

FINAL COURSE: GROUP I

PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(MTP 9: Ch. 8 – Specialised Area)

Suggested Answers

| Q. No. | Correct Option | Remarks |
|--------|---|---|
| 1 | (a) <i>The auditor should compare each summarised line item, including the ₹50 crore income figure, with the audited financial statements to verify whether the summary can be accurately recalculated and whether any material differences require adjustment before reporting.</i> | A core procedure under engagements to report on summary financial statements is to compare the summary with the audited financial statements to determine whether it agrees with, or can be re-calculated from, the audited figures. The mismatch (₹50 crore vs. ₹48 crore) must be detected and evaluated. Other options ignore fundamental consistency checks or accept unjustified differences. |
| 2 | (a) <i>She should assess whether the framework's customised definitions, interpretations and alternate computations still exhibit attributes of a suitable reporting basis for the specific users and whether it will lead to meaningful, understandable information for those users.</i> | For acceptance of engagements involving contract-based financial statements, the auditor must evaluate whether the framework is acceptable for the intended users. Suitability, clarity and relevance of the framework are key considerations. Option (a) captures this precisely. The other options ignore the intended users, misstate requirements, or impose conditions not required. |
| 3 | (d) <i>She should include an Emphasis of Matter-type alert stating that the statements are prepared using a special purpose basis defined by the contract, explaining that they may not be suitable for other purposes, especially if they may be accessed by users outside the intended group.</i> | When special-purpose statements may reach users beyond the intended audience, the auditor must include an alert that the statements are prepared using a special-purpose basis and may not be suitable for other purposes. This is done through an Emphasis of Matter-type alert paragraph. Other options incorrectly suggest qualification, disclaimer or communication outside the report. |

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| 4 | (b) | The auditor should assess whether the earlier Emphasis of Matter relates to the information contained in the schedule, and include a reference only if the matter is relevant to what is being reported upon in this specific engagement. | Under an audit of a single statement / element, the auditor evaluates whether matters included in the report on the complete set are relevant to the element being audited. An EOM is included only if it affects the element. The environmental dispute did not affect net tangible assets, so relevance assessment is key. |
| 5 | (d) | The auditor cannot issue an unmodified opinion as a single statement that represents a major portion of the financial statements cannot be separately reported unmodified when the complete set carries an adverse opinion. | An unmodified opinion on a specific element cannot contradict an adverse opinion on the complete financial statements when the element is a major portion or closely interlinked with misstatements. Inventory made up ~60% of assets and was connected to revenue issues; hence unmodified reporting is not permissible. |



| 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/LSDM362givy2ErmRgTi7ceA |
| 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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