

**FINAL COURSE: GROUP I**

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

**(MTP 6: Ch. 5 – Audit Evidence)**

**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. During testing of sales invoices, an auditor examined 100 invoices out of a population of 1,000. The total value of the tested sample was ₹ 8 crore, and three misstatements were identified:

- Overstatement – ₹ 1,20,000
- Overstatement – ₹ 80,000
- Understatement – ₹ 1,00,000

Materiality for the sales account is ₹ 5 crore.

Which of the following conclusions is most appropriate based on the auditor's sampling results?

- (a) Projected misstatement ₹30 lakh; below materiality, but the auditor should analyse the nature and cause of errors before concluding.
- (b) Projected misstatement ₹5 lakh; clearly trivial, no additional work needed.
- (c) Projected misstatement ₹50 lakh; close to materiality, further tests required.
- (d) Projected misstatement ₹1 crore; indicates high risk, opinion modification necessary.

**Case Scenario [MCQ 2-5]**

Meditech LifeCare Ltd. (MLL) manufactures oncology and critical-care drugs at three units — Ahmedabad, Visakhapatnam, and Haridwar.

The company reported a turnover of ₹1,280 crore for FY 2024–25, with ₹190 crore in trade receivables and ₹295 crore of closing inventory.

M/s Sanjay & Rao, Chartered Accountants, were appointed as statutory auditors for FY 2024–25 following the mid-year resignation of the previous firm.

The company migrated to a fully integrated ERP system “BioTrack+”, managed by TechSphere Analytics Pvt. Ltd., covering procurement, production, inventory, and finance.

**Key Audit Situations:**

**1. Reliance on Data Prepared by a Specialist**

TechSphere, which developed and maintains BioTrack+, also produces year-end reports such as inventory valuation and yield analyses.

Its remuneration includes a performance-linked fee based on “data reliability scores.” Management asserts the reports are “completely automated and free from manual interference.”

**2. Physical Verification of Stock**

Auditors attended physical counts at Ahmedabad and Haridwar, together covering about 65% of total stock.

The Visakhapatnam unit, holding ₹ 102 crore of inventory, could not be visited due to a chemical spill that restricted entry.

Management provided drone visuals, signed count sheets, and weighbridge logs as supporting evidence.

In April 2025, dispatches worth ₹ 38 crore and new production worth ₹ 22 crore were recorded from that plant.

**3. Trade Receivable Confirmations**

Requests were sent to 40 customers covering ₹ 150 crore (out of ₹ 190 crore total).

- 29 customers (₹ 115 crore) confirmed balances without variance.
- 3 customers reported mismatches of ₹3.5 crore in total.
- 8 customers (₹ 25 crore) did not respond despite reminders.

Management later produced subsequent receipts for six of these eight customers.

**4. Transactions Indicating a Possible Undisclosed Relationship**

MLL procures laboratory glassware from Astra Scientific Pvt. Ltd., in which R&D head Dr. Neel Sharma holds a 10% stake — duly disclosed.

Separately, ₹ 2.1 crore was paid to Nexon Instruments Pvt. Ltd., a new supplier using a similar email domain and receiving same-day payments.

A whistleblower alleged that Nexon is controlled by Dr. Sharma’s relatives.

Management maintains that Nexon is independent and not related.

**Based on the above facts, answer the following:**

- 2 Which of the following actions best supports the auditor's evaluation of the reliability of TechSphere's reports?
- (a) Accept the report since it originates from a system maintained by a specialist.
  - (b) Review TechSphere's competence and independence and test selected outputs against other audit evidence.
  - (c) Assess whether TechSphere's performance-linked fee creates bias and verify a few system-generated results before reliance.
  - (d) Rely on management's representation confirming that BioTrack+ data cannot be overridden.
- 3 What is the most appropriate way to verify the Visakhapatnam inventory when attendance during the count was not possible?
- (a) Perform later-date test counts, verify post-year-end movements, and reconcile closing records with dispatch and production data.
  - (b) Compare drone footage with count sheets and accept management's certification.
  - (c) Restrict the opinion only to the two plants visited.
  - (d) Treat BioTrack+ data as equivalent to physical attendance.
- 4 How should the auditor address the non-responses and discrepancies in debtor confirmations?
- (a) Treat the 77% response rate as sufficient since most replies matched.
  - (b) Consider differences immaterial because they are small relative to sales.
  - (c) Accept management's assurance that non-responses are normal for long-term customers.
  - (d) Obtain further evidence for non-responses and examine the causes of differences before concluding.
- 5 What should the auditor do after noticing that Nexon Instruments appears linked to Astra Scientific?
- (a) Seek clarification privately from Dr. Sharma and accept his verbal denial.
  - (b) Accept management's written confirmation that both vendors are unrelated.
  - (c) Include a general remark in the audit report without further procedures.
  - (d) Independently verify Nexon's ownership, examine bank and invoice records, and report findings to those charged with governance.

# 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](http://www.altclasses.in)**

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