

FINAL COURSE: GROUP I

PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS


(MTP 5: Ch. 4 – Materiality, Risk Assessment and Internal Control)

Suggested Answers

Q. No.	Correct Option	Remarks
1	(b) 0.081	Revised IR = 0.78; revised CR = 0.6325; DR = $0.04 \div 0.49335 \approx 0.0811 \rightarrow 0.081$. Increased IR/CR reduce acceptable DR, so auditor must intensify substantive procedures.
2	(c) Monitoring Activities – Because periodic reviews of control implementation and follow-up on deficiencies are inadequate.	Audit Committee's lack of focus on remediation and control effectiveness indicates weak oversight and poor follow-up, directly impairing COSO's Monitoring Activities component.
3	(a) Recommend immediate removal of elevated rights and require re-design of access control matrix, ensuring only defined levels hold authorization powers as per SOP.	Elevated approval rights violate SOP limits and create override risks; access must align with delegated authority to preserve control reliability.
4	(a) Consistent failure to perform periodic physical inventory verification, despite prior-year auditor recommendations, resulting in unresolved mismatches.	Systemic, unresolved control failures despite prior recommendations represent a significant deficiency under SA 265 requiring communication to TCWG.
5	(b) The Audit Committee prioritises revenue targets and profitability metrics over discussions on internal control deficiencies.	Tone at the top is weak when governance bodies prioritise financial output over internal control evaluation, reflecting a deficiency in COSO's Control Environment.

ALT-MCQ *pro*

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/LSDM362gij2ErmRgTi7ceA
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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