

FINAL COURSE: GROUP I

PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(MTP 1: Ch. 19 – Professional Ethics and Liabilities of Auditors)

Suggested Answers


Q. No.	Correct Option	Remarks
1	(c) <i>The firm has violated the guidelines because even when the ICAI logo is correctly used, any change in color, placement on reports or publicity material, or use with misleading text creates an impression of official recognition, which is strictly prohibited.</i>	<p><i>The following actions by KDS & Co. breach multiple conditions simultaneously:</i></p> <ol style="list-style-type: none"> <i>1. Color alteration – converting the logo to metallic gold violates prescribed visual standards.</i> <i>2. Placement on audit reports – gives a misleading impression that the report is “issued by” or “endorsed by” ICAI.</i> <i>3. Accompanying text “Recognized by ICAI for Excellence” – implies an official certification that does not exist.</i>
2	(d) <i>Sanjay’s conduct reflects a lack of objectivity and skepticism, since commercial convenience and client pressure appear to have influenced his judgment on audit evidence.</i>	<p><i>Sanjay’s decision reflects an objectivity threat and lack of professional skepticism. The Code of Ethics requires an auditor to perform work diligently and not allow personal or external pressures to influence judgment. Despite contradictory evidence (internal audit findings of ₹6 crore exposure), he chose convenience over competence — a breach of due care.</i></p> <ul style="list-style-type: none"> <i>• Option A is incorrect because management representations supplement, not substitute, other audit evidence.</i> <i>• Option B fails the test of skepticism — “avoiding confrontation” is never a valid ethical rationale.</i> <i>• Option C identifies part of the issue (due care) but misses that the root cause is compromised objectivity under client pressure — hence D is more precise and comprehensive.</i>

3	(a)	<p>The auditor should evaluate whether management is taking appropriate remedial action, escalate to those charged with governance if not, and disclose externally only if substantial harm to public interest appears probable.</p>	<p>Under Sections 260/360 of the ICAI Code of Ethics (aligned with IESBA), auditors must follow a structured approach when faced with NOCLAR. They should first understand the matter, discuss it with management, escalate to those charged with governance, and consider disclosure if the breach is significant and poses public interest consequences.</p> <ul style="list-style-type: none"> • Option B ignores the auditor’s duty to assess management’s response; representation alone is insufficient. • Option C is extreme — immediate withdrawal or mass reporting without due evaluation breaches confidentiality and proportionality. • Option D misunderstands confidentiality — it does not prevent the auditor from documenting or addressing NOCLAR internally. • Option A balances legal, ethical, and public interest considerations, which is the essence of the Code.
4	(c)	<p>The communication constitutes indirect advertising since it associates the firm’s name with a client and includes promotional undertones implying professional superiority.</p>	<p>Clause (6) of Part I of the First Schedule prohibits members from soliciting work or advertising in a manner unbecoming of the profession. Even when the information is public, using client names, logos, or promotional tone amounts to indirect solicitation. The ESB has clarified that mere factual website listings are permissible, but highlighting appointments with self-promotion violates the spirit of professional behaviour.</p> <ul style="list-style-type: none"> • Option A and B both treat “public knowledge” as license for self-promotion, which the Code does not permit. • Option D is close but too general; it lacks the precision that the breach arises from indirect advertising — which makes C the best answer.

5	(a)	<p>Sharing details of firm participation in ICAI research workshops or professional conferences, without client references or promotional content.</p>	<p>ICAI Guidelines clarify that factual, educational, or knowledge-based posts (e.g., seminars, ICAI activities, authored articles) are permitted. However, anything that solicits, names clients, or implies superiority is prohibited.</p> <ul style="list-style-type: none"> • Option B directly tags clients and links the firm’s name to their achievements—clearly promotional. • Option C uses language (“trusting our leadership”) that implies endorsement and superiority. • Option D is explicit advertising. • Only Option A stays within ethical limits — factual, non-promotional, and educational in nature.
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Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)		
1	Youtube Channel	https://www.youtube.com/@altclassesca9193
2	Telegram Channel	https://t.me/altclasses
3	Whatsapp Group for Doubts	https://chat.whatsapp.com/LSDM362gJy2ErmRgTi7ceA
4	LMS Link	https://altclasses.in/knowledge-forum-ca-final/
5	Contact Number	9319805511, 7206941195
6	Website Link	https://altclasses.in/



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