

FINAL COURSE: GROUP I

PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(MTP 13: Ch. 13 – Group Audits)

Time Allowed- 20 Minutes

Maximum Marks-10

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All MCQs are compulsory and carry 2 Marks each.

Nordex Engineering Ltd. (NEL) prepares Ind-AS based consolidated financial statements. It has two subsidiaries: Alpha Tools Pvt. Ltd. (ATPL – 80%) and Beta Robotics LLP (BRLLP – 60%). During FY 2024-25, NEL sold raw materials costing ₹42 lakh to ATPL for ₹63 lakh. At year-end, 40% of these goods remained unsold with ATPL. NEL follows a tax rate of 25% for deferred tax computation. BRLLP purchased a machine from ATPL for ₹90 lakh; ATPL's carrying amount before sale was ₹74 lakh. Remaining useful life at the time of transfer was 5 years. ATPL depreciates straight-line; BRLLP follows reducing-balance but NEL harmonises depreciation to SLM during consolidation.

NEL had acquired ATPL 5 years ago for ₹380 lakh when ATPL's net assets were ₹295 lakh. During the current year, NEL acquired an additional 5% stake in ATPL for ₹60 lakh when ATPL's net assets stood at ₹420 lakh. The finance team recognised the entire difference as goodwill but is unsure if this treatment is consistent with permanent consolidation adjustment guidance. NEL also recognised non-controlling interest based only on the original 80% stake and ignored the change arising from the incremental acquisition.

The auditor must determine the correctness of (i) elimination of intra-group margins, associated deferred tax impact, depreciation realignment, and inter-company asset transfer adjustments, and (ii) computation of goodwill and adjustment of NCI resulting from the additional stake.

1. In relation to NEL's consolidation process, which of the following current-period adjustments is most accurate, considering unrealised profits, harmonisation of depreciation and deferred tax effects?
 - (a) Unrealised profit on closing inventory should be recognised at 60% of gross margin, and no deferred tax impact is required as inventory is expected to be sold early next year.
 - (b) Inter-company depreciation adjustment should consider BRLLP's reducing-balance method since Ind-AS allows retention of component accounting policies for subsidiaries in consolidation.
 - (c) Since the machine was transferred at a gain of ₹16 lakh, the entire gain should remain in consolidated profit but depreciation realignment is unnecessary due to different useful life assessments.
 - (d) Unrealised profit in inventory (₹8.4 lakh) must be eliminated, deferred tax of ₹2.1 lakh recognised on this elimination, and the ₹16 lakh gain on inter-company asset transfer must be reversed and depreciated over the remaining life using SLM harmonisation.

2. Which of the following best describes the correct permanent consolidation adjustments for NEL's additional 5% acquisition in ATPL?
- (a) Goodwill for the incremental 5% should be computed by proportionately grossing up the original goodwill recognised five years ago and comparing it with current carrying amounts.
 - (b) The difference between ₹60 lakh (investment) and NEL's share of ATPL's net assets (₹21 lakh) should be directly credited to capital reserve since goodwill already exists from previous acquisition.
 - (c) Non-controlling interest should continue to be based on the original 20% because changes in shareholding after control is achieved need not modify NCI under Ind-AS 110.
 - (d) Incremental goodwill of ₹39 lakh (₹60 lakh – ₹21 lakh) must be recognised, NCI must be recomputed for the revised 15% holding, and this adjustment forms part of permanent consolidation adjustments.

Case Scenario [MCQ 3-5]

Raghav Metals & Alloys Pvt. Ltd. ("RMAL") is an unlisted Indian company engaged in customized ferrous-alloy processing. For FY 2024-25, the auditor observed that RMAL has four investee entities whose relationship classification and consolidation implications are unclear because of mixed accounting frameworks, partial control and regulatory exemptions.

RMAL holds 87% voting power in FerroLink Components Pvt. Ltd. (FLPL). FLPL is its only direct subsidiary. However, FLPL itself holds 78% equity in ForgeCast LLP, which is not a company but an LLP engaged in tool-fabrication. ForgeCast constitutes 18% of RMAL group's total assets and 11% of total revenue before consolidation adjustments. RMAL's management is evaluating whether consolidation of FLPL alone (and ignoring ForgeCast LLP) may still comply with Rule 6 of Companies (Accounts) Rules, 2014 read with Schedule III, arguing that presenting a CFS may not be mandatory because RMAL is a subsidiary of Jupiter Holdings Ltd., a foreign parent, which already prepares IFRS-compliant consolidated statements. RMAL believes it may take exemption under Rule 6 on the premise that it is a partially-owned subsidiary and that its non-controlling shareholders (holding 13%) have already been informed.

Separately, RMAL has a 48% investment in SteelMat Dynamics Ltd., a listed company. RMAL appoints three of nine directors, with one additional director nominated by a lending institution. RMAL contends it does not control SteelMat, hence does not intend to consolidate it under AS 21. RMAL argues that because SteelMat is independently audited, heavily regulated, and RMAL neither has majority voting nor unilateral power over key decisions, the investee should be excluded from CFS.

Another key entity is RMAL Strategic Investments Trust, a SEBI-regulated investment trust that invests exclusively for fair-value appreciation. RMAL contributes ₹620 crore, accounting for 92% of the trust corpus, with the remaining 8% held by two institutional investors. All investments of this trust are measured at FVTPL. RMAL's CFO asserts that under Ind-AS 110, RMAL is an investment entity and therefore exempt from consolidating three small subsidiaries (TechForge Autos Pvt. Ltd., AlloyWorks India Pvt. Ltd., and SteelMorph Engineering Pvt. Ltd.) whose aggregate net assets constitute 14% of RMAL's net assets and 12% of consolidated revenue.

However, the auditor notes that RMAL's primary business continues to be metal processing, not investment return generation. Further, the so-called "investment entity" trust is structured as a separate trust managed independently, and RMAL itself does not meet investment-entity criteria.

The audit team must conclude whether consolidation is mandatory under Rule 6 + Schedule III, whether AS-21 based exemptions apply, and whether Ind-AS-110 permits exemption on the basis of an investment-entity classification.

Based on the above facts, answer the following:

3. RMAL is a partially-owned subsidiary of Jupiter Holdings Ltd., whose consolidated financial statements are already prepared in compliance with applicable IFRS. RMAL's other shareholders (13%) were informed and did not object. RMAL is unlisted and not in the process of listing. Jupiter Holdings Ltd. files its consolidated financial statements with its home regulator but does not file any documents with the Indian Registrar of Companies. Jupiter's consolidated assets include RMAL at less than 4%. Which of the following correctly determines whether RMAL is exempt from preparing CFS?
 - (a) RMAL cannot claim exemption because its ultimate holding company does not file consolidated financial statements with the Indian Registrar, even though non-controlling shareholders did not object and RMAL is not listed.
 - (b) RMAL may claim exemption because it is partially owned, non-controlling shareholders gave no objection, and the ultimate parent prepares IFRS-compliant consolidated statements irrespective of ROC filing.
 - (c) Exemption is available only if RMAL's contribution to the group assets is less than 5%, which is satisfied, and therefore ROC filing by the parent is not relevant.
 - (d) RMAL may claim exemption because Jupiter Holdings prepares CFS, and ROC filing is required only when RMAL itself consolidates and not for the ultimate parent.

4. RMAL holds 48% in SteelMat Dynamics Ltd., has power to appoint 3 of 9 directors, while a lender appoints 1 independent director. Remaining 5 directors are elected by public shareholders. RMAL participates in decision-making but cannot unilaterally direct relevant activities. Further, the company is independently regulated and audited. SteelMat contributed 24% of RMAL group revenue and 29% of its profits (before consolidation adjustments). Which of the following best concludes whether RMAL can exclude SteelMat under AS-21?
 - (a) SteelMat must be consolidated because significant profit and asset contribution outweighs absence of majority voting control, making economic influence equivalent to control for consolidation.
 - (b) SteelMat need not be consolidated because RMAL lacks majority voting power and cannot direct the financial and operating policies, even though materiality of profits is high.
 - (c) SteelMat must be consolidated because RMAL appoints the largest block of directors, and hence demonstrates de-facto control regardless of voting rights distribution.
 - (d) SteelMat must be excluded because an investee that is heavily regulated and independently audited cannot be considered a subsidiary for consolidation purposes.

5. RMAL Strategic Investments Trust measures all investments at FVTPL, and RMAL contributes 92% of its corpus. RMAL argues it is an investment entity and wants to avoid consolidation of three subsidiaries (aggregate 14% of net assets and 12% of revenues). RMAL's primary business remains manufacturing, not investment return generation. Which of the following is the correct conclusion?
- (a) RMAL qualifies as an investment entity because it indirectly manages funds through a trust structure and measures all of its investment-related holdings at fair value.
 - (b) RMAL qualifies as an investment entity because more than 90% of its invested funds are dedicated to capital appreciation, which satisfies Ind-AS 110 tests.
 - (c) RMAL does not qualify as an investment entity because its main business purpose is manufacturing, not fair-value-based investment management, and the exemption applies only when the parent itself—not a separate trust—meets investment-entity criteria.
 - (d) RMAL cannot consolidate only because its investment proportion is extremely high, and therefore consolidation is prohibited, not optional, for investment entities.



CA Final - Advanced Auditing


MCQ – Mock Test Series 1: Nov. 2025

Detailed Schedule of MCQ Test Series – Nov. 2025

Date	Day	Topic	MCQ Style	Marks
6 Nov.	Wed.	Ch. 19 - Professional Ethics	5 MCQs in the form of Case Studies and General MCQ	10
7 Nov.	Thu.	Ch. 1 - Quality Control		10
8 Nov.	Fri.	Ch. 2 - General Auditing Principles & A.R.		10
10 Nov.	Mon.	Ch. 3 - Audit Planning		10
11 Nov.	Tue.	Ch. 4 - Materiality, Risk Assessment and I.C.		10
12 Nov.	Wed	Ch. 5 - Audit Evidence		10
13 Nov.	Thu.	Ch. 6 - Completion and Review		10
14 Nov.	Fri.	Ch. 7 - Reporting		10
17 Nov.	Mon.	Ch. 8 - Specialised Areas		10
18 Nov.	Tue.	Ch. 9 – Related Services & Ch. 10 – Review of F.I.		10
19 Nov.	Wed	Ch. 11 - Financial info. & Other Assurance		10
20 Nov.	Thu.	Ch. 12 - Digital Auditing and Assurance		10
21 Nov.	Fri.	Ch. 13 - Group Audits		10
24 Nov.	Mon.	Ch. 14 - Audit of Banks and NBFC		10
25 Nov.	Tue.	Ch. 15 - Audit of PSU		10
26 Nov.	Wed	Ch. 16 - Internal Audit		10
27 Nov.	Thu.	Ch. 17 - Investigation, Diligence & Forensic		10
28 Nov.	Fri.	Ch. 18 - SDG and ESG Assurance		10

Note: Test Papers and Answer Key will be uploaded on Knowledge Portal of www.altclasses.in

“TEST – ANALYSE – IMPROVE”

TEST SERIES 
FOR JAN. 2026 EXAMS

CA FINAL AUDITING

Under Direction & Supervision of
CA PANKAJ GARG



Key Highlights

- 6 Chapter Wise Tests
- 2 Full Syllabus Tests
- Based on ICAI Latest Exam Pattern
- Evaluation by Ex - Examiner of ICAI

FEES
₹1249

“TEST – ANALYSE – IMPROVE”

No Charges for Class Students

 9319805511, 7206941195  www.altclasses.in

S. No.	Chapter No. and Name	Date of Test
WT - 1	Ch. 1 - Quality Control	26 Nov. 2025
	Ch. 19 - Professional Ethics	
WT - 2	Ch. 2 - General Auditing Principles	29 Nov. 2025
	Ch. 3 - Audit Planning, Strategy & Execution	
	Ch. 4 - Materiality, Risk Assessment & IC	
WT - 3	Ch. 5 - Audit evidence	03 Dec. 2025
	Ch. 6 - Completion and Review	
	Ch. 7 - Reporting	
WT - 4	Ch. 8 - Specialised Areas	06 Dec. 2025
	Ch. 9 - Audit Related Services	
	Ch. 10 - Review of Financial Information	
	Ch. 11 - PFI & Other Assurance Services	
WT - 5	Ch. 12 - Digital Auditing and Assurance	10 Dec. 2025
	Ch. 16 - Internal audit	
	Ch. 17 - DD, Investigation & Forensic Accounting	
	Ch. 18 - SDG & ESG Assurance	
WT - 6	Ch. 13 - Group Audits	13 Dec. 2025
	Ch. 14 - Special Features of Audit of Banks and NBFC	
	Ch. 15 - Overview of Audit of PSU	
WT - 7	Full Syllabus Test 1	17 Dec. 2025
WT - 8	Full Syllabus Test 1	24 Dec. 2025

Purchase Link: <https://altclasses.in/product/final-audit-mtp-test-series-for-jan-2026-exams/>

CA Final – Repeater batches for Jan. 2026 Exams

CA PANKAJ GARG

Also Available
Google Drive Android

Regular Batch 50 Lectures
2 Months Validity with 1.5 Views

Fast Track Batch 36 Lectures

18 Chapter-wise Mock Tests

4 Module Tests

JOIN NOW 📞 9319805511, 7206941195 🌐 www.altclasses.in

Fees: Regular Batch – ₹ 5400 (With Physical Books)

Regular Batch – ₹ 4599 (With E-Books)

Fast Track Batch – ₹ 3600 (With Physical Books)

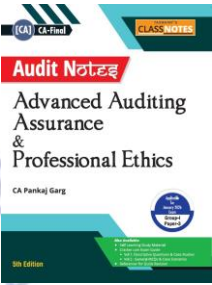
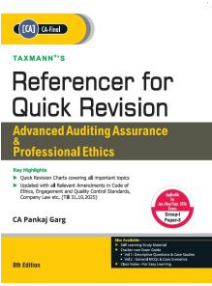
Fast Track Batch – ₹ 3060 (With E-Books)

Purchase Link:

<https://altclasses.in/product/ca-final-audit-repeater-batch-with-2-month-validity/>

Books Authored by Pankaj Garg Sir

CA Final – Advanced Auditing

Title	Edition	MRP	Sale Price	Reference Image
Self-Learning Study Material (Main Book)	16th Edition (Nov. 2025)	895	670	
Audit Notes (Coloured Book)	5th Edition (Nov. 2025)	1195	890	
Cracker – (Vol 1 & 2)	17th Edition (Oct. 2025)	1695	1170	
Referencer for Quick Revision (Coloured Book)	8th Edition (Nov. 2025)	795	630	

Books COMBO are also available at further discounted price.

For details: Visit @ www.altclasses.in

Contact @ 9319805511, 7206941195