

FINAL COURSE: GROUP I

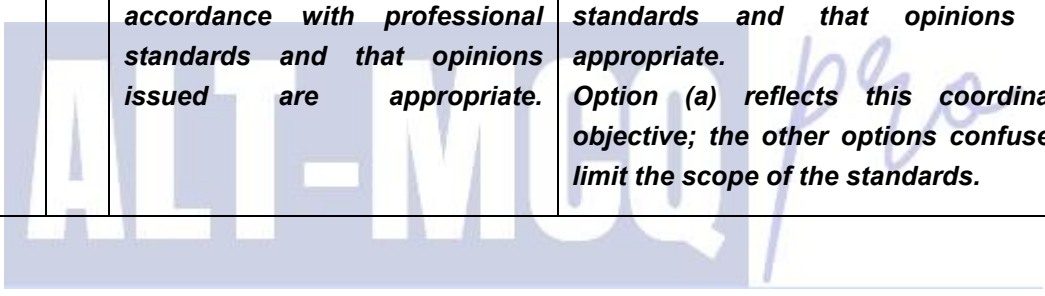
PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(MTP 2: Ch. 1 – Quality Control)


Suggested Answers

Q. No.	Correct Option	Remarks
1	(b) <i>The engagement partner failed to maintain objectivity and independence, and also breached the requirement under SA 220 by issuing the report before completion of the EQCR, thereby compromising engagement quality and ethical compliance.</i>	<i>The engagement partner must ensure that the EQCR is completed before dating the audit report (SA 220) and that independence and objectivity are maintained throughout (SQC 1). Issuing the report before review completion, especially amid personal familiarity threats, is a serious quality control and ethical violation.</i>
2	(c) <i>Acceptance of the engagement could be justified only if the firm had robust safeguards - such as independent partner review and external consultation - documented before acceptance; absence of such evidence implies non-compliance with SQC 1's integrity and objectivity principles.</i>	<i>SQC 1 requires that before accepting an engagement, the firm must evaluate client integrity, independence threats, and competence, and must have proper documentation of safeguards where threats exist. Option (c) correctly captures the need for documented safeguards before acceptance. Other options focus on leadership tone or independence but ignore the documented evaluation requirement that is central to this lapse.</i>
3	(a) <i>The engagement partner breached SA 220 because dating the audit report prior to completion of EQCR demonstrates that the review process did not provide the intended independent evaluation before opinion formation.</i>	<i>An audit report should be signed only after completion of the engagement quality control review. Option (a) identifies this as a substantive breach affecting audit quality. The other options treat it as an administrative issue or incorrectly transfer responsibility to the EQCR or governance body.</i>

4	(a)	<i>Peer Review evaluates firm-level compliance with SQC 1, focusing on design & implementation of systems, whereas NFRA's Audit Quality Review assesses engagement-specific audit execution; both can coexist and lead to disciplinary recommendations through different statutory channels.</i>	<i>Peer Review focuses on the firm's quality control system, while NFRA examines the quality of specific audits of listed entities. Both may operate simultaneously under separate authorities.</i> <i>Option (a) correctly distinguishes their roles and interaction, while the others misstate their powers or exclusivity.</i>
5	(a)	<i>Together, SQC 1 and SA 220 seek to establish reasonable, not absolute, assurance that both firm-level policies and engagement-level procedures result in audits conducted in accordance with professional standards and that opinions issued are appropriate.</i>	<i>SQC 1 establishes the firm's quality control framework, and SA 220 applies those principles at the individual audit engagement level. Together, they ensure reasonable (not absolute) assurance that audits comply with professional standards and that opinions are appropriate.</i> <i>Option (a) reflects this coordinated objective; the other options confuse or limit the scope of the standards.</i>



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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