

## FINAL COURSE: GROUP I

## PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

## (MTP 4: Ch. 3 – Audit Planning, Strategy and Execution)


## Suggested Answers

Q. No.	Correct Option	Remarks
1	(a) <i>The variance of ₹14 crore between expected (₹72 crore) and actual (₹58 crore) interest income is material and indicates possible misstatement requiring further investigation.</i>	<i>Expected interest income = ₹ 600 crore × 12% = ₹72 crore. Actual reported is ₹58 crore, showing a ₹14 crore shortfall. Under SA 520, such a significant and unexplained variance indicates a risk of material misstatement and requires further investigation and corroborative audit procedures.</i>
2	(a) <i>Update the overall audit strategy by revising materiality levels, expanding substantive procedures and reconsidering the timing of detailed testing due to unexpected events.</i>	<i>SA 300 requires updating the overall audit strategy and plan when unexpected events or changes in conditions arise. Mid-year recalibration with inadequate documentation increases risk and necessitates revised materiality and expanded procedures.</i>
3	(b) <i>Internal audit work cannot be relied upon due to insufficient sample size, compromised objectivity and inadequate documentation.</i>	<i>SA 610 permits reliance only if internal audit demonstrates objectivity, competence, and systematic, disciplined approach. Sample influenced by operations and inadequate coverage indicate lack of objectivity and competence; hence reliance is inappropriate.</i>
4	(a) <i>Treat this as a high-risk estimate, evaluate management's assumptions for reasonableness, and assess indicators of possible management bias.</i>	<i>SA 540 mandates evaluation of reasonableness of assumptions, indicators of management bias, and necessitates deeper testing for high-estimation uncertainty. Management's unsupported reduction of default probability requires heightened scrutiny.</i>

5	(b)	<i>Evaluate the adequacy of the expert's work, corroborate findings with additional evidence and consider implications for audit opinion.</i>	<i>SA 620 states the auditor must evaluate the adequacy of the expert's work and correlate findings with audit evidence. Expert's conclusion cannot be accepted blindly; auditor remains responsible for the opinion and must corroborate.</i>
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Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)		
1	Youtube Channel	<a href="https://www.youtube.com/@altclassesca9193">https://www.youtube.com/@altclassesca9193</a>
2	Telegram Channel	<a href="https://t.me/altclasses">https://t.me/altclasses</a>
3	Whatsapp Group for Doubts	<a href="https://chat.whatsapp.com/LSDM362gij2ErmRgTi7ceA">https://chat.whatsapp.com/LSDM362gij2ErmRgTi7ceA</a>
4	LMS Link	<a href="https://altclasses.in/knowledge-forum-ca-final/">https://altclasses.in/knowledge-forum-ca-final/</a>
5	Contact Number	<b>9319805511, 7206941195</b>
6	Website Link	<a href="https://altclasses.in/">https://altclasses.in/</a>



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**“TEST – ANALYSE – IMPROVE”**