

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Module I “Professional Ethics” (16 – 20 marks)

Part – I “Provisions of Chartered Accountant Act, 1949”

Q. No. 1	Comment on the following with reference to the Chartered Accountants Act, 1949 and schedules thereto: Mr. A, a practicing Chartered Accountant agreed to select and recruit personnel, conduct training programmes for and on behalf of a client.
Q. No. 2	Is there any misconduct on the part of a Chartered Accountant in the following circumstances: Mr. G, a Chartered Accountant in practice as a sole proprietor has an office in Mumbai near Church Gate. Due to increase in professional work, he opens another office in a suburb of Mumbai which is approximately 80 kilometers away from his existing office. For running the new office he employs three retired Income-tax Officers.
Q. No. 3	Comment on the following with reference to the Chartered Accountants Act, 1949 and schedules thereto: XY & Co., a firm of Chartered Accountant having 2 partners X & Y, one in charge of Head Office and another in charge of Branch at a distance of 80 kms, puts up a name-board of the firm in both premises and also in their respective residences.
Q. No. 4	Write short note on: Quality Review Board

First Schedule

Q. No. 5	Mr. Qureshi, Chartered Accountant, in practice died in a road accident. His widow proposes to sell the practice of her husband to Mr. Pardeshi, Chartered Accountant, for Rs. 5 lakhs. The price also includes right to use the firm name-Qureshi and Associates. Can widow of Qureshi sell the practice and can Mr. Pardeshi continue to practice in that name as a proprietor?
Q. No. 6	Comment on the following with reference to the Chartered Accountants Act, 1949 and Schedules thereto: Mr. S, a Chartered Accountant published a book and gave his personal details as the author. These details also mentioned his professional experience and his present association as partner with M/s RST, a firm.
Q. No. 7	Comment on the following with reference to the Chartered Accountants Act, 1949, Code of Ethics and Schedules to the Act: M/s LMN, a firm of Chartered Accountants responded to a tender from a State Government for computerization of land revenue records. For this purpose, the firm also paid Rs. 50,000 as earnest deposit as part of the terms of the tender.
Q. No. 8	Give your comments with reference to the Chartered Accountants Act, and schedules thereto: Mr. X, a Chartered Accountant and the proprietor of X & Co., wrote several letters to the Assistant Registrar of Co-operative Societies stating that though his firm was on the panel of auditors, no audit work was allotted to the firm and further requested him to look into the matter.
Q. No. 9	Comment on the following with reference to the Chartered Accountants Act, 1949 as amended by the Chartered Accountants (Amendment) Act, 2006 and schedules thereto: BC & Co, a firm of Chartered Accountants, accepted an assignment for audit under State level VAT Act, without any prior communication with the previous auditor.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Q. No. 10	Comment on the following with reference to the Chartered Accountants Act, 1949 as amended by the Chartered Accountants (Amendment) Act, 2006 and Schedules thereto: An auditor of a cooperative society has agreed to charge fees @ 5% of the profits of the society.
Q. No. 11	Comment on the following with reference to the Chartered Accountants Act, 1949 and schedules thereto: Mr. J.J. a practicing Chartered Accountant engages himself as part time finance manager of Quick Return Securities Ltd. He is of the view that as both functions are independent, he need not take permission from the Institute.
Q. No. 12	Comment on the following with reference to the Chartered accountants Act, 1949 as amended by the Chartered Accountants (amendment) Act, 2006 and Schedules thereto Mr. A, a Chartered Accountant in practice has been appointed editor of a monthly journal which analyses performance of the Stock Market and Mutual Fund Schemes.
Q. No. 13	Comment on the following with reference to the Chartered Accountants Act, 1949 as amended by the Chartered Accountants (Amendment) Act, 2006 and schedules thereto: X, a Chartered Accountant availed a loan against his shares held as investments from a nationalized bank. He issued 2 cheques towards repayment of the said loan. Both the cheques were returned back by the bank with the remarks "Refer to Drawer".

Second Schedule

Q. No. 14	Comment on the following with reference to the Chartered Accountants Act, 1949 as amended by the Chartered Accountants (Amendment) Act, 2006 and schedules thereto: As a Chartered Accountant in practice, you are asked to conduct a review of the "Profit Forecast" prepared by a Company in connection with its application for a Term loans from a bank.
Q. No. 15	Comment on the following with reference to Chartered Accountants Act, 1949 and schedules thereto: Mr. Shah, a Chartered Accountant certified the financial statements of a company in which his wife is a Director holding substantial interest.
Q. No. 16	Answer the following: Loans were given out of the funds of an Employees Provident Fund to the employer company in contravention of the applicable rules. As the auditor of the said Provident Fund, M discloses the contraventions to the Trustees of the fund, but failed to do so to the members of the fund. Comment.
Q. No. 17	Comment on the following with reference to the Chartered Accountants Act, 1949 and schedules thereto: A practicing Chartered Accountant was appointed to represent a company before the tax authorities. He submitted on behalf of his clients certain information and explanations to the authorities, which were found to be false and misleading.
Q. No. 18	Comment on the following with reference to the Chartered Accountant Act, 1949 and schedules there to: CA ZZ who conducted ABC audit of a Marathi daily 'New Era' certified the circulation figures based on Management Information System Report (M.I.S Report) without examining the books of Account.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Q. No. 19	Comment on the following with reference to Chartered Accountants Act, 1949 and schedules thereto: A charitable institution entrusted Rs. 10 lakhs with its auditors M/s Ram and Co., a Chartered Accountant firm, to invest in a profitable portfolio. The auditors pending investment of the money, deposited it in their Savings bank account and no investment was made in the next three months.
Q. No. 20	Comment on the following with reference to the Chartered Accountants Act, 1949 and schedules thereto: AB & Co., a firm of Chartered Accountants, included the name of P as a partner while filing an application for empanelment as auditor for Public Sector bank branches. It was subsequently noticed that on the date of application, P was not a partner with AB & Co.

Notifications / Self Regulatory Measures

Q. No. 21	Comment on the following with reference to the Chartered Accountants Act, 1949 and schedules thereto: A is the auditor of Z Ltd., which has a turnover of Rs. 200 crore. The audit fee for the year is fixed at Rs. 50 lakhs. During the year, the company offers A an assignment of management consultancy within the meaning of Section 2(2)(iv) of the CA Act, 1949 for a remuneration of Rs. 1 crore. A seeks your advice on accepting the assignment.
Q. No. 22	Comment with reference to the Chartered Accountants Act, 1949 and Schedules thereto: D, who conducts the tax audit u/s 44AB of the Income Tax Act, 1961 of M/s ABC, a partnership firm, has received the entire audit fees of Rs. 25,000 in April, 2009 in respect of the tax audit for the year ended 31.3.2009. The audit report was, however, signed on 25.5.2009.
Q. No. 23	Comment with reference to the Chartered Accountants Act, 1949 and Schedules thereto: M/s LMN, a firm of Chartered Accountants having 5 partners accepts an audit assignment of a newly formed private limited company for audit fees of Rs. 5,000.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Module II – Company Audit (20 – 25 Marks)

Chapter - 1 “Company Auditor”

Q. No. 1	What are the steps to be taken by a firm of Chartered Accountant to ensure that its appointment as Statutory Auditor of a Company is valid?
Q. No. 2	As an auditor, how would you deal with the following: In the audit of ABC Private Limited, auditor came across cases of payments to Directors, whereby, expenses of a personal nature were re-imbursed.
Q. No. 3	What are the duties of an auditor regarding disqualifications of directors under section 274(1) (g) of the Companies act, 1956.

Chapter – 2 “CARO 2003”

Q. No. 4	T Pvt. Ltd.'s paid up Capital & Reserves are less than Rs. 50 lakhs and it has no outstanding loan exceeding Rs. 25 lakhs from any bank or financial institution. Its sales are Rs. 6 crores before deducting Trade discount Rs. 10 lakhs and Sales returns Rs. 95 lakhs. The services rendered by the company amounted to Rs. 10 lakhs. The company contends that reporting under Companies Auditor's Reports Order (CARO) is not applicable. Discuss.
Q. No. 5	Under CARO, 2003 how, as a statutory auditor would you comment on the following: Fixed assets comprising 1/3rd of the total assets have been disposed off during the year.
Q. No. 6	As the statutory auditor of B Ltd. to whom CARO, 2004 is applicable, how would you report in the following situations: Physical verification of only 50% (in value) of items of inventory has been conducted by the company. The balance 50% will be conducted in next year due to lack of time and resources.
Q. No. 7	As the Statutory Auditor of a Manufacturing Company, what are the points you will consider to conclude “Whether the company has an Internal Audit system commensurate with the size of the company and its operations”?
Q. No. 8	As a statutory auditor, how would you deal with the following case: During the course of audit of ABC Ltd. it is noticed that out of Rs. 12 Lacs of provident fund contribution accounted in the books, only Rs. 2 Lacs has been remitted to the authorities during the year. On enquiry the Chief Accountant informed that due to financial problems they have not remitted but will remit the same as and when the position improves.
Q. No. 9	Under CARO, 2004 how, as a statutory auditor how would you comment on the following: A Term Loan was obtained from a bank for Rs.75 lakhs for acquiring R&D equipment, out of which Rs.12 lakhs was used to buy a car for use of the concerned director, who was overlooking the R&D activities.
Q. No. 10	As an auditor, how would you deal with the following: ABC Limited to whom CARO is applicable made a public issue of 7% debentures of Rs. 3 crores, redeemable after 5 years and used the proceeds of issue for payment of Sundry creditors and other Current liabilities to the tune of 3 crores.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Chapter – 3 “Audit of Dividends”

Q. No. 11	As a Statutory Auditor, how would you deal with the following: While adopting the accounts for the year, the Board of Directors of Sunrise Ltd. decided to consider the Interim Dividend declared @15% as final dividend and did not consider transfer of Profit to reserves.
Q. No. 12	As Auditor of Act Fast Ltd. what steps will you take to ensure that the dividend has been paid only out of profit?
Q. No. 13	As an auditor, how would you deal with the following? A Ltd. has not made provisions for proposed dividends in its accounts but proposes to charge the dividends to Profit and Loss account as and when paid.

Chapter – 4 “Audit Committee and Corporate Governance”

Q. No. 14	Write Short note on: Corporate Governance
Q. No. 15	Explain the constitution and functions of audit Committee u/s 292A of the Companies Act.
Q. No. 16	Write short note on: CEO/CFO Certification to the Board.
Q. No. 17	State the main features of the Qualified and Independent Audit Committee set up under clause 49 of the listing agreement.
Q. No. 18	Section 292A of the Companies Act, 1956 provides that every public company having paid up capital not less than Rs. 5 crores shall constitute a committee of the Board known as “audit Committee”. Briefly discuss the additional requirements as per Sec. 292A which are silent in clause 49 of the Listing agreement

Chapter - 5 “Miscellaneous”

Q. No. 19	As a Statutory Auditor, how would you deal with the following: P Ltd. of whom you are the Statutory Auditor appoints M/s XYZ as Branch Auditors for one of its branches. M/s XYZ conducted the audit of the branch without visiting the branch and instead getting the books at the H.O. M/s XYZ has submitted their Branch Audit Report to you.
Q. No. 20	As a Statutory Auditor, how would you deal with the following: Apex Ltd., a well reputed manufacturing public limited company has made a contribution of Rs. 2.5 lacs during the financial year ended 31.3.09 to a political party for running a school, situated in the village, where most of the workers of the company reside. It is admitted that the benefit of the school is mostly for the children of the workers of the company. The company has not made any profits in the last four years.
Q. No. 21	What is the meaning of “Small and Medium sized Company” as per the Companies (Accounting Standards) Rules, 2006?
Q. No. 22	Write short note on: Certificate for Special Purpose vs. Audit Report.
Q. No. 23	Explain the liability of the auditor u/s 62 of the Companies Act, 1956, for making an untrue statement in the report (as an expert forming a part of the prospectus).

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Module III – Different Types of Audit (25 – 30 Marks)

Chapter – 1 “Audit in CIS Environment”

Q. No. 1	The auditor must evaluate major clauses of control used in a Computerised Information system to enhance its reliability – Comment.
Q. No. 2	Discuss the control procedures which the auditor should adopt in applying CAAT (Computer Assisted Audit Technique) in an audit under EDP environment.
Q. No. 3	“The method of collecting Audit evidence and evaluating the same changes drastically under EDP Auditing”. Comment on the above. or The role of an auditor in collecting audit evidences under EDP system is more complex than under the manual system - Discuss.

Chapter – 2 “Cost Audit”

Q. No. 4	State the circumstances that may warrant the introduction of Cost audit.
Q. No. 5	Write short note on: True and Fair Cost of Production
Q. No. 6	It is not possible to merge cost audit with financial audit to have a composite audit. State with reasons whether the above statement is true or false.
Q. No. 7	Explain the revised procedure for appointment of cost auditor under Section 233B.

Chapter -3 “Management and Operational Audit”

Q. No. 8	In an operational audit performance evaluation, what factors can cause unsatisfactory production performance?
Q. No. 9	You have been appointed to carry out Management-cum-Operational Audit of a Public Ltd company. State whether the use of quantitative ratios is more effective than the use of financial ratios to gain real insight into the financial statements.
Q. No. 10	You have been appointed Management Auditor of a large manufacturing company suffering from working capital crunch. Enlist and discuss the related areas which you would probe into to overcome the company's problem.

Chapter – 4 “Tax Audit”

Q. No. 11	As the tax auditor of a non-corporate entity u/s 44AB of the Income Tax Act, 1961, how would you ensure compliance of section 145 of the Income Tax Act, 1961?
Q. No. 12	Answer the following: As the tax auditor of a Company, how would you report on payments exceeding Rs. 20,000 made in cash to a supplier against an invoice for expenses booked in an earlier year?
Q. No. 13	Discuss the reporting requirements in Form 3CD of the Tax Audit Report U/S 44AB of the Income-tax Act, 1961 for the following: (i) Tax on distributed profits. (ii) Brought forward loss or depreciation allowance.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Q. No. 14	A leading jewellery merchant used to value his inventory at cost on LIFO basis. However, for the current year, in view of requirements of AS-2, he changed over to FIFO method of valuation. The difference in value of stock amounted to Rs. 55 lakhs which is higher than that under the previous method. In such a situation, what are the reporting responsibilities of a Tax Audit u/s 44AB of Income Tax Act, 1961.
-----------	---

Q. No. 16	Enumerate areas of concern in an audit of indirect taxes.
-----------	---

Chapter – 5 “Audit of Consolidated Financial Statements”

Q. No. 17	Write short note on: Current Period Consolidated Adjustments.
-----------	---

Chapter – 6 “Investigation and Due Diligence”

Q. No. 18	Write short note on: Frauds through Supplier Ledgers.
-----------	---

Q. No. 19	What are the areas in which Due Diligence can take place?
-----------	---

Q. No. 20	Your client is contemplating taking over a manufacturing concern and desires that in the course of due diligence review, you should look specifically for any hidden liabilities and overvalued assets. State (in brief) the major areas you would examine for the above.
-----------	---

Q. No. 21	A company engaged in manufacturing of chemicals is consistently recording higher sales turnover, but declining net profits since the last 5 years. As an investigator appointed to find out the reasons for the same, what are the points you would verify?
-----------	---

Q. No. 22	Write a short note on - Outline the contents of a due diligence report.
-----------	---

Chapter – 7 “Peer Review”

Q. No. 23	Explain the objectives of Peer Review.
-----------	--

Q. No. 24	Briefly explain: Collection of evidences by Peer reviewer.
-----------	--

Q. No. 25	Explain various stages of peer review.
-----------	--

Chapter – 8 “SOX Audit”

Q. No. 26	State briefly the provisions of the Sarbanes-Oxley Act of 2002, which shall, if strictly applied to Indian Corporates, get fruitful results.
-----------	--

Q. No. 27	Highlight the provisions relating to corporate responsibility under Sarbanes Oxley Act of 2002.
-----------	---

Chapter – 9 “Special Audit Assignments”

Q. No. 28	What are the areas to be considered in an Environment audit?
-----------	--

Q. No. 29	Write short notes on: Probable format of Environmental Statement.
-----------	---

Q. No. 30	Write short note on: Energy Audit.
-----------	------------------------------------

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Module IV – “Audit of Different Entities” (20-25 Marks)

Chapter – 1 “Audit of Banking Companies”

Q. No. 1	How will you evaluate the Internal Control system in the area of Credit Card operations of a Bank?
Q. No. 2	How are investments to be classified in the financial statements of a Bank?
Q. No. 3	What are the exceptions to the general rule of treating advances as Non-performing Assets (NPAs)?
Q. No. 4	As a Statutory Auditor, of a bank, how would you verify the “Sacrifice” on NPA for which Corporate Debt Restructuring has been undertaken?
Q. No. 5	While auditing the branch of a Bank you are required to examine inter branch adjustments. What points require your special attention.
Q. No. 6	As a branch auditor of a nationalized bank, how would you verify the Balances in account of a bank situated in a foreign country.
Q. No. 7	Explain the scope of concurrent audit of a bank with reference to RBI guidelines.

Chapter – 2 “Audit of General Insurance Companies”

Q. No. 8	While auditing claims paid in respect of a General Insurance company what aspects need to be looked in to.
Q. No. 9	Answer the following: “In an audit of an insurance company, the Receipts and Payments Account is also subjected to audit”. Comment on this statement in brief.
Q. No. 10	Write short note on: Solvency margin in case of an insurer carrying on general insurance business.
Q. No. 11	Enumerate the steps to be taken by an auditor for the verification of Re-insurance outward in case of a General Insurance Company.

Chapter 3 – “Audit of Co-operative Societies”

Q. No. 12	Under what circumstances, an auditor is required to submit a special report to the registrar of Co-operative Societies?
-----------	---

Chapter 4 – “Audit of NBFC”

Q. No. 13	You are the auditor of IJK Ltd., a NBFC registered with RBI. How would you proceed to ensure the compliance of Prudential Norms directions by it.
Q. No. 14	Write short note on: Special points that may be covered in the audit of Equipment Leasing Finance Company?

Chapter -5 “Audit of Members of Stock Exchange”

Q. No. 15	Write short note on: Mark to Market Margin
Q. No. 16	Write short note on: Rolling Settlement
Q. No. 17	Write short note on; Circuit Filters

Chapter – 6 “Audit of PSU

Q. No. 18	What are the general principles that propriety audit need to conform.
Q. No. 19	List the areas to be covered in comprehensive audit if public enterprises.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

Module V – Engagement Standards and Accounting Standards (15 – 25 Marks)

SA 200 (Revised) “Overall Objectives of the Independent Auditor and Conduct of Audit in accordance with SAs”

Q. No. 1	Explain the Overall Objectives of Independent auditor.
Q. No. 2	Comment on the following: “The Auditor shall comply with relevant ethical requirements including independence”
Q. No. 3	SA 200 requires that the auditor shall and perform an audit with professional skepticism. Explain the statement.
Q. No. 4	Comment on the following: “The auditor shall exercise professional judgement in planning and performing an audit of financial statements.
Q. No. 5	State your opinion on the following: The audit of financial statements relieves management of its responsibilities.
Q. No. 6	“An opinion expressed by the auditor is neither an assurance as to the future viability of the enterprise nor the efficiency or effectiveness with which management has conducted the affairs”.

SA 210 (Revised) “Agreeing the Terms of Audit Engagement

Q. No. 7	What is an audit engagement letter? What are the principal contents of audit engagement letter.
Q. No. 8	Write short note on: Pre-conditions for an Audit.
Q. No. 9	Comment on the following: “It is not mandatory to send a new engagement letter in recurring audit, but sometimes it become mandatory to send new letter.” Explain those situations where new engagement letter is to be sent.

SA 220 (Revised) “Quality Control for an audit of Financial Statements”

Q. No. 10	Comment on the following: “The work performed by each assistant needs to be reviewed by personnel of at least equal competence”
Q. No. 11	Write short note on: Engagement Quality Control review.

SA 230 (Revised) “Audit Documentation”

Q. No. 12	As an auditor how would you deal with the following: The statutory auditor of the holding company demands for the working paper of the auditors of the subsidiary company, of which you are the auditor.
-----------	--

SA 240 (Revised) “Auditor’s Responsibilities relating to fraud in an audit of financial statements

Q. No. 13	Explain briefly duties and responsibilities of an auditor in case of material misstatements resulting from management fraud.
-----------	--

SA 250 (Revised) “Consideration of Laws and regulations in an audit of Financial Statements”

Q. No. 14	Comment on the following: Management is responsible for compliance with Laws and regulations.
Q. No. 15	As an auditor what are the indicators you would consider while verifying compliance with laws and regulations.
Q. No. 16	State briefly the reporting requirements as per SA 260 on non-compliance with laws and regulations.

SA 260 (Revised) “Communication with Those Charged with Governance”

Q. No. 17	Explain the various matters that are required to be communicated by the auditor to TCWG.
Q. No. 18	“As per SA 260, auditor is required to communicate with TCWG various matters significant to audit” In this reference explain various forms of communication and factors affecting mode of communication.

SA 265 (Revised) “Communicating Deficiencies in Internal Control to TCWG and Management”

Q. No. 19	What do you mean by deficiencies in Internal Control. Explain various indicators of Significant deficiencies.
-----------	---

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

SA 299 “Responsibilities of Joint Auditors”

Q. No. 20	A joint auditor is not bound by the views of the majority of the joint auditors regarding matters to be covered in the report. Justify the statement in the light of SA 299.
Q. No. 21	Write short note on responsibilities of Joint Auditor. Or You have been appointed as an auditor of a company along with 2 other auditors. What steps would you like to take to ensure a smooth and effective audit? To what extent do you think you will be responsible in relation to the work performed by yours co-auditors and vice versa?
Q. No. 22	Comment on the following: ABC & Co. and DEF & Co. Chartered Accountant firms were appointed as joint auditors of Good Health Care Ltd. for 20089-10. A special audit was conducted U/s 233A of the companies Act 1956 during March 2011 and observed gross understatement of Revenue. The revenue aspects were looked after by DEF & Co, but there was no documentation for the division of work between the joint auditors.

SA 300 (Revised) “Planning and Audit of Financial Statements

Q. No. 23	Write short note on: Factors to be considered in the development of overall audit plan.
Q. No. 24	Write short note on: Preliminary Engagement Activities
Q. No. 25	Comment on the following: Auditor shall establish an overall strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan”.

SA 315 “Identifying and Assessing the Risk of material Misstatements through understanding the Entity and its Environment

Q. No. 26	What are the points to be remembered while evaluating the knowledge of the business in the conduct of an audit? or Auditor is required to identify and assess Risk of material misstatement through understanding the entity and its environment. Explain the various matters of which auditor should obtain understanding.
Q. No. 27	Write short note on: Risk Assessment procedures
Q. No. 28	Explain various components of Internal Control

SA 320 (Revised) “Materiality in Planning and performing an audit”

Q. No. 29	Explain the concept of materiality in planning and performing an audit
Q. No. 30	Write short note on: Performance Materiality

SA 330 “The Auditor’s Responses to Assessed Risks”

Q. No. 31	Write short note on: Tests of Controls and Substantive Procedures
-----------	---

SA 402 “Audit Considerations relating to an entity using service organisation

Q. No. 32	“As per SA 402, the user auditor shall obtain an understanding of how user entity uses the services of a service organisation in the user entity operations” Explain the various matters of which understanding is required.
Q. No. 33	In the course of audit of R Ltd. the audit manager of ABC & Co. observed that R Ltd. has outsourced certain activities to an outsourcing agency. As the engagement partner guide the audit manager in the assessment of services provided by the outsourcing agency in relation to the audit.

SA 450 “Evaluation of Misstatements identified during the Audit”

Q. No. 34	Explain the various causes of misstatement.
-----------	---

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

SA 500 (Revised) "Audit Evidence"	
Q. No. 1	Write short note on: Sufficient Appropriate Audit Evidence
Q. No. 2	Y Ltd. Engaged an actuary to ascertain its employee cost, gratuity and leave encashment liabilities. As the auditor of Y Ltd. You would like to use the report of actuary as audit evidence. How do you evaluate the work of Actuary.
Q. No. 3	Explain various methods of obtaining audit evidence
Q. No. 4	Write short note on: Reliability of Audit Evidence
SA 505 (Revised) "External Confirmations"	
Q. No. 1	What is External Confirmation. Explain the process of obtaining external confirmation.
Q. No. 2	Comment on the following: Negative confirmation provides less persuasive audit evidence than positive confirmation.
Q. No. 3	Management of X Ltd. request you not to seek confirmation from its debtors. As the auditor of X Ltd. what can be appropriate response.
SA 510 "Initial Audit Engagements – Opening Balances"	
Q. No. 1	What are the audit procedures to be followed by a statutory auditor in the audit of opening balances if the financial statements for the preceding year were audited by another auditor.
SA 520 "Analytical Procedures"	
Q. No.1	Write short note on: analytical Procedures
Q. No. 2	What are the considerations to be kept in mind while performing analytical procedures on data prepared by the client.
SA 530 "Audit Sampling"	
Q. No. 1	While planning the audit of X Ltd, you want to apply sampling techniques. What are the risk factors you should keep in mind. Or "The auditor is faced with sampling risk in both tests of control and substantive procedures". Comment on this statement with reference to SA 530 on Audit sampling.
SA 540 "Auditing Accounting Estimates, including Fair Value Accounting Estimates and related Disclosures"	
Q. No. 1	While auditing X Ltd, you observe certain material financial statement assertions have been based on estimates made by the management. As an auditor how do you identify and assess risk of material misstatement.
SA 550 (Revised) "Related Parties"	
Q. No. 1	As a statutory auditor how do you verify the existence of Related Parties and disclosures of Related Party Transactions.
SA 560 (Revised) "Subsequent Events"	
Q. No. 1	Write short note on: Subsequent Events
SA 570 (Revised) "Going Concern"	
Q. No. 1	Explain the procedures to be performed by the auditor in expressing opinion on going concern assumption.
Q. No. 2	What are the financial indicators to be considered by an auditor for evolution of the going concern assumption.
SA 580 (Revised) "Written Representation"	
Q. No. 1	Write short note on: Written Representation
Q. No. 2	In the course of audit of X Ltd. its management refuses to provide written representation. As an auditor what is your duty.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

SA 600 “Using the work of Another Auditor”

Q. No. 1	“There should be a sufficient liaison between a principal auditor and other auditors”. Discuss the above statement and state in this context the reporting consideration, when the the auditor uses the professional work performed by other auditor.
----------	---

SA 610 (Revised) “Using the work of Internal auditors”

Q. No. 1	You have been appointed auditor of a large Industrial Company which has an established Internal Audit Department. You are required to state the main aspects that would be considered to find out effectiveness of the department.
Q. No. 2	Explain the following: Relationship between Statutory auditor and Internal Auditor. Or Can the statutory auditor rely upon the work of an internal auditor?

SA 620 (Revised) “Using the work of an Auditor’s Expert”

Q. No. 1	While doing audit, Ram, the Auditor requires reports from experts for the purpose of audit evidence. What types of reports/opinions he can obtain and to what extent he can rely upon the same?
Q. No. 2	What are the procedures to be followed by a statutory auditor for verifying the provisions for accrued liability for retirement benefits which is based on a certificate of a reputed actuary engaged by the auditor for the purpose.
Q. No. 3	State your views on reference to an expert in the Auditor's report.

SA 700 (Revised) “Forming an Opinion and Reporting on Financial Statements”

Q. No. 1	Draft Revised format of Unmodified Audit report.
Q. No. 2	Explain the reporting considerations in an audit report when the audit was conducted as per Standard on Auditing and International Standard on Auditing.

SA 705 “Modifications to the opinion in the Independent Auditor’s Report

Q. No. 1	Explain the circumstances in which a modified opinion may be issued.
Q. No. 2	Comment on the following: Whether an unmodified opinion may be expressed on a single financial statement in a situation when auditor considers in necessary to express an adverse opinion or disclaim an opinion.

SA 706 “Emphasis of Matter Paragraph and Other Paragraphs in the Independent Auditor’s Report

Q. No. 1	What is Emphasis of Matter Paragraph. State the circumstances when EOM Para can be included in Auditor’s Report.
----------	--

SA 710 (Revised) “Comparative Information – Corresponding Figures and Comparative Financial Information

Q. No. 1	What are the auditor’s procedures in respect of examination of corresponding figures.
Q. No. 2	What are the reporting consideration w.r.t. corresponding figures.

SA 720 “The Auditor’s Responsibility in relation to other Information in Documents containing Audited F.S.”

Q. No. 1	Comment on the following: While reading the other information, auditor finds certain misstatement which requires revision of audited financial statements, but management refuses.
Q. No. 2	Comment on the following: While reading the other information, auditor finds certain misstatement which requires revision of other information but management refuses.

List of Important Questions – CA Final Auditing

Compiled by: Pankaj Garg (CA, CS, CWA – All India Topper, Gold Medalist)

SA 800 “Special Consideration – Audit of F.S. Prepared in accordance with Special Purpose framework

Q. No. 1	Briefly describe auditor’s considerations w.r.t. planning and performing an audit of financial statements prepared in accordance with Special Purpose Framework.
----------	--

SA 805 “Special Consideration – Audits of Single Financial statement and Specific Elements, Accounts or Items of a Financial Statement

Q. No. 1	Briefly describe auditor’s considerations w.r.t. planning and performing an audit of single financial statement or specific element, accounts or items of financial statement.
----------	--

SRE 2400 (Revised) “Engagements to review Financial Statements”

Q. No. 1	The directors of C Ltd. are concerned about the reliability and usefulness of the monthly financial management information that they receive. As a result, the company’s auditors have been engaged to review the system and the information it generates, and to report their conclusions. What an ordinary procedure includes for the review of financial statements?
----------	---

SRS 4410 “Engagements to Compile Financial Information”

Q. No. 1	You have been asked by a company to compile financial statements for the purpose of obtaining loan from a Bank. Draft a report to be given to the Management for the same
Q. No. 2	Comment on the following: You are appointed to compile financial statements of Y & Co. for tax purposes. During the course of work, you learn that the inventory is grossly understated. On pointing the same, the partners of Y & Co. tell you that since you are not conducting an audit, the said figures duly certified by the firm should be accepted.

NOTE: For Questions on Guidance Notes and Accounting Standards (Relevant for Audit) – Refer Annexure B of Volume II