



CAFINAL

ADVANCED AUDITING & PROFESSIONAL ETHICS

MCQs & Integrated Case Study Book Edition 6

BY CA. SARTHAK NIRAJ JAIN

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



- 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



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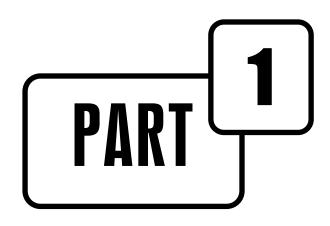


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CA FINAL ADVANCED AUDITING & PROFESSIONAL ETHICS



This Part Comprises

CHAPTER-WISE MCQs

[Q&A updated as per SM-2022]



1 CHAPTER

AUDITING STANDARDS, STATEMENTS AND GUIDANCE NOTES

UNIT -1			
GENERAL PRINCIPLES AND RESPONSIBILITIES			
Q.N.	QUESTIONS		ANS.
1.	WHAT IS THE IMPORTANCE OF HAVING AUDITOR?	THE ACCOUNTS AUDITED BY AN INDEPENDENT	(a)
	a) Safeguarding the financial interest.		
	b) Settling tax evasion/trade or labour laws, d	letection and minimizing frauds.	
	c) Maintenance of books & record by auditor.		
	d) All of the above.		
2.	CONFIDENCE OF THE INTENDED USERS OF OUTCOME OF THE EVALUATION OR MEASUR	USION DESIGNED TO ENHANCE THE DEGREE OF THER THAN THE RESPONSIBLE PARTY ABOUT THE REMENT OF A SUBJECT MATTER AGAINST CRITERIA?	(b)
		Assurance engagement.	
	, , , , , , , , , , , , , , , , , , , ,	Related service engagement.	
3.	FINANCIAL STATEMENTS ARE MATERIALL MATERIAL MISSTATEMENT AND DETECTION a) Assurance engagement risk b) R	AN INAPPROPRIATE AUDIT OPINION WHEN THE LY MISSTATED.IT IS A FUNCTION OF THE RISKS OF ON RISK? Review engagement risk Related service risk	(c)
4.	,	SSESSING EXPERTISE IN A FIELD OTHER THAN	(b)
•	ACCOUNTING OR AUDITING, WHOSE WOR ASSIST THE AUDITOR IN OBTAINING SUFFI a) Internal auditor. b) A	RK IN THAT FIELD IS USED BY THE AUDITOR TO	(8)
5.	CONTEXT PROVIDED BY AUDITING, ACCOUNTED DECISIONS ABOUT THE COURT CIRCUMSTANCES OF THE AUDIT ENGAGEMY a) Professional judgment. b) P c) Professional behavior. d) P	Professional skepticism. Professional ethics.	(a)
6.	STRATEGIC DIRECTION OF THE ENTACCOUNTABILITY OF THE ENTITY? a) Management. b) T	WITH RESPONSIBILITY FOR OVERSEEING THE TITY AND OBLIGATIONS RELATED TO THE Those charged with governance. Auditors.	(b)
7.	a) Council of the Institute. b) Auditing and assurance standard Board c) International auditing and assurance standard d) Disciplinary Committee.		(b)



8.	AFTER TAKING INTO CONSIDERATION THE COMMENTS RECEIVED, THE DRAFT OF THE	(a)	
	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.		
9.	THE EVIDENCE AVAILABLE TO AUDITOR IS IN NATURE, RATHER IN NATURE.	(a)	
	a) Pervasive, conclusive b) Conclusive, pervasive		
	c) Limited, unlimited d) Conclusive, pervasive		
10.	THE AUDITOR SHALL COMPLY WITH EACH REQUIREMENT OF SA UNLESS IN THE	(c)	
	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 exists		
	c) Both a and b		
	d) None of the above		
	c) Both a and b		

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	R IN ARRIVING AT THE CONCLUSIONS ON WHICH THE	(c)
	AUDITOR'S OPINION IS BASED?		
	a) Financial information.	b) Business information.	
	c) Audit evidence.	d) Management representation	
2.	IN THE CONTEXT OF AN AUDIT OF F	INANCIAL STATEMENTS, A HIGH, BUT NOT ABSOLUTE,	(b)
	LEVEL OF ASSURANCE?		
	a) Absolute level of assurance	b) Reasonable level of assurance.	
	c) High level assurance.	d) Low level assurance	
3.	THE RISKS OF MATERIAL MISSTATEM	ENT DUE TO FRAUD MAY EXIST AT?	(c)
	a) The overall financial statement level.		
	b) The assertion level for classes of transa	actions, account balances, and disclosures.	
	c) Both a & b.		
	d) Neither a nor b.		
4.	THE RISKS OF MATERIAL MISSTATEM	ENT AT THE ASSERTION LEVEL CONSIST OF?	(d)
	a) Inherent risk.	b) Control risk	
	c) Detection risk.	d) Both a & b	
5.	FOR A GIVEN LEVEL OF AUDIT RISK, T	THE ACCEPTABLE LEVEL OF DETECTION RISK BEARS AN	(a)
		NATERIAL MISSTATEMENT AT THE ASSERTION LEVEL?	
	a) Inverse relationship	b) Same relationship	
	c) Absolute relationship	d) Reasonable relationship	
6.		O, AND CANNOT, REDUCE AUDIT RISK TO ZERO AND	(b)
		THAT THE FINANCIAL STATEMENTS ARE FREE FROM	
	material misstatement due to FF a) Reasonable assurance c) High assurance	b) Absolute assurance	
	c) High assurance	d) limited assurance	
7.	THE INHERENT LIMITATIONS OF AN A	UDIT ARISE FROM FOLLOWING EXCEPT:	(c)
7.	a) The nature of financial reporting	ODII AMSE PROM POLLOWING LACEI I.	(6)
	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.	



8.	DETECTION RISK RELATES TO THE NATURE, TIMING, AND EXTENT OF THE AUDITOR'S	(a)
	PROCEDURES THAT ARE DETERMINED BY THE AUDITOR TO REDUCE AUDIT RISK TO AN	
	ACCEPTABLY	
	a) Low level. b) High level.	
	c) Reasonable level. d) Absolute level.	
9.	MAINTAINING PROFESSIONAL SKEPTICISM THROUGHOUT THE AUDIT IS NECESSARY TO	(d)
	REDUCE THE RISKS OF.	
	a) Overlooking unusual circumstances.	
	b) Over generalizing when drawing conclusions from audit observations.	
	c) Using inappropriate assumptions in determining the nature, timing, and extent of the audit	
	procedures and evaluating the results thereof. d) All of the above.	
4.0		(1)
10.	PROFESSIONAL JUDGMENT IS NECESSARY IN.	(d)
	a) Materiality and audit riskb) The nature, timing, and extent of audit procedures used to meet the requirements of the SAs and	
	gather audit evidence.	
	c) The evaluation of management's judgments in applying the entity's applicable financial reporting	
	framework.	
	d) All of the above	
11.	PROFESSIONAL SCEPTICISM IS DEFINED AS: (ICAI-MCQs Booklet)	(d)
	a) An attitude to avoid significant mistakes which could influence the economic decisions of users	
	taken on the basis of the financial statements.	
	b) The application of relevant training, knowledge and experience in making informed decisions	
	about the courses of action that are appropriate in the circumstances of the audit engagement.	
	c) An analysis of management decisions in terms of failed outcomes.	
	d) An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.	
12		(-)
12.	PROFESSIONAL JUDGEMENT IS DEFINED AS: (ICAI-MCQs Booklet) a) The application of relevant training, knowledge and experience, within the context provided by	(a)
	auditing, accounting and ethical standards, in making informed decisions about the courses of	
	action that are appropriate in the circumstances of the audit engagement.	
	b) An attitude to avoid significant mistakes which could influence the economic decisions of users	
	taken on the basis of the financial statements.	
	c) Decision making about the requirements of the accounting profession.	
	d) An attitude that includes a questioning mind, being alert to conditions which may indicate possible	
	misstatement due to error or fraud, and a critical assessment of evidence.	
13.	THE FOLLOWING INHERENT LIMITATIONS IN AN AUDIT AFFECT THE AUDITOR'S ABILITY TO	(c)
	DETECT MATERIAL MISSTATEMENTS EXCEPT: (ICAI-MCQs Booklet)	
	a) Test and sampling. b) Audit process permeated by judgement.	
	c) Poor corporate governance. d) Audit evidence.	
14.	THE ACCEPTABLE DETECTION RISK NEEDS TO BE IN ORDER TO REDUCE THE AUDIT RISK	(c)
	TO IN THE AREA OF INVENTORIES MANAGEMENT AND HANDLING. (MTP-May-2021)	
	a) low in order to reduce audit risk to an acceptably high level.	
	b) high in order to reduce audit risk to an acceptably high level.	
	c) low in order to reduce audit risk to an acceptably low level.	
	d) high in order to reduce audit risk to an acceptably low level.	
15 .	THE AUDITOR'SSAFEGUARDS THE AUDITOR'S ABILITY TO FORM AN AUDIT OPINION	(b)
	WITHOUT BEING AFFECTED BY ANY INFLUENCES. (ICAI-Sample MCQs)	



	a) Objectivity	b) Independence	
	c) Confidentiality	d) Integrity	
16.	•	THE AUDITOR SHALL CONCLUDE AS TO WHETHER THE	(a)
		ETHER THE FINANCIAL STATEMENTS AS A WHOLE ARE	
	FREE FROM MATERIAL MISSTATEMEN	T, WHETHER DUE TO FRAUD OR ERROR.	
) D	(ICAI-Sample MCQs)	
	a) Reasonable assurance	b) Absolute assurance	
4.77	c) Limited assurance	d) None of the above JITS THE DESCRIPTION - "THE SUSCEPTIBILITY OF AN	(-)
17.			(a)
	ASSERTION THAT COULD BE MATERIAL, EITHER INDIVIDUALLY OR IN AGGREGATE, BEFORE CONSIDERATION OF ANY RELATED INTERNAL CONTROLS? (ICAI-Sample MCQs)		
	a) Inherent Risk	b) Detection Risk	
	c) Control Risk	d) None of the above	
18.	-	START-UP WHO IS TRYING TO GET FUNDING FROM	(a)
10.		S HAS EXPRESSED INTEREST IN LOOKING AT THE	(a)
		NSISTED THAT THE PROPOSAL ALSO CONTAIN DPF'S	
		AUDITED BY AN INDEPENDENT AUDITOR. DPF ENGAGES	
	CA ABHISHEK TO CONDUCT AN INDEP	ENDENT 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 INV	ESTOR FAST. SINCE ABHISHEK IS ALREADY ENGAGED IN	
	THE AUDIT OF THE TRANSACTIONS, HE ASSISTS DPF'S ACCOUNTING OFFICER AND THE		
	FINANCIAL STATEMENTS ARE FINALISED.		
		UDIT AND PRESENTS THE AUDIT REPORT WHICH IS	
	PROVIDED TO THE INVESTOR. HAS THE CONDITION SET BY THE INVESTOR BEEN FULFILLED?		
		(MTP-May-2019)	
	a) No, the investor had asked for indeper		
	b) Yes, as the audit report is issued after books of accounts.	proper audit engagement letter and also examination of the	
	c) No, because CA Abhishek did not ch	ange the terms of engagement to include the advice part	
	alongwith the independent audit. In o	rder for his audit report to be independent, he should have	
	charged separate fees for the advice.		
	•	nduct the audit. Not only there is no evidence to suggest that	
		tation, but the auditor himself advised DPF in finalising the	
	financial statements which speaks hig	nly of the quality of financial statements.	
		SA - 210	
	AGREEING TH	E TERMS OF AUDIT ENGAGEMENTS	
1.	IF PERMISSION FROM CLIENT TO DIS	SCUSS ITS AFFAIRS WITH THE PROPOSED AUDITOR IS	(b)
	DENIED BY THE CLIENT, THE EX AUDIT	FOR SHOULD:	
	a) Keep silent of the denial.		
	b) Disclose the fact that the permission toc) Disclose adequately to proposed audito		
	d) Seek legal advice before responding to		
2.		E FOLLOWING STATEMENTS IS CORRECT?	(d)
	a) The auditor and the client need not ag	ree on the terms of the engagement.	• -
		re changed, the auditor and the client need not agree on the	
	new terms if they already agreed on the		
	c) The engagement letter assists in the su	engagement where there is reasonable justification for doing	
	So.	anguagement where there is reasonable justification for doing	



TOF THE FOLLOWING IS A NOT VALID REASON FOR A CHANGE OF THE ENGAGEMENT TO ER "LEVEL OF ASSURANCE"? Inge in circumstances affecting the need for the service. Inderstanding as to the nature of the engagement originally requested. Inderstanding as to the nature of the engagement originally requested. Inderstanding as to the nature of the engagement originally requested. Inderstanding as to the nature of the engagement originally requested. Inderstanding as to the nature of the engagement originally requested. Inderstanding as to the nature of the engagement originally requested. A CHANGE IN THE TYPE OF ENGAGEMENT FROM HIGHER TO LOWER LEVEL OF ANCE IS REASONABLY JUSTIFIED, THE REPORT BASED ON THE REVISED ENGAGEMENT and all always refer to any procedures that may have been performed in the original engagement. Independent of the original engagement of the original engagement. Independent of the original engagement of the original engagement. The series of the original engagement or the original engagement. The series of the original engagement or the original engagement or the original engagement. The series of the original engagement or the original engagement or the original engagement or the original engagement. The series of the original engagement or the original enga	(d) (d)
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Inderstanding as to the nature of the engagement originally requested. Client's need is satisfied by an engagement that provides lower level of assurance. A CHANGE IN THE TYPE OF ENGAGEMENT FROM HIGHER TO LOWER LEVEL OF ANCE IS REASONABLY JUSTIFIED, THE REPORT BASED ON THE REVISED ENGAGEMENT and contain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to the original engagement. Indicontain a separate paragraph that refers to t	(d)
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b) I and II CO, A FIRM OF CHARTERED ACCOUNTANTS FROM CHANDERI HAVE NOT REVISED THE SOF ENGAGEMENTS AND OBTAINED CONFIRMATION FROM THE CLIENTS, FOR LAST 5 DESPITE CHANGES IN BUSINESS AND PROFESSIONAL ENVIRONMENT. WHAT ARE THE MSTANCES THAT MAY WARRANT THE REVISION IN TERMS OF ENGAGEMENT?	(d)
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OF ENGAGEMENTS AND OBTAINED CONFIRMATION FROM THE CLIENTS, FOR LAST 5 DESPITE CHANGES IN BUSINESS AND PROFESSIONAL ENVIRONMENT. WHAT ARE THE MSTANCES THAT MAY WARRANT THE REVISION IN TERMS OF ENGAGEMENT?	(u)
ificant change in senior management. ificant changes in ownership. nge in legal or regulatory requirements. f the above.	
itor should change the Engagement letter since it is reasonable to change. itor should not change the Engagement letter because it imposing limitations on scope. an change with some conditions.	(b)
OR THAT THEY HAVE SOUND INTERNAL CONTROL SYSTEM IMPLEMENTED BY A WNED PROFESSIONAL FIRM AND HE IS SATISFIED WITH ITS EFFECTIVENESS AND TONING AND THEREFORE, THE STATUTORY AUDITOR SHOULD CONCENTRATE ON YING ONLY THE ROUTINE BOOKS AND FINANCIAL STATEMENTS. Lagement's intention is right because it has reasonable basis to do so.	(b)
	GAGEMENT. Itor should change the Engagement letter since it is reasonable to change. Itor should not change the Engagement letter because it imposing limitations on scope. Itor should not change the Engagement letter because it imposing limitations on scope. Itor should not change the Engagement letter because it imposing limitations on scope. It is an change with some conditions. It is an change only when permitted by shareholders. ITOR (FINANCE) OF SIMBHA LTD. INFORMED THEIR NEWLY APPOINTED STATUTORY OR THAT THEY HAVE SOUND INTERNAL CONTROL SYSTEM IMPLEMENTED BY A WNED PROFESSIONAL FIRM AND HE IS SATISFIED WITH ITS EFFECTIVENESS AND TIONING AND THEREFORE, THE STATUTORY AUDITOR SHOULD CONCENTRATE ON YING ONLY THE ROUTINE BOOKS AND FINANCIAL STATEMENTS. Itagement's intention is right because it has reasonable basis to do so. Itagement has no right to impose restrictions on the independence or work of the auditor. It is should consider the management's advice because system implemented by professional firm. It is reasonable to change.



9.	AJ PRIVATE LTD IS IN THE BUSINESS OF TELECOM AND HAVE SIGNIFICANT OPERATIONS ACROSS INDIA PREDOMINANTLY IN NORTHERN INDIA. THE STATUTORY AUDITORS OF THE COMPANY HAVE BEEN CONTINUING FOR THE LAST 3 YEARS AND HAVE BEEN ISSUING CLEAN REPORT. FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021, THE STATUTORY AUDITORS COMMENCED THEIR WORK IN MARCH 2021 AS PER DISCUSSIONS WITH THE MANAGEMENT AND WITH A PLAN TO COMPLETE THE AUDIT BY FIRST WEEK OF MAY 2021. THE AUDIT TEAM CONCLUDED THE WORK AS PER THE AGREED TIMELINES AND THE FINANCIAL STATEMENTS AND AUDIT REPORT WERE SIGNED ON 5 MAY 2021 ALONG WITH THE ENGAGEMENT LETTER FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021. IN THE GIVEN SITUATION, PLEASE ADVISE WHICH OF THE FOLLOWING WOULD BE CORRECT. (ICAI-MCQs Booklet) a) The engagement letter should have been signed before commencing the audit work.	(a)
	b) The engagement letter should have been signed at least a day before signing the audit report.c) The engagement letter should have been signed at least a day before signing the financial statements.d) The engagement letter is optional in case of a private company and hence can be signed anytime.	
10.	THE AGREED TERMS OF THE AUDIT ENGAGEMENT SHALL BE RECORDED IN AN AUDIT ENGAGEMENT LETTER WHICH SHALL INCLUDE THE FOLLOWING EXCEPT (ICAI-Sample MCQs) a) Responsibilities of the auditor b) Description of methods to be followed for obtaining audit evidence c) Responsibilities of management d) Objective and scope of the audit of the financial statements	(b)
11.	WHICH OF THE FOLLOWING INFORMATION SHOULD A SUCCESSOR AUDITOR OBTAIN DURING THE INQUIRY OF THE PREDECESSOR AUDITOR BEFORE ACCEPTING ENGAGEMENT? I) INFORMATION ABOUT INTEGRITY OF MANAGEMENT II) DISAGREEMENT WITH MANAGEMENT CONCERNING AUDITING PROCEDURES III) REVIEW OF INTERNAL CONTROL SYSTEM.	(a)
	IV) ORGANISATION STRUCTURE a) (i) and (ii) b) (ii) and (iii) c) (i), (ii) and (iii) d) (i) and (iii)	
12.	MR. VIJAY DINANATH CHOUHAN, CHARTERED ACCOUNTANT, HAS BEEN APPOINTED THE STATUTORY AUDITOR BY M/S. AGNIPATH PRIVATE LIMITED FOR THE AUDIT OF THEIR FINANCIAL STATEMENTS FOR THE YEAR 2015-16. THE COMPANY HAS MENTIONED IN THE AUDIT TERMS THAT THEY WILL NOT BE ABLE TO PROVIDE INTERNAL AUDIT REPORTS TO MR. VIJAY DURING THE COURSE OF AUDIT. ADVISE, WHETHER MR. VIJAY SHOULD ACCEPT THE PROPOSED AUDIT ENGAGEMENT AND ON WHAT GROUNDS HE CAN ACCEPT/ REFUSE THE PROPOSAL?	(b)
	 I) AS PER SA 210 THE AUDITOR CAN REFUSE TO ACCEPT THE AUDIT ENGAGEMENT AS THE MANAGEMENT IS NOT GIVING ACCESS TO INTERNAL AUDIT REPORTS WHICH ARE NECESSARY IN DETERMINING THE INTERNAL CONTROLS IN THE COMPANY. II) THERE IS NO LIMITATION ON THE SCOPE OF THE AUDITOR'S WORK, SO THE AUDITOR 	
	SHOULD ACCEPT THE APPOINTMENT. III) THE AUDITOR CAN ACCEPT THE AUDIT ENGAGEMENT IF THE MANAGEMENT GIVES REPRESENTATION ON ITS RESPONSIBILITY. WHICH OF THE FOLLOWING OPTION IS CORRECT?	
	a) (ii) only b) Both (i) and (iii)	

d) (iii) only

c) Both (ii) and (iii)



13. 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? (ICAI-Sample MCQs)

(d)

(c)

(c)

- 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.
- 14. 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? (ICAI-Sample MCQs)
 - 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.

SA - 220 & SOC-1

QUALITY CONTROL FOR AN AUDIT OF FINANCIAL STATEMENTS

- 1. 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
 - a) A system of peer review.
 - b) Continuing professional education.
 - c) A system of quality controls.
 - d) Compliance with generally accepted reporting standards.



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