

**INTER COURSE: GROUP II**  
**PAPER-5: AUDITING AND ETHICS**

**(MTP 10: Ch. 9 – Audit of Different Entities)**

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.*

1.

A (Statement)	B (Name – Mismatched intentionally)
A1. Ensures expenditure is incurred with due regard to broad principles of financial propriety.	B1. Audit against Provision of Funds
A2. Checks that expenditure conforms to Constitution, laws, rules and financial regulations.	B2. Performance Audit
A3. Ensures expenditure is covered by competent authority's general or special sanction.	B3. Audit against Rules & Orders
A4. Ensures expenditure is incurred on the purpose for which grant/appropriation was made and does not exceed the amount.	B4. Audit of Sanctions

Which of the following gives the correct matching combination?

- (a) A1–B3, A2–B4, A3–B2, A4–B1
- (b) A1–B2, A2–B1, A3–B3, A4–B4
- (c) A1–B4, A2–B3, A3–B1, A4–B2
- (d) A1–B2, A2–B3, A3–B4, A4–B1
2. The Central Registrar receives multiple complaints alleging mismanagement in a Multi-State Co-operative Society. Before initiating an inquiry under Section 78, he must evaluate statutory conditions regarding who may request such inquiry and the extent of his powers once the inquiry begins. Which of the following most accurately reflects the legal position?

- (a) The Central Registrar may order an inquiry suo motu, or on request of a Federal Society, or at least 1/3rd of the members, and may also examine officers and require production of records.
- (b) Inquiry may be initiated only when 1/5th of the members request it, and the Central Registrar cannot order it on his own unless State Government approves.
- (c) Inquiry may be initiated only upon a written request from the society's Board, and powers of inquiry are limited to examining books but not officers.
- (d) Inquiry requires prior notice to all members and can begin only after an AGM resolution authorising such investigation.

### Case Scenario [MCQ 3-5]

Mukti Associates, a mid-sized audit firm, has been appointed as auditor for three entities: an LLP engaged in engineering design services, a Co-operative Credit Society, and another LLP that recently filed its annual return under the LLP Act. During preliminary discussions, the engagement partner noted that the engineering LLP claims itself to be a "Small LLP" based on its prior-year financial information. The LLP's capital contribution stands at ₹23 lakh, while its turnover as per the Statement of Accounts & Solvency of the preceding financial year is ₹38 lakh. The LLP argues that since both amounts fall within the prescribed limits, it is exempt from mandatory audit, unless required under its LLP Agreement.

In the Co-operative Credit Society, management informed the auditor about a new member who wants to acquire a significant portion of share capital. The bye-laws specify that no member is permitted to hold shares exceeding the statutory limit. The auditor recalls that the Co-operative Societies legislation places a cap on individual shareholding to prevent concentration of control, except where the State Government is a member. The society seeks the auditor's view before allowing the subscription.

The third engagement involves verifying statutory compliances of a separate LLP that filed its Statement of Accounts & Solvency and Annual Return. The manager informs the audit partner that the filing of Form-8 was completed after year-end, while Form-11 was submitted shortly thereafter. The engagement partner wants to confirm whether both filings were made within the time limits specified under the LLP Act, including the permissible 30-day extension with additional fee. As part of audit planning, he directs the team to cross-verify the timeline of filings from MCA portal records and compare them with statutory requirements.

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

- 3. Based on the above facts, determine whether the engineering LLP correctly qualifies as a "Small LLP" under the LLP Act thresholds.
  - (a) The LLP does not qualify since its contribution is within limits but its turnover exceeds the maximum allowed under the Act.
  - (b) The LLP qualifies as a Small LLP since both contribution ( $\leq$  ₹25 lakh) and turnover ( $\leq$  ₹40 lakh) fall within statutory limits.
  - (c) The LLP cannot be classified as Small LLP unless both contribution and turnover are below ₹20 lakh and ₹35 lakh respectively.
  - (d) The LLP's status depends only on turnover and not the contribution figure as per LLP law.

4. Regarding the Co-operative Society's restriction on shareholding, which interpretation correctly applies?
  - (a) Members may hold any number of shares unless limited by society bye-laws, irrespective of statutory caps.
  - (b) A member may exceed the limit if approved by the managing committee and recorded in minutes.
  - (c) A member cannot hold shares beyond the statutory limit prescribed under Sec. 5, except the State Government.
  - (d) Shareholding cap applies only to voting rights and not the number of shares subscribed.
5. Evaluate whether the LLP complied with timelines for filing Form-8 and Form-11.
  - (a) Form-8 must be filed within 30 days of year-end, and Form-11 within 60 days, without any extension permitted.
  - (b) Form-8 must be filed within 30 days of six months from year-end, and Form-11 within 60 days of year-end, with a 30-day extension allowed.
  - (c) Form-8 and Form-11 both need filing within six months of financial year-end without any additional fee provision.
  - (d) Both forms must be filed within 90 days from year-end with no distinction in timelines under LLP Act.

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### 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. 1 - Nature, Objective and Scope of Audit	1 Case Study with 4 MCQ + 1 General MCQ	10
7 Nov.	Thu.	Ch. 11 - Ethics and Terms of Audit Engagements		10
8 Nov.	Fri.	Ch. 2 - Audit Strategy, Planning & Programme		10
10 Nov.	Mon.	Ch. 3 - Risk Assessment and Internal Control		10
12 Nov.	Wed	Ch. 4 - Audit Evidence		10
14 Nov.	Fri.	Ch. 6 - Audit Documentation		10
17 Nov.	Mon.	Ch. 5 - Audit of Items of Financial Statements		10
19 Nov.	Wed	Ch. 7 - Completion and Review		10
24 Nov.	Mon.	Ch. 8 - Reporting		10
26 Nov.	Wed	Ch. 9 - Audit of Different Types of Entities		10
28 Nov.	Fri.	Ch. 10 - Audit of Banks		10

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MTP No.	Chapter No. and Name	Date of Test
1	Ch. 1 - Nature, Objective and Scope of Audit	26 Nov. 2025
	Ch. 11 - Ethics and Terms of Audit Engagements	
2	Ch. 2 - Audit strategy, Planning and Programme	29 Nov. 2025
	Ch. 3 - Risk Assessment and Internal Control	
3	Ch. 4 - Audit evidence	03 Dec. 2025
	Ch. 6 - Audit Documentation	
4	Ch. 5 - Audit of Items of Financial Statements	06 Dec. 2025
5	Ch. 7 - Completion and Review	10 Dec. 2025
	Ch. 8 - Audit Report	
6	Ch. 9 - Sp. features of Audit of Different Entities	13 Dec. 2025
	Ch. 10 - Audit of Banks	
7	Full Syllabus Test	17 Dec. 2025
8	Full Syllabus Test	24 Dec. 2025

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