

FINAL COURSE: GROUP I

PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(MTP 15: Ch. 15 – Audit of PSU)

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.

1. While conducting propriety audit of a PSU procurement programme, the auditor finds that although all purchases comply with financial rules, several decisions appear commercially unjustified. Which consideration BEST reflects the auditor's function specific to propriety audit, beyond routine regularity checks?
 - (a) Determining whether procurement files contain complete supporting documents and whether sanctions were obtained exactly as per departmental rules.
 - (b) Evaluating whether the procurement committee followed the organisation's internal procedural manuals for approval and reporting of high-value purchases.
 - (c) Assessing whether the expenditure reflects vigilance and prudence comparable to that of a person spending their own money, and whether any alternative course of action could have yielded better results without compromising public interest.
 - (d) Confirming that no deviations from statutory requirements exist and that all contracts are adequately authenticated and recorded as per financial handbook provisions.

2. While evaluating whether a PSU audit has been designed in accordance with the C&AG's prescribed structure, which of the following BEST represents the fundamental elements of PSU audit that must compulsorily exist in every such engagement?
 - (a) Presence of the three parties to the audit, the subject matter with its criteria and evaluated information, and classification of the audit as either attestation or direct reporting.
 - (b) Identification of management as the responsible authority, determination of information systems used by the entity, and categorisation of audit outputs as procedural or assurance-based.
 - (c) Establishment of oversight bodies interacting with the auditor, development of internal guidance by the entity, and assessment of reporting formats based on statutory requirements.
 - (d) Verification of governance structures within the PSU, documentation of policy-level controls, and determination of whether the audit will rely on historical or prospective data.

Case Scenario I [MCQ 3-5]

A central government-owned engineering PSU, Megalight Infrastructure Corporation (MIC), undertook a multi-state programme for establishing high-capacity LED manufacturing units aimed at reducing import dependence and improving long-term cost efficiency. The programme was implemented through three regional clusters with a planned capital outlay of ₹4,800 crore. The Ministry approved the project based on projected demand and expected savings in procurement costs.

During a performance audit conducted by offices under the C&AG, several issues emerged. Examination of procurement files indicated that critical machinery was procured without adequate vendor-comparison despite availability of multiple suppliers offering similar technology. The audit team noted that consultancy fees for plant design were significantly higher than industry benchmarks, and timelines for obtaining technical approvals were extended due to lapses in coordination among project wings. These factors raised concerns regarding economy, as purchases appeared to deviate from the principle of acquiring resources “at appropriate quantity, quality and at the best price” as described in the Performance Audit guidelines

Further analysis of operational records showed delays in synchronising raw material logistics with production schedules. Idle labour-hours increased by 37% in one cluster, and unplanned breakdowns of automated equipment resulted in stoppages. The audit team compared actual output per hour with planned output and found under-utilisation across all clusters. Inefficiencies in preventive maintenance and weak monitoring of employee deployment contributed to loss of productive capacity. These observations directly related to efficiency, which in performance audit requires examination of whether inputs are transformed into outputs optimally and whether operations are managed cost-effectively

Finally, the intended impact of the programme—substantial reduction in imports and measurable increase in domestic capacity—was not achieved. Although installed capacity was created, production targets were missed in three consecutive years. Import volumes actually increased due to delayed commissioning of MIC’s facilities. Stakeholder departments failed to measure outcomes against defined indicators. The audit assessed whether policy objectives were achieved and whether observed impacts were attributable to the programme itself, consistent with effectiveness evaluation under performance audit standards

Based on the above facts, answer the following:

3. While reviewing idle labour-hours and machinery breakdown patterns, the audit team must determine whether MIC transformed its inputs into outputs optimally. Which of the following BEST reflects an appropriate efficiency-related audit consideration in this scenario?
 - (a) Whether the company deployed human, financial and material resources in a manner that maximised production without compromising the quality of output.
 - (b) Whether machinery procurement complied with applicable regulations and approvals issued by oversight authorities.
 - (c) Whether the intended reduction in import dependence was achieved in line with policy objectives established at programme inception.
 - (d) Whether the installation of machines met statutory criteria relating to location, safety and inspection norms prescribed by the ministry.

4. The audit team noted consultancy charges above industry benchmarks and absence of vendor comparison before finalising machinery procurement. Which of the following MOST appropriately represents an economy-focused audit concern?
- (a) Whether the entity gathered adequate evidence to demonstrate that preventive maintenance systems achieved targeted production levels across clusters.
 - (b) Whether resources such as consultancy services and technical equipment were acquired at appropriate quantity and quality and at the most advantageous price.
 - (c) Whether the programme's outcomes were measured using reliable indicators to evaluate achievement of long-term objectives.
 - (d) Whether the utilisation rates at each cluster were aligned with departmental expectations for transforming inputs into outputs.
5. Despite installed capacity, MIC failed to reduce import dependence as projected, and no clear outcome indicators were developed. Which audit consideration BEST aligns with an effectiveness assessment?
- (a) Whether procurement delays resulted in avoidable expenditure exceeding initial cost estimates.
 - (b) Whether labour deployment plans and maintenance systems ensured maximum utilisation of installed assets on a continuous basis.
 - (c) Whether intended impacts—such as reduction in import volumes and enhanced domestic capacity—were achieved and whether deviations could be traced to weaknesses in programme implementation.
 - (d) Whether the audit team used sampling techniques or full-population testing to analyse deviations in production-related data.

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

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WT - 1	Ch. 1 - Quality Control	26 Nov. 2025
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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
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