C.A. FINAL- ADVANCED AUDITING

IMPORTANT AREAS FOR C.A. FINAL EXAM

(Areas in Block letters are very important)

1. AUDITING AND ASSSURANCE STANDARDS
   a. AAS-1- Basic Principles Governing an Audit
   b. AAS 6 (Revised)-Control Risk, Detection Risk
   c. AAS 12 (Paras 5-12)-Joint Responsibilities and Individual Responsibilities
   d. AAS 13 (Paras 5-12)- Audit Materiality
   e. AAS 16 (FULL STANDARD)
   f. AAS 26 (Paras 5-11)
   g. AAS 28 (Paras 29-40)- Opinions, Disagreement, Emphasis of Matter
   h. AAS-32 (Entire Standard)
   i. AAS-33 (Entire Standard)
   j. AAS-34 (Entire Standard)- PART A, PART B AND PART C

2. AS-1, 4, 5, 9, 10, AS-11 (Revised), 16, 18, 22, 23, 24, 25, 26, 29 (Revise previous years exam questions on AS in the Institute Study Material- Question Bank since some of them may be repeated)

3. Guidance Notes
   a. Section 227(3) (e), (f) -Paras 4 to 9, 12 to 15
   b. Proposed Dividend
   c. Reporting on Revised Accounts before circulation to Shareholders
   d. Audit of Miscellaneous Expenditure

e. Audit of Consolidated Financial Statements

4. Company Audit-

a. Chapter 4-

i) Appointment by special resolution- DCA clarification

ii) Ceiling on company audits- Notification under Code of Ethics

iii) Can the scope of audit be restricted?

iv) True and Fair-to be read with Page 5.16-Significance of True and Fair

v) Statutory Auditor in relation to Branch Accounts & Branch Auditor

vi) Gist of CLB Circulars

b. Chapter 5-

i) Auditor's Duty and Statutory books- Registers under sections 301, 303, 372A, 49-Page 5.7

ii) Personal expenses of Directors (Important short note question)

iii) Preparation and Presentation of Final Accounts (Section 211)

iv) Divisible profits, dividends and reserves- Distribution of capital profits, Capital Reserve (Reserves)-Pages 17 to 41 very important

c. Chapter 6-

i) Inquiry under section 227(1A)

ii) Additional Reporting requirements under section 227(3) clauses (e), (f)

iii) Statement on Qualifications in the Auditor's Report

iv) CARO Reporting Requirements- Statement on CARO is very important (clauses 4, 5, 7, 9, 11, 13, 17, 18, 21- Amendments to CARO in 2004 are very important)

v) Distinguish between Audit Report and Certificate

5. EDP Audit

a. Specific Problems relating to internal control

b. Problems in obtaining Audit Evidence

c. Internal controls in Computer based system and Evaluation

d. Special Audit Techniques- Audit Software

e. Controlling the CAAT Application- VERY IMPORTANT

f. Audit considerations for computer bureau – **VERY IMPORTANT**

6. Chapter – 8- Investigation – Special Issues in Investigation - Non-statutory Investigation
    a. Investigation on behalf of an incoming partner
    b. Investigation for proposal to acquire a limited company
    c. **Review of Profit forecasts/ Financial Forecasts**

Due Diligence- what is Due Diligence? Types of Due Diligence

Contents of a Due Diligence Report

7. Chapter 10- Objective of Public Enterprises Audit, **Comprehensive Audit of PSU**, Committees on Public Undertakings

8. Chapter 10- Propriety Audit- **Propriety elements in 227(1A)** Problems in Propriety Audit

9. Bank Audit-

a. Audit of Investments – Prudential Guidelines regarding market portfolio- Master circular 11th July 2002 (**Held to Maturity, Held for Trading, Available for Sale**)

b. Prudential norms for income recognition, asset classification and provision- **Advances under on-lending arrangement**, Take-out Finance, Restructuring, **Projects under implementation, Stock exchange and other securities, Life Insurance Policies, Bank's Own Certificates, Third Party guarantees-** Verification of Bills Purchased and Discounted, Inter-office adjustments, Audit Procedures regarding Contingent liabilities

c. Capital Adequacy norms- Annexure V

d. Concurrent Audit system in Commercial banks-**Coverage of branches and Reporting systems**

10. General Insurance Companies

   a. Definition of Indian Insurance company, **Conditions for Registration- Licensing requirements, Obligation to Rural and social sector, Minimum paid-up capital, Deposits**

   b. **Requirements of Schedule B to the IRDA Regulations, 2000- Part-I (Accounting Principles) and Part-IV (Contents of Management Report)**

   c. **Schedule-C-Form of Auditor's Report**

   d. Verification of Premiums

   e. Verification of Claims Provision

   f. Verification of Operating expenses of the Management

   g. Verification of Investments - sections 27B, 27C, 27D

   h. **Unexpired Risks Reserve**

   i. **Co-insurance – Incoming and Outgoing**

11. Audit of Members of Stock exchanges-

   a. Margins

   b. Rolling settlement

   c. Proprietory trading

   d. Circuit Filters and Circuit Breakers

12. Audit of Non-Banking Financial Companies –

   a. Classification of NBFC

   b. Registration with RBI

   c. NBFC Public Deposits Directions

   d. Audit Check List- Loan company, Hire purchase company

   e. Obligation to Report to RBI

13. Audit of Indirect Taxes- Scope, **Methodology and Excise Audit 2000- Steps**

14. Energy Audit- Key Functions of Energy Auditor- **Approach to Energy Audit**

15. Peer Review- Definition, Objective, Technical Standards, Reporting

16. Professional Ethics
   a. Section 2(2) (Revised Definition of Management Consultancy Services in 2004) and Sections 7, 8, 24 – **Other Misconduct**
   b. First Schedule- Part-I- clauses 6 (**Council decisions in 2004 under Paras (b) and (d) very important)** clauses 7, 8, 9, 10, 11 (Regulation 191 and **Regulation 190A (Revised in 2004- VERY VERY IMPORTANT)**,
   c. Second Schedule-Part-I-clauses- **Role of C.A. in relation to Unlawful acts of his clients**, clauses 4, 5, 6, 9
   d. Second Schedule-Part-II-clause (ii)- All notifications are important.

17. Management Audit and Operational Audit
   a. What is Management Audit Questionnaire?
   b. Behavioural Problems in conducting Management audit & solutions to overcome such problems

18. **<u>PROBABLE SHORT NOTES QUESTIONS</u>**

(Certain short notes questions, which are already covered in the respective chapters given above have not been repeated here)

   a. Report on Agreed Upon Procedures Engagement (AAS- 32-Paras 17 & 18)
   b. Professional Skepticism (AAS-4- Paras 18 & 19)
   c. Detection Risk (AAS-6- Paras 42 to 48)
   d. Terms of Audit Engagement (AAS-26-Paras 2 to 11)

e. Emphasis of Matter paragraph (AAS-28-Paras 32 & 33)
f. Management Representation letter (AAS-11- Paras 3, 4 & 9 to 13)
g. Type-A and Type-B Reports- (AAS-24-Para 12)
h. Chapter- 5- Personal expenses of Directors, Capital Reserves, Interim Dividend, Non-provision for Proposed Dividend, Non-provision for tax liability
i. Chapter-15-Audit Committee u/s 292A, Special Report to the Registrar of Co-operative societies (Point No.8 in Special Features in Co-operative Audit)
j. Chapter-8- Audit and Investigation- last Para in Page-1 continued next page

General Notes:

1. All the above areas are based on LATEST EDITION of Institute Study Material
2. **Do not answer the compulsory questions 1 and 2 at the beginning of the exam.**
3. Present the answers point-wise and avoid paragraph-wise presentation.
4. Examples and illustrations given in Chapters are important for practical questions.
5. In AAS and Guidance Notes only “Audit Procedures” and “Reporting Considerations” are important.

Disclosure: Not my work. Shared through E-mail.