

WT 1 (Chapters 1 and 11)

Instructions: Part A comprises of MCQ.

Part B Comprises of descriptive questions.

Part – A (Multiple Choice Questions)

- Q.1 (a) (2 Marks)
 Q.2 (b) (2 Marks)
 Q.3 (c) (2 Marks)

Part B (Descriptive Questions)

Q.1 (a) Professional Skepticism:

Maintaining professional skepticism throughout the audit is necessary. Professional Skepticism reduces risk of:

- Overlooking unusual circumstances.
- Over generalising when drawing conclusions from audit observations.
- Using inappropriate assumptions in determining nature, timing and extent of audit procedures & evaluating the results thereof.

Marking Scheme – 1 Mark for 1 Correct Point (Three Points)

(b) Types of Assurance Standards:

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- Standards on Auditing (SAs):** to be applied in the audit of historical financial information. **(1 Mark)**
- Standards on Review Engagements (SREs):** to be applied in the review of historical financial information. **(1 Mark)**
- Standards on Assurance Engagements (SAEs):** to be applied in assurance engagements, engagements dealing with subject matter other than historical financial information. **(1 Mark)**

Marking Scheme – 1 Mark for 1 Correct Point (Three Points)

Q.2 Considerations as to integrity of clients:

As per SQC 1, with regard to the integrity of a client, matters that the firm considers include, for example:

- The identity and business reputation of the client's principal owners, key management, related parties and those charged with its governance.
- The nature of the client's operations, including its business practices.
- Information concerning the attitude of the client's principal owners, key management and TCWG towards such matters as aggressive interpretation of ASs and the internal control environment.

- (4) Whether the client is aggressively concerned with maintaining the firm's fees as low as possible.
- (5) Indications of an inappropriate limitation in the scope of work.
- (6) Indications that the client might be involved in money laundering or other criminal activities.
- (7) The reasons for the proposed appointment of the firm and non-reappointment of the previous firm.

Marking Scheme – 1 Mark for 1 Correct Point (Any four Points)

Q.3 Audit vs. Investigation:

- Audit is not an official investigation into alleged wrong doing. Auditor does not have any specific legal powers of search or recording statements of witness on oath which may be necessary for carrying out an official investigation. **(1 Mark)**
- Investigation is a critical examination of accounts with a special purpose. For example, if fraud is suspected and it is specifically called upon to check the accounts whether fraud really exists, it takes character of investigation. **(1 Mark)**
- Objective of audit is to obtain reasonable assurance about whether the F.S. as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion. **(1 Mark)**
- Scope of audit is general and broad whereas scope of investigation is specific and narrow. **(1 Mark)**

Marking Scheme – 1 Mark for 1 Correct Point (Four Points)

Q.4 Agreement on Audit Engagement Terms:

As per SA 210, agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement and shall include:

- (a) The objective and scope of the audit of the F.S.;
- (b) The responsibilities of the auditor;
- (c) The responsibilities of management;
- (d) Identification of the applicable FRF for the preparation of the F.S.; and
- (e) 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.

Marking Scheme – 1 Mark for 1 Correct Point (Any four Points)



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