	Ch. 6 - Completion and Review	
	Ch. 7 - Reporting	
WT - 4	Ch. 8 - Specialised Areas	06 Dec. 2025
	Ch. 9 - Audit Related Services	
	Ch. 10 - Review of Financial Information	
	Ch. 11 - PFI & Other Assurance Services	
WT - 5	Ch. 12 - Digital Auditing and Assurance	10 Dec. 2025
	Ch. 16 - Internal audit	
	Ch. 17 - DD, Investigation & Forensic Accounting	
	Ch. 18 - SDG & ESG Assurance	
WT - 6	Ch. 13 - Group Audits	13 Dec. 2025
	Ch. 14 - Special Features of Audit of Banks and NBFC	
	Ch. 15 - Overview of Audit of PSU	
WT - 7	Full Syllabus Test 1	17 Dec. 2025
WT - 8	Full Syllabus Test 1	24 Dec. 2025

Purchase Link: <https://altclasses.in/product/final-audit-mtp-test-series-for-jan-2026-exams/>

## CA Final – Repeater batches for Jan. 2026 Exams

**CA PANKAJ GARG**

**CA FINAL  
AUDIT**  
For Jan. 26 Exam

**REPEATER  
BATCHES**  
Latest Recordings with updated Books

**Regular Batch** 50 Lectures  
2 Months Validity with 1.5 Views

**Fast Track Batch** 36 Lectures  
2 Months Validity with 1.5 Views

**18 Chapter-wise Mock Tests**

**4 Module Tests**

**JOIN NOW** 9319805511, 7206941195 www.altclasses.in

Also Available  
Google Drive Android

**Fees:** Regular Batch – ₹ 5400 (With Physical Books)

Regular Batch – ₹ 4599 (With E-Books)

Fast Track Batch – ₹ 3600 (With Physical Books)

Fast Track Batch – ₹ 3060 (With E-Books)

**Purchase Link:**

<https://altclasses.in/product/ca-final-audit-repeater-batch-with-2-month-validity/>

## Books Authored by Pankaj Garg Sir

# CA Final – Advanced Auditing

Title	Edition	MRP	Sale Price	Reference Image
Self-Learning Study Material (Main Book)	16th Edition (Nov. 2025)	895	670	
Audit Notes (Coloured Book)	5th Edition (Nov. 2025)	1195	890	
Cracker – (Vol 1 & 2)	17th Edition (Oct. 2025)	1695	1170	
Referencer for Quick Revision (Coloured Book)	8th Edition (Nov. 2025)	795	630	

Books COMBO are also available at further discounted price.

For details: Visit @ [www.altclasses.in](http://www.altclasses.in)

Contact @ 9319805511, 7206941195