

INTER COURSE: GROUP II
PAPER-5: AUDITING AND ETHICS
(MTP 5: Ch. 4 – Audit Evidence)

Suggested Answers

Q. No.	Correct Option	Remarks
1	(a) Audit evidence obtained directly by the auditor through inspection or observation is generally more reliable than evidence obtained indirectly	<i>SA 500 states that direct evidence obtained by the auditor is usually more reliable; internal evidence, photocopies, and oral statements are less reliable.</i>
2	(a) The stable sales returns indicate that promotional sales are genuine, but the auditor should still corroborate gross profit drop with pricing or cost changes.	<i>Analytical procedures (SA 520) identify unusual trends; further verification of GP drop is needed even if returns are stable, as analytical procedures alone are insufficient.</i>
3	(c) 100% testing is justified for corporate accounts because they are high-value and cover a major portion of the population, increasing reliability of conclusions.	<i>SA 530 permits 100% testing where items are high-risk or high-value. Corporate customers form a major portion of receivables and were material.</i>
4	(d) Analytical procedures are mandatory at the planning stage and also required as an overall review at the conclusion stage.	<i>SA 520 requires analytical procedures at planning and at the end of the audit to assist overall conclusions.</i>
5	(a) Non-sampling risk arises from inappropriate audit procedures or misinterpretation of audit evidence.	<i>SA 530 explains that non-sampling risk results from procedural errors or wrong conclusions; it cannot be eliminated by increasing sample size.</i>

Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)

1	Youtube Channel	https://www.youtube.com/@altclassesca9193	 www.altclasses.in
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/	
5	Contact Number	9319805511, 7206941195	CA Pankaj Garg
6	Website Link	https://altclasses.in/	

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