

MTP 3

MTP 3 (Ch. 5 – Audit Evidence, Ch. 6 – Completion and Review and Ch. 7 - Reporting)

Marks: 20

Time: 35 Minutes

Instructions: Part A comprises of MCQ.

Part B Comprises of descriptive questions.

Part – A (Multiple Choice Questions)

- Q.1** An auditor reports on the financial statements of XYZ Ltd. for the year ended 31 March 2025. The auditor had issued a qualified opinion for the year ended 31 March 2024 due to non-recognition of revenue in accordance with the applicable financial reporting framework. In the current year, management has corrected the previous misstatement fully, and the auditor has obtained sufficient appropriate audit evidence regarding both the opening balances and comparative figures. However, an unrelated material misstatement exists in the current year's financial statements affecting revenue recognition for FY 2024-25. 2
- Which of the following most appropriately describes the auditor's reporting for FY 2024-25 in accordance with the requirements relating to comparative information?
- (a) The auditor shall issue a qualified opinion for the current period only, and no reference shall be made to the prior period qualification since the misstatement has been corrected.
- (b) The auditor shall issue a qualified opinion for the current period, and shall include a "Other Matter" paragraph explaining the prior period qualification, even though the matter has been resolved.
- (c) The auditor shall issue a qualified opinion for the current period, but must include a statement in the Basis for Opinion section describing that the prior period misstatement has been corrected and that the comparative information is now appropriately restated.
- (d) The auditor shall issue two separate modified opinions — one on the current year due to the current misstatement, and one repeating the prior year's qualification because the earlier opinion cannot be withdrawn.
- Q.2** CA Raghav planned to attend the physical inventory count of Zenith Minerals Ltd. on 30 March 2025. Two days before the scheduled visit, heavy landslides blocked all three access routes to the mining site. The company informed him that although the count was completed as scheduled, the site would remain inaccessible for an uncertain period. The auditor noted that alternative remote access (drones, video count, or live streaming) was not feasible due to the lack of network connectivity, and inventory is highly material. 2

Upon inquiry, management suggests that the auditor rely on inventory valuation workings and internal count sheets prepared by the site team, supplemented by prior period GP margin analyses. No subsequent movement of this inventory occurs until year-end. What is the most appropriate audit response in the current situation?

- (a) Treat the situation as *impracticability of attendance*, rely on management's count sheets and analytical procedures, and issue an unmodified opinion if all other areas are satisfactory.
- (b) Treat the inability to visit as *unforeseen circumstances*, perform attendance at a later alternative date once access is restored, and perform procedures on intervening transactions.
- (c) Conclude that since no subsequent movement occurred, attendance is no longer necessary, and alternative procedures based only on valuation workings are sufficient.
- (d) As neither attendance nor alternative procedures can provide sufficient appropriate evidence, treat it as a scope limitation and modify the opinion accordingly.

Q.3 You are auditing RapidStep Footwear Ltd. for the year ended 31 March 2025. Heavy rainfall in October 2024 damaged inventory, leading the company to record an insurance claim receivable of ₹1.2 crore at year-end. On 10 April 2025, the surveyor recommended settlement at ₹60 lakh, which the company accepted on 5 May 2025, and the money was received on 8 May 2025. By 25 May 2025, substantive audit procedures are completed but the audit report is not yet issued. Management argues that the lower settlement is irrelevant since it occurred after the reporting date and therefore no adjustment is required.

2

Based on SA 560 – Subsequent Events, what should the auditor do?

- (a) Treat the post-balance sheet settlement as a non-adjusting event, requiring only disclosure, since the cash receipt and settlement occurred after year-end and do not affect the year-end measurement.
- (b) Consider the audit effectively completed once substantive work is done, and proceed to issue an unmodified opinion without insisting on any adjustments, as further review is unnecessary under SA 560.
- (c) Assess whether the settlement amount reflects conditions that may have existed at 31 March 2025; if so, the receivable may need to be revised to ₹ 60 lakh, even though the confirmation of the lower amount occurred only after year-end.
- (d) Require derecognition of the entire receivable, since the post-balance sheet settlement indicates that the originally recognised insurance claim was uncertain and therefore should not have been recognised at all.

Part B (Descriptive Questions)

- Q.1** RTM Metals Pvt. Ltd. is engaged in the manufacturing of copper sheets and alloy components. M/s ZRO & Co. are appointed as statutory auditors for FY 2023-24. During the course of audit, the engagement partner CA Neeraj noted that the company's major long-term borrowing facility of ₹180 crores expired during the year, and the entire amount became repayable on 31 March 2024. **5**
- Management has neither been able to renew nor replace this financing, and subsequent attempts to negotiate new credit lines with banks have failed. Internal correspondence reviewed by the auditor further indicates that the company is evaluating the option of filing for insolvency under IBC.
- These conditions indicate the existence of a material uncertainty related to going concern. However, the financial statements and notes do not disclose the pending insolvency evaluation, expiry of borrowing facility, or its impact on going concern.
- Audit evidence clearly indicates that the omission of such disclosure is material and pervasive.
- Identify the type of audit opinion that CA Neeraj should express as per SA 705. Draft the "Adverse Opinion" and the "Basis for Adverse Opinion" section of the auditor's report.
- Q.2** Rivanto Textiles Ltd. had a CSR obligation of ₹1.85 crores for FY 2024–25. The company undertook two CSR initiatives: **4**
- (1) Project A – a sanitation facility construction programme intended to be completed within the same financial year, with an allocation of ₹ 1.20 crores.
 - (2) Project B – a multi-year rural skill-development initiative, with ₹ 65 lakhs earmarked for the year.
- At the end of the year, ₹ 35 lakhs from Project A remained unutilised. The entire ₹ 65 lakhs allocated for Project B also continued to remain with the company without being deployed. Management explains that the CSR activities could not progress as planned due to operational delays and pending decisions on project execution.
- As the statutory auditor of Rivanto Textiles Ltd., explain your reporting responsibilities arising from these CSR-related lapses and draft the reporting that would form part of your CARO 2020 report.
- Q.3** Stellar Tools Pvt. Ltd., engaged in manufacturing industrial drilling equipment, is undergoing statutory audit for FY 2024–25. During the audit, the auditor sends positive external confirmations to two major trade receivables—Alpha Engineering Ltd. (₹72 lakh) and NeoMach Industries (₹41 lakh). While Alpha Engineering Ltd. replies stating a significantly lower balance, NeoMach Industries does not respond at all despite two reminders. For trade payables, the auditor requests management permission to send **5**

external confirmations to a key supplier, MetalWorks Components Pvt. Ltd., showing an outstanding balance of ₹58 lakh, but management refuses without providing any valid reason. Further, the auditor obtains a confirmation from a bank regarding a term loan, but the confirmation received contains incomplete details compared to the auditor's request. As the statutory auditor of Stellar Tools Pvt. Ltd., analyse the above situations in light of SA 505 – External Confirmations, and explain the auditor's responsibilities and possible reporting implications.

Instructions for submission of answer sheet

Single PDF of answer sheet is to be e-mail at test.altclasses@gmail.com

Subject line of E-mail: "Final Audit - MTP 3 – Enrolment ID _____"

Mention the following on answer Sheet:

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



For academic updates and related contents:

- Join telegram channel: <https://t.me/altclasses>
- Visit knowledge portal of www.altclasses.in

For books/class related queries:

- E-mail: altclasses11@gmail.com
- Ph.: 9319805511, 7260941195

For Online purchase of books/classes: Visit our web portal: www.altclasses.in

CA FINAL - AUDITING

(JAN., MAY & SEP. 2026 EXAMS)

MTP Series

TEST SERIES
FOR JAN. 2026 EXAMS

CA FINAL AUDITING

Under Direction & Supervision of
CA PANKAJ GARG

FEES
₹1249

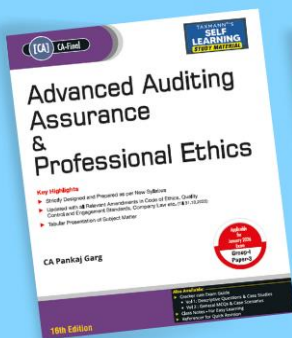
No Charges for Class Students

"TEST - ANALYSE - IMPROVE"

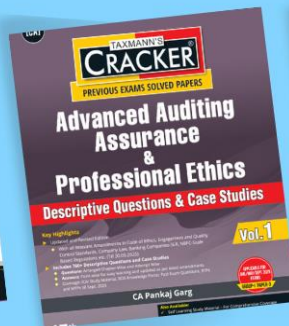
Key Highlights

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

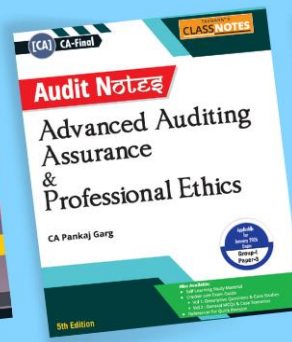
BOOKS



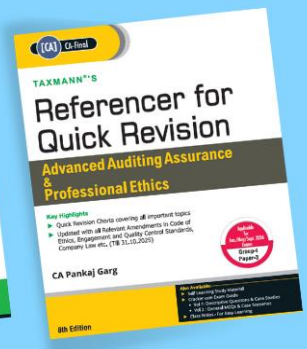
MAIN BOOK



CRACKER



CLASS NOTES



REFERENCER

BATCHES

CA FINAL AUDIT

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

PRODUCT INFO.

No. of Lectures	50 (Lectures)
Duration	160 (Hrs. Approx.)
View	1.5 (Views)
Fees	₹ 8550 (12 Months) ₹ 6750 (4 Months)

CA PANKAJ GARG

Also Available on Google Drive, Android

CA FINAL AUDIT

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

PRODUCT INFO.

No. of Lectures	36 (Lectures)
Duration	96 (Hrs. Approx.)
View	1.5 (Views)
Fees	₹ 5400 (6 Months) ₹ 4500 (4 Months)

CA PANKAJ GARG

Also Available on Google Drive, Android

Contact us 9319805511, 7206941195 www.altclasses.in