

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

**(MTP 7: Ch. 5 – Audit of Items of Financial Statements)**

**Suggested Answers**

Q. No.	Correct Option	Remarks
1	(b) The company must disclose details of such property, including whether it is in the books, the nature of proceedings, the identity of the transactions, and the reasons why the property is considered benami, along with the status of the proceedings	<b><i>As per Schedule III Additional Regulatory Information, a company must disclose details of any benami property held, including whether it is recorded in the books, details of the property, nature of proceedings, reference to relevant laws, reasons for considering it benami, and the status of proceedings.</i></b> <b><i>Options (a), (c), and (d) are incorrect because Schedule III requires comprehensive descriptive disclosures, not just notice attachment, fair value, or final-order-based reporting.</i></b>
2	(b) The auditor should verify that each expense is properly authorized, supported by documentary evidence, relates to the business, and is recorded in the correct accounting period, while also evaluating its reasonableness	<b><i>While vouching expenses, the auditor must examine authorization, supporting evidence, business purpose, period to which the expense relates (cut-off), and reasonableness/propriety. This ensures the expense is genuine, properly sanctioned, and not fraudulent or personal.</i></b> <b><i>Options (a), (c), and (d) ignore essential vouching attributes such as approval, evidence, and business linkage, making them incomplete or incorrect.</i></b>
3	(b) The utilisation may be acceptable if it aligns with board-approved policy and does not violate statutory restrictions on revenue reserves.	<b><i>General reserve is a revenue reserve and may be utilised for long-term business purposes unless restricted by statute or articles; auditor must ensure no violation and proper approval.</i></b>
4	(c) Premium can be utilised only for permitted purposes such as issue expenses, and the auditor must verify compliance with statutory limits before accepting the adjustment.	<b><i>Securities premium may be used only for specified purposes, including writing off issue expenses; auditor must check statutory compliance before accepting utilisation.</i></b>
5	(b) It should not be recognised as a liability at year end but must be disclosed as an event after the reporting period	<b><i>Proposed dividends after the balance-sheet date are not recognised as liabilities but require disclosure under the applicable reporting framework.</i></b>

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



**CA Pankaj Garg**

**ALT-MCQ** *pro*

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