

CA FINAL

ADVANCED AUDITING &
PROFESSIONAL ETHICS

MCQs & Integrated Case Study Book

Edition 6

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Book COVERS

- MCQs sorted Chapter-wise
- Answers updated as per ICAI SM 2022
- Includes MCQs from ICAI MCQ Booklet, RTP, MTP & others
- Amendments of Peer Review, Companies Act, LODR, CSR, Tax Audit, Bank Audit & others for 2022 incorporated



DOES THIS BOOK COVERS QUESTIONS ON

- ICAI SM for 2022
- CARO 2020
- Case Study Based MCQs (Integrated MCQs)
- ✓ All of the above



1400 Questions
with answerkey



Covers 46 Integrated
Case Studies
of 3 or more
questions each



Relevant for
May 2022
&
Nov 2022 Exams

PART 1

1. AUDITING STANDARDS, STATEMENTS AND GUIDANCE NOTES

2 Unit 1 : General Principles and Responsibilities SA 200 - 299 & SQC 1 121 questions	25 Unit 2 : Risk Assessment and Response to Assessed Risk SA 300 - 450 59 questions	37 Unit 3 : Audit Evidence SA 500 - 580 122 questions	68 Unit 4 : Using Work of Others SA 600 - 620 28 questions	73 Unit 5 : Audit Conclusions and Reporting SA 700 - 720 81 questions
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91 2 AUDIT PLANNING, STRATEGY, & EXECUTION 7 questions	93 3 RISK ASSESSMENT AND INTERNAL CONTROL 18 questions	98 4 SPECIAL ASPECTS OF AUDITING IN AN AUTOMATED ENVIRONMENT 10 questions
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5 COMPANY AUDIT

100 Unit 1 Company Auditor 73 questions	109 Unit 2 Dividends 14 questions	112 Unit 3 Books of Accounts 20 questions
115 Unit 4 CARO-2020 22 questions	121 Unit 5 Limited Liability Partnership 12 questions	122 Unit 6 Company Audit- Practical Problems 70 questions

140 6 AUDIT REPORTS 12 questions	143 7 AUDIT COMMITTEE & CORPORATE GOVERNANCE 32 questions	148 8 AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS 25 questions	156 9 AUDIT OF BANKS 44 questions
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INSURANCE
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26
questions

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82
questions

**PART
2**

235

46

INTEGRATED CASE STUDIES FOR PRACTICE
(Covers RTPs, MTPs & ICAI MCQs Booklet)

CA FINAL ADVANCED AUDITING & PROFESSIONAL ETHICS

PART 1

This Part Comprises
CHAPTER-WISE MCQs
[Q&A updated as per SM-2022]

8.	AFTER TAKING INTO CONSIDERATION THE COMMENTS RECEIVED, THE DRAFT OF THE PROPOSED SA'S IS FINALIZED BY THE AUDITING AND ASSURANCE STANDARD BOARD AND SUBMITTED TO? a) Council of the Institute. b) Auditing and assurance standard Board c) International auditing and assurance standard Board d) Disciplinary Committee.	(a)
9.	THE EVIDENCE AVAILABLE TO AUDITOR IS IN NATURE, RATHER IN NATURE. a) Pervasive, conclusive b) Conclusive, pervasive c) Limited, unlimited d) Conclusive, pervasive	(a)
10.	THE AUDITOR SHALL COMPLY WITH EACH REQUIREMENT OF SA UNLESS IN THE CIRCUMSTANCES OF AUDITING; a) The entire SA is not relevant b) The requirement is not relevant because it is conditional and the condition does not exist c) Both a and b d) None of the above	(c)

SA - 200

OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH STANDARDS ON AUDITING

1.	INFORMATION USED BY THE AUDITOR IN ARRIVING AT THE CONCLUSIONS ON WHICH THE AUDITOR'S OPINION IS BASED? a) Financial information. b) Business information. c) Audit evidence. d) Management representation	(c)
2.	IN THE CONTEXT OF AN AUDIT OF FINANCIAL STATEMENTS, A HIGH, BUT NOT ABSOLUTE, LEVEL OF ASSURANCE? a) Absolute level of assurance b) Reasonable level of assurance. c) High level assurance. d) Low level assurance	(b)
3.	THE RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD MAY EXIST AT? a) The overall financial statement level. b) The assertion level for classes of transactions, account balances, and disclosures. c) Both a & b. d) Neither a nor b.	(c)
4.	THE RISKS OF MATERIAL MISSTATEMENT AT THE ASSERTION LEVEL CONSIST OF? a) Inherent risk. b) Control risk c) Detection risk. d) Both a & b	(d)
5.	FOR A GIVEN LEVEL OF AUDIT RISK, THE ACCEPTABLE LEVEL OF DETECTION RISK BEARS AN TO THE ASSESSED RISKS OF MATERIAL MISSTATEMENT AT THE ASSERTION LEVEL? a) Inverse relationship b) Same relationship c) Absolute relationship d) Reasonable relationship	(a)
6.	THE AUDITOR IS NOT EXPECTED TO, AND CANNOT, REDUCE AUDIT RISK TO ZERO AND CANNOT THEREFORE OBTAIN THAT THE FINANCIAL STATEMENTS ARE FREE FROM MATERIAL MISSTATEMENT DUE TO FRAUD OR ERROR. a) Reasonable assurance b) Absolute assurance c) High assurance d) limited assurance	(b)
7.	THE INHERENT LIMITATIONS OF AN AUDIT ARISE FROM FOLLOWING EXCEPT: a) The nature of financial reporting b) The nature of audit procedures c) Auditors independent. d) The need for the audit to be conducted within a reasonable period of time and at a reasonable cost.	(c)

	<p>a) Objectivity c) Confidentiality</p> <p>b) Independence d) Integrity</p>	
16.	<p>IN ORDER TO FORM THE OPINION, THE AUDITOR SHALL CONCLUDE AS TO WHETHER THE AUDITOR HAS OBTAINED ABOUT WHETHER THE FINANCIAL STATEMENTS AS A WHOLE ARE FREE FROM MATERIAL MISSTATEMENT, WHETHER DUE TO FRAUD OR ERROR.</p> <p style="text-align: right;">(ICAI-Sample MCQs)</p> <p>a) Reasonable assurance c) Limited assurance</p> <p>b) Absolute assurance d) None of the above</p>	(a)
17.	<p>WHICH OF THE FOLLOWING BEST SUITS THE DESCRIPTION - "THE SUSCEPTIBILITY OF AN ASSERTION THAT COULD BE MATERIAL, EITHER INDIVIDUALLY OR IN AGGREGATE, BEFORE CONSIDERATION OF ANY RELATED INTERNAL CONTROLS?"</p> <p style="text-align: right;">(ICAI-Sample MCQs)</p> <p>a) Inherent Risk c) Control Risk</p> <p>b) Detection Risk d) None of the above</p>	(a)
18.	<p>DON'T PAY FOR FUN (DPF)' IS A START-UP WHO IS TRYING TO GET FUNDING FROM INVESTORS. ONE OF THE INVESTOR S HAS EXPRESSED INTEREST IN LOOKING AT THE INVESTMENT PROPOSAL BUT HAS INSISTED THAT THE PROPOSAL ALSO CONTAIN DPF'S FINANCIAL STATEMENTS WHICH ARE AUDITED BY AN INDEPENDENT AUDITOR. DPF ENGAGES CA ABHISHEK TO CONDUCT AN INDEPENDENT AUDIT AND ABHISHEK ISSUES AN ENGAGEMENT LETTER FOR THE INDEPENDENT AUDIT TO THE OWNER OF DPF WHICH IS DULY ACKNOWLEDGED. DPF WHILE FINALISING THE FINANCIAL STATEMENTS IS FACING SOME DIFFICULTIES SO ITS OWNER REQUESTS ABHISHEK TO PROVIDE ADVICE AS IT NEEDS TO FURNISH THE PROPOSAL TO THE INVESTOR FAST. SINCE ABHISHEK IS ALREADY ENGAGED IN THE AUDIT OF THE TRANSACTIONS, HE ASSISTS DPF'S ACCOUNTING OFFICER AND THE FINANCIAL STATEMENTS ARE FINALISED.</p> <p>ABHISHEK ALSO COMPLETES THE AUDIT AND PRESENTS THE AUDIT REPORT WHICH IS PROVIDED TO THE INVESTOR. HAS THE CONDITION SET BY THE INVESTOR BEEN FULFILLED?</p> <p style="text-align: right;">(MTP-May-2019)</p> <p>a) No, the investor had asked for independent audit. b) Yes, as the audit report is issued after proper audit engagement letter and also examination of the books of accounts. c) No, because CA Abhishek did not change the terms of engagement to include the advice part alongwith the independent audit. In order for his audit report to be independent, he should have charged separate fees for the advice. d) Yes, DPF has hired a qualified CA to conduct the audit. Not only there is no evidence to suggest that the auditor allowed any misrepresentation, but the auditor himself advised DPF in finalising the financial statements which speaks highly of the quality of financial statements.</p>	(a)

SA - 210

AGREEING THE TERMS OF AUDIT ENGAGEMENTS

1.	<p>IF PERMISSION FROM CLIENT TO DISCUSS ITS AFFAIRS WITH THE PROPOSED AUDITOR IS DENIED BY THE CLIENT, THE EX AUDITOR SHOULD:</p> <p>a) Keep silent of the denial. b) Disclose the fact that the permission to disclose is denied by the client. c) Disclose adequately to proposed auditor all noncompliance made by the client. d) Seek legal advice before responding to the proposed auditor</p>	(b)
2.	<p>ACCORDING TO SA 210, WHICH OF THE FOLLOWING STATEMENTS IS CORRECT?</p> <p>a) The auditor and the client need not agree on the terms of the engagement. b) Where the terms of the engagement are changed, the auditor and the client need not agree on the new terms if they already agreed on the old terms. c) The engagement letter assists in the supervision and review of the audit work. d) The auditor may agree to a change of engagement where there is reasonable justification for doing so.</p>	(d)

13.	<p>SABSE BADIYA MANUFACTURERS LIMITED IS A MANUFACTURING COMPANY AND HAS ENTERED INTO AN AGREEMENT IN FEBRUARY 2017 WITH CISCA BROTHERS FOR BUYING LAND IN ORDER TO SET UP THEIR NEW MANUFACTURING UNIT. AS PER THE AGREEMENT, SABSE BADIYA MANUFACTURERS WERE REQUIRED TO PAY ₹ 20 LAKHS AS SIGNING AMOUNT AND THE BALANCE AMOUNT WAS REQUIRED TO BE PAID IN THREE INSTALMENTS OF ₹ 25 LAKHS EACH IN THE MONTH OF MAY, JULY AND SEPTEMBER 2017. THE TITLE DEED FOR THE LAND WAS TO BE TRANSFERRED AFTER THE PAYMENT OF SECOND INSTALMENT IN JULY 2017, SO IN THE ACCOUNTS FOR THE YEAR 2016-17 OF THE SABSE BADIYA MANUFACTURERS THE PAYMENT OF SIGNING AMOUNT WAS BOOKED AS AN EXPENSE. YOUR FIRM HAVE BEEN APPOINTED AS AUDITOR OF FINANCIAL STATEMENTS OF SABSE BADIYA MANUFACTURERS LIMITED FOR THE YEAR 2016-17 THERE IS CONFLICT BETWEEN FINANCIAL REPORTING FRAMEWORK AND LEGAL REQUIREMENT, SO WHAT WILL BE THE DUTY OF YOUR FIRM IN SUCH CASE?</p> <p style="text-align: right;">(ICAI-Sample MCQs)</p> <p>a) Incorporate the changes in financial statements as per the legal requirement. b) As the title deed has not been transferred in favour of the company in the year 2016-17, there is no need to review the payment in terms of Accounting Standard or any other legal requirement. c) Take management representation on the same. d) Discuss the matter with management and ensure disclosure of the same in notes to accounts. In the absence of same, the auditor may consider issuing modified opinion.</p>	(d)
14.	<p>YOUR AUDIT FIRM HAS BEEN APPOINTED AS AUDITORS OF RED WHITE LIMITED A MANUFACTURING ENTITY. THE YEAR UNDER AUDIT IS 31 MARCH 2018. WHILE VERIFYING ACCOUNT HEADS WITH HIGH RISK AREAS LIKE REVENUE AND INVENTORY, YOU IDENTIFY CERTAIN ISSUES FOR WHICH YOU ARE NOT PROVIDED SATISFACTORY REPLIES AND DOCUMENTS BY THE CLIENT. AT THE SAME TIME RED WHITE LIMITED APPROACHES YOU TO CHANGE THE SCOPE OF THE ENGAGEMENT. THEY GIVE YOU THE REASON THAT THEY HAVE MISUNDERSTOOD THE SCOPE OF ASSIGNMENT EARLIER. WHAT COURSE OF ACTION WOULD YOU ADOPT IN THIS SITUATION?</p> <p style="text-align: right;">(ICAI-Sample MCQs)</p> <p>a) Accept the revised terms of engagement, as the change is resultant of change in circumstance which affect entity's requirements or misunderstanding concerning nature of service originally requested and consider aforesaid as reasonable basis for requesting change in the engagement. b) Accept the revised terms of engagement and record justification of the change in the engagement letter. c) Disagree to the revised terms and withdraw from the engagement where possible under applicable law and regulations and determine whether there is any obligation, either contractual or otherwise, to report the circumstance to other parties such as those charged with governance, owners or regulators. d) Disagree to the revised terms of the engagement and have your terms of increased fees since the scope of the engagement has changed.</p>	(c)

SA - 220 & SQC-1

QUALITY CONTROL FOR AN AUDIT OF FINANCIAL STATEMENTS

1.	<p>A BASIC OBJECTIVE OF A CA FIRM IS TO PROVIDE PROFESSIONAL SERVICES THAT CONFORM WITH PROFESSIONAL STANDARDS. REASONABLE ASSURANCE OF ACHIEVING THIS BASIC OBJECTIVE IS PROVIDED THROUGH</p> <p>a) A system of peer review. b) Continuing professional education. c) A system of quality controls. d) Compliance with generally accepted reporting standards.</p>	(c)
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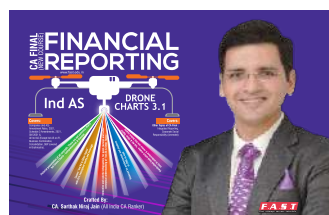


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