
VYASA IAS
EPFO APFC & EO/AO
2025 BATCH
By
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Exam Oriented Classes
Short & Crisp Notes
Personalised Mentorship
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1. **Which of the following is *not* a key element of risk assessment in an evaluation process?**
(a) Inherent risk
(b) Detection risk
(c) Compliance risk
(d) Control risk

2. **Which sampling method is most likely to introduce bias in the selection process?**
(a) Random sampling
(b) Systematic sampling
(c) Haphazard sampling
(d) Stratified sampling

3. **Which of the following actions involves the use of comparative data to identify anomalies?**
(a) Recalculating numerical values
(b) Reviewing official records
(c) Comparing current figures with previous periods
(d) Verifying the physical presence of items

4. **Which standard outlines the requirements for maintaining proper documentation during evaluations?**
(a) SA 230
(b) SA 500
(c) SA 315
(d) SA 210

5. **According to Indian regulations, what is the upper limit on the number of entities an individual professional can assess simultaneously?**
(a) 15
(b) 20
(c) 25
(d) 30

6. **Which of the following statements correctly describes an investigative assessment designed to uncover financial irregularities?**
(a) It is solely for tax purposes.
(b) It identifies financial fraud and embezzlement.
(c) It is equivalent to routine financial assessments.
(d) It is mandatory for all organizations annually.

7. **What type of evaluation focuses on the accuracy of financial allocations in operational processes?**
(a) Compliance review
(b) Financial review
(c) Cost evaluation
(d) Performance assessment

8. **Which of the following tasks is *not* typically performed by an independent evaluator?**
(a) Providing opinions on financial accuracy
(b) Designing control mechanisms
(c) Ensuring regulatory compliance
(d) Assessing potential inaccuracies

9. **What type of conclusion is issued when the financial data contains pervasive errors?**
(a) Limited conclusion
(b) Negative conclusion
(c) Disclaimer of conclusion
(d) Unmodified conclusion

10. **Which principle ensures that assessments are free from personal biases and interests?**
(a) Objectivity
(b) Integrity

(c) Independence
(d) Professional skepticism

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11. **Which of the following is *not* a fundamental principle governing contractual agreements?**
(a) Principle of compensation
(b) Principle of utmost good faith
(c) Principle of subrogation
(d) Principle of indemnity

12. **Which legal framework oversees the operations in the regulated financial protection sector in India?**
(a) IRDAI Act, 1999
(b) Insurance Act, 1938
(c) Companies Act, 2013
(d) General Insurance Nationalization Act, 1972

13. **What term refers to a temporary acknowledgment issued before finalizing formal agreements?**
(a) Provisional contract
(b) Cover note
(c) Policy rejection notice
(d) Payment acknowledgment

14. **Which of the following options is categorized as a general financial protection product?**
(a) Endowment plan
(b) Term plan
(c) Health plan
(d) Unit-linked plan

15. **The concept of 'proximate cause' in agreements refers to:**
(a) The nearest legal advisor
(b) The immediate cause of an event
(c) The dispute resolution mechanism
(d) The physical location of the event

16. **Which of the following activities is *not* the responsibility of a regulatory authority in financial protection?**
(a) Licensing new providers
(b) Setting premium interest rates
(c) Safeguarding policyholder rights
(d) Promoting awareness campaigns

17. **Which type of plan provides comprehensive coverage for an entire family under a single agreement?**
(a) Group health plan
(b) Family floater plan
(c) Individual health plan
(d) Critical illness plan

18. **Which principle ensures that compensation under a claim is equal to the actual loss?**
(a) Principle of indemnity
(b) Principle of utmost good faith
(c) Principle of contribution
(d) Principle of proximate cause

19. **Which product combines risk protection with investment in market-linked instruments?**
(a) Endowment plan
(b) Term plan
(c) Unit-linked plan
(d) Whole life plan

20. **What is the primary objective of reallocation of risks among financial protection providers?**
(a) Tax avoidance
(b) Risk sharing
(c) Premium reduction
(d) Simplified underwriting

**Answer Key:**

1. **(c)** Compliance risk
2. **(c)** Haphazard sampling
3. **(c)** Comparing current figures with previous periods
4. **(a)** SA 230
5. **(b)** 20
6. **(b)** It identifies financial fraud and embezzlement
7. **(c)** Cost evaluation
8. **(b)** Designing control mechanisms
9. **(b)** Negative conclusion
10. **(a)** Objectivity
11. **(a)** Principle of compensation
12. **(b)** Insurance Act, 1938
13. **(b)** Cover note
14. **(c)** Health plan
15. **(b)** The immediate cause of an event
16. **(b)** Setting premium interest rates
17. **(b)** Family floater plan
18. **(a)** Principle of indemnity
19. **(c)** Unit-linked plan
20. **(b)** Risk sharing

**MCQs:**

1. **Which of the following is an inherent limitation of auditing?**
   a) Complete elimination of fraud
   b) Absolute assurance on financial statements
   c) Use of professional judgment
   d) Full coverage of all transactions
2. **Which method is considered the most reliable source of audit evidence?**
   a) Inquiry
   b) Observation
   c) Confirmation from third parties
   d) Analytical procedures
3. **Which of the following is NOT a principle of insurance?**
   a) Principle of Contribution
   b) Principle of Utmost Good Faith
   c) Principle of Legal Tender
   d) Principle of Proximate Cause
4. **Under the Companies Act, 2013, which industries are mandated to undergo cost audits?**
   a) IT Services
   b) Telecommunication
   c) Manufacturing sectors like cement and sugar
   d) Education sector
5. **Which type of audit primarily focuses on compliance with regulatory requirements?**
   a) Financial Audit
   b) Compliance Audit
   c) Internal Audit
   d) Operational Audit
6. **What is the primary objective of a forensic audit?**
   a) To detect operational inefficiencies
   b) To express an opinion on financial statements
   c) To detect and investigate fraud and financial crimes

d) To ensure compliance with tax regulations

7. **Which of the following is an example of a risk-based audit approach?**
a) Focusing on all transactions equally
b) Prioritizing high-value transactions
c) Ignoring internal control deficiencies
d) Applying uniform audit procedures across all departments

8. **Which insurance term refers to the legal transfer of rights to the insurer after compensation is provided?**
a) Indemnity
b) Subrogation
c) Contribution
d) Proximate Cause

9. **Which type of audit ensures that IT systems are operating effectively and securely?**
a) Information Systems Audit
b) Compliance Audit
c) Forensic Audit
d) Tax Audit

10. **Which of the following is excluded from the auditor's scope as per Section 144 of the Companies Act, 2013?**
a) Audit of financial statements
b) Internal audit services
c) Review of internal controls
d) Providing tax consultancy

11. **Which of the following is NOT a characteristic of a good internal control system?**
a) Segregation of duties
b) Periodic reconciliation
c) Excessive reliance on external audits
d) Authorization procedures

12. **The principle of indemnity in insurance implies:**
a) The insured will be compensated beyond the actual loss
b) The insured is restored to the original financial position before the loss
c) The insurer shares the profit with the insured
d) The insurer compensates for emotional distress

13. **What is the primary role of an audit committee in a company?**
a) Approving financial statements
b) Conducting statutory audits
c) Overseeing the financial reporting process and internal controls
d) Filing tax returns

14. **Which of the following sampling techniques involves selecting items at fixed intervals?**
a) Random Sampling
b) Systematic Sampling
c) Stratified Sampling
d) Haphazard Sampling

15. **What does the term 'audit trail' refer to?**
a) A chronological record of all financial transactions
b) The final report issued by auditors
c) The auditor's personal notes
d) A document explaining audit methodology

16. **Which insurance policy allows the flexibility to invest in various equity and debt instruments?**
a) Term Insurance
b) Unit Linked Insurance Plan (ULIP)
c) Endowment Policy
d) Whole Life Insurance

17. **Which of the following is NOT part of the auditor's responsibilities?**
    a) Ensuring absolute accuracy in financial statements
    b) Providing reasonable assurance against material misstatement
    c) Evaluating internal controls
    d) Expressing an opinion on financial statements

18. **Which section of the Companies Act, 2013 deals with the rotation of auditors?**
    a) Section 139(2)
    b) Section 142
    c) Section 147
    d) Section 145

19. **Which of the following types of audits focuses on evaluating efficiency and effectiveness of operations?**
    a) Compliance Audit
    b) Operational Audit
    c) Financial Audit
    d) Tax Audit

20. **What is the term used when an auditor expresses an inability to form an opinion on financial statements?**
    a) Unqualified Opinion
    b) Qualified Opinion
    c) Adverse Opinion
    d) Disclaimer of Opinion

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**Answer Key:**

1. c) Use of professional judgment
2. c) Confirmation from third parties
3. c) Principle of Legal Tender
4. c) Manufacturing sectors like cement and sugar
5. b) Compliance Audit
6. c) To detect and investigate fraud and financial crimes
7. b) Prioritizing high-value transactions
8. b) Subrogation
9. a) Information Systems Audit
10. b) Internal audit services
11. c) Excessive reliance on external audits
12. b) The insured is restored to the original financial position before the loss
13. c) Overseeing the financial reporting process and internal controls
14. b) Systematic Sampling
15. a) A chronological record of all financial transactions
16. b) Unit Linked Insurance Plan (ULIP)
17. a) Ensuring absolute accuracy in financial statements
18. a) Section 139(2)
19. b) Operational Audit
20. d) Disclaimer of Opinion

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**MCQs:**

1. **Which of the following standards deals with the auditor's responsibility regarding fraud in financial statements?**
   a) SA 210
   b) SA 240
   c) SA 505
   d) SA 520

2. **Which audit technique is used to evaluate and improve the effectiveness of risk management, control, and governance processes?**
a) Compliance Audit
b) Financial Audit
c) Internal Audit
d) Statutory Audit

3. **Which of the following best defines 'Audit Evidence'?**
a) Information collected from the management only
b) Proof that the auditor followed audit procedures
c) Information used by the auditor to arrive at conclusions
d) Physical verification of all financial assets

4. **Which of the following is not a recognized form of audit opinion?**
a) Unqualified Opinion
b) Qualified Opinion
c) Modified Opinion
d) Enhanced Opinion

5. **The concept of 'True and Fair View' in auditing is governed under which of the following acts?**
a) Indian Contract Act, 1872
b) Companies Act, 2013
c) Income Tax Act, 1961
d) Banking Regulation Act, 1949

6. **Which of the following principles ensures that an insurance policyholder must have a financial stake in the insured item?**
a) Principle of Subrogation
b) Principle of Contribution
c) Principle of Insurable Interest
d) Principle of Indemnity

7. **In the context of insurance, 'Moral Hazard' refers to:**
a) Risk of natural disasters
b) Policyholder's dishonest behavior after obtaining insurance
c) Risk from regulatory changes
d) Risk arising from operational inefficiencies

8. **Which type of insurance covers risks related to computer systems and cyber-attacks?**
a) General Insurance
b) Cyber Insurance
c) Property Insurance
d) Professional Liability Insurance

9. **Which clause in an insurance contract states that the policyholder cannot transfer the benefits to another person without the insurer's consent?**
a) Subrogation Clause
b) Indemnity Clause
c) Assignment Clause
d) Contribution Clause

10. **Which of the following is *not* a duty of an auditor under Section 143 of the Companies Act, 2013?**
a) Reporting on frauds detected during the audit
b) Ensuring the company pays its taxes
c) Verifying compliance with applicable laws
d) Reporting on the adequacy of internal financial controls

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11. **The primary objective of 'Vouching' in auditing is to:**
a) Ensure all assets are physically present
b) Verify the authenticity of transactions

c) Prepare financial statements
d) Improve internal control systems

12. **Which type of insurance policy offers a lump sum payment upon the diagnosis of a serious illness, regardless of actual medical expenses?**
a) Health Insurance
b) Term Life Insurance
c) Critical Illness Insurance
d) Family Floater Plan

13. **Which auditing standard outlines the auditor's responsibility to assess material misstatement risks?**
a) SA 200
b) SA 315
c) SA 700
d) SA 560

14. **Under which principle does an insurer recover the amount paid to the insured from a third party responsible for the loss?**
a) Principle of Indemnity
b) Principle of Subrogation
c) Principle of Contribution
d) Principle of Utmost Good Faith

15. **In auditing, the term 'Materiality' refers to:**
a) The total value of a company's assets
b) The extent to which misstatements can influence economic decisions
c) The number of transactions reviewed in an audit
d) The physical count of inventory

16. **Which of the following would be classified as an 'adverse opinion' in auditing?**
a) The financial statements are free from material misstatements.
b) The auditor is unable to obtain sufficient audit evidence.
c) The financial statements contain material misstatements that are pervasive.
d) The auditor has minor disagreements with management.

17. **Which type of insurance allows the policyholder to receive periodic returns while still maintaining coverage?**
a) Endowment Policy
b) Term Life Insurance
c) Money Back Policy
d) Whole Life Insurance

18. **The Insurance Regulatory and Development Authority of India (IRDAI) was established under which act?**
a) Insurance Act, 1938
b) IRDA Act, 1999
c) Companies Act, 2013
d) Banking Regulation Act, 1949

19. **Which of the following best describes 'Reinsurance'?**
a) The practice of insuring an already insured property twice
b) The process where insurers transfer portions of their risk to other insurance companies
c) A discount given to long-term policyholders
d) A refund of premiums after policy cancellation

20. **The term 'Audit Trail' refers to:**
a) A list of all assets in the company
b) The sequence of documentation that validates transactions
c) The auditor's personal notes on the audit
d) A summary of financial statements

**Answer Key:**

1. **b)** SA 240
2. **c)** Internal Audit
3. **c)** Information used by the auditor to arrive at conclusions
4. **d)** Enhanced Opinion
5. **b)** Companies Act, 2013
6. **c)** Principle of Insurable Interest
7. **b)** Policyholder's dishonest behavior after obtaining insurance
8. **b)** Cyber Insurance
9. **c)** Assignment Clause
10. **b)** Ensuring the company pays its taxes
11. **b)** Verify the authenticity of transactions
12. **c)** Critical Illness Insurance
13. **b)** SA 315
14. **b)** Principle of Subrogation
15. **b)** The extent to which misstatements can influence economic decisions
16. **c)** The financial statements contain material misstatements that are pervasive
17. **c)** Money Back Policy
18. **b)** IRDA Act, 1999
19. **b)** The process where insurers transfer portions of their risk to other insurance companies
20. **b)** The sequence of documentation that validates transactions

**MCQs:**

1. **Which auditing standard deals with the auditor's responsibility regarding 'going concern' assumptions?**
   a) SA 570
   b) SA 520
   c) SA 300
   d) SA 600
2. **Which of the following is *not* an essential quality of an effective internal control system?**
   a) Flexibility
   b) Segregation of duties
   c) Authorization procedures
   d) Regular monitoring
3. **Which of the following is considered a *preventive control* in auditing?**
   a) Reconciliation of bank statements
   b) Approval of transactions before processing
   c) Verification of fixed assets
   d) Reviewing financial reports after preparation
4. **In an insurance contract, 'proximate cause' refers to:**
   a) The nearest insurance branch for filing claims
   b) The immediate and effective cause of the loss
   c) The legal relationship between insurer and insured
   d) The total financial impact of the insured event
5. **Which type of audit focuses on efficiency and effectiveness in resource utilization?**
   a) Compliance Audit
   b) Financial Audit

c) Operational Audit
d) Forensic Audit

6. **Which principle in insurance ensures that both parties disclose all material facts honestly?**
a) Principle of Subrogation
b) Principle of Utmost Good Faith
c) Principle of Contribution
d) Principle of Indemnity

7. **Which type of audit report is issued when the auditor cannot obtain sufficient appropriate evidence?**
a) Unmodified Opinion
b) Qualified Opinion
c) Disclaimer of Opinion
d) Adverse Opinion

8. **Which of the following refers to the *monetary limit* beyond which errors in financial statements become significant?**
a) Audit Trail
b) Materiality Threshold
c) Audit Risk
d) Compliance Limit

9. **Which insurance principle states that the insured should not profit from the insurance claim?**
a) Principle of Contribution
b) Principle of Indemnity
c) Principle of Subrogation
d) Principle of Proximate Cause

10. **Which of the following is *not* a function of the Insurance Regulatory and Development Authority of India (IRDAI)?**
a) Issuing licenses to insurance companies
b) Regulating insurance premium rates
c) Protecting policyholder interests
d) Promoting insurance awareness

11. **Which audit technique involves *following a transaction* from initiation to its final recording?**
a) Vouching
b) Walkthrough
c) Reconciliation
d) Analytical Review

12. **The 'principle of contribution' in insurance applies when:**
a) The insured has more than one policy covering the same risk
b) The insured transfers the policy to another party
c) The insurer pays more than the actual loss
d) The insurer takes over the rights of the insured after compensation

13. **Which of the following is an example of *analytical procedures* in auditing?**
a) Physical verification of inventory
b) Comparing current year ratios with industry standards
c) Sending confirmation letters to debtors
d) Reviewing legal agreements

14. **Which section of the Companies Act, 2013, mandates the rotation of auditors?**
a) Section 139(2)
b) Section 142
c) Section 143(5)
d) Section 147

15. **Which type of insurance policy provides both risk cover and savings components, allowing the policyholder to receive a maturity benefit?**
a) Term Insurance
b) Whole Life Insurance

c) Endowment Policy
d) Group Insurance

16. **The term 'Audit Trail' refers to:**
a) A list of all fixed assets in the company
b) The sequence of documentation validating financial transactions
c) The auditor's notes on internal meetings
d) The summarized annual audit report

17. **Which of the following would lead to an 'adverse opinion' in auditing?**
a) Financial statements are free from material misstatements
b) The auditor identifies pervasive misstatements in the financial reports
c) The auditor could not obtain sufficient evidence
d) The company delayed in providing requested documents

18. **Which type of insurance is specifically designed to cover damages caused by *cyber threats* and data breaches?**
a) Professional Indemnity Insurance
b) Property Insurance
c) Cyber Insurance
d) General Liability Insurance

19. **Which of the following is an *inherent limitation* of auditing?**
a) Auditors can guarantee absolute accuracy
b) The entire financial data is checked 100%
c) Use of judgment in audit procedures
d) All frauds are always detected

20. **Which insurance document outlines the *terms and conditions* of coverage after acceptance by both parties?**
a) Cover Note
b) Proposal Form
c) Insurance Policy
d) Nomination Letter

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**Answer Key:**

1. **a)** SA 570
2. **a)** Flexibility
3. **b)** Approval of transactions before processing
4. **b)** The immediate and effective cause of the loss
5. **c)** Operational Audit
6. **b)** Principle of Utmost Good Faith
7. **c)** Disclaimer of Opinion
8. **b)** Materiality Threshold
9. **b)** Principle of Indemnity
10. **b)** Regulating insurance premium rates
11. **b)** Walkthrough
12. **a)** The insured has more than one policy covering the same risk
13. **b)** Comparing current year ratios with industry standards
14. **a)** Section 139(2)
15. **c)** Endowment Policy
16. **b)** The sequence of documentation validating financial transactions
17. **b)** The auditor identifies pervasive misstatements in the financial reports
18. **c)** Cyber Insurance
19. **c)** Use of judgment in audit procedures

20. **c)** Insurance Policy

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**MCQs:**

1. **Which of the following is *not* a type of audit recognized under the Companies Act, 2013?**
   a) Statutory Audit
   b) Forensic Audit
   c) Cost Audit
   d) Internal Audit

2. **Which standard outlines the auditor's responsibility for identifying related party transactions?**
   a) SA 250
   b) SA 550
   c) SA 315
   d) SA 700

3. **In insurance terminology, which of the following best defines 'Assignment'?**
   a) Transfer of rights from the insurer to a third party
   b) Transfer of policy ownership from the policyholder to another person
   c) Appointment of a nominee in the policy
   d) Redistribution of claims among insurers

4. **Which of the following statements about an 'Audit Notebook' is *incorrect*?**
   a) It serves as a permanent record of audit procedures.
   b) It is used to record confidential client information.
   c) It helps auditors track pending tasks.
   d) It contains working papers and analytical procedures.

5. **What is the primary purpose of using 'Substantive Procedures' in auditing?**
   a) To test the effectiveness of internal controls
   b) To detect material misstatements in financial statements
   c) To ensure compliance with tax regulations
   d) To verify compliance with company policies

6. **Which principle of insurance allows the insurer to recover the amount paid to the insured from a third party responsible for the loss?**
   a) Principle of Contribution
   b) Principle of Subrogation
   c) Principle of Indemnity
   d) Principle of Utmost Good Faith

7. **Which of the following is *not* a function of the Comptroller and Auditor General (CAG) of India?**
   a) Conducting audits of government accounts
   b) Regulating the insurance industry
   c) Reporting on the accounts of government companies
   d) Conducting supplementary audits for public sector enterprises

8. **Which type of insurance is mandatory under the Motor Vehicles Act in India?**
   a) Comprehensive Insurance
   b) Third-Party Liability Insurance
   c) Personal Accident Insurance
   d) Zero Depreciation Insurance

9. **In auditing, the term 'Reasonable Assurance' implies:**
   a) Absolute certainty about the accuracy of financial statements
   b) A high but not absolute level of assurance about the absence of material misstatement

c) Assurance that no fraud exists in the financial statements
d) Full verification of every financial transaction

10. **Which section of the Companies Act deals with the powers and duties of an auditor?**
a) Section 139
b) Section 142
c) Section 143
d) Section 147

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11. **Which of the following would *not* be considered an external source of audit evidence?**
a) Bank confirmation letters
b) Supplier invoices
c) Management representation letters
d) Third-party confirmations

12. **In insurance, the term 'Underwriting' refers to:**
a) The process of claim settlement
b) The evaluation of risk for providing insurance coverage
c) The cancellation of a policy due to non-payment
d) The appointment of a nominee

13. **What is the main purpose of 'Walkthrough Procedures' in an audit?**
a) To physically verify assets
b) To assess the effectiveness of internal controls by tracing transactions
c) To compare financial ratios
d) To ensure tax compliance

14. **Which of the following is *not* an essential feature of a valid insurance contract?**
a) Insurable Interest
b) Consensus ad idem
c) Legal Consideration
d) Right to Transfer Policy Without Consent

15. **Which type of insurance policy offers a guaranteed lump sum after a fixed term, irrespective of whether the insured is alive or not?**
a) Term Insurance
b) Whole Life Insurance
c) Endowment Policy
d) Health Insurance

16. **Which of the following is *not* a method of obtaining audit evidence?**
a) Inquiry
b) Observation
c) Reperformance
d) Forecasting

17. **Which section of the Companies Act outlines the ceiling on the number of audits an auditor can undertake?**
a) Section 141(3)(g)
b) Section 143(1)
c) Section 139(2)
d) Section 145

18. **Which principle in insurance states that the insured must disclose all material facts to the insurer?**
a) Principle of Contribution
b) Principle of Subrogation
c) Principle of Utmost Good Faith
d) Principle of Proximate Cause

19. **In auditing, 'Analytical Procedures' are primarily used to:**
a) Recalculate numerical values for accuracy
b) Compare financial data with prior periods or benchmarks to identify

anomalies
c) Physically verify assets
d) Conduct interviews with management

20. **Which of the following is *not* a limitation of an audit?**
a) Use of sampling techniques
b) Absolute detection of fraud
c) Reliance on internal controls
d) Use of professional judgment

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**Answer Key:**

1. **b)** Forensic Audit
2. **b)** SA 550
3. **b)** Transfer of policy ownership from the policyholder to another person
4. **b)** It is used to record confidential client information
5. **b)** To detect material misstatements in financial statements
6. **b)** Principle of Subrogation
7. **b)** Regulating the insurance industry
8. **b)** Third-Party Liability Insurance
9. **b)** A high but not absolute level of assurance about the absence of material misstatement
10. **c)** Section 143
11. **c)** Management representation letters
12. **b)** The evaluation of risk for providing insurance coverage
13. **b)** To assess the effectiveness of internal controls by tracing transactions
14. **d)** Right to Transfer Policy Without Consent
15. **c)** Endowment Policy
16. **d)** Forecasting
17. **a)** Section 141(3)(g)
18. **c)** Principle of Utmost Good Faith
19. **b)** Compare financial data with prior periods or benchmarks to identify anomalies
20. **b)** Absolute detection of fraud