

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

(MTP 9: Ch. 8 – Audit Report)

**Suggested Answers**

Q. No.	Correct Option	Remarks
1	(a) Frequent estimation revisions in valuing WIP due to new calibration simulation, affecting nearly 2,800 units and representing 48% of total assets.	<i>This involved significant judgement, high estimation uncertainty, and affected a material portion of assets, making it a classic Key Audit Matter under SA 701.</i>
2	(b) Inability to validate software licences worth ₹1.75 crore because vendor logs were unavailable, and alternative audit procedures failed to provide evidence.	<i>SA 705 requires a disclaimer when the auditor cannot obtain sufficient appropriate audit evidence, and the matter is potentially material and pervasive. Licence validation failure fits exactly.</i>
3	(a) Borrowings remained above ₹1 crore at all times during the year, requiring reporting on utilisation and regularity of repayment.	<i>CARO 2020 para 3(ii)(a) applies when borrowings exceed ₹1 crore at any point. Here it remained above the threshold throughout, triggering mandatory reporting.</i>
4	(d) Joint auditors must mutually discuss and agree on conclusions relating to major judgement areas such as inventory valuation, regardless of work division.	<i>Under SA 299, significant judgement areas cannot be isolated; joint auditors must jointly conclude even if work is divided.</i>
5	(d) Because absence of intent to defraud and lower amount both indicated the matter should be reported only to TCWG and not the Government.	<i>Section 143(12) + Rule 13 require reporting only if fraud ≥ ₹1 crore (for non-listed entities). Here ₹62 lakh &lt; threshold and no fraudulent intent, so only TCWG communication is needed.</i>

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/DiDJAVV1TdiLaf3zd1JH4">https://chat.whatsapp.com/DiDJAVV1TdiLaf3zd1JH4</a>
4	LMS Link	<a href="https://altclasses.in/knowledge-forum-ca-inter/">https://altclasses.in/knowledge-forum-ca-inter/</a>
5	Contact Number	<b>9319805511, 7206941195</b>
6	Website Link	<a href="https://altclasses.in/">https://altclasses.in/</a>



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**CA Pankaj Garg**



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