

WT 1 (Chapters 1 and 11)

Marks: 20

Time: 35 Minutes

Instructions: Part A comprises of MCQ.

Part B Comprises of descriptive questions.

Part – A (Multiple Choice Questions)

CA Mayank Mukhi is statutory auditor of a listed company engaged in providing services relating to “tourism sector”. He is practicing in sole-proprietorship capacity. The audit of abovesaid listed company was conducted by his proprietary firm and report was issued for year 2023-24 on 31.05.2024.

Subsequently, audit report was selected by National Financial Reporting Authority (NFRA) to oversee quality of service and compliance with Standards. Necessary information was called from auditor towards above objective on 30.09.2024.

It was required of him to produce final audit file to show that audit was carried out in accordance with Standards on auditing. CA Mayank Mukhi produces extract of certain working papers and shows his inability to produce final audit file stating that it has not yet assembled as he is pre-occupied with other engagements and as per requirements of SQC 1, final audit file is to be assembled within 6 months from date of audit report.

Based on the papers produced, NFRA pointed out to him the following:

- (a) Engagement quality control review was not carried out. He has answered that no contentious matter arose during the course of audit and therefore, no need was felt to carry out this exercise.
- (b) Consultations were obtained during the course of audit on certain matters which includes discussions with individuals outside the Firm, which is a violation of fundamental principle of confidentiality. He has answered that Firm is not having appropriate internal resources, so there arise need for external consultations.

Based upon above, answer the following questions (Q.1 to Q.3):

- Q.1 Considering auditor’s point of view regarding engagement quality control review, identify the most appropriate statement from below: 2
- (a) Engagement quality control review is mandatory in such type of engagement. It was not proper to bypass such review. He has violated mandatory requirement of SA 220.
 - (b) Engagement quality control review is optional in such type of engagement. Therefore, question of not following SA 220 does not arise.
 - (c) No contentious matter arose during the course of engagement. Therefore, question of not following SA 220 does not arise in respect of engagement quality control review.
 - (d) Engagement quality control review is dependent upon benchmarks established under SQC 1. If those benchmarks are satisfied, such a review is not necessary.

- Q.2** Considering auditor's point of view regarding outside consultations, identify the most appropriate statement from below: **2**
- (a) Discussion with Individuals outside the Firm to resolve difficult matters is not permitted as it violates the fundamental principle of confidentiality.
- (b) Discussion with Individuals outside the Firm to resolve a difficult matter is permitted as per requirements of SQC 1.
- (c) As per SQC 1, discussions outside the Firm to resolve a difficult matter is permitted only with professional & regulatory bodies.
- (d) As per SQC 1, discussions outside the Firm to resolve a difficult matter is permitted only with Engagement Quality Control Reviewer.
- Q.3** Examine validity of statement that as per requirements of SQC 1, final audit file is to be assembled within 6 months from date of audit report. **2**
- (a) Statement is not valid because final audit file is to be assembled within 3 months from end of accounting period for which audit was carried out.
- (b) Statement is not valid because final audit file is to be assembled within 6 months from end of accounting period for which audit was carried out.
- (c) Statement is not valid because final audit file is to be assembled within 60 days from date of audit report.
- (d) Statement is not valid because final audit file is to be assembled within 90 days from date of audit report.

Part B (Descriptive Questions)

Q. No. 1 is Compulsory. Attempt any two from the rest.

- Q.1** (a) Professional skepticism refers to an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence. The auditor shall plan and perform an audit with professional skepticism recognising that circumstances may exist that cause the financial statements to be materially misstated. **3**
- How application of professional skepticism throughout audit is helpful in reducing audit risk?
- (b) Council of ICAI has issued various Engagement Standards under its authority. The purpose of issue of these standards is to establish high quality standards and guidance in the areas of financial statement audits and in other types of assurance services. Explain briefly, various types of Assurance Standards issued. **3**

- Q.2** MB & Associates is a partnership firm of the Chartered Accountants which was established seven years back. The firm is getting new clients and has also been offered new engagement services with existing clients. The firm is concerned about obtaining such information as it considers necessary in the circumstances before accepting an engagement with a new client and acceptance of a new engagement with an existing client. The firm is looking to work with only select clients to adhere to the Quality Control Standards. 4
- Guide MB & Associates about the matters to be considered with regard to the integrity of a client, as per the requirements of SQC 1.
- Q.3** General objective of an audit is to find out whether the financial statements show true and fair view. On the other hand, investigation implies systematic, critical and special examination of the records of a business for a specific purpose. In view of the above, you are required to brief out the difference between Audit and Investigation. 4
- Q.4** AKJ Ltd. is a small-sized 30 years old company having business of manufacturing of pipes. Company has a plant based out of Dehradun and have their corporate office in Delhi. Recently the company appointed new firm of Chartered Accountants as their statutory auditors. 4
- The statutory auditors want to enter into an engagement letter with the company in respect of their services but the management has contended that since the statutory audit is mandated by law, engagement letter may not be required. Auditors did not agree to this and have shared a format of engagement letter with the management for their reference before getting that signed. In this respect management would like to understand that as per SA 210, if the agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement, what should be included in terms of agreed audit engagement letter?

Instructions for submission of answer sheet

Single PDF of answer sheet is to be e-mail at test.altclasses@gmail.com

Subject line "Inter Audit Test – WT 1"

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

1. Name: _____
2. Mobile No.: _____
3. Test: Inter Audit – WT 1 (Dec. 2024 Series)
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