
Part	
A	Multiple Choice Questions

1	<p>PMP Ltd. is an associate of PMP Inc., a company based in Kuwait. PMP Ltd is listed in India having its corporate office at Assam. The company's operations have remained stable over the years and the management is looking to expand the operations for which the management is considering different business ventures.</p> <p>The company's auditors issued clean audit report on the audit of the financial statements for the year ended 31 March 2024.</p> <p>For FY ended 31 March 2025, auditors made some changes in their audit team. While audit partner remained the same, the field in charge has been replaced, as the field incharge who was engaged in the audit of the financial statements for the year ended 31 March 2024 has left the firm. The audit team has a new person as External Quality Control Reviewer (EQCR) who has specialized knowledge of the industry in which the company is operating. EQCR has been employed with the firm for over 2.5 years and is yet to clear his CA (Chartered Accountancy) final exams. The changes were made on the basis of the consideration that the firm has enough experience of engagement with this client.</p> <p>The audit team commenced the work for audit of the year ended 31 March 2025 after detailed planning and it was observed that EQCR had various comments on certain matters which were not accepted by the audit partner. Audit partner had better understanding of the client and after assessing the comments of the EQCR did not find those relevant.</p> <p>The audit partner without concurrence of the EQCR finalized the audit and issued the audit report.</p> <p>In the given situation, please advise which one of the following is correct?</p> <p>(a) The changes in the audit team were not appropriate except for the field in charge who had left the firm. EQCR should have been a member of the Institute of Chartered Accountants of India (ICAI).</p> <p>(b) The audit partner did the right thing by ignoring the comments of EQCR as he is the final authority to decide on any matter and take decisions. Further EQCR was junior to the audit partner.</p> <p>(c) The audit partner must discuss each and every comment of EQCR with the client and ensure that a proper disclosure in respect of those points should be made either in the financial statements or the audit report.</p> <p>(d) EQCR had sufficient and appropriate experience. He should have been given the authority to objectively evaluate various matters, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report. By ignoring the comments of the EQCR, audit partner took additional professional responsibility on himself. By considering the comments of EQCR, he could have passed the responsibility to EQCR.</p>
2	<p>What is the maximum recommended time limit within which assembly of engagement files should be completed after the engagement reports have been finalized?</p> <p>(a) 30 days</p> <p>(b) 65 days</p> <p>(c) 45 days</p> <p>(d) 60 days</p>

3	<p>What is excluded from the definition of "Firm"?</p> <ul style="list-style-type: none"> (a) Sole practitioner (b) Partnership (c) Corporation (d) Other entity of professional accountants
4	<p>At least _____, the firm should obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent in terms of the requirements of the Code.</p> <ul style="list-style-type: none"> (a) Half yearly (b) Annually (c) Once in two years (d) Once in three years
5	<p>Ram & Associates, a firm of Chartered Accountants, have been operating for the last 10 years having its office in Delhi with staff of around 30 persons with 4 Partners.</p> <p>The firm has been offering statutory audit, risk advisory and tax services to its various clients. The major work of the firm is for taxation services. The audit partners also discussed that the firm needs to work significantly to improve the quality of the services they offer and that would also help the firm to grown its business. Considering this objective, the firm started training programmes for the staff which were made mandatory to be attended.</p> <p>During one of the training programmes on quality, a topic was discussed regarding the information that should be obtained by the firm before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. It was explained that the following points may assist the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate (as per SA 220):</p> <ul style="list-style-type: none"> (i) Integrity of the principal owners, key management and TCWG of the entity; (ii) The qualification of all the employees of the entity; (iii) Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources; (iv) The remuneration offered by the entity to its various consultants; (v) Whether the firm and the engagement team can comply with relevant ethical requirements; and (vi) Significant matters that have arisen during the current or previous audit engagement, and their implications for continuing the relationship. <p>Which of the above-mentioned points are relevant for the topic under discussion?</p> <ul style="list-style-type: none"> (a) (i), (ii), (iv) and (v) (b) (ii), (iv), (v) and (vi) (c) (iii), (iv), (v) and (vi) (d) (i), (iii), (v) and (vi) <p style="text-align: right;">[RTP-Nov.19]</p>
6	<p>Mr. C, auditor of a listed company, DEX Limited, signed its audit report on 21.8.2023. The regulator called the audit file in connection with some proceedings on 20.7.2024. He submitted audit files in the form of editable Excel files without any security feature on 10.8.2024.</p>

	<p>It later transpired that the audit file was modified between 20.7.2024 and 10.8.2024 by deleting certain information and adding fresh information in its place. Which of the following statements is likely to be correct in this regard?</p> <p>(a) Audit file was required to be assembled by 21.8.2023. Modification in the audit file after 21.8.2023 was generally not permissible.</p> <p>(b) Audit file was required to be assembled by 21.8.2023. Modification in the audit file before 20.7.2024 was generally permissible.</p> <p>(c) Audit file was required to be assembled by 20.10.2023. Modification in the audit file before 20.7.2024 was generally permissible.</p> <p>(d) Audit file was required to be assembled by 20.10.2023. Modification in the audit file after 20.10.2023 was generally not permissible except in certain exceptional circumstances. [MTP-Oct. 23]</p>
7	<p>Bansal Arora & Co., a Chartered Accountants firm, is currently performing an audit for Wool Ltd., a sizable manufacturing company. Mr. Bhavesh Bansal, an experienced audit engagement partner, holds the responsibility of ensuring that the audit engagement aligns with the professional standards, adheres to regulatory requirements, and complies with the legal obligations. His duties encompass the overall supervision, direction, and the final issuance of the audit report.</p> <p>While conducting the audit, the engagement team encounters a complex issue pertaining to the valuation of the company's inventory. Within the team, there are difference of opinions on how to address this matter, resulting in a contentious situation.</p> <p>What is Mr. Bhavesh's responsibility in this situation?</p> <p>(a) Mr. Bhavesh shall adhere to the firm's policies only for addressing and resolving differences of opinion.</p> <p>(b) Mr. Bhavesh should secure management's representation concerning the valuation and proceed with further audit procedures.</p> <p>(c) Mr. Bhavesh should ensure that appropriate consultation occurs within the engagement team and, if necessary, with individuals at an appropriate level within or outside the firm.</p> <p>(d) Mr. Bhavesh should communicate the issue to the client's management for resolution. [RTP-May 24]</p>

Answer Key		
Q. No.	Answer	
1	(a)	The changes in the audit team were not appropriate except for the field incharge who had left the firm. EQCR should have been a member of the Institute of Chartered Accountants of India (ICAI).
2	(d)	60 days
3	(c)	Corporation
4	(b)	Annually
5	(d)	(i), (iii), (v) and (vi)
6	(d)	Audit file was required to be assembled by 20.10.2023. Modification in the audit file after 20.10.2023 was generally not permissible except in certain exceptional circumstances.
7	(c)	Mr. Bhavesh should ensure that appropriate consultation occurs within the engagement team and, if necessary, with individuals at an appropriate level within or outside the firm.

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