



# CA INTER AUDIT

NOV'23

## Chapter-1

# Nature, Scope and Objective of Audit

**MCQs**



PROF. VISHAL ĀTMAN






# Preface

**Before diving into the study material, it's crucial to familiarize yourself with the following guidelines to optimize your learning experience.**

- 1. Glossary for Abbreviations :** The study notes contain numerous abbreviations that may initially seem confusing. To alleviate this, we've compiled a comprehensive glossary that elucidates each abbreviation and its corresponding full form. You can download this reference file by [clicking here](#).
- 2. Conceptual Clarity :** Grasping the underlying concepts can sometimes be challenging, affecting your ability to remember the material. Should you encounter difficulties, our YouTube channel offers videos designed to simplify and expedite your learning process.
- 3. One Keyword, One Topic :** It may sound unconventional, but our unique methodology enhances your learning by associating a single keyword with an entire topic. This approach fosters a kind of photographic memory, enabling you to recall and review the subject matter without constantly referring to your notes.  
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- 4. Retention and Reproduction :** While understanding a concept is crucial, the ability to retain and subsequently reproduce that knowledge in the CA exams is what truly counts. Be warned—poor retention could jeopardize your performance, leaving you adrift in the turbulent waters of ICAI examinations.

**If you require further assistance with your study techniques or any other aspect, don't hesitate to contact us.**



You can instantly reach out via WhatsApp by clicking this icon, or join our Telegram  group to pose questions that could also benefit your peers.





<h1 style="margin: 0;">Chapter 1</h1>	<h1 style="margin: 0;">Nature, Scope and Objective of Audit</h1>
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## Auditing Standards And Guidance Notes

1.	<p><b>The Institute of Chartered Accountants of India (ICAI) has been formulating auditing and accounting standards, such standards are :</b></p> <ol style="list-style-type: none"> <li>a. Generally, compulsorily required to be followed</li> <li>b. For the guidance of its members</li> <li>c. Both of the above</li> <li>d. None of the above</li> </ol>
2.	<p><b>_____ has also been entrusted with the responsibility to review the SAs at periodical intervals.</b></p> <ol style="list-style-type: none"> <li>a. Council of the Institute</li> <li>b. Auditing and Assurance Standards Board</li> <li>c. International Auditing and Assurance Standards Board</li> <li>d. Disciplinary Committee</li> </ol>
3.	<p><b>_____ determines the broad areas in which the SAs need to be formulated and the priority in regard to the selection thereof.</b></p> <ol style="list-style-type: none"> <li>a. Council of the Institute</li> <li>b. Auditing and Assurance Standards Board</li> <li>c. International Auditing and Assurance Standards Board</li> <li>d. Disciplinary Committee</li> </ol>
4.	<p><b>In the preparation of SAs, the Auditing and Assurance Standards Board is assisted by :</b></p> <ol style="list-style-type: none"> <li>a. Council of the Institute</li> <li>b. Auditing and Assurance Standards Board</li> <li>c. Study Groups</li> <li>d. Disciplinary Committee</li> </ol>
5.	<p><b>After taking into consideration the comments received, the draft of the proposed SAs is finalized by the Auditing and Assurance Standards Board and submitted to :</b></p> <ol style="list-style-type: none"> <li>a. Council of the Institute</li> <li>b. Auditing and Assurance Standards Board</li> <li>c. Study Groups</li> <li>d. Disciplinary Committee</li> </ol>
6.	<p><b>State whether true or false :</b>  <b>If for any reason a member has not been able to perform an audit in accordance with the SAs, his report should draw attention to the material departures therefrom.</b></p> <ol style="list-style-type: none"> <li>a. True</li> <li>b. False</li> </ol>
7.	<p><b>State whether true or false :</b>  <b>Generally, compliance of SAs is mandatory.</b></p> <ol style="list-style-type: none"> <li>a. True</li> <li>b. False</li> </ol>

1.	a	2.	b	3.	b	4.	c	5.	a	6.	a	7.	a
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8.	<b>State whether true or false :</b> <b>The SAs (as well as other statements on auditing) represent the generally accepted procedure(s) of audit.</b> a. True b. False
9.	<b>Which services apart from audit are covered by standards formulated by AASB ?</b> a. Review, Compilation b. Agreed-upon Procedures, Compilation c. Agreed-upon Procedures, Review d. Review, Compilation, Agreed-upon Procedures
10.	<b>Comparative level of assurance provided by the auditor in audit of historic financial statement is :</b> a. Moderate assurance b. No assurance c. Reasonable, but not absolute assurance d. None of the above
11.	<b>Comparative level of assurance provided by the auditor in Review is :</b> a. Moderate assurance b. No assurance c. High, but not absolute assurance d. None of the above
12.	<b>Comparative level of assurance provided by the auditor in Agreed-upon Procedures is :</b> a. Moderate assurance b. No assurance c. High, but not absolute assurance d. None of the above
13.	<b>Comparative level of assurance provided by the auditor in Compilation Engagement is :</b> a. Moderate assurance b. No assurance c. High, but not absolute assurance d. None of the above
14.	<b>Report provided by the auditor in Audit of historic financial statement gives :</b> a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled
15.	<b>Report provided by the auditor in Review of financial statement gives :</b> a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled
16.	<b>Report provided by the auditor in Agreed-upon Procedures gives :</b> a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled
17.	<b>Report provided by the auditor in Compilation gives :</b> a. Positive assurance on assertion(s) b. Negative assurance on assertion(s) c. Factual findings of procedures d. Identification of information compiled

8.	a	9.	d	10.	c	11.	a	12.	b	13.	b	14.	a	15.	b	16.	c	17.	d
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18.	<b>State whether true or false :</b> <b>Assurance does not refer to the auditor's satisfaction as to the reliability of an assertion being made by one party for use by another party.</b> a. True b. False
19.	<b>Professional (hitherto accountant in public practice) known as :</b> a. Practitioner b. Auditor c. Chartered Accountant d. Any Accountant
20.	<b>State whether true or false :</b> <b>The applicable law and regulation or a contractual arrangement that an entity might have entered into, may prescribe the wording of report or certificates.</b> a. True b. False
21.	<b>Absolute assurance indicates that a practitioner has performed procedures as to reduce the engagement risk to zero.</b> a. Considered appropriate b. Required by law c. Statutory required by law d. Rightfully required
22.	<b>State whether true or false :</b> <b>'Statements' issued by the institute are recommendatory rather than mandatory.</b> a. True b. False
23.	<b>State whether true or false :</b> <b>No disclosures are required in audit reports in the event of any deviation from 'Statements' issued by the institute.</b> a. True b. False
24.	<b>State whether true or false :</b> <b>'Guidance notes' issued by the institute are recommendatory rather than mandatory.</b> a. True b. False
25.	<b>State whether true or false :</b> <b>Accounting Standards and Standards on Auditing are recommendatory.</b> a. True b. False
26.	<b>State whether true or false :</b> <b>If 'Standards on Auditing' becomes notified, the concerned 'Statement' or the relevant part thereof automatically stands withdrawn.</b> a. True b. False
27.	<b>State whether true or false :</b> <b>Following 'Accounting standards' does not ensure that financial statements are prepared in accordance with generally accepted accounting standards.</b> a. True b. False

18.	b	19.	a	20.	a	21.	a	22.	b	23.	b	24.	a	25.	b	26.	a	27.	b
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28.	<b>State whether true or false :</b> <i>Following 'Standards on Auditing' ensures that auditors carry out their duties in accordance with the generally accepted auditing practices.</i>
	a. True b. False
29.	<b>Usually General-Purpose Financial Statements' includes :</b>
	a. Statement of Profit and Loss, Other statements and Explanatory Notes which form part thereof b. Balance sheet, Statement of Profit and Loss, Explanatory Notes which form part thereof c. Balance sheet, Statement of Profit and Loss d. Balance sheet, Statement of Profit and Loss, Other statements and Explanatory Notes which form part thereof
30.	<b>State whether true or false :</b> <i>Accounting Standards will apply to all entities even those of which no part is involved in activities of commercial, industrial or business nature.</i>
	a. True b. False
31.	<b>State whether true or false :</b> <i>Accounting Standards will apply to only those entities which are involved in commercial, industrial or business nature.</i>
	a. True b. False
32.	<b>State whether true or false :</b> <i>If a very small proportion of the activities of an entity is considered to be commercial, industrial or business in nature, then it cannot claim exemption from the application of Accounting Standards.</i>
	a. True b. False
33.	<b>State whether true or false :</b> <i>Auditor should not qualify their audit reports merely because accounts have not been prepared on accrual basis.</i>
	a. True b. False
34.	<b>State whether true or false :</b> <i>Auditor should not qualify their audit reports merely because proper disclosures regarding changes in the accounting policies have not been made.</i>
	a. True b. False
35.	<b>State whether true or false :</b> <i>Auditor should not qualify his audit reports if fundamental accounting assumption of going concern has not been followed and this fact has been disclosed in the financial statements.</i>
	a. True b. False
36.	<b>State whether true or false :</b> <i>Where a company has been given a specific exemption with respect to any of the matters regarding compliance with accrual, going concern assumption or disclosure of changes in accounting policy as stated in AS 1, paragraph 16 but the fact of such exemption has not been adequately disclosed in the accounts, the auditor should mention the fact of exemption in his audit report necessarily making it a subject matter of audit qualification.</i>
	a. True b. False
37.	<b>State whether true or false :</b> <i>If accounting policies have not been disclosed at one place or if certain significant accounting policies have not been disclosed, by a company on the ground that their disclosure is not required under the Companies Act, 2013, the Auditor should disclose the fact in his audit report necessarily making it a subject matter of audit qualification.</i>
	a. True b. False

28.	a	29.	d	30.	b	31.	a	32.	a	33.	b	34.	b	35.	a	36.	b	37.	b
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38.	<b>State whether true or false :</b> <i>If accounting policies have not been disclosed at one place or if certain significant accounting policies have not been disclosed by a company on the ground that their disclosure is not required under the Companies Act, 2013 disclosure by auditor would not constitute a reservation, qualification or adverse remark except where the auditor has specifically made it a subject matter of audit qualification.</i>
	a. True b. False
39.	<b>While making a qualification, the auditor should follow the requirements of _____ issued by the Institute.</b>
	a. 'Statement on Qualifications in Auditor's Report' b. 'SA 705' c. 'Format on Modification in Auditor's Report' d. 'Format on Qualifications in Auditor's Report'
40.	<b>State whether true or false :</b> <i>Non-compliance with any of the requirements of a mandatory Accounting Standard other than AS 1 by any enterprise should be a subject matter of qualification.</i>
	a. True b. False
41.	<b>State whether true or false :</b> <i>Non-compliance with any of the requirements of a mandatory Accounting Standard by any enterprise should not be a subject matter of qualification.</i>
	a. True b. False
42.	<b>State whether true or false :</b> <i>In case of non-compliance with any of the requirements of a mandatory Accounting Standard other than AS 1 by any enterprise the auditor should disclose such non-compliance in audit report without making it subject matter of qualification to the extent that the disclosure requirements in the relevant standard are in addition to the requirements of the Companies Act, 2013, or any other applicable statute.</i>
	a. True b. False
43.	<b>Where the statute, law, regulation governing the enterprise requires the preparation and presentation of financial statements on accrual basis, but the financial statements have not been so prepared, the auditor should _____.</b>
	a. Describe in his audit report, the basis of accounting followed b. Qualify his report c. Give an adverse opinion d. Give Disclaimer of opinion
44.	<b>Where there is no statutory requirement for preparation and presentation of financial statements on accrual basis and the financial statements have also been prepared not following accrual basis, the auditor should _____.</b>
	a. Describe in his audit report, the basis accounting followed b. Qualify his report c. Give an adverse opinion d. Give Disclaimer of opinion
45.	<b>Auditor need not make qualification/disclosure in respect of items which, in his judgement, are _____.</b>
	a. Not Material b. Less Important c. Material d. Any of the above

38.	a	39.	a	40.	a	41.	b	42.	a	43.	b	44.	a	45.	a
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46.	<p><b>State whether true or false :</b></p> <p><i>If for any reason, a member has not been able to perform an audit in accordance with the SAs, his report should draw attention to material departure.</i></p> <p>a. False. b. True.</p>
47.	<p><b>The _____ have been issued with a view to securing compliance by members on matters which, in the opinion of the Council, are critical for proper discharging of their functions.</b></p> <p>a. Statements b. Guidance Notes c. Standards on Audit d. All of these</p>
48.	<p><b>_____ along with other disciplines such as accounting and law, equips you with all the knowledge that is required to enter into auditing as a profession.</b></p> <p>a. Auditing b. Taxation c. Finance d. Law</p>
49.	<p><b>No business or institution can effectively carry on its activities without the help of proper _____.</b></p> <p>a. Audit b. Record and Accounts c. Neither (a) nor (b) d. Both (a) and (b)</p>
50.	<p><b>IESBA Code related to an audit of financial statements establishes which of the following as the fundamental principle of professional ethics relevant to the auditor when conducting an audit of financial statements ?</b></p> <p>a. Professional Judgement b. Professional Skepticism c. Professional Intelligence d. Professional Competence and Due Care</p>

46.	b	47.	a	48.	a	49.	b	50.	d
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## SQC-1

51.	<b><i>It is a Mother Standard for all other Standards.</i></b>
	a. SA 200 b. SA 220 c. SQC 1 d. None of the above
52.	<b><i>_____ is a pervasive Standard in respect of Quality Control.</i></b>
	a. SA 200 b. SA 220 c. SQC 1 d. None of the above
53.	<b><i>SQC 1 deals with firms' responsibility for its System of Quality Control for :</i></b>
	a. Audit b. Review of FSt. c. Other Assurance and Related Engagement service d. All of the above
54.	<b><i>Objective of SQC 1 is to establish &amp; maintain a system of quality control to provide reasonable assurance that :</i></b>
	a. The firm comply with relevant standards and regulatory and legal requirements b. Personnel comply with relevant standards and regulatory and legal requirements c. Reports issued are appropriate in the circumstances d. All of the above
55.	<b><i>All personnel performing an engagement are known as :</i></b>
	a. Engagement Team b. Engagement Partner c. Audit team d. Audit Partner
56.	<b><i>Engagement partner means the partner or other person in the firm who is a member of the Institute of Chartered Accountants of India and may or may not be in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm.</i></b>
	a. True b. False
57.	<b><i>Engagement partner means the partner or other person in the firm who is a member of the Institute of Chartered Accountants of India and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm.</i></b>
	a. True b. False
58.	<b><i>_____ is a process designed to provide an objective evaluation, before the report is issued, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.</i></b>
	a. Engagement quality control review b. Engagement documentation c. Monitoring d. None of the above
59.	<b><i>_____ is the record of work performed, results obtained, and conclusions the practitioner reached.</i></b>
	a. Engagement quality control review b. Engagement documentation c. Monitoring d. None of the above
60.	<b><i>Firm means a sole practitioner, partnership or corporation or other entity of any person.</i></b>
	a. True b. False

51.	c	52.	c	53.	d	54.	d	55.	a	56.	b	57.	a	58.	a	59.	b	60.	b
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61.	<b>Firm means a sole practitioner, partnership or corporation or other entity of professional accountants as permitted by law.</b> a. True b. False
62.	<b>Any individual with authority to bind the firm w.r.t the performance of a professional services engagement is :</b> a. Engagement Partner b. Partner c. Quality Control Reviewer d. Audit Partner
63.	<b>Reasonable assurance in the context of SQC 1 means :</b> a. A high, but not absolute, level of assurance b. A high, and absolute, level of assurance c. A low, but absolute, level of assurance d. A high and 100 % assurance
64.	<b>_____ within the firm are responsible for establishing and maintaining the system and applying its requirements properly.</b> a. The Partners and Staff b. The Partners c. The Staff d. Engagement Quality Control Reviewers
65.	<b>Internal Culture recognizing Quality Control includes compliances with :</b> a. Professional Standards b. Quality control policies of the firm c. Laws and Regulations d. All the above
66.	<b>Elements of a System of Quality Control includes :</b> a. Leadership Responsibilities b. Relevant Ethical Requirement c. Independence d. All the above
67.	<b>Elements of a System of Quality Control includes :</b> a. Acceptance and Continuance of Client Relationships and Specific Engagements b. Human Resources & Engagement Performance c. Monitoring d. All the above
68.	<b>State whether true or false :</b> <b>Elements of a System of Quality Control also include Documentation of the System of Quality Control.</b> a. True b. False
69.	<b>Relevant ethical requirements which is one of the element of System of Quality Control includes establishing policies &amp; procedures to ensure compliance with :</b> a. Integrity and Objectivity b. Professional competence and due care c. Confidentiality and Professional behavior d. All the above
70.	<b>Before Acceptance and Continuance of Client Relationships and Specific Engagements which of the following things must be checked ?</b> a. Firm is competent to perform the engagement b. Firm has the capabilities, including time and resources, ethical values c. Client integrity is available d. All the above

61.	a	62.	b	63.	a	64.	a	65.	d	66.	d	67.	d	68.	a	69.	d	70.	d
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71.	<b>State whether true or false :</b> <b>As per SQC 1, monitoring also involves establishing policies &amp; procedures for Remedying Identified Deficiencies, Complaints and Allegations.</b> a. True b. False
72.	<b>Identify the incorrect option :</b> <b>Human resources which is one of the elements of System of Quality Control involves establishing policies &amp; procedures that ensure that it will undertake / continue relationships only where it :</b> a. Is Competent b. Is Capable c. Is Committed d. Has considered integrity of client
73.	<b>State whether true or false :</b> <b>Establishing Policies Procedures to ensure good Internal Culture falls within leadership responsibilities for quality within the firm.</b> a. True b. False
74.	<b>Documentation which is one of the elements of System of Quality Control; Documents shall be retained for a period of :</b> a. Not less than seven years from the date of the auditor's report, or the date of the group auditor's report., i.e. later b. Not less than seven years from the date of the auditor's report, or the date of the group auditor's report., i.e. earlier
75.	<b>State whether true or false :</b> <b>Retention of documents can be for longer period if required by law or regulation.</b> a. True b. False
76.	<b>Standard on Quality Control (SQC) 1 provides that ,</b> a. Unless otherwise specified by law or regulation, audit documentation is the property of the management. b. Unless otherwise specified by law or regulation, audit documentation is the property of those charged with governance. c. Unless otherwise specified by law or regulation, audit documentation is the property of the management or those charged with governance. d. Unless otherwise specified by law or regulation, audit documentation is the property of the auditor
77.	<b>The Firm R K &amp; Associates has an extensive understanding of Code of Ethics that underlies the fundamental principles relevant to the Auditor when conducting an Audit of Financial Statements and provides a conceptual framework for applying these principles. Which of the following does not form part of the fundamental principle</b> a. Integrity b. Professional Competence and due care c. Professional Skepticism d. Professional behaviour
78.	<b>_____ in which the auditor selects the sample without following a structured technique.</b> a. Haphazard selection, b. Monetary Unit Sampling c. Block Sampling d. Structured Sampling
79.	<b>Mr. A, auditor and Mr. B, Finance Manager of XYZ Pvt Ltd are friends. Mr. A prepares the audit report according to the wishes and directions of Mr. B. In this situation which essential quality of the auditor has been compromised:</b> a. Professional Competence b. Independence c. Professional Skepticism d. Due care

71.	a	72.	d	73.	a	74.	a	75.	a	76.	d	77.	c	78.	a	79.	b
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80.	..... is the threat which occurs when auditors are deterred from acting objectively with an adequate degree of professional skepticism.
	a. Familiarity threat b. Advocacy threat c. Self Review threat d. Intimidation threat
81.	An auditor signs a false audit report knowingly. Which of the following fundamental principles of professional ethics is violated in such a case?
	a. Objectivity b. Integrity c. Professional Competence and due care d. Professional behaviour

80.	d	81.	b
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## SA 200

82.	<p><b>Complete the following extract :</b></p> <p><b>As per SA 200 -The overall objective of the independent auditor includes obtaining _____ assurance, that whether financial statements as a whole are free from material misstatement, whether due to _____ :</b></p> <p>a. Absolute; Fraud b. Reasonable; Fraud or Error c. Reasonable; Error d. Absolute; Fraud or Error</p>
83.	<p><b>To report on the financial statement is an objective of the auditor only under SA 700 and hence SA 200 does not deal with the same.</b></p> <p>a. True, SA 200 deals with general objectives of the auditor and not with reporting on the financial statements. b. False, SA 200 deals with overall objectives of the auditor which also includes reporting on the financial statements as its objective. c. True, SA 200 deals with overall objectives of the auditor which does not involves reporting on the financial statements as its objective. d. False, as not only SA 200 requires reporting on financial statements but also specifies the content of the audit report.</p>
84.	<p><b>To express an opinion on whether the financial statements are prepared as per applicable financial reporting framework is an objective of the auditor only under SA 700 and hence SA 200 does not deal with the same.</b></p> <p>a. True, SA 200 deals with general objectives of the auditor and not with expressing an opinion on whether the financial statements are prepared as per applicable financial reporting framework b. False, SA 200 deals with overall objectives of the auditor which also includes expressing an opinion on whether the financial statements are prepared as per applicable financial reporting framework c. True, SA 200 deals with overall objectives of the auditor which does not involves expressing an opinion on whether the financial statements are prepared as per applicable financial reporting framework d. False, as not only SA 200 specifies to express an opinion on whether the financial statements are prepared as per applicable financial reporting framework but also specifies the content of the audit report.</p>
85.	<p><b>Identify the correct one :</b></p> <p><b>Following is the principal objective of the auditor :</b></p> <p>a. Whether the financial statement show true &amp; fair view or not b. Whether the financial statement show true &amp; correct view or not c. Detection of error &amp; fraud d. Making recommendation to prevent frauds from occurring</p>
86.	<p><b>Identify the incorrect one :</b></p> <p><b>Following is not the incidental and secondary objective to the principal objective of the auditor :</b></p> <p>a. Whether the financial statement show true &amp; fair view or not b. Whether the financial statement show full &amp; fair view or not c. Whether material misstatement is due to error or fraud d. Making recommendation to prevent frauds from occurring</p>
87.	<p><b>Identify the correct one :</b></p> <p>1. Auditor was not negligent but was not able to detect a deep-laid fraud in accounts during conduct of audit, it will be construed as a failure of audit. 2. Auditor was not negligent but was not able to detect a deep-laid fraud in accounts during conduct of audit, it will not be construed as a failure of audit. 3. Auditor was negligent and was not able to detect a deep-laid fraud in accounts during conduct of audit, it will not be construed as a failure of audit. 4. Auditor was negligent and was not able to detect a deep-laid fraud in accounts during conduct of audit, it will be construed as a failure of audit.</p> <p>a. 1 &amp; 3 b. 2 &amp; 3 c. 2 &amp; 4 d. 1 &amp; 4</p>

82.	b	83.	b	84.	b	85.	a	86.	c	87.	c
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88.	<b>Since Standards of Audit are mandatory in nature , in case of conflict between Standards of Audit &amp; Law :</b>
	<ul style="list-style-type: none"> <li>a. Standards of Audit will override the law</li> <li>b. Law will override the Standards of Auditing</li> <li>c. Specific standards such as SA 805 will override law</li> <li>c. General standards such as SA 200 will override law</li> </ul>
89.	<b>_____ does not require the auditor, as its objective in normal course, to give opinion on internal financial controls, however _____ requires the auditor to comment on the internal financial controls. Later overrides the earlier hence the auditor is required to report on the same.</b>
	<ul style="list-style-type: none"> <li>a. SA 200; Section 143 of the Companies Act ,2013</li> <li>b. Section 143 of the Companies Act,2013; SA 200</li> <li>c. SA 700</li> <li>d. Section 143 of the Companies Act,2013</li> <li>e. SA 200; Section 144 of the Companies Act.,2013</li> </ul>
90.	<b>Identify the incorrect one : SA 200 deals with overall objectives of the auditor hence :</b>
	<ul style="list-style-type: none"> <li>a. SA 200 will override all the other specific SA's</li> <li>b. Other specific SA's will override SA 200</li> <li>c. Both of the above</li> <li>d. None of the above</li> </ul>
91.	<b>During the course of audit, auditor is not able to obtain _____ assurance due to _____ of audit. Hence the auditor is required to obtain _____ assurance to form an opinion as its objective as specified under SA 200.</b>
	<ul style="list-style-type: none"> <li>a. Absolute; Inherent Limitations; Reasonable</li> <li>b. Reasonable; Inherent Limitations; Absolute</li> <li>c. Absolute; External Limitations; Reasonable</li> <li>d. Absolute; External Limitations; Reasonable</li> </ul>
92.	<b>Compliance framework allows :</b>
	<ul style="list-style-type: none"> <li>a. Additional disclosure for better financial presentation</li> <li>b. Amending requirement for better financial presentation</li> <li>c. Both of the above</li> <li>d. None of the above</li> </ul>
93.	<b>Fair Presentation Financial Reporting framework allows :</b>
	<ul style="list-style-type: none"> <li>a. Additional disclosure for better financial presentation</li> <li>b. Amending requirement for better financial presentation</li> <li>c. Any of the above</li> <li>d. None of the above</li> </ul>
94.	<b>Wording of opinion para in Fair Presentation Financial Reporting framework ?</b>
	<ul style="list-style-type: none"> <li>a. Whether the financial statement give true &amp; fair view</li> <li>b. Financial statements are as per compliance framework</li> <li>c. Whether the financial statement give full &amp; fair view</li> <li>d. Whether the financial statement give true &amp; correct view</li> </ul>
95.	<b>Wording of opinion para in Compliance framework ?</b>
	<ul style="list-style-type: none"> <li>a. Whether the financial statement give true &amp; fair View</li> <li>b. Financial statements are as per compliance framework</li> <li>c. Whether the financial statement give full &amp; fair view</li> <li>d. Whether the financial statement give true &amp; correct view</li> </ul>
96.	<b>Due to inherent limitations of audit, the audit evidence is _____ in nature rather than _____.</b>
	<ul style="list-style-type: none"> <li>a. Persuasive; Conclusive</li> <li>b. Conclusive; Persuasive</li> <li>c. Sufficient; Appropriate</li> <li>d. Appropriate; Sufficient</li> </ul>

88.	b	89.	a	90.	a	91.	a	92.	d	93.	c	94.	a	95.	b	96.	a
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97.	<b>Identify the incorrect one :</b> <b>Inherent limitation of audit may arise from :</b> a. Nature of financial reporting b. Nature of audit procedures c. Time & cost constraints d. None of the above
98.	<b>Inherent limitation due to Nature of Financial Reporting does not include :</b> a. Judgement by management b. Subjectivity c. Incomplete information provided by the management whether intentionally or unintentionally d. Range of interpretations
99.	<b>Inherent limitation due to nature of Audit Procedures does not includes :</b> a. Judgement by management b. Sophisticatedly designed frauds c. Misinformation from management d. No powers of investigation
100.	<b>Inherent limitation due to Time &amp; Cost v/s Benefit does not includes :</b> a. Expectation of users to get information in time b. Sophisticatedly designed frauds are difficult to detect c. Limited audit fees of assignment d. None of the above
101.	<b>_____ risk is a risk that auditor will form an inappropriate opinion when the financial statements are materially misstated.</b> a. Audit b. Sampling c. Inherent d. Detection
102.	<b>Identify the Risk :</b> <b>Susceptibility of account balance or class of transactions to material misstatement assuming no internal control.</b> a. Audit risk b. Inherent risk c. Detection risk d. Control risk
103.	<b>Identify the risk :</b> <b>Risk that internal control system will not be able to prevent, detect or correct material misstatement.</b> a. Audit risk b. Inherent risk c. Detection risk d. Control risk
104.	<b>Identify the Risk :</b> <b>Risk that auditor procedures will not be able to detect material misstatement.</b> a. Audit Risk b. Inherent Risk c. Detection Risk d. Control Risk
105.	<b>The auditor shall exercise professional judgment in _____ the audit of financial statements.</b> a. Planning b. Performing c. Planning and Performing d. Tallying

97.	d	98.	c	99.	a	100.	b	101.	a	102.	b	103.	d	104.	c	105.	c
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106.	<b>Professional judgment is required but is not essential for the proper conduct of an audit.</b> a. True, audit can be conducted without professional judgment, it is not essential for the proper conduct of an audit. b. False, audit cannot be conducted without professional judgment, as it helps the auditor in forming an opinion regarding the evidence obtained, existence of risk and nature timing and extend of audit procedures to be applied. c. True, interpretation of relevant ethical requirements and the SAs and the informed decisions required throughout the audit do not need professional judgment. d. False, audit cannot be conducted without professional judgment, as it is one of the threats to independence.
107.	<b>It is _____ that auditor complies with relevant ethical requirements, relating to financial statement audit engagements.</b> a. Recommendatory b. Mandatory c. Optional d. Supplementary
108.	<b>It is _____ that auditor complies with relevant Independence requirements, relating to financial statement audit engagements.</b> a. Recommendatory b. Mandatory c. Optional d. Supplementary
109.	<b>Identify the incorrect one :</b> <b>The Code establishes the following as the fundamental principles of professional ethics relevant to the auditor when conducting an audit of financial statements :</b> a. Objectivity b. Confidentiality c. Professional competence and due care d. Professional Judgement of Management
110.	<b>The Code describes independence as comprising :</b> a. Independence of mind b. Independence in appearance c. Both, independence of mind & appearance d. Independence of mind, appearance & attitude
111.	<b>An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud.</b> a. Professional Judgement b. Professional Skepticism c. Inherent Skepticism d. Integrity
112.	<b>For maintaining professional skepticism, the auditor is necessarily required to disregard past experience of the honesty and integrity of the entity's management and those charged with governance.</b> a. True, as if the auditor takes into consideration past experience of the honesty and integrity of management and those charged with governance, it will become lenient and soft while applying the audit procedures due to the confidence over the entity's management and those charged with governance. b. False, the auditor cannot be expected to disregard past experience of the honesty and integrity of management and those charged with governance. However, it does not relieve the auditor of the need to maintain professional skepticism. c. True, as if the reliance is placed on the entity on the basis of past experience, then it would be inappropriate and unethical to accept same fees as work of the auditor has reduced. d. False, as if the auditor does not take into consideration past experience of the honesty and integrity of management and those charged with governance, it will be against the principles laid down by SA 200.

106.	b	107.	b	108.	b	109.	d	110.	c	111.	b	112.	b
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113.	<b>Identify the odd one out :</b> <b>Maintaining professional skepticism throughout the audit reduces the risks of</b> a. Overlooking the unusual circumstances b. Over generalizing when drawing conclusions from audit observations c. Using inappropriate assumptions in determining the nature, timing and extend of the audit procedures d. Inherent nature
114.	<b>Identify the correct one :</b> a. The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. b. The auditor should consider records and documents as incorrect unless the auditor has reason to believe the contrary. c. The auditor should consider records and documents as incorrect unless management gives a written representation of records and documents being correct. d. None of the above.
115.	<b>The auditor shall comply with each requirement of a SA unless :</b> a. The entire SA is not relevant b. Application of SA is subject to condition, and the condition does not exist c. Either of the above d. None, as compliance with SA is mandatory without any exceptions
116.	<b>Failure to achieve an objective represents :</b> a. An insignificant matter requiring documentation in accordance with SA 230 b. A significant matter requiring documentation in accordance with SA 230 c. An insignificant matter and does not require documentation in accordance with SA 230 d. A significant matter but does not require documentation in accordance with SA 230
117.	<b>Identify the most suitable option :</b> <b>The auditor may judge it necessary to depart from a relevant requirement in a SA. In such circumstances, the auditor shall perform _____ to achieve the aim of that requirement.</b> a. Alternative Audit Procedures b. Risk Assessment Procedures c. Substantive Procedures d. Test of Controls
118.	<b>SA 200 deals with the :</b> a. Overall objectives of the auditor b. Auditor's relationship with the management c. Audit engagement terms d. None of the above
119.	<b>Which of the following is not a basic principle of auditing?</b> a. Integrity, Objectivity and Independency b. Confidentiality c. Written Representation d. Audit Planning
120.	<b>Which of the following is exception of confidentiality by auditor?</b> a. If permitted by client to disclose any information b. If there is any legal professional duty of auditor to disclose any information c. Both (a) and (b) d. None of these
121.	<b>Accounting policy refers to :</b> a. Specific accounting principle b. Method of applying accounting principle c. Both (a) and (b) d. None of these

113.	d	114.	a	115.	c	116.	b	117.	a	118.	a	119.	c	120.	c	121.	c
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122.	<b>Under which of the following circumstances accounting policy can be changed :</b>
	<ul style="list-style-type: none"> <li>a. If it is required by law</li> <li>b. For compliance with accounting standards</li> <li>c. On the opinion of management for better presentation of financial statement</li> <li>d. All of above</li> </ul>
123.	<b>As per SA-200 "Overall Objectives of the Independent Auditor," in conducting an audit of financial statements, the overall objectives of the auditor are :</b>
	<ul style="list-style-type: none"> <li>a. To obtain reasonable assurance</li> <li>b. To report on the financial statements</li> <li>c. Both (a) and (b) above</li> <li>d. None of the above</li> </ul>
124.	<b>The auditor's _____ safeguard the auditor's ability to form an audit opinion without being affected by any influences.</b>
	<ul style="list-style-type: none"> <li>a. Objectivity</li> <li>b. Independence</li> <li>c. Confidentiality</li> <li>d. Integrity</li> </ul>
125.	<b>As explained in SA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing", _____ is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.</b>
	<ul style="list-style-type: none"> <li>a. Absolute Assurance</li> <li>b. Limited Assurance</li> <li>c. Reasonable Assurance</li> <li>d. Reasonable or Absolute Assurance</li> </ul>
126.	<b>Which of the following is not a basic principle governing an Audit ?</b>
	<ul style="list-style-type: none"> <li>a. Planning</li> <li>b. Confidentiality</li> <li>c. Audit evidence</li> <li>d. Audit Procedures</li> </ul>
127.	<b>A structured representation of historical financial information including related notes is known as _____.</b>
	<ul style="list-style-type: none"> <li>a. Audit Evidence</li> <li>b. Financial Statements</li> <li>c. Notes to accounts</li> <li>d. Documentation</li> </ul>
128.	<b>As per SQC 1 the retention period for audit engagements ordinarily is no shorter than ..... from the date of the auditor's report</b>
	<ul style="list-style-type: none"> <li>a. ten years</li> <li>b. five years</li> <li>c. seven years</li> <li>d. four years</li> </ul>
129.	<b>Which of the following is not in accordance with spirit of "Professional Skepticism"?</b>
	<ul style="list-style-type: none"> <li>a. Being alert to conditions that may indicate possible fraud</li> <li>b. Overlooking unusual circumstances</li> <li>c. Using appropriate assumptions in determining nature, timing and extent of audit procedures and evaluating results</li> <li>d. Being alert to circumstances that suggest need for audit procedures in addition to those required by Standards on Auditing</li> </ul>

122.	d	123.	c	124.	b	125.	c	126.	d	127.	b	128.	c	129.	b
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## SA 210

130.	<b>Before thinking about acceptance &amp; continuance of audit, auditor is not required to check _____.</b>
	<ul style="list-style-type: none"> <li>a. Pre - conditions of audit</li> <li>b. Post - conditions of audit</li> <li>c. Limitation imposed by management prior to acceptance</li> <li>d. All of the above</li> </ul>
131.	<b>Before thinking about acceptance &amp; continuance of audit, auditor is required to check whether any limitations are imposed by management, which will result in the auditor disclaiming an opinion on the financial statements. If yes, the auditor shall accept only if :</b>
	<ul style="list-style-type: none"> <li>a. Written representation is given by management</li> <li>b. Management agrees that auditor will give modified opinion</li> <li>c. Required by law</li> <li>d. None of the above</li> </ul>
132.	<b>Before thinking about acceptance &amp; continuance of audit, auditor is required to check whether limitations are imposed by management, if not imposed, the auditor shall accept only if :</b>
	<ul style="list-style-type: none"> <li>a. Written representation is given by management</li> <li>b. Pre - condition exists</li> <li>c. Post - conditions exists</li> <li>d. None of the above</li> </ul>
133.	<b>As per SA 210, Preconditions does not mean :</b>
	<ul style="list-style-type: none"> <li>a. Management should accept their responsibility regarding preparation of the financial statements.</li> <li>b. Management should accept their responsibility regarding preparation of the Internal Control System.</li> <li>c. Providing auditor with information required during course of audit.</li> <li>d. Management should accept their responsibility regarding written representation in matters of conflict.</li> <li>e. Additional disclosure is given by management in financial statement.</li> </ul>
134.	<b>Which of the following is not an attribute of acceptable financial reporting framework?</b>
	<ul style="list-style-type: none"> <li>a. Completeness</li> <li>b. Relevance</li> <li>c. Accuracy</li> <li>d. Reliability</li> </ul>
135.	<b>Which of the following is an attribute of acceptable financial reporting framework?</b>
	<ul style="list-style-type: none"> <li>a. Reasonableness</li> <li>b. Relevance</li> <li>c. Accuracy</li> <li>d. Redundancy</li> </ul>
136.	<b>Use of cost of goods sold for banking is a violation of which of the attributes of acceptable financial reporting framework ?</b>
	<ul style="list-style-type: none"> <li>a. Completeness</li> <li>b. Relevance</li> <li>c. Reliability</li> <li>d. Neutrality</li> </ul>
137.	<b>Practice that, "losses should be postponed till required to pay and income should be booked as we get sale confirmation" is a violation of which of the attributes of acceptable financial reporting framework ?</b>
	<ul style="list-style-type: none"> <li>a. Completeness</li> <li>b. Relevance</li> <li>c. Reliability</li> <li>d. Neutrality</li> </ul>

130.	b	131.	c	132.	b	133.	d	134.	c	135.	b	136.	b	137.	d
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138.	<b>Practice that "debtors &amp; provision for doubtful debt should be netted &amp; shown at one place" is a violation of which of the attributes of acceptable financial reporting framework ?</b>
	<ul style="list-style-type: none"> <li>a. Completeness</li> <li>b. Relevance</li> <li>c. Reliability</li> <li>d. Understandability</li> </ul>
139.	<b>Practice of "not disclosing contingent liabilities" is a violation of which of the attributes of acceptable financial reporting framework ?</b>
	<ul style="list-style-type: none"> <li>a. Completeness</li> <li>b. Relevance</li> <li>c. Reliability</li> <li>d. Understandability</li> </ul>
140.	<b>Identify the incorrect one : Financial reporting framework is prescribed by law, but is unacceptable to the auditor, in this case auditor shall accept the assignment only if :</b>
	<ul style="list-style-type: none"> <li>a. Additional Disclosure is given by management in the Financial Statements.</li> <li>b. Management agrees that auditor will mention the fact in emphasis of matter para and will not use word fair in opinion.</li> <li>c. Warn the management in engagement letter that audit report will be modified.</li> <li>d. Reference of SA's in such audit report will not be given by the auditor.</li> </ul>
141.	<b>Identify the incorrect one : When Audit Report Format is given by law and the auditor feels that there are chances that user may misunderstands the report, auditor shall evaluate whether :</b>
	<ul style="list-style-type: none"> <li>a. Additional disclosures in audit report would be sufficient to remove misunderstanding.</li> <li>b. Auditor shall not give reference of SAs in such audit report.</li> <li>c. Management agrees that, auditor will mention the fact in emphasis of matter para and will not use word fair opinion.</li> <li>d. It is possible not to accept such assignment unless law compels to do so, if even after additional disclosures made by the auditor misunderstandings cannot be removed</li> </ul>
142.	<b>Identify the incorrect one : If Financial Standards are supplemented by Law &amp; there is contradiction between them, the auditor shall evaluate, whether :</b>
	<ul style="list-style-type: none"> <li>a. Additional disclosure can fulfill requirement of Law.</li> <li>b. Change in description of financial reporting framework can fulfill requirement of Law.</li> <li>c. Management will agree that, auditor will mention the fact in emphasis of matter para and will not use word fair in opinion.</li> <li>d. Additional disclosure or change in description of financial reporting framework can fulfill requirement of Law.</li> </ul>
143.	<b>Suppose space research organization are governed by special acts which says no to preparation of income &amp; expenditure statement and only requires preparation of balance sheet. Identify to which option the above example relates to ?</b>
	<ul style="list-style-type: none"> <li>a. Financial reporting framework prescribed by law is unacceptable</li> <li>b. Audit report format is given by law</li> <li>c. Financial standards supplemented by law &amp; there is contradiction between them</li> <li>d. None of the above</li> </ul>
144.	<b>Auditor is required to comment "everything is proper" rather than "true &amp; fair". Identify to which option the above example relates to ?</b>
	<ul style="list-style-type: none"> <li>a. Financial reporting framework prescribed by law is unacceptable</li> <li>b. Audit report format is given by Law</li> <li>c. Financial standards supplemented by law &amp; there is contradiction between them</li> <li>d. None of the above</li> </ul>

138.	d	139.	a	140.	d	141.	c	142.	c	143.	a	144.	b
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145.	<b>Valuation of investment of general insurance company as per Insurance Act differs from AS 13. Identify to which option the above example relates to ?</b>
	a. Financial reporting framework prescribed by law is unacceptable b. Audit report format given by Law c. Financial Standards supplemented by Law & there is a contradiction between them d. None of the above
146.	<b>Choose the correct one :</b>
	a. In case of recurring audits, the auditor is required to send engagement letter every year as a normal procedure. b. In case of recurring audits, the auditor is not required to send engagement letter every year as a normal procedure. c. Concept of engagement letter is no longer applicable. d. Engagement letter is given by retiring auditor to newly appointed auditor.
147.	<b>In which of the following cases new engagement letter is required to be send in recurring audits?</b>
	a. Revision in terms of engagement b. Change in nature & size of the business c. Change in management d. All the above
148.	<b>Choose the correct one :</b>
	a. If during the course of audit management request for change in terms of audit, the auditor shall record the new terms of the engagement in an engagement letter, if no reasonable justification is provided. b. If during the course of audit management request for change in terms of audit, the auditor shall not accept the change in terms and shall withdraw from the audit, if no reasonable justification is provided. c. If during the course of audit management request for change in terms of audit, the auditor shall accept such revised terms and shall not withdraw from the audit, even if no reasonable justification is provided. d. None of the above
149.	<b>Choose the correct one :</b>
	a. If during the course of audit, management request for change in terms of audit, the auditor shall record the new terms of the engagement in an engagement letter, if no reasonable justification is provided. b. If during the course of audit management request for change in terms of audit, the auditor shall record the new terms of the engagement in an engagement letter, if reasonable justification is provided. c. If during the course of audit management request for change in terms of audit, the auditor shall not record the new terms of the engagement in an engagement letter, if reasonable justification is provided. d. None of the above
150.	<b>Choose the correct one :</b>
	a. Engagement letter is recommendatory at the time of acceptance of audit. b. Engagement letter is mandatory at the time of acceptance of audit. c. Concept of engagement letter is no longer applicable d. Engagement letter is given by retiring auditor to newly appointed auditor.
151.	<b>Choose the correct one :</b>
	a. If law prescribes terms of engagement, then auditor should not include it again in the written engagement letter. b. Terms of engagement should always be included in the written engagement letter as it decides the objectives of audit. c. Terms of engagement may be excluded in the written engagement letter at the instance of the mutual agreement. d. Terms of engagement may be excluded in the written engagement letter if written representation for the same is received from management.
152.	<b>Identify the mandatory clause of engagement letter from below :</b>
	a. Restriction of the auditor's liability. b. Obligations to provide audit working papers to other parties. c. Basis on which fees are computed and any billing arrangements. d. Reference to the expected form and content of audit reports.

145.	C	146.	b	147.	d	148.	b	149.	b	150.	b	151.	b	152.	d
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153.	<b>Identify the non-mandatory clause of engagement letter from below :</b> a. Responsibilities of management b. Obligations to provide audit working papers to other parties c. Responsibilities of the auditor d. Reference to the expected form and content of audit reports
154.	<b>Engagement letter is provided by :</b> a. Management to auditor b. Auditor to Management / TCWG c. Internal auditor to External Auditor d. CG to Auditor
155.	<b>Engagement letter is :</b> a. Always required when auditor is appointed b. Always required when auditor is reappointed c. Not always required when auditor is reappointed but except for certain exceptions d. Both (a) and (c)
156.	<b>Which of the following is not a term of engagement letter ?</b> a. Object and Scope of audit b. Responsibilities of management and TCWG of the entity c. Fact that audit process may be subject to peer review under Chartered Accountants Act, 1949 d. Audit Planning
157.	<b>The audit engagement letter generally should include each of the following except :</b> a. Limitation of auditing b. Responsibilities of management with respect to audit work c. Expectation of receiving a written representation letter d. A description of the auditor's method of sample selection
158.	<b>In which of the following circumstances a new engagement letter is required in recurring audit engagement ?</b> a. Any change in the senior management of the entity b. Any change in the nature of business of the entity c. Any change in legal requirement d. All of the above
159.	<b>If auditor is requested by management to change the audit engagement to an engagement that conveys a lower level of assurance, then the auditor shall</b> a. Reject the management's request b. Accept the management's request c. Determine that there is a reasonable justification for doing so d. Shall not entertain any such request
160.	<b>Scope of Audit depends on :</b> a. Terms of Engagement b. Applicable Laws & Regulations c. ICAI Pronouncements d. All of the above
161.	<b>For ensuring that preconditions for an audit are present or not, auditor must ensure that financial statements are prepared and presented using _____.</b> a. Computers b. Pen c. Applicable Financial Reporting Framework d. Skills and competence

153.	b	154.	b	155.	d	156.	d	157.	d	158.	d	159.	c	160.	d	161.	c
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162.	<b>Audit engagement letter (or any other such document) must be in _____.</b> a. English b. Written format c. Oral Format d. Written and Oral, both format
163.	<b>Auditor shouldn't agree to change the terms of engagement unless there is _____ justification to do so.</b> a. Real b. Logical c. Reasonable d. All of the above
164.	<b>If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall</b> a. Withdraw from the audit engagement where possible under applicable law or regulation; b. Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. c. Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. d. Withdraw from the audit engagement where possible under applicable law or regulation or determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
165.	<b>If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall</b> a. Withdraw from the audit engagement where possible under applicable law or regulation; b. Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. c. Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. d. Withdraw from the audit engagement where possible under applicable law or regulation or determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
166.	<b>The agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement and shall include:</b> <b>(i) The objective and scope of the audit of the financial statements;</b> <b>(ii) The responsibilities of the auditor;</b> <b>(iii) The responsibilities of management;</b> <b>(iv) Identification of the applicable financial reporting framework for the preparation of the financial statements; and</b> <b>(v) Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.</b> <b>Which of the following is correct?</b> <p style="text-align: right;"><i>(Audit Inter MTP March 2022)</i></p> a. (i),(ii),(iii) b. (i),(ii),(iii), (iv), (v) c. (i),(ii), (iv), (v) d. (i),(ii),(iii), (iv)

162.	b	163.	c	164.	c	165.	c	166.	b
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167. As per SA-210, preconditions for an audit do not include which of the following?

- a. Acceptability of financial reporting framework
- b. Responsibility of management regarding preparation of financial statements
- c. Making available records to the auditor
- d. Integrity of key management personnel

167.

d

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## SA 220

168.	<b>SA 220 deals with :</b>
	<ul style="list-style-type: none"> <li>a. Quality control at firm level</li> <li>b. Quality control at professional level</li> <li>c. Quality control at assignment level</li> <li>d. Quality control at branch level</li> </ul>
169.	<b>SQC 1 deals with:</b>
	<ul style="list-style-type: none"> <li>a. Quality control at firm level</li> <li>b. Quality control at professional level</li> <li>c. Quality control at assignment level</li> <li>d. Quality control at branch level</li> </ul>
170.	<b>Who should take responsibility to maintain quality in the assignment ?</b>
	<ul style="list-style-type: none"> <li>a. Engagement partner</li> <li>b. Senior Manager</li> <li>c. Head of the firm</li> <li>d. In - charge of the firm</li> </ul>
171.	<b>A partner working on an assignment due to some reasons left, and a new partner takes off his work. What should be done by the new partner ?</b>
	<ul style="list-style-type: none"> <li>a. If the assignment was well planned, no need to do anything.</li> <li>b. He should replan and reperform the assignments.</li> <li>c. He should do proper review of the documents regarding audit performed then decide what to do.</li> <li>d. He should not accept such assignment.</li> </ul>
172.	<b>To whom from the following quality control review is mandatory ?</b>
	<ul style="list-style-type: none"> <li>a. Public Companies</li> <li>b. Government Companies</li> <li>c. Listed Companies</li> <li>d. All of the above</li> </ul>
173.	<b>What is the work of consultants ?</b>
	<ul style="list-style-type: none"> <li>a. Consultants are part of the engagement team</li> <li>b. They work along with engagement team members</li> <li>c. They review work of engagement team member</li> <li>d. They advise the engagement team members</li> </ul>
174.	<b>A Senior manager was appointed for a 15-year-old streamlined audit assignment. Is this approach correct ?</b>
	<ul style="list-style-type: none"> <li>a. Yes, policy of the firm to appoint senior manager is correct.</li> <li>b. No, engagement partner should be appointed.</li> <li>c. Yes, policy of the firm to appoint senior manager is correct as he has proper experience to handle such assignment.</li> <li>d. No, even though the senior manager is an experienced, engagement partner should be there.</li> </ul>
175.	<b>In case of difference of opinion between senior manager and junior manager, whose opinion shall prevail ?</b>
	<ul style="list-style-type: none"> <li>a. Senior manager opinion shall prevail</li> <li>b. Junior manager opinion shall prevail</li> <li>c. Logically whose opinion is correct shall prevail</li> <li>d. Matter should be resolved as per firm's policy</li> </ul>
176.	<b>When the assignment shall be signed ?</b>
	<ul style="list-style-type: none"> <li>a. After completing review</li> <li>b. After completion of engagement quality control review</li> <li>c. Before completing review</li> <li>d. Before completion of engagement quality control review</li> </ul>
177.	<b>In an engagement quality control review what does the reviewer writes in the end ?</b>
	<ul style="list-style-type: none"> <li>a. Financial statements give true and fair view</li> <li>b. Audit records give true and fair view</li> <li>c. Work was done properly</li> <li>d. He did not come across any instance that shows any / no issue was not resolved</li> </ul>

168.	c	169.	a	170.	a	171.	c	172.	c	173.	d	174.	d	175.	d	176.	b	177.	d
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178.	<b>Responsibility to train junior team members was given to another junior member of the firm. Is this approach correct ?</b> a. Not wrong, if the junior team member was smart enough to take such responsibility. b. Responsibility to train junior team members shall be always given to senior and experienced person. c. Junior team member can take such responsibility in case of unavailability of senior team members. d. None of the above
179.	<b>Junior team member was given responsibility to give directions to another team member in an audit assignment. Is this approach correct ?</b> a. Not wrong if the junior team member was smart enough to take such responsibility. b. Responsibility to direct junior team members shall be always given to senior and experienced person. c. Junior team member can take such responsibility in case of unavailability of senior team members. d. None of the above
180.	<b>Who shall do supervision and review of the audit assignment ?</b> a. Junior team member b. Senior team member c. Team member of same level d. None of the above
181.	<b>SA 220 and SQC 1 are one and the same thing?</b> a. SA 220 deals with implementation of quality controls in audit of historic financial statements whereas SQC 1 deals with implementation of quality controls in all of the assignments taken up by the firm. b. SQC 1 deals with implementation of quality controls in audit of historic financial statements whereas SA 220 deals with implementation of quality controls in all of the assignments taken up by the firm. c. Yes, SA 220 and SQC 1 are one and the same thing. Both deals with quality. d. None of the above
182.	<b>Is SA 220 applicable in compilation of financial statements ?</b> 1. Yes, SA 220 is applicable in compilation of financial statements 2. No, SA 220 is not applicable in compilation of financial statements 3. Yes, SA 220 is applicable in compilation of financial statements with certain restrictions 4. No, SA 220 is applicable only in case of audit of historic financial statement <b>Options :</b> a. 1 & 2 b. 2 & 4 c. 1 & 4 d. 2 & 3
183.	<b>Is SA 220 applicable in case of prospective financial statements ?</b> 1. Yes, SA 220 is applicable in case of prospective financial statements 2. No, SA 220 is not applicable in case of prospective financial statements 3. Yes, SA 220 is applicable in case of prospective financial statements with certain restrictions 4. No, SA 220 is applicable only in case of audit of historic financial statement. <b>Options :</b> a. 1 & 3 b. 2 & 4 c. 1 & 4 d. 2 & 3
184.	<b>Is SQC 1 applicable in case of prospective financial statements ?</b> 1. Yes, SQC 1 is applicable in case of prospective financial statements 2. No, SQC 1 is not applicable in case of prospective financial statements 3. Yes, SQC 1 is applicable to all assignments taken by the firm 4. No, SQC 1 is applicable only in case of audit of historic financial statement <b>Options :</b> a. 1 & 3 b. 2 & 4 c. 1 & 4 d. 2 & 3

178.	b	179.	b	180.	b	181.	a	182.	b	183.	b	184.	a
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185.	<p><b>Is SQC 1 is applicable in compilation of financial statements ?</b></p> <p>a. Yes, SQC 1 is applicable in case of compilation financial statements b. No SQCL 1 is not applicable in case of compilation financial statements c. Yes, SQC 1 is applicable to all assignments taken by the firm d. No, SQC 1 is applicable only in case of audit of historic financial statement</p> <p><b>Options :</b></p> <p>a. 1 &amp; 3 b. 2 &amp; 4 c. 1 &amp; 4 d. 2 &amp; 3</p>
186.	<p><b>The primary purpose of establishing quality control policies and procedures for deciding on client evaluation is :</b></p> <p>a. To ensure adherence to generally accepted auditing standards b. Acceptance or continuance of client's relationship c. To ensure audit fees is charged according to the type of audit work assigned d. All of the above</p>
187.	<p><b>What is the work of consultants ?</b></p> <p>a. They review the work of engagement team b. They are the part of engagement team c. They advise the engagement team members d. None of the above</p>
188.	<p><b>The auditor shall establish existence of preconditions for an audit of financial statements :</b></p> <p>a. Before confirming common understanding between the auditor and management of the terms of audit engagement. b. After confirming common understanding between the auditor and management of the terms of audit engagement. c. Before appointment of auditor.</p>
189.	<p><b>Which of the following SAs deals with responsibilities of auditor regarding quality control procedures for an audit of financial statements ?</b></p> <p>a. SA 200 b. SA 210 c. SA 220 d. SA 260</p>
190.	<p><b>The objective of SA 220 is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that :</b></p> <p>a. The audit complies with professional standards and regulatory requirements b. The auditor's report issued is appropriate in the circumstances c. Both (a) and (b) d. None of these</p>
191.	<p><b>The partner who is responsible for the auditing engagement and its performance and for the report that is issued on behalf of the firm is called as :</b></p> <p>a. Active partner b. Performing partner c. Engagement Partner d. Working Partner</p>
192.	<p><b>Which of the following partner can act as engagement partner ?</b></p> <p>a. Any Partner b. Any CA Partner c. Any CA Partner in full time or part time practice d. Any CA Partner in full time practice</p>

185.	a	186.	b	187.	c	188.	a	189.	c	190.	c	191.	c	192.	d
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193.	<b>Who will take responsibility for overall quality in an audit of financial statements ?</b> a. All the partners of firm b. All CA partners of firm c. Engagement partner d. Engagement team
194.	<b>Which of the following information assists the auditor in accepting and continuing of client relationship ?</b> a. The integrity of the principal owners, key management and TCWG of the entity b. Whether the firm and the engagement partner can comply with the relevant ethical requirements c. Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources d. All of these
195.	<b>Which of the following is not an element of quality control in an audit of financial statements ?</b> a. Leadership Responsibilities b. Assignment of Engagement Team c. Acceptance and Continuance of Client Relationship and Audit Engagements d. Signing on Audit Report
196.	<b>If any difference of opinion arises within engagement team or between engagement partner and quality control reviewer, the engagement team shall follow :</b> a. Engagement partner b. Engagement quality control reviewer c. Firm's policies and procedures d. Majority of members of engagement team
197.	<b>Auditing firms should establish quality control policies and procedures for personnel management in order to provide reasonable assurance that :</b> a. Employees promoted possess the appropriate characteristics to perform competently b. Personnel will have the knowledge required to fulfill responsibilities assigned c. The extent of supervision and review in a given instance will be appropriate d. All of the above
198.	<b>The least important element in the evaluation of an audit firm's system of quality control would relate to :</b> a. Assignment of audit assistants b. Consultation with experts c. System for determining audit fees d. Confidentiality of client's information
199.	<b>In pursuing its quality control objectives with respect to independence, an auditing firm may use policies and procedures such as :</b> a. Emphasizing independence of mental attitude in firm's training programs and in supervision and review of work b. Prohibiting employees from owning stock of public companies c. Suggesting that employees conduct their banking transactions with banks that do not maintain accounts with client firms d. Assigning employees who may lack independence to research positions that do not require participation in field audit work
200.	<b>Policies and procedures w.r.t human resources addresses which of the following issues :</b> a. Recruitment b. Capabilities c. Competence d. All of above

193.	c	194.	d	195.	d	196.	c	197.	b	198.	c	199.	a	200.	d
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201.	<b>Which of the following is the responsibility of the auditor :</b>
	a. Preparation and presentation of the financial statements in accordance with applicable financial reporting b. Design, implementation and maintenance of internal controls c. Express an opinion on the Financial Statements d. To obtain limited assurance
202.	<b>The auditor of Harbans Jewelers Limited was of the opinion that objective of audit of financial statements of a company is to provide reasonable assurance that financial statements of that company are free from misstatements. Which type of misstatements are mentioned by auditor of Harbans Jewelers Limited :</b>
	a. Simple b. Material c. Easy d. Competent
203.	<b>If the auditor concludes that there is reasonable justification to change the engagement and if the audit work performed complied with the SAs applicable to the changed engagement, the report issued would be appropriate for the revised terms of engagement. In order to avoid confusion, the report would not include reference to :</b>
	a. The original engagement; or any procedures that may have been performed in the original engagement b. The original engagement c. Any procedures that may have been performed in the original engagement d. The original engagement and any procedures that may have been performed in the original engagement.
204.	<b>If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall :</b>
	a. Withdraw from the audit engagement where possible under applicable law or regulation. b. Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. c. Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. d. Withdraw from the audit engagement where possible under applicable law or regulation or determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
205.	<b>Which of the following is NOT a quality of an Auditor ?</b>
	a. Tact b. Caution c. Short temper d. Patience
206.	<b>Procedures designed to provide evidence of compliance by engagement team in relation to completed engagement can be called _____.</b>
	a. Inspection b. Monitoring c. Engagement d. Quality Control Review
207.	<b>_____ is an individual outside the firm with capabilities to act as engagement partner who can perform Engagement Quality Control Review.</b>
	a. Expert b. Engagement Partner c. Suitably qualified external person d. Auditor
208.	<b>Before accepting the client, auditor usually performs _____.</b>
	a. Sufficient Procedure b. Appropriate Procedure c. Client Continuance Procedure d. Client Acceptance Procedure

201.	c	202.	b	203.	b	204.	c	205.	c	206.	a	207.	c	208.	d
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209.	<b>Process comprising an ongoing consideration &amp; evaluation of firm's quality control system is called _____.</b> a. Inspection b. Monitoring c. Audit Procedures d. Risk Assessment Procedures
210.	<b>If differences arise within the engagement team, engagement team shall follow _____ policies for resolving disputes.</b> a. Legal b. Official c. Authoritative d. Firm's
211.	<b>In relation to completed engagements, procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures is known as:</b> a. Monitoring b. Inspection c. Subsequent Audit procedures d. Compliance procedures
212.	<b>Mr. Salman, is an engagement partner of Khan &amp; co. chartered accountants for an audit of Lava Ltd., he died of a stroke on 30.09.2019 after completing the entire routine audit work of Lava Ltd. Mr. Shoaib, one of the partners of Khan &amp; Co. will be signing the accounts of Lava Ltd. What is the course of action to be taken by Mr. Shoaib?</b> a. Sign the accounts of Lava Ltd without reviewing the work of his partner b. Sign the balance sheet after reviewing the work of his partner c. Withdraw the audit as the person who has performed the audit is no more d. Issue an adverse report

209.	b	210.	d	211.	b	212.	b
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## Case Study

1.	<p><i>One Ms. Anitra Kalki, senior faculty at Board of studies of The Institute of Chartered Accountants of India had prepared a lecture for some of the novice students who had just enrolled for Chartered accountancy course to be hosted on online platform. The lecture pertained to basic theme of overall objectives of independent auditor and conduct of audit in accordance with Standards on auditing mainly revolving around SA-200. As it was first lecture of the session, an inexperienced apprentice operator in office of Ms. Kalki made some mistakes in certain key words including some blunders, modifications and omissions. The text typed by operator read as under :</i></p> <p><i>"The purpose of audit is to embrace the level of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether financial statements are prepared, in all critical respects, in accordance with an applicable financial reporting framework. In conducting audit of financial statements, the overall objectives of the auditor are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud, mistake and errors, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all critical respects, in accordance with financial reporting framework and to report on the financial statements and corroborate as required by the SAs, in accordance with auditor's findings." (Para 1)</i></p> <p><i>SAs require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained complete and correct audit evidence to reduce audit risk i.e (the risk that the auditor expresses an appropriate opinion when the financial statements are critically misstated) to an acceptable level. (Para 2)</i></p> <p><i>Audit risk is a function of risks of material misstatements and detection risk. Detection risk relates to nature, timing and extent of audit plans to reduce audit risks. The assessment of risk is a matter of professional judgment. Risk of material misstatement may exist at level of overall financial statement level and assertion level for transactions, account balances and disclosures. Further, risk of material misstatement at assertion level consists of inherent risk and control risks. These are dependent upon audit of financial statements. In case auditor believes that risk of material misstatements is less, the less would be detection risk that can be accepted. (Para 3)</i></p> <p><i>The auditor can eliminate audit risk and most of the audit evidence on which auditor draws conclusions and bases the auditor's opinion are conclusive in nature. Further, the matter of difficulty, time or cost involved is not in itself a valid basis for the auditor to be satisfied with evidence that is less than conclusive. (Para 4)</i></p> <p><i>The SAs, taken together, provide the standards for the auditor's work in fulfilling the overall objectives of the auditor. The SAs deal with general rights of the auditor as well as further considerations relevant to application of those rights to specific topics. The SAs are paramount and these are to be strictly followed irrespective of laws and regulations that govern audit of financial statements. The SAs are not relevant for certain government entities like agencies, boards and commissions. (Para 5)</i></p> <p><i>While conducting audit, the auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to financial statements audit engagements. Relevant ethical requirements ordinarily comprise Code of Ethics issued by ICAI. The code establishes honesty, objectivity, professional judgment, loyalty and logical behaviour as fundamental principles of professional ethics relevant to the auditor when conducting an audit of financial statements." (Para 6)</i></p>															
1.1.	<p><i>On perusal of para 1, given below is combination of options which would rectify errors, if any. Which is of the combination is most appropriate ?</i></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 10%;">Option</th> <th style="width: 45%;">Probable errors</th> <th style="width: 45%;">Appropriate combination</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">a.</td> <td>Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate</td> <td>Enhance, degree of confidence, in all material respects, whether due to fraud, mistake or error, satisfy</td> </tr> <tr> <td style="text-align: center;">b.</td> <td>Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate</td> <td>Enhance, degree of confidence, in all material respects, whether due to fraud and error, satisfy</td> </tr> <tr> <td style="text-align: center;">c.</td> <td>Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate</td> <td>Enhance, degree of confidence, in all material respects, whether due to fraud or error, communicate</td> </tr> <tr> <td style="text-align: center;">d.</td> <td>Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate</td> <td>Enhance, degree of confidence, in all material respects, whether due to fraud or mistake, communicate</td> </tr> </tbody> </table>	Option	Probable errors	Appropriate combination	a.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud, mistake or error, satisfy	b.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud and error, satisfy	c.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud or error, communicate	d.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud or mistake, communicate
Option	Probable errors	Appropriate combination														
a.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud, mistake or error, satisfy														
b.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud and error, satisfy														
c.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud or error, communicate														
d.	Embrace, level of confidence, in all critical aspects, whether due to fraud, mistake and errors, corroborate	Enhance, degree of confidence, in all material respects, whether due to fraud or mistake, communicate														

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1.2.	<p><b>Identify the meaningful and correct statement as per SA-200 in place of underlined subject matter in para 2.</b></p> <p>a. It is obtained when the auditor has obtained complete and meaningful audit evidence to reduce audit risk i.e. (the risk that the auditor expresses an appropriate opinion when the financial statements are materially misstated) to an acceptable level.</p> <p>b. It is obtained when the auditor has obtained complete and exact audit evidence to reduce audit risk i.e. (the risk that the auditor expresses an appropriate opinion when the financial statements are materially misstated) to an acceptable level.</p> <p>c. It is obtained when the auditor has obtained sufficient and necessary audit evidence to reduce audit risk i.e. (the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptable low level.</p> <p>d. It is obtained when auditor has obtained sufficient and appropriate audit evidence to reduce audit risk i.e. (risk that auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.</p>
1.3.	<p><b>Consider the following statements which may or may not be erroneous.</b></p> <p><b>Statement I --- Detection risk relates to nature, timing and extent of audit plans to reduce audit risks.</b></p> <p><b>Statement II --- Inherent risk and control risk are dependent upon audit of financial statements.</b></p> <p><b>Statement III --- The acceptable level of detection risk varies in direct proportion to the assessed risk of material misstatement at assertion level.</b></p> <p><b>Which of the following options is correct ?</b></p> <p>a. Statement I is true. Statements II and III are false.</p> <p>b. Statement I and II are true. Statement III is false.</p> <p>c. Statement I and II are false. Statement III is true.</p> <p>d. Statements I, II and III are false.</p>
1.4.	<p><b>Identify correct group of meaningful words to replace underlined erroneous words in para 4 in the same order in which these are underlined :</b></p> <p>a. Prevent, Binding and Conclusive</p> <p>b. Prevent, Conclusive and Binding</p> <p>c. Forego, Conclusive and Persuasive</p> <p>d. Reduce, Persuasive and Persuasive</p>
1.5.	<p><b>Consider accompanying underlined statement :</b></p> <p><b>The SAs deal with general rights of the auditor as well as further considerations relevant to application of those rights to specific topics. Which of the following is likely to be true ?</b></p> <p>a. The above underlined statement is completely correct.</p> <p>b. The above underlined statement is completely incorrect.</p> <p>c. The above statement is partly correct.</p> <p>d. No inference about correctness of statement can be drawn.</p>

1.1.	c	1.2.	d	1.3.	d	1.4.	d	1.5.	b
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