

## WT 5 (Ch. 9 – Related Services; Ch. 10 – Review of Financial Information & Ch. 11 – PFI & Other Assurance Services)

Marks: 25

Time: 45 Minutes

Instructions: Part A comprises of MCQ.

Part B Comprises of descriptive questions.

### Part – A (Multiple Choice Questions)

- Q.1** KM Limited has engaged your firm for compilation of financial statements in accordance with requirements of SRS 4410. You also come to know that company is setting up a new unit in Rourkela, Odisha. The company management has provided you with draft trial balance and requires assistance in preparation and presentation of its financial statements for year ended 31st March, 2024. The management requires such a preparation and presentation for its internal use. 2
- During the course of engagement, it comes to your notice that figures relating to setting up of a new unit of the company coming up in Rourkela in Odisha have not been properly disclosed in compiled financial statements.
- The expenditure was incurred from a bank account maintained in Rourkela and was omitted to be shown under appropriate heads. You are vacillating regarding above considering scope of compilation engagement.
- Which of the following statements is most appropriate as regards omission of expenditure under appropriate heads pertaining to the Rourkela unit in compiled financial statements?
- (a) The above-noted omission can be misleading. By disregarding such an omission, the fundamental principle of integrity is violated and engagement cannot be performed in accordance with ethical requirements.
- (b) The above-noted omission can be misleading. By disregarding such an omission, the fundamental principle of objectivity is violated and engagement cannot be performed in accordance with ethical requirements.
- (c) The above noted omission has no effect on performing such compilation engagement.
- (d) The above-noted omission has no effect on performing and issuing reports under such compilation engagement.
- Q.2** You are been appointed to review the interim financial information of Fast Operations Limited, a listed company in accordance with SEBI regulations. The review is a compulsory requirement under SEBI (LODR) Regulations. Which of the following is most appropriate for the Conclusion Section: 2
- (a) Based on our review conducted, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian

Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

- (b) Based on our review conducted, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it does not contain any material misstatement.
- (c) Based on our review conducted, the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it does not contain any material misstatement.
- (d) Based on our review conducted, the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it does not contain any material misstatement and gives a true and fair view of the state of affairs of the company as on date of interim financial statements.

**Q.3** A company is in its start-up phase and its future business prospects are dependent not only upon funding by stream of VC (venture capital) funds but also how its product would be perceived by potential customers. The company asks CA P to prepare a projection for a coffee table discussion with venture capital firms and also provide a report duly signed by him providing assurance on such projections. What is likely appropriate course of action for him? 1

- (a) Such a reporting is outside the scope of services which can be rendered by Chartered Accountants. Therefore, such engagement should be straightaway refused.
- (b) He can report in respect of examination of evidence supporting the assumptions in such financial information and on accuracy of projections.
- (c) He can report in respect of examination of evidence supporting the assumptions in such financial information but not on accuracy of projections.
- (d) He can report only in respect of examination of evidence supporting the assumptions in such financial information when management expects these future events described in situation to take place.

- Q.4 Which is not included in meaning of “proforma adjustments” under SAE 3420? 1**
- (a) Adjustments to unadjusted financial information that illustrate the impact of a significant event or transaction as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration
- (b) Adjustments to unadjusted financial information that illustrate the impact of a significant event or transaction as if the event had occurred or the transaction had been undertaken at a later date selected for purposes of the illustration
- (c) Adjustments to unadjusted financial information that are necessary for the pro forma financial information to be compiled on a basis consistent with the applicable financial reporting framework of the reporting entity
- (d) Adjustments to unadjusted financial information that are necessary for the pro forma financial information to be compiled on a basis consistent with its accounting policies under applicable reporting financial framework.
- Q.5 Before agreeing to accept or continue an engagement, the service auditor shall determine whether the criteria to be applied by the service organization to prepare the description of its system will be: 1**
- (a) Suitable only.
- (b) Suitable and available to user entities and their auditors also.
- (c) Suitable and available to user entities only.
- (d) Suitable and available to user auditors only.

### Part B (Descriptive Questions)

**Q. No. 1 is Compulsory. Attempt Any two from the rest.**

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- Q.1 (a) You are conducting a review of the financial statements of a company. It is gathered upon inquiry that there is a possibility of material misstatements in financial statements. Discuss, how you would proceed further in the matter under SRE 2400. 4**
- (b) KG Ltd. wants to provide prospective Financial Information to its investors with information about future expectations of the company. You are engaged by KG Ltd. to examine the projected Financial Information and give report thereon. What will you consider in assessing the presentation and disclosure of the prospective Financial Information and the underlying assumptions? 4**
- Q.2 While compiling the accounts of Hope Ltd., you observed that a few accounting standards have not been followed and there has been omission of some information which was required to be followed in the current situation. How would you deal with this? 5**
- Q.3 CA. Aditya Jain is auditor of a listed company. He is also required to carry out quarterly review of financial statements of company in terms of regulatory requirements. He is already well-versed with business of company and has deep understanding of the 5**

company. Discuss, any five procedures, by which he can update his understanding of the company for carrying out quarterly review.

**Q.4** STAR Limited has outsourced its payroll processing functions to a service organization - Little Solutions Private Limited. Little Solutions Private Limited is responsible for accurate preparation of payrolls and timely remittance of statutory dues to the government authorities on behalf of the company. Little Solution Private Limited’s controls related to timely remittance of payroll deductions to government authorities are relevant to the company as late remittances could result in interest and penalties resulting in liabilities for the company.

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The auditors of STAR Limited want to be sure about description, design and operating effectiveness of controls at Little Solutions throughout the year. In this regard, they require an assurance report from auditors of Little Solutions Private Limited.

- (a) Why the auditors of STAR Limited require an assurance report from the auditors of Little Solutions Private Limited? Which engagement and quality control standard casts such kind of responsibility upon the auditor?
- (b) Which type of report should be provided by the auditors of Little Solutions? Justify with reasons.
- (c) State matters on which opinion is to be provided by the auditors of Little Solutions.

**Instructions for submission of answer sheet**

Single PDF of answer sheet is to be e-mail at [test.altclasses@gmail.com](mailto:test.altclasses@gmail.com)

Subject line “Final Audit Test – WT 5 (Student Name)”

Mention the following in the E-mail and answer Sheet:

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