Questions for module on Accounting and Auditing of Externally Aided Project in India

1. While auditing the Project Financial Statements, which of the following may give rise to fraud risks leading to material misstatements?
   a) Payment to contractors are approved digitally as per delegation of authority.
   b) Bank reconciliation is up to date.
   c) Physical verification of assets purchased for the project are not carried out.
   d) Payment system and accounting system are integrated.

2. Which of the following is not part of the World Bank group?
   a) IBRD
   b) AIIB
   c) IDA
   d) IFC

3. For projects following cash basis of accounting, audited project financial statements will include all except:
   a) Statement of Receipts and Payments
   b) Statement of expenditure by category and financier
   c) Statement of disbursement
   d) Balance Sheet

4. Which of the following is not part of the project financials' audit plan:
   a) Obtain understanding of the entity
   b) Conduct risk assessment or problem analysis
   c) Evaluate audit evidence and draw conclusions
   d) Identify risks of fraud

5. In externally aided projects, prevention and detection of fraud rests with:
   a) **Management of Executing Agency**
   b) External Funding Agency
   c) Aid Accounts and Audit Division
   d) Auditor

6. Which of the following statements is correct. External Funding Agencies/ development partners disburse funds on the basis of:
   a) Contractor Invoices
   b) Budget allocation
   c) Withdrawal applications
   d) Formal request from the borrower

7. Which of the following statements is not correct with regard to the submission of utilisation certificate for a grant?
   a) Ministries and departments of the Central Government are not required to furnish utilisation certificate
   b) State Governments directly incurring expenditure out of Central grants are also not required to furnish utilisation certificates
   c) In respect of expenditure out of central grants incurred by the state government through local bodies and co-operative institutions , there is no need of furnishing the utilisation certificates
   d) All of the above

8. Which of the following is not the auditors' responsibility?
   a) Independent audit of the PFS.
   b) Submission of APFS, auditors' opinions, and management letter to external funding agency.
   c) Issuance of APFS with report, compliance with Financial covenants, use of loan proceeds and a management letter.
   d) Agreement on the timeline, including submission timing to the external funding agency.

9. A PSU is constructing buildings under a project funded by a development partner. The Government of India (GOI) provides the funds to the PSU via a project bank account and has a back-to-back on-lending agreement with the PSU on the same terms as the development partner. The PSU is following accrual basis of accounting and reporting for the project. Can the PSU capitalize the interest cost?
   a) Interest cost will not be taken as a cost since it is paid by GOI.
   b) Interest cost will be accounted for as revenue.
   c) **Interest cost will be capitalised**.
   d) None of the above.

10. GOI / State Governments release fund to project executing agencies in advance and is on the basis of which of the following?
   a) Contractors' Invoices.
   b) Formal written request from project executing agencies.
   c) Every six months.
   d) Based on budget allocation and demand letter.

11. Financial Management System (FMS) is an important aspect in all Externally Aided Projects (EAPs). Which of the following is not an FM activity?
   a) Implementing internal control
   b) Implementing social and environmental action plans
   c) Fund flow arrangements
   d) Implementing adequate and effective budget system.

12. The responsibility of preparing the Project Financial Statements lies with
    a) Borrower
    b) Implementing / Executing agency
    c) External Funding Agency
    d) Internal Auditor

13. The audit of project financial statements of externally aided projects in India done by Chartered Accountants must be conducted in accordance with any of the following auditing standards except:
    a) Standards promulgated by the International Auditing and Assurance Standards Board (IAASB)
    b) The accounting standards promulgated by ICAI
    c) The auditing standards promulgated by ICAI
    d) Standards promulgated by the International Organization of Supreme Audit Institutions (INTOSAI)

14. Financial management action plan is prepared is prepared by the Funding agencies during due diligence and are documented in the project documentations. Which of the following statement is true:
    a) Action plans must be implemented during the processing stage.
    b) Action plans are to implemented and maintained throughout the project lifecycle.
    c) Actions plans are recommended and not mandatory.
    d) Action plans are to implemented only if statutory auditors give a qualified opinion.

15. Project Financial Statements of an externally aided project implemented by a government department should comply with:

    a) Indian Accounting Standards (Ind AS)
    b) International Financial Reporting Standards (IFRS)
    c) Indian Government Accounting Standards

    d) Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)