

MTP 1 (Ch. 1 – Nature, Objective and Scope of Audit & Ch. 11 – Ethics and Terms of Audit Engagement)

Marks: 20

Time: 35 Minutes

Instructions: Part A comprises of MCQ.

Part B Comprises of descriptive questions.

**Part – A (Multiple Choice Questions)**

Q.1

Name of Standard)	Level of Assurance
A. SA 200	1. No assurance
B. SRE 2400	2. High level of assurance
C. SAE 3400	3. Assurance regarding assumptions
D. SRS 4410	4. Moderate level of assurance

2

Which of the following options shows the correct matching?

- (a) A–4, B–2, C–1, D–3
- (b) A–2, B–4, C–3, D–1
- (c) A–3, B–2, C–4, D–1
- (d) A–2, B–1, C–4, D–3

Q.2

Statement I: An audit aims to provide reasonable assurance on whether the financial statements present a true and fair view, is generally recurring in nature, and relies primarily on test checks and evaluation of internal controls.

Statement II: An investigation is conducted only to detect fraud in financial statements and therefore does not involve forming an opinion for any specific purpose of management, regulators, or other interested parties.

Which of the following is correct?

- (a) Statement I is true and Statement II is false
- (b) Statement I is false and Statement II is true
- (c) Both statements are true
- (d) Both statements are false

2

Q.3

During the course of work at MNP & Co., the engagement partner identified concerns in two different client assignments. In one case, CA Arvind willingly certified a substantially lower cost of plant and machinery than what was recorded in the books, knowing that this misstatement would allow the client to reduce certain statutory charges, thereby compromising the authenticity of information he was associated with. In another instance,

2

CA Priya, during an informal discussion with executives of an unrelated company, disclosed confidential financial forecasts and details of ongoing legal disputes of her audit client, even though such information was neither required to be shared by law nor authorised by the client. Both actions raised serious doubts regarding adherence to the fundamental ethical principles expected from professional accountants.

Which of the following correctly identifies the fundamental principles violated in these two situations?

- (a) Integrity & Confidentiality
- (b) Objectivity & Professional Behaviour
- (c) Professional Competence & Due Care & Integrity
- (d) Confidentiality & Objectivity

### Part B (Descriptive Questions)

**Q.1** MNP & Co., Chartered Accountants, is the statutory auditor of several entities. During the year, the firm encountered the following situations: **4**

- (1) One of the partners, CA R, continues to hold a personal loan from a finance company which recently became an audit client, and the loan remains outstanding on the same terms.
- (2) CA M, who recently joined the firm, was employed until last month in the accounts department of another audit client and has now been assigned to audit the same area in which he previously worked.
- (3) A consulting division of MNP & Co. had earlier assisted Client X in preparing its financial statements, and the firm has now been appointed to audit those same financial statements.
- (4) Client Y informed the engagement partner that next year's audit fees will be reduced unless the auditor accepts management's preferred aggressive accounting treatment of certain revenue items.

For each of the above situations, identify the type of independence threat and briefly explain its meaning.

**Q.2** MNP & Co. has been the auditor of Starline Manufacturing Ltd. for several years. In the current year, a new CFO has taken over, and the company has implemented a new ERP-based accounting system, resulting in changes to processes and documentation. During initial discussions, the CFO stated that the earlier engagement letter automatically continues and there is no need to re-confirm or update the agreed terms, even though responsibilities and reporting expectations may now differ. **5**

State whether the auditor should revise or reaffirm the terms of engagement in this recurring audit and explain the circumstances that make it necessary.

**Q.3** Nova Textiles Ltd., a mid-sized manufacturing company, prepares its annual financial statements which include several management estimates relating to inventory valuation and depreciation. During the audit, the team from RK & Co. observed that certain internal controls failed due to collusion between two employees. Owing to reporting timelines, the auditors could perform only selective testing and had to depend on documentation and explanations provided by management, without being able to independently verify every transaction in full detail.

5

Identify the inherent limitations of audit reflected in the above case.

### Instructions for submission of answer sheet

Single PDF of answer sheet is to be e-mail at [test.altclasses@gmail.com](mailto:test.altclasses@gmail.com)

Subject line of E-mail: “Inter Audit - MTP 1 – Enrolment ID \_\_\_\_\_”

Mention the following on answer Sheet:

1. Name:
2. Mobile No.:
3. Test: Inter Audit – MTP 1
4. Enrolment ID:

[www.altclasses.in](http://www.altclasses.in)



#### For academic updates and related contents:

- Join telegram channel: <https://t.me/altclasses>
- Visit knowledge portal of [www.altclasses.in](http://www.altclasses.in)

#### For books/class related queries:

- E-mail: [altclasses11@gmail.com](mailto:altclasses11@gmail.com)
- Ph.: 9319805511, 7260941195

For Online purchase of books/classes: Visit our web portal: [www.altclasses.in](http://www.altclasses.in)

# CA INTER - AUDIT

## (JAN., MAY & SEP. 2026 EXAMS)

MTP Series

**TEST SERIES**  
FOR JAN. 2026 EXAMS

**CA INTER**  
**AUDIT**

Under Direction & Supervision of  
**CA PANKAJ GARG**

**FEES**  
**₹ 999**

No Charges for Class Students

**"TEST – ANALYSE – IMPROVE"**

### Key Highlights

- 6 Chapter Wise Tests
- 2 Full Syllabus Tests
- Based on ICAI Latest Exam Pattern
- Evaluation by Ex - Examiner of ICAI

BOOKS

**Auditing & Ethics**

CA Pankaj Garg

15th Edition

MAIN BOOK

**Audit नोट्स**

**Auditing & Ethics**

CA Pankaj Garg

2nd Edition

CLASS NOTES

**CRACKER**

**Auditing & Ethics**

Descriptive Questions & Case Studies

Vol. 1

CA Pankaj Garg

17th Edition

CRACKER (Vol. 1)

**CRACKER**

**Auditing & Ethics**

General MCQs & Case Scenarios

Vol. 2

CA Pankaj Garg

17th Edition

CRACKER (Vol. 2)

BATCHES

**CA INTER**  
**AUDIT**

**REGULAR BATCH**  
For Jan., May & Sep. 2026 Exams

**PRODUCT INFO.**

No. of Lectures	52 (Lectures)
Duration	118 (Hrs. Approx.)
View	1.5 (Views)
Fees	₹ 7200 (12 Months) ₹ 5400 (4 Months)

**CA PANKAJ GARG**

Available on Google Drive, Android

**CA INTER**  
**AUDIT**

**FAST TRACK BATCH**  
For Jan., May & Sep. 2026 Exams

**PRODUCT INFO.**

No. of Lectures	33 (Lectures)
Duration	67 (Hrs. Approx.)
View	1.5 (Views)
Fees	₹ 4500 (6 Months) ₹ 3600 (4 Months)

**CA PANKAJ GARG**

Available on Google Drive, Android

Contact us



9319805511, 7206941195



www.altclasses.in