QUESTIONS ON
AUDITING AND ASSURANCE STANDARDS

Following is the list of AAS related questions.
Answers to them can be found in

"AAS – A STUDENTS' READY REFERENCER"

AAS 1
BASIC PRINCIPLES GOVERNING AN AUDIT

1. Define Auditing.
2. Discuss the basic principles governing an audit. CA (I) Nov 1989, Nov 1996, Nov 2000
3. What are the Basic Principles governing an Audit as laid down in AAS 1? CA (I) Nov 2003

AAS 2
OBJECTIVE AND SCOPE OF THE AUDIT OF FINANCIAL STATEMENTS

1. What do youmean by General Purpose Financial Statements?
2. What are the objectives of audit? CA (I) May 1993
3. "An auditor is responsible for expressing opinion on financial statements in statutory audit." Comment. CA (I) May 1995
4. "The audit of financial statements relieves management of its responsibilities". Comment. CA (I) Nov 1999
5. State your opinion on the following: "The duties of auditors are limited to the verification of the arithmetical accuracy of the books of accounts". CA (I) Nov 1999
6. Discuss the inherent limitations of an audit. CA (I) May 1989
7. "Some material misstatements remain unreported by auditors". Comment. CA (I) Nov 1999
8. Audit Opinion is not an assurance as to the future viability of the enterprise or the efficiency or effectiveness with which management has conducted the affairs of the enterprise. Comment. CA (I) May 2000
9. Outline the scope of an audit.

AAS 3
DOCUMENTATION

1. What are Audit Working Papers? Why should they be carefully preserved by the Auditor? CA (I) Nov 1990, May 1996, May 1998, Nov 2003
2. List the factors that determine the form and contents of working papers. CA (I) Nov 1990
3. What are the main functions of working papers? CA (I) Nov 1990
4. What are the features of Working Papers?
5. List a few contents of the Permanent Audit File. CA (I) Nov 1990, Nov 1992, May 1997, Nov 1997
6. List a few contents of the Current Audit File. CA (I) Nov 1990
7. The auditor's lien on client's books and records is unconditional. Explain. CA (I) Nov 1998
8. Write short notes on Auditor's Lien. CA (I) Nov 2000
9. Whose property are the audit files? How should its custody be kept? CA (I) Nov 1990
10. Discuss the concept of "Lien on Working Papers".
11. What is the position of an auditor when Clients and Other Auditors seek access to his Audit Working Papers? CA (F) RTP
12. A CA Firm, established in 1958 were the auditors of a PSU for the years 1984-85, 1985-86 and 1986-87. They were also auditors of a few nationalised bank branches and insurance offices. They are still keeping audit working papers/files for all these years. Suggest whether there is any guideline/law or rules regarding the period for which the audit working files should be kept? Is it also relevant for other audits (i.e. private limited companies, partnership firms, trusts etc.)? CA (F) RTP

AAS – 4
THE AUDITOR'S RESPONSIBILITY TO CONSIDER FRAUD AND ERROR IN AN AUDIT OF FINANCIAL STATEMENTS

1. What do you mean by "Error".
2. Bring out the meaning of "Fraud".
3. What are the fraudulent acts which are relevant to the auditor's consideration?
4. Outline the responsibility of Those Charged with Governance and Management vis-à-vis Fraud and Error.
5. Auditor cannot be held responsible for prevention of fraud and error. Comment on this statement stating the responsibilities of the Auditor.
6. Discuss whether it is practical and desirable within the limits of procedure and costs for the auditor to accept a general responsibility to detect fraud and other irregularities. CA (I) RTP
7. What are the inherent limitations of an audit in relation to frauds and errors? CA (I) Nov 1996

8. After the statutory audit has been completed, a fraud has been detected at the office of the auditee. What is your defence as an auditor? CA (I) Nov 2000
9. Certain weaknesses in the internal control procedure in the payment of wages in a large construction company were noticed by the statutory auditor, who in turn brought to the knowledge of the Managing Director of the company. In the subsequent year huge defalcation came to the notice of the management. The origin of the same was traced to the earlier year. The management wants to sue the auditor for negligence and also plans to file a complaint with the ICAI. Explain. CA (F) May 2000
10. Can the auditor be held responsible subsequent detection of frauds & errors?
11. Some material misstatements remain unreported by auditors. Comment. CA (I) Nov 1999
12. Frauds are more difficult to detect than errors. Comment.
13. Write short notes on Professional Skepticism.
14. The auditor is only a watchdog and not a bloodhound. Comment.
15. Write short notes on Planning Discussions.
16. What do you mean by Inquiries of Management? What purposes does it serve?
17. List a few matters, which might be considered under inquiries of management.
18. Outline the significance of Inquiries of Management in the course of audit.
19. Write short notes on discussions with Those Charged with Governance.
20. What is Audit Risk? What are its components?
21. Outline the auditor's duties in relation to Inherent Risk and Control Risk.
22. What are Fraud Risk Factors? What are its features? In what areas does the auditor his professional judgment vis-à-vis Fraud Risk Factors?
23. List a few examples of fraud risk factors relating to misstatements resulting from Fraudulent Financial Reporting.
24. List examples of fraud risk factors relating to misstatements resulting from Misappropriation of Assets.
25. Outline the auditor's duties in relation to Detection Risk.
26. Discuss the overall considerations in analysing the risk of material misstatements resulting from fraud.
27. How should audit procedures be modified in view of fraud risk factors?
28. Give a few examples of auditors' modified procedures / responses to fraud risk factors at the Account Balance, Class of Transactions and Assertion Level.
29. Give some examples of specific responses in relation to misstatements resulting from Fraudulent Financial Reporting.
30. Write short notes on specific responses in relation to misstatements resulting from Misappropriations of Assets.
31. Write short notes on audit procedures when circumstances indicate a possible misstatement.
32. List a few examples of circumstances that indicate the possibility of fraud or error.
33. Write short notes on conditions and events that increase the risk of fraud or error. CA (I) May 1998
34. Outline the duties of an auditor in considering whether an identified misstatement is indicative of fraud.

35. Write short notes on evaluation and disposition of misstatements, and the effect on the Auditor's Report.

36. What are the items to be documented by the auditor under AAS 4?

37. What are the significant areas of management representations to be obtained?

38. To whom should the auditor communicate identified frauds or errors?

39. Write short notes on communication of misstatements to Management and Those charged with Governance.

40. How should an auditor communicate matters of (a) suspicious cases of fraud and (b) doubtful effects of fraud?

41. A public company having branches in the principal cities of South India, deals in chemicals, glasswares, laboratory equipments, etc. The company sells goods to schools, colleges, clinical laboratories, and R&D departments of various companies. The company being a trading company dealing in low value items, faces stiff competition from other sole proprietors and firms, in getting the business. Therefore, the company has to pay commission for procuring the orders, getting the goods accepted etc.

    Although all the commission payments are passed by the managing director, there is scope for some of the payments being not genuine. However, the auditors are of the view that it is not possible to clearly identify such payments and quantify them.

    Suggest to the manner in which qualification can be made under the given circumstances, indicating that some payments may not be genuine and the quantum of such payments is not ascertainable. CA (F) RTP

42. Your suspicion is aroused when your audit manager informs you that he has heard from a member of a client's wages department that the head of the department has recently brought a flat in New Delhi and a Mercedes Car. You are required to explain steps that you would take in an attempt to resolve the problem. CA (F) RTP

43. How should Material Weaknesses in Internal Control be communicated by the auditor?

44. What are the auditor's duties when he is unable to complete the Engagement?

45. List a few situations that question the auditor's ability to continue his engagement.

46. What factors should the auditor consider before withdrawing from the engagement?

47. Write short notes on communication with the Incoming Auditor.

48. Outline the salient features / auditor's duties under AAS – 4.

49. During the course of a continuous audit of a limited company, the auditors detected that the Managing Director had committed a fraud involving a loss to the company. The Managing Director fully compensated the company, soon after detection and before the close of the year. How should the auditor deal with this situation in his report to the shareholders? CA (F) RTP

50. The "Teeming and Lading" fraud was detected and the amount involved was subsequently deposited by the Executive Director of the Company and therefore, need not be reported upon. Is this view correct? CA (F) Nov 1999

AAS 5
AUDIT EVIDENCE

1. What is audit evidence? CA (I) May 1990, CA (F) May 1997
2. Why does an auditor need evidence? CA (I) May 1990
3. Write short notes on Audit Evidence. CA (I) May 2000
4. What are the factors, which influence the auditors' judgment as to what is sufficient and appropriate audit evidence? CA (I) May 1990
5. What are the different types of audit evidence?
6. Distinguish between Internal and External Evidence. CA (I) May 89, May 94, May 95, May 98, RTP
7. List some factors, which help in deciding on the mode of obtaining evidence.
8. Briefly state the audit procedures adopted in obtaining audit evidence. CA (I) Nov 1998
9. Distinguish between Compliance and Substantive Procedures.
10. Write short notes on substantive procedures. CA (I) Nov 1999, May 2004; CA (F) Nov 2001
11. Discuss compliance procedures and their use in internal control evaluation. CA (F) Nov 01
12. Discuss the methods of obtaining audit evidence.
13. What is audit evidence? How is it obtained? CA (I) May 90, Nov 92, Nov 97, CA (F) Nov 2003
14. Write short notes on the process of judgement formation based on evidence.
15. Discuss the principles useful in assessing the reliability of audit evidence. CA (I) May 1990, Nov 1995
16. Write short notes on Best Audit Evidence.
17. Outline the duties of the Auditor under AAS 5 on Audit Evidence.
18. The auditor should document matters to provide evidence that the audit was carried out in accordance with basic principles. Explain. CA (I) Nov 1994
19. An assistant of X & Co. Chartered Accountants wanted to verify the cash in hand and investments of T Ltd. The General Manager (Finance) of T Ltd. suggested to the assistant of X & Co. that it was not necessary as his staff had done the same only few days back and no discrepancies were noted. Comment on the above. CA (I) May 1999
20. Give some examples where certificates from third parties are obtained as audit evidence.
21. What general principles determine their value to an auditor? CA (I) RTP
22. The new audit trainee of your firm of auditors has asked you to advise him on the reliability of the following type of third party evidence:
    (a) Valuation of land and buildings by a valuer
    (b) Replies to a debtors' circularization
    (c) Letter received from the bank towards closing balance in account
    Discuss the reliability of each of the three types of third party evidence listed in (i) to (iii) above and consider the accuracy of the valuation. CA (F) RTP
23. The Managing Director of a client company has advised your Audit Manager that because of the confidentiality of the Director's salaries, the appropriate records will only be made available to you as the partner in charge and not to your audit staff. Explain the steps you will take to resolve the issue. CA (F) RTP

AAS 6
RISK ASSESSMENTS AND INTERNAL CONTROL

1. What is Audit Risk? What are its components? CA (I) Nov 1996, Nov 1999, May 2004; CA (F) May 02
2. Define the terms a) Accounting System and b) Internal Control System.
3. "Doing a statutory audit is full of risk." Narrate the factors that cause the risk. CA (I) Nov 2000
4. Internal Control System is wider than Accounting System. Comment.
5. What are the components of the Internal Control System?
6. How does the understanding of the Internal Control System help the auditor?
7. Write short notes on the review and testing of internal controls. CA (I) May 1995
8. A senior assistant of X & Co. Chartered Accountants drew up his audit programme without evaluating internal controls of T Ltd. When the partner asked firm for the reason, he stated that the controls were developed by the General Manager (Finance) of T Ltd., who is a Chartered Accountant and had written a few books on "Internal Control" and, therefore there was no need to review the said area. State your viewpoints. CA (I) May 1999
9. Outline the auditor' duties in relation to Inherent Risk.
10. List a few factors to be considered while assessing Inherent Risk.
11. What are the objectives of Accounting and Internal Control Systems?
12. Outline the Inherent Limitations of Internal Controls.
13. Write short notes on "Walk-Through" Tests.
14. Audit Procedures to understand the accounting and internal control systems depend on various factors. Comment.
15. List the factors that contribute to the auditor's understanding of the accounting and internal control systems of the client.
16. What are the aspects in which the auditor should obtain an understanding vis-à-vis Accounting and Internal Control Systems?
17. Why consideration of audit risk has become an important factor for auditors to consider when planning and carrying out an audit? CA (F) RTP
18. Outline the auditors' duties on Preliminary Assessment of Control Risk.
19. Write short notes on Tests of Control.
20. Explain the concept of Quality and Timeliness of Audit Evidence while assessing Control Risk.
21. Outline the role of Interim Tests in testing internal controls.
22. Write short notes on the Final Assessment of Control Risk.
23. Write short notes on the interrelationship of the Components of Audit Risk.
24. What are the auditor's duties in relation to Detection Risk?

25. While commencing the Statutory Audit of B Ltd., the Auditor undertook the risk assessment and found that Detection Risk relating to certain class of transactions cannot be reduced to acceptance level. What are his duties in this regard? CA (F) Nov 2003

26. What Audit Risks are inherent in Small Businesses?

27. Outline the auditor's duties towards audit problems of small business. CA (I) Nov 1992

28. Write short notes on Communication of Weaknesses in Internal Control.

29. You have been appointed as Internal Auditor of a Company and you have come across certain weaknesses in the Internal Control System. Draft a specimen form of Management Letter indicating at least four areas of weakness relating to internal control. CA (I) May 1996

30. Outline the salient features / audit considerations under AAS 6.

31. One of the recent developments in auditing has been consideration of audit risk, which in turn has influenced the way audits are carried out and the balance of work between the different sections of an audit. You are required to list and describe the factors you would consider in assessing the audit risk when you are planning the audit of a manufacturing company, and the situations when you consider there will be high level of audit risk. Your answer should consider the following items in the accounts: (a) Tangible Fixed Assets; (b) Stock; (c) Trade Debtors; (d) Creditors; & (e) Contingencies. CA (F) RTP

32. You are the auditor of Ispat Steel Pressing Limited, which manufactures small pressings from sheet steel. The process generates scrap steel which is placed daily by the work force into a bin kept for that purpose in the yard.

33. Every Friday a lorry arrives from a small local scrap merchant. The bin is loaded on to the lorry and replaced by an empty bin. The weight is obtained by the gatekeeper using the company weighbridge. He notes the weight in a book kept for that purpose in the gate office.

34. Each month a cheque is received through the post from the scrap merchant accompanied by a remittance advice stating the weight of scrap materials collected, the price and the amount of the cheque. The cheque is banked by the cashier and the remittance advice is filed. There are no other procedures in this area.
    (a) State four weaknesses in this system.
    (b) Suggest four additional procedures that would improve the system.
    (c) Describe two compliance tests that you would apply to the system as it is.
    (d) State the substantive tests that you would apply to the scrap sales. CA (F) RTP

35. Mere identification of internal control procedures in a client's organisation is not enough. The auditor should design a programme of compliance checking to test such procedure. Explain. CA (F) RTP

AAS 7
RELYING UPON THE WORK OF AN INTERNAL AUDITOR

1. Distinguish between Internal Audit and External Audit. CA (I) Nov 1989, CA (I) RTP
2. What are the areas of operation of Internal Audit?
3. What aspects should be considered in the evaluation of the Internal Audit Function?

4. You have been appointed as auditor of a large industrial company which has an established Internal Audit Department. You are required to state the main aspects you would consider to find out the effectiveness of the department. CA (I) Nov 1997
5. Explain the relationship between the Internal and External Auditors. CA (I) Nov 1997
6. The Auditor needs to review the system of Internal Audit only when such review is required for the purpose of reporting by the Auditor u/s 227(4A) of the Act. Comment. CA (F) RTP
7. Write short notes on co-ordination between Internal and External Auditors.
8. Outline the duties of the External Auditor in relying upon the work of the Internal Auditor.
9. How far is the internal audit useful to the statutory auditor? To what extent the statutory auditor can rely on the internal audit report? CA (I) May 1988; CA (F) May 1998
10. Can an auditor ignore checking of areas already checked by internal auditors?
11. "The statutory auditor is entitled to rely on the internal auditor". Comment. CA (I) May 1995; CA (I) RTP May 2000
12. Can the Statutory Auditor rely upon the work of an Internal Auditor? CA (I) Nov 2003

AAS 8
AUDIT PLANNING

1. What is Audit Planning?
2. What are the objectives of Audit Planning as per AAS 8? CA (F) RTP
3. What are the factors to be considered in Audit Planning?
4. From what sources does the Auditor obtain information about the client's business? CA (I) RTP
5. What matters are discussed with the client during the course of planning?
6. What are the important matters to be taken into account in developing the overall audit plan?
7. What are the general considerations in Audit Planning and Audit Programme under AAS 8?

AAS 9
USING THE WORK OF AN EXPERT

1. Who is an "Expert"? How can he be engaged?
2. What factors should be considered in determining the need to use an expert?
3. How does an auditor evaluate the work of an expert? CA (F) Nov 2002
4. What are the auditors' duties vis-à-vis using the work of an expert? CA (F) Nov 01, (F) RTP
5. Highlight the auditors' reporting responsibilities while using the work of an expert. CA (F) RTP
6. The new audit trainee of your firm of auditors has asked you to advise him on the reliability of the evidence for valuation of land and buildings by a valuer.

7. Describe the work you would carry out to check the independence, qualifications and experience of the valuer and the accuracy of the valuation. CA (F) RTP
8. Based upon a legal opinion of a leading advocate, X Ltd., made a provision of Rs.5 crores towards Income Tax Liability. The assessing authority has worked out the liability at Rs.15 crores. It is observed that the opinion of the advocate was inconsistent with the legal position with regard to certain revenue items.
9. Indicate the precise nature of auditor's liability in the above situation and support your views with authority, if any. CA (F) May 2000
10. Y Limited obtained an actuarial valuation for gratuity liability at the year-end. The actuary changed certain basic assumptions for working out the liability at this year-end as compared to the ones adopted by him in the preceding year. State the auditor's responsibility in this matter. CA (F) May 2000
11. Outline the Auditors' duties in relation to actuarial valuation of gratuity liability.

AAS 10
USING THE WORK OF ANOTHER AUDITOR

1. Outline the scope of AAS 10.
2. Discuss the Principal Auditor's procedures as enshrined in AAS 10.
3. State any six procedures to be adopted by the principal auditor in using the work of other auditors. CA (F) Nov 1998
4. What are the aspects to be documented by the Principal Auditor under AAS 10?
5. Write short notes on co-ordination between Principal Auditor and Other Auditor. CA (F) Nov 2002
6. Discuss the reporting considerations of the Principal Auditor under AAS 10. CA (F) Nov 1998, Nov 2002
7. Explain the principles of Division of Responsibility as laid down in AAS 10.
8. Mr. Pyara, partner of Pyarelal & Co., Chartered Accountants died of a heart attack on 30th March, after completing the entire routine audit work of T Ltd., Mr. Lal, one of the partners of the firm therefore signed the accounts of T Ltd. without reviewing the finalisation work done by the assistants. State your views with reasons. CA (I) May 1999

AAS 11
REPRESENTATIONS BY MANAGEMENT

1. Explain what is meant by "Representation by Management" and indicate to what extent an auditor can place reliance on such representations. CA (F) May 2002
2. Write short notes on Management Representations. CA (F) May 1996
3. Bring out the salient features of AAS 11 Representations by Management.

4. Discuss the position of an auditor in case he chooses to rely upon the certificates from the management in respect of closing stock, cash-in-hand etc. List the circumstances under which he will be justified in accepting and relying upon the certificates. CA (I) RTP

5. The managing director of a client company has returned to your draft of the letter of representation stating that the directors fail to see why such a letter is necessary and declaiming to issue one. The assumptions generally relate to (i) the expected inflow from future contributions (ii) the expected inflow from investments and (iii) the expected outgo for benefits. CA (F) RTP

6. At the Statutory Audit of TOR Limited, the physical verification of fixed assets was conducted. However the Auditor was not able to confirm the existence of valuables and important machinery. In this connection, the Auditor obtained a certificate from the management to prove its existence and value and accepted the same blindly without any procedures. As a Statutory Auditor, how will you deal with the above issue? CA (F) Nov 2003

AAS 12
RESPONSIBILITY OF JOINT AUDITORS

1. What is Joint Audit? What are its advantages and disadvantages?
2. Outline the scope of AAS 12 in Joint Audit.
3. Highlight the principles in AAS 12 on Division of Work among Joint Auditors.
4. Joint Audit work is made effective by proper coordination. Comment.
5. Bring out the nature of responsibility of Joint Auditors.
6. The responsibilities of Joint Auditors are joint and several. Discuss. CA (F) May 1998.
7. Each of the joint auditors is entitled to rely on the other joint auditors' work. Comment.
8. Outline the reporting responsibilities of Joint Auditors.
9. One of the three joint auditors of a company differs from the views of the other two auditors with regard to certain matters to be covered by the report. Discuss his rights and duties in this regard. CA (F) May 1997
10. The Auditor is entitled to rely on work performed by others. Comment. CA (I) May 2000

AAS 13
AUDIT MATERIALITY

1. Outline the meaning of Materiality in Accounting and Auditing. CA (I) Nov 1986
2. Bring out the need for Materiality in Accounting and Auditing. CA (F) RTP
3. Does the concept of Materiality have legal sanction? Explain.
4. How does an auditor determine whether a particular item is material or not?
5. List a few indicators of materiality.

6. Outline the provisions of materiality in auditing as enshrined in AAS – 13.
7. What are the duties of auditors' vis-à-vis Materiality?
8. Materiality, being fundamental to the process of accounting, is an important and relevant consideration for the auditor. Discuss. CA (I) May 1989, Nov 1995
9. The auditor should take into account the aggregate of all uncorrected misstatements including those involving estimates in his assessment of materiality in audit. CA (F) May 1997, May 2002
10. While auditing accounts of a Public Limited Company for the year ended 31.3.2003, an Auditor found out error in the valuation of inventory, which affects the financial statement materially. Comment as per Auditing and Assurance Standards. CA (F) Nov 2003
11. "Auditors' assessment of materiality may be different at the time of planning the engagement than at the time of evaluating the results of his audit procedures. Comment. CA (F) Nov 1997, Nov 1999
12. An assistant of X and Co., Chartered Accountants detected an error of Rs.5 per interest payment, which recurred a number of times. The General Manager (Finance) of T Ltd advised him not to request for passing any adjustment entry as individually the errors were of very small amounts. The Company had 2000 Deposit Accounts and interest was paid quarterly. State your views in this issue, with reasons. CA (I) May 1999
13. Explain the relationship between materiality and audit risks. CA (I) May 2003
14. State the aspects to be considered while providing guidance on materiality.
    (a) Errors in tests of control on accounting system
    (b) Errors in Profit and Loss Account
    (c) Errors in Balance Sheet items
    (d) Aggregation of errors and uncertainties CA (F) RTP
15. Explain the statement 'The higher the materiality level, the lower the audit risk and vice versa'. CA (F) RTP
16. JKL Ltd., has shown in its Balance Sheet a cash balance of Rs.5,00,000/- as against the normal cash balance of Rs.50,000 throughout the year. On further inquiry it is revealed that the said amount of Rs.5,00,000 was withdrawn in the last week and the balance has been continuously maintained till the date of the audit. The examination also reveals that in spite of the cash balance of Rs.5,00,000 cash is drawn from the bank during this period of petty cash requirements. As a statutory auditor, how would you deal with the above situation? CA (F) RTP
17. It is often said that all material amounts, charges and transactions should feature in year-end financial statements of a business enterprise. What are such instances, in your opinion, that will require specific disclosure in accounts? Also discuss the accounting and legal concepts of materiality. CA (F) RTP
18. A Government Company is engaged in production of fertilizers and various nitrogenous chemicals. The Company has four manufacturing units of which at present only one is operational. The Company also has six marketing centres for marketing the Company's products. Besides its own products, the Company is also engaged in selling fertilizers and other ancillary products on consignment sales basis/outright purchase basis. As per the accounting policy of the Company, expenses incurred upto Rs. 25,000 relating to a future period are expensed in the current year.

The Statutory Auditors of the Company, are of the view that the Company has not complied with Accounting Standard (AS) 1, 'Disclosure of Accounting Policies', issued by the Institute of Chartered Accountants of India, and section 209(3)(b) of the Companies Act, 1956, which prescribes accrual basis of accounting.

Whether the aforesaid accounting policy of the company violates the provisions of AS 1 and Section 209(3)(b) of the Companies Act, 1956. CA (F) RTP

AAS 14

ANALYTICAL PROCEDURES

1. What are 'Analytical Review Procedures'?
2. What are the types of analysis covered by Analytical Procedures?
3. Write short notes on Analytical review procedures. CA (I) Nov 1998; CA (F) Nov 1997
4. What are the purposes of 'Analytical Procedures'? CA (F) May 1999; CA (F) RTP
5. Summarise the auditors' duties in applying Analytical Procedures.
6. What factors should be considered while analytical procedures are performed as substantive procedures?
7. To what extent analytical procedures can be relied upon? CA (F) May 1999
8. Write short notes on the extent of reliance on Analytical Procedures. CA (I) Nov 2003
9. What are the auditors' duties in investigating Unusual Items?
10. State the different types of analytical reviews carried out in verification of (a) Inventories and (b) Debtors, Loans and Advances.
11. You are the auditor of Sports Limited for the first time this year. Sports Limited is a retailer of Sports Goods and sportswear with more than 100 retail outlets in towns throughout India. Not all the stores sell clothing. You are required: CA (F) RTP
    (a) To explain the purpose of analytical review and the procedures you would adopt at the planning stage of the audit;
    (b) To detail how you would use analytical procedures substantively in the testing of sales.
12. Explain how the results of analytical review can influence the nature and extent of other audit work. CA (F) RTP
13. Give 3 examples of analytical review procedures that might be carried out as part of the audit of a company that operates a chain of department stores. CA (F) RTP

AAS 15
AUDIT SAMPLING

1. Bring out the meaning and purpose of sampling.
2. What factors should be considered in the design of the Sample?
3. What are the factors to be considered while determining the Sample Size? CA (I) RTP
4. Describe the factors, which the auditor should consider when determining the size of a sample. CA (F) RTP
5. List three situations where the auditor would be unlikely to use audit sampling techniques. CA (F) RTP
6. Describe to what extent statistical sampling enhances the quality of audit evidence. CA (F) RTP
7. Distinguish between Sampling Risk and Non-Sampling Risk.
8. Write notes on Sampling Risk and its effects.
9. Explain Tolerable Error and Expected Error.
10. What are the methods of selecting the sample items?
11. An auditor while analysing the errors in a sample need not consider the qualitative aspects of errors detected. Comment. CA (F) Nov 2001
12. What are the duties of the auditor in the evaluation of Sample Results?
13. List a few factors that influence sample size for Tests of Control.
14. List a few factors influencing sample size for Substantive Procedures.
15. Distinguish between Test Checking and Routine Checking. CA (I) May 1999, May 1998
16. Mention a few items that are not suitable for test checking. CA (I) May 1997
17. What factors does the auditor generally rely on in reaching a decision on sample size? CA (I) RTP
18. What would be the auditor's liability when conducting audit on the basis of sample? CA (I) RTP

AAS 16
GOING CONCERN

1. What is Going Concern Assumption? What are the auditors' duties in that context? CA (F) RTP
2. List the indications upon which the auditor should assess the appropriateness of Going Concern Assumption. CA (F) Nov 2001; CA (I) May 2003
3. There is evidence that the public interest would be best served by the inclusion of fuller information about risks facing companies in audited financial statements. Doubts about the going-concern presumption must be detected and adequately disclosed in financial statements and auditors' reports. You are required to list six factors, which might cause doubt on the going-concern status of a company. CA (F) RTP
4. Specify additional audit procedures, which an auditor may perform while evaluating appropriateness of going concern assumption. CA (I) RTP

5. Describe the audit procedures necessary in order to gain sufficient audit evidence to be able to form an opinion on the going concern status of a company. CA (F) RTP
6. What are the auditors' duties when the Going Concern Question is not resolved?
7. Explain the reporting requirements in case of disclosure/non-disclosure of going concern assumption.
8. On 30th September, MNC Ltd's issued and paid up capital was Rs.2500 lakhs comprising of fully paid equity shares of Rs.10 each. This included (a) Rs.50 lakhs Capital issued for cash; (b) Rs.450 lakhs capital issued for purchase of a business; (c) Rs.2000 lakhs on issue of bonus shares from time to time by capitalising various reserves including Rs.500 lakhs by capitalising capital redemption reserve.
9. The company had fixed assets costing Rs.200 lakhs on which depreciation provision was Rs.195 lakhs, which was equal to the full cost of depreciable assets. The balance Rs.5 lakhs represented the cost of land. It has discontinued its operations for last many years.

   The company had made investments in various companies to the tune of Rs.3000 lakhs. Unfortunately all these investee companies have turned out to be BIFR cases. Nothing is expected to be realised on such investments. The company has dues from customers totalling to Rs.495 lakhs of which Rs.490 lakhs are due from businesses which have become defunct. The balance Rs.5 lakhs is due for over 3 years. The accumulated losses of the Company are Rs.1000 lakhs.

   The amounts due to suppliers are Rs.300 lakhs and they are overdue. The balancing figure in the Balance Sheet refers to loan from Financial Institutions.

   Workers who had put in long years of service have lodged claims for termination benefits of Rs.1000 lakhs, which have been decreed in their favour. No accounting entry has been passed for the same since the decree three years back. In the light of AAS 16, you are asked to write the appropriate paragraph of audit report.

   Give reasons supporting your report. CA (F) Nov.2000
10. It is now an accepted fact that an auditor cannot take the "going-concern" assumption for granted. The problem has become acute in view of ever growing sickness in our industries. You are required to prepare a checklist designed to test the assumption that a particular client organisation is in fact a going-concern. CA (F) RTP

AAS 17
QUALITY CONTROL FOR AUDIT WORK

1. List the objectives of AAS 17.
2. Define the terms (a) Auditor, (b) Audit Firm, (c) Personnel and (d) Assistants.
3. What are the duties at Firm Level vis-à-vis Quality Control?
4. List the objectives of quality control procedures to be adopted by an Audit Firm.
5. List the quality control procedures to be adopted at the individual audit level.
6. What are the functions of personnel carrying out supervisory responsibilities?
7. Write short notes on Audit Review, as part of Quality Control.

AAS – 18
AUDIT OF ACCOUNTING ESTIMATES

1. What are accounting estimates? Give examples.
2. Bring out the nature of accounting estimates.
3. How should the auditor review and test the process used by Management in an accounting estimate?
4. Outline the auditors' duties under AAS – 18 vis-à-vis accounting estimates. CA (I) Nov 1990.
5. How will you distinguish a change in an accounting estimate from a change in the accounting policy? Does the former need any disclosure? CA (F) RTP

AAS 19
SUBSEQUENT EVENTS

1. Write short notes on events occurring after Balance Sheet date. CA (I) May 1991
2. Explain the meaning of the term Subsequent Events as used in AAS 19.
3. Should all types of Subsequent Events be considered by the auditor in his attest function?
4. Indicate briefly the procedures to identify subsequent events requiring adjustment of or disclosure in financial statements. CA (F) May 2001
5. How are subsequent events requiring adjustment or disclosure identified?
6. Outline the auditors' duties regarding subsequent events? CA (F) May 2001
7. You are the auditor of a Manufacturing Company whose year ends on 30th June. The following events occur after the year and before you complete the audit. The audit report issued by you is dated 20th September.
   (a) The Sales Ledger balance at 30th June were Rs.95,000. By 20th September, cash had been received against this amount totalling Rs. 65,000.
   (b) (ii) On 20th August, a batch of goods which were shown in the stock records at 30th June at a cost of Rs.10,000 was sold for Rs.25,000 and another batch costing Rs.30,000 was sold for 15,000.
   (c) (iii) A customer who had purchased a large consignment of goods during the accounting year claimed damages of Rs.40,000 because the goods were faulty and unfit for use. The company has denied any liability.
   (d) (iv) A warehouse was destroyed by fire on 31st July containing stocks which were worth Rs.1,00,000. The warehouse was valued in the company's books at worth Rs.80,000. The stock was insured for Rs.70,000 and warehouse for Rs.60,000.

   State giving reasons, for your answer, how the above events would affect the account for the year ending 30th June. CA (F) RTP
8. Sundry debtors of a company as on 31.3.2003 include Rs. 10 Lakhs from M/s Unreliable Traders, who have been declared as insolvent on 4.4.2003. Comment. CA (I) Nov 2003

AAS 20
KNOWLEDGE OF THE BUSINESS

1. What is meant by "Knowledge of the Business"? How does it help the auditor?
2. "It is no part of the auditor's duty to familiarize himself with the client's organisation before embarking on an audit. He needs only to study systems of internal control prevailing in the clients business". Comment. CA (F) RTP
3. In performing an audit of financial statements the auditor should have or obtain knowledge of the business. Explain in light of AAS 20. CA (I) May 2004
4. Outline the duties of the auditor under AAS 20. CA (I) May 2004
5. From what sources does the auditor obtain knowledge of the business?
6. There are certain areas where knowledge of the business helps the auditor to make informed judgements. List some of these areas as specified under AAS 20.
7. What are the general matters to be considered by an auditor while taking up a new engagement? CA (I) RTP
8. What are the matters to be considered by the auditor in obtaining knowledge of the business?

AAS 21
CONSIDERATIONS OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

1. List the auditors' duties under AAS 21 in consideration of laws and regulations in his audit.
2. Discuss briefly the role of a statutory auditor in relation to unlawful acts or defaults by the clients. CA (F) May 1997, Nov 2000
3. What should the auditor do when non-compliance is discovered?
4. Give a list of indications that non-compliance may have occurred attracting AAS 21.
5. What procedures should management follow in the prevention and detection of non-compliance?
6. Audit risk is higher with regard to material misstatements resulting from non-compliance with laws and regulations. List a few factors that contribute to this risk.
7. What procedures should the auditor follow in obtaining general understanding of laws and regulations?

AAS 22
INITIAL ENGAGEMENTS – OPENING BALANCES

1. List the auditor's duties under AAS 22 in an Initial Engagements – Opening Balances.
2. Outline the mode of obtaining evidence in respect of Opening Balances under AAS 22.

AAS 23
RELATED PARTIES

1. Define the terms (a) Related Party; (b) Related Party Transactions and (c) Key Management Personnel, for the purpose of AAS 23. CA (F) Nov 2002
2. What is the role of management vis-à-vis Related Parties Transactions?
3. Outline the need for auditors' knowledge vis-à-vis related party transactions.
4. How can an auditor identify related parties? CA (F) Nov 2002
5. What are the duties of an Auditor under AAS 23 - Related Parties?
6. Give a few transactions that may indicate existence of new related parties. CA (F) Nov 2002
7. What tests / procedures are carried out to identify related party transactions.
8. A husband and wife are controlling 34% of voting power in XY Company Limited. They are having a separate partnership firm, which supplies mainly the raw material to the Company. The Management says that the above transaction need not be disclosed. State your views. CA (F) Nov 2003

AAS 24
AUDIT CONSIDERATIONS RELATED TO ENTITIES USING SERVICE ORGANISATIONS

1. Outline the auditors' duties in AAS 24 in respect of Entities using Service Organisations. CA (F) May 1999
2. List the factors to be considered under AAS – 24 while audit planning.
3. How are the reports of Service Organisation's Auditors classified?

AAS 25
COMPARATIVES

1. How are comparatives presented in the financial statements?
2. List the auditors' duties vis-à-vis Comparatives under AAS – 25? CA (F) Nov 2003

AAS 26
TERMS OF AUDIT ENGAGEMENT

1. Write short notes on Letter of Engagement. CA (I) Nov 1992, Nov 1991
2. What is meant by Letter of Engagement? What are its purposes? CA (I) RTP
3. Outline the scope of AAS – 26.
4. List the mandatory contents of Audit Engagement Letters.
5. List the other (non-mandatory) contents of Audit Engagement Letters.
6. Should a separate letter of engagement be sent for audit of Components (i.e. subsidiaries, branches etc.)?
7. Should a separate letter of engagement be sent for recurring audits?
8. Outline the provisions of AAS – 26 on acceptance of a Change in Engagement.

AAS 27
COMMUNICATIONS OF AUDIT MATTERS WITH THOSE CHARGED WITH GOVERNANCE

1. Define the terms "Governance" and "Audit matters of Governance Interest".
2. Outline the auditors' duties under AAS – 27 on communication of audit matters with those charged with governance.
3. List a few matters that may be communicated by the auditor under AAS – 27.
4. What factors affect the form of communication (i.e. oral or written) under AAS – 27?

AAS 28
AUDIT REPORTS

1. "Auditor's report implies on expression of opinion by the auditor." Discuss. CA (I) Nov 1999
2. What are the basic elements of the Auditors' Report as per AAS – 28?
3. Write short notes on Unqualified Opinion.
4. When is the auditor's report considered to be modified?
5. Write short notes on modified audit report when it emphasises matters that do not affect the auditor's unqualified opinion.
6. When should Qualified or Adverse or Disclaimer of Opinion be expressed?
7. Write short notes on Qualified Opinion / Report. CA (I) May 1991, May 1996, Nov 1999, CA (I) RTP; CA (F) Nov 1997
8. State the circumstances when Qualified Report is obligatory. CA (I) Nov 1988, CA (I) RTP
9. Write short notes on Disclaimer of Opinion. CA (I) May 99, Nov 99, Nov 00; CA (F) Nov 97
10. What do you understand by piecemeal opinion?
11. What are the features of a Good Report?
12. Write short notes on Adverse or Negative Report. CA (I) Nov 1999; CA (F) Nov 1997
13. Distinguish between Clean Audit Report and Qualified Audit Report. CA (I) Nov 1994, May 2001, CA (I) RTP
14. Distinguish between Qualified Report and Adverse Report. CA (I) Nov 1989
15. Write short notes on the manner of qualification in the audit report. CA (I) RTP
16. Outline the features of a Qualified Report.
17. Distinguish between Audit Reports and Audit Certificates. CA (F) May 2002, Nov 2002
18. Write short notes on the Auditors' Duties vis-à-vis compliance with documents issued by ICAI.
19. Distinguish between Explanatory Notes and Qualificatory Notes.

AAS 29
AUDITING IN A COMPUTER INFORMATION SYSTEMS (CIS) ENVIRONMENT

1. The overall objectives and scope of an audit does not change in an EDP / CIS environment. Comment. CA (I) May 2000
2. What are the audit areas that a CIS environment may affect?

3. What factors should the auditor evaluate to determine the effect of CIS environment on audit?
4. "Doing an audit in an EDP environment is simpler since the trial balance always tallies?" Analyse critically. CA (I) Nov 2000
5. The auditor should possess sufficient skills in his audit work in a CIS environment. Comment.
6. The Auditor should understand the significance and complexity of CIS activities and use them for planning. Discuss.
7. Mention the features of CIS environment, which influence the assessment of inherent and control risks.
8. What factors should the auditor consider in evaluating the reliability of CIS control systems?
9. How are the likely effects of risks in a CIS environment?
10. Write short notes on Audit Procedures in a CIS environment.
11. What are the duties of the auditor while auditing in a CIS environment?
12. "Installation of computer operating systems has created both benefits and problems of auditors". Discuss the statement. CA (I) May 99
13. Discuss the problems, which are encountered while shifting from manual, based accounting records to computer based accounting records. CA (I) May 1995, Nov 1997
14. The use of the computer facilities by a small enterprise may increase the control risk. Comment. CA (I) Nov 1998
15. Mention some items with which the auditor should be familiar to understand the computer system used by the client. CA (I) Nov 1996

AAS 30
EXTERNAL CONFIRMATIONS

(Not Studied)

1. What is meant by External Confirmation?
2. What are the steps involved in the process of External Confirmations?
3. List a few situations where the auditor may use External Confirmations.
4. List a few factors, which affect the reliability of External Confirmations.
5. Outline the relationship of External Confirmation Procedures to the Auditor's Assessments of Inherent Risk and Control Risk.
6. What are the assertions addressed by External Confirmations?
7. Write short notes on timing of External Confirmations.
8. Should External Confirmations be obtained on the Balance Sheet date only?
9. The auditor should design external confirmation requests to the specific audit objective. Comment.

10. What factors govern the design of the External Confirmation Request?
11. Some respondents may not provide confirmations unless authorised by the Management. Discuss in view of the nature of information being confirmed.
12. Distinguish between Positive and Negative Confirmation Requests.
13. Do the characteristics of Respondents affect the reliability of External Confirmations?
14. How should the auditor maintain control over the External Confirmation Process?
15. Discuss the need for alternative and additional procedures in relation to External Confirmations.
16. Mention the auditors' duties in relation to discrepancies and misstatements observed during the course of External Confirmations.
17. The management may request that confirmations need not be obtained from certain parties. Outline the auditors' duties in such cases.
18. A client's Chief Accountant has requested that a particular customer's account should be excluded from the proposed debtors circularisation list on the grounds that the balance is in dispute and the matter is in the hands of solicitors. Comment on your reaction. RTP
19. Outline the auditor's duties in respect of External Confirmations as laid down in AAS – 30.

AAS 31
ENGAGEMENTS TO COMPILE FINANCIAL INFORMATION

1. Outline the Objective of a Compilation Engagement.
2. What are the general principles involved in a Compilation Engagement?
3. Outline the responsibility of management vis-à-vis Compilation Engagements.
4. Discuss the significance of defining the Terms of a Compilation Engagement.
5. List the matters that would be included in an Engagement Letter for a Compilation Engagement.
6. Discuss the procedures to be adopted by the Accountant in a Compilation Engagement.
7. Explain the accountant's duties in respect of special considerations in compilation engagements as laid down in AAS – 31.
8. Write short notes on finalisation of compiled financial information.
9. Describe the layout of a Report on a Compilation Engagement.
10. Outline the salient points in AAS – 31 Engagements to compile financial information.

AAS 32

ENGAGEMENTS TO PERFORM AGREED-UPON PROCEDURES REGARDING FINANCIAL INFORMATION

1. What do you understand by engagements to perform agreed-upon procedures regarding financial information?
2. Bring out the objective of an Agreed Upon Procedures Engagement.
3. What are the matters to be agreed to by the auditor and the client in an Agreed Upon Procedures Engagement?
4. List the procedures to be applied in an Agreed Upon Procedures Engagement.
5. List the requirements of AAS – 32 in relation to reporting under an Agreed Upon Procedures Engagement.
6. Highlight the important considerations in an engagement to perform agreed upon procedures regarding financial information, as laid down in AAS – 32.