

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

**(MTP 4: Ch. 3 – Risk Assessment and Internal Control)**

**Suggested Answers**

Q. No.	Correct Option	Remarks
1	(a) Both Statement I and Statement II are correct.	<b><i>Both statements accurately describe key theoretical aspects of program change and access security controls in an automated environment.</i></b>
2	(a) Several online orders were processed automatically during the ERP migration period, and system overrides bypassed mandatory dispatch validations without keeping supporting documentation.	<b><i>System overrides bypassing key controls, lack of documentation, and bypassed dispatch validations during ERP migration represent risk of fraud/error and qualify as significant risk under SA 315.</i></b>
3	(c) Management's bonus is linked to revenue growth and profitability, and misstatements below the suggested level may still influence users' economic decisions due to incentive-driven pressure.	<b><i>SA 320 requires considering the nature and circumstances; management bonuses create incentive pressure, meaning smaller misstatements could influence decisions, justifying lower materiality.</i></b>
4	(b) Designing and performing further audit procedures that are responsive to assessed risks, including both tests of controls and substantive procedures based on nature and extent of identified risks.	<b><i>SA 330 requires designing further audit procedures responsive to assessed risks, including tests of controls and substantive procedures based on the risk assessment outcomes.</i></b>

5	(d)	The auditor evaluates design and operating effectiveness of controls relevant to reliable financial reporting and uses results to determine nature, timing and extent of further audit procedures.	<b><i>Auditor must evaluate design and operating effectiveness of IFC relevant to financial reporting, not just policy documentation; understanding informs audit procedures and risk assessment.</i></b>
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Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)		
1	Youtube Channel	<a href="https://www.youtube.com/@altclassesca9193">https://www.youtube.com/@altclassesca9193</a>
2	Telegram Channel	<a href="https://t.me/altclasses">https://t.me/altclasses</a>
3	Whatsapp Group for Doubts	<a href="https://chat.whatsapp.com/DiDJAVV1TdiLaf3zd1JH4A">https://chat.whatsapp.com/DiDJAVV1TdiLaf3zd1JH4A</a>
4	LMS Link	<a href="https://altclasses.in/knowledge-forum-ca-inter/">https://altclasses.in/knowledge-forum-ca-inter/</a>
5	Contact Number	<a href="tel:9319805511">9319805511, 7206941195</a>
6	Website Link	<a href="https://altclasses.in/">https://altclasses.in/</a>

  
**CA Pankaj Garg**

**“TEST – ANALYSE – IMPROVE”**