

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

(MTP 11: Ch. 10 – Audit of Banks)

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.

Column A – Statements	Column B – Name of Facility
A1. Facility where bank's commitment is contingent, and funds are released only when an obligation is invoked.	B1. Cash Credit / Overdraft
A2. Actual disbursement of money by the bank to borrower, creating immediate asset on bank's books.	B2. Non-Funded Facility
A3. Includes Cash Credit and Overdraft where the drawal directly affects bank's liquidity.	B3. Funded Facility
A4. Includes instruments like Documentary LC, where liability arises only upon non-performance by applicant.	B4. Letter of Credit / Bank Guarantee

Which of the following combinations correctly matches Column A with Column B?

- (a) A1–B2, A2–B3, A3–B1, A4–B4
- (b) A1–B4, A2–B2, A3–B3, A4–B1
- (c) A1–B3, A2–B1, A3–B2, A4–B4
- (d) A1–B1, A2–B4, A3–B2, A4–B3

2.

Column A – Statements	Column B – Types of Security
A1. Transfer of an actionable claim or right to receive money, giving absolute title to the lender.	B1. Pledge
A2. Charge on movables where neither ownership nor possession passes to the lender, but borrower retains goods as trustee.	B2. Mortgage (Equitable)

A3. Delivery of goods creating a specific charge where possession is transferred to lender, while ownership stays with borrower.	B3. Hypothecation
A4. Creation of interest in immovable property by depositing title deeds with intent to create security.	B4. Assignment

Which of the following combinations correctly matches Column A with Column B?

- (a) A1–B4, A2–B3, A3–B1, A4–B2
- (b) A1–B3, A2–B2, A3–B4, A4–B1
- (c) A1–B1, A2–B4, A3–B2, A4–B3
- (d) A1–B2, A2–B1, A3–B3, A4–B4

Case Scenario [MCQ 3-5]

Triumph Components Pvt. Ltd. (TCPL), a manufacturer of automobile parts, maintains a Cash Credit (CC) facility with KLM Bank Ltd. The sanctioned limit is ₹ 180 lakh, and Drawing Power (DP) is computed monthly based on primary security consisting of paid stock and eligible trade receivables.

For January 2025, TCPL submitted the following stock and debtor data:

- Total stock at book value: ₹ 150 lakh
- Stock identified as obsolete: ₹ 10 lakh
- Unpaid stock (credit purchases not yet paid to suppliers): ₹ 20 lakh
- Debtors outstanding: ₹ 120 lakh
- Debtors > 90 days: ₹ 30 lakh
- Margin: 25% on stock, 40% on debtors

The branch also reported that TCPL has a Term Loan outstanding of ₹ 200 lakh. Interest has not been serviced for 5 months, and instalments have been overdue for 120 days as of 31-03-2025. The estimated realisable value of security (land & building) is ₹ 130 lakh, supported by an external valuer's report.

The Branch Manager believes the account may slip into NPA, but suggests limiting provisions because the borrower has assured fresh capital infusion. However, no concrete evidence was submitted.

Based on RBI prudential norms the auditor must compute DP for January, assess asset classification, and determine required provisioning.

Based on the above facts, answer the following:

3. Based on the above information, what is the correct Drawing Power (DP) for January 2025?
- (a) ₹ 128
 - (b) ₹ 126
 - (c) ₹ 140
 - (d) ₹ 132
4. What should be the correct asset classification and provisioning as per RBI norms for the Term Loan?
- (a) Substandard; Provision = 15% on entire outstanding
 - (b) Doubtful (D1); Provision = 25% on secured portion + 100% on unsecured
 - (c) Substandard; Provision = 15% on secured portion only
 - (d) Doubtful (D1); Provision = 25% on secured portion + 100% on unsecured deficit
5. What amount of provision should be created for this Term Loan as on 31-03-2025?
- (a) ₹ 48.0
 - (b) ₹ 62.5
 - (c) ₹ 70.0
 - (d) ₹ 80.0

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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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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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