

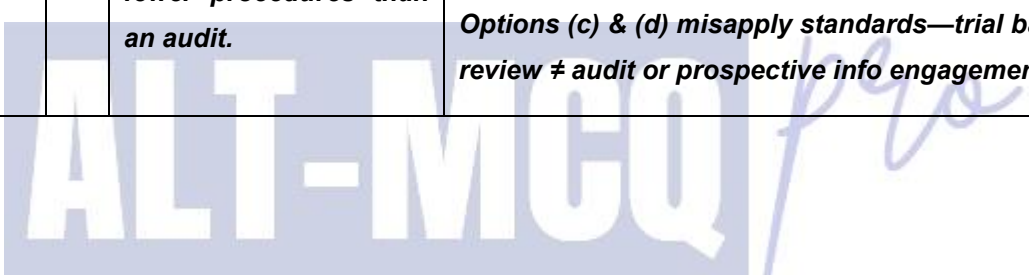
INTER COURSE: GROUP II
PAPER-5: AUDITING AND ETHICS

(MTP 1: Ch. 1 – Nature, Objective and Scope of Audit)

Suggested Answers

| Q. No. | Correct Option | Remarks |
|--------|--|---|
| 1 | (b) <i>Audit – SA 200; Review – SRE 2400; Projection – SAE 3400; Compilation – SRS 4410; Quality Control – SQC 1</i> | <ul style="list-style-type: none"> • <i>Audit → SA 200 (SAs) – reasonable assurance on historical info.</i> • <i>Review → SRE 2400 – limited assurance on historical info.</i> • <i>Projection → SAE 3400 – assurance on prospective financial info.</i> • <i>Compilation → SRS 4410 – no assurance; related service.</i> • <i>Quality control → SQC 1 – firm-level quality management standard.</i> |
| 2 | (a) <i>Audit provides a high level of assurance, but not a complete guarantee, that the financial statements are free from material misstatement.</i> | <p><i>“Reasonable assurance” means a high level of assurance but not absolute; audit reduces risk to an acceptably low level - not to zero.</i></p> <p><i>Options (b) & (c) misuse “moderate” and “limited” while (d) wrongly claims “absolute”.</i></p> |
| 3 | (b) <i>The scope of audit includes assessing whether financial statements contain all relevant disclosures required by the applicable financial reporting framework.</i> | <p><i>Auditor’s scope includes ensuring proper disclosure of relevant information as per financial reporting framework.</i></p> <p><i>Option (a) wrongly confuses “objective” with “scope.”</i></p> <p><i>Option (c) narrows scope excessively.</i></p> |

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| 4 | (c) | Due to inherent limitations of audit, such as use of sampling, management's possible collusion, and limitations of evidence, some material misstatements may remain undetected. | SA 200 clearly states that due to inherent limitations (sampling, collusion, management override), the auditor cannot provide absolute assurance. Option (a) is incorrect as auditor doesn't detect all frauds; (b) contradicts "reasonable assurance." |
| 5 | (a) | A review engagement under SRE 2400 provides limited assurance and involves fewer procedures than an audit. | SRE 2400 applies to review engagements providing limited assurance. Option (b) wrong because compilation gives no assurance; Options (c) & (d) misapply standards—trial balance review ≠ audit or prospective info engagement. |



| 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/DiDJAVV1TdiLAf3zd1JH4A |
| 4 | LMS Link | https://altclasses.in/knowledge-forum-ca-inter/ |
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