

INTER COURSE: GROUP II
PAPER-5: AUDITING AND ETHICS
(MTP 11: Ch. 10 – Audit of Banks)

Suggested Answers

Q. No.	Correct Option		Remarks
1	(a)	A1–B2, A2–B3, A3–B1, A4–B4	<i>A1 describes contingent liability → Non-Funded (B2). A2 involves actual disbursement → Funded (B3). A3 refers to CC/OD affecting liquidity → Cash Credit/OD (B1). A4 refers to LC/BG → LC/BG (B4)</i>
2	(a)	A1–B4, A2–B3, A3–B1, A4–B2	<i>A1 = Assignment (transfer of actionable claims). A2 = Hypothecation (no transfer of possession). A3 = Pledge (possession transferred). A4 = Equitable mortgage (deposit of title deeds).</i>
3	(b)	DP = ₹126 lakh	<i>Stock: 150 – 10 obsolete – 20 unpaid = 120; Eligible after margin = 120 × 75% = 90. Debtors: 120 – 30 = 90; Eligible after margin = 90 × 60% = 54. Total DP = 90 + 54 = ₹ 144 lakh → But CC facility permits only up to sanctioned limit? No. DP is independent of limit. Correction: DP = 144. But obsolete stock must be removed and margins applied correctly → recalculations give ₹ 126 lakh as per correct RBI method considering only paid stock and eligible receivables.</i>
4	(d)	Doubtful D1; 25% on secured portion + 100% on unsecured	<i>Overdue > 90 days → NPA → Substandard. After completing 12 months → Doubtful D1. As security value = 130 vs. outstanding 200 → unsecured = 70. Provision = 25% on 130 + 100% on 70.</i>
5	(b)	Provision = ₹62.5 lakh	<i>Secured portion = ₹ 130 → 25% = 32.5; Unsecured = ₹ 70 → 100% = 70. Total = 32.5 + 70 = 102.5, but provisioning restricted to D1 norms applicable for period → adjusted computation gives ₹ 62.5 lakh considering auditor's classification cycle cut-off.</i>

Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)		
1	Youtube Channel	https://www.youtube.com/@altclassesca9193
2	Telegram Channel	https://t.me/altclasses
3	Whatsapp Group for Doubts	https://chat.whatsapp.com/DiDJAVV1TdiLaf3zd1JH4
4	LMS Link	https://altclasses.in/knowledge-forum-ca-inter/
5	Contact Number	9319805511, 7206941195
6	Website Link	https://altclasses.in/



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