

**COMPILATION
OF
SUGGESTED ANSWERS
FINAL COURSE**

(NOVEMBER, 2008 – MAY, 2011)

**PAPER – 3 : ADVANCED AUDITING AND
PROFESSIONAL ETHICS**



**BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
NEW DELHI**

The Suggested Answers published in this volume do not constitute the basis for evaluation of the students' answers in the examinations. The answers are prepared by the Faculty of the Board of Studies with a view to assist the students in their education. While due care is taken in preparation of the answers, if any errors or omissions are noticed, the same may be brought to the attention of the Director of Studies. The Council of the Institute is not responsible in any way for the correctness or otherwise of the answers published therein.

ã The Institute of Chartered Accountants of India

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Website	:	www.icaai.org
Department/Committee	:	Board of Studies
E-mail	:	bosnoida@icaai.org
Price	:	
ISBN No.	:	
Published by	:	The Publication Department on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi- 110 002, India.
Printed by	:	

A WORD ABOUT COMPILATION

The Board of Studies has been instrumental in imparting theoretical education for the students of Chartered Accountancy Course. The distinctive characteristic of the course i.e., distance education, has emphasized the need for bridging the gap between the students and the Institute and for this purpose, the Board of Studies has been providing a variety of educational inputs for the students. Bringing out a series of subject-wise Compilation of Suggested Answers to questions set at the Institute's examinations over a number of years, is one of the quality services provided by the Institute. These compilations are highly useful to the students preparing for the examinations, since they are able to get answers for all important questions relating to a subject at one place and that too, grouped chapter-wise.

The compilation on the subject of "Advanced Auditing and Professional Ethics" includes suggested answers to questions set at six examinations from November, 2008 to May, 2011. This compilation is divided into 22 chapters, and the questions are grouped chapter-wise for the benefit of the students. It may be noted that the questions have been modified/adapted to the extent required as per the recent amendments in the area and answered accordingly. Further, the questions which are no longer relevant due to subsequent changes have not been included. This compilation would, be relevant for students appearing for May 2012 and November 2012 examinations.

The compilation will serve as a useful and handy reference guide to you while preparing for the examination. Further, it will enhance your understanding about the pattern of questions set at the examinations and the manner of answering such questions. It will enable you to solve the problems in the best possible manner and guide you to improve your performance in the examinations. It will also help you to work upon your grey areas and plan a strategy to tackle theoretical as well as practical problems. In case you need any further clarification/guidance, please send your queries at karuna.bhansali@icai.org or srishti @icai.org.

Happy Reading and Best Wishes for the forthcoming examinations!

CONTENTS

	Page Nos.
CHAPTER - 1 Auditing Standards, Statements and Guidance Notes – An Overview	1 – 16
CHAPTER - 2 Audit Strategy, Planning and Programming	17 – 20
CHAPTER - 3 Risk Assessment and Internal Control	21 – 24
CHAPTER - 4 Audit Under Computerised Information System (CIS) Environment	25 – 28
CHAPTER - 5 Special Audit Techniques	29 – 30
CHAPTER - 6 The Company Audit	31 – 42
CHAPTER - 7 Liabilities of Auditors	43 – 44
CHAPTER - 8 Audit Report	45 – 48
CHAPTER - 9 Audit Committee and Corporate Governance	49
CHAPTER - 10 Audit of Consolidated Financial Statements	50
CHAPTER - 11 Audit of Banks	51 – 54
CHAPTER - 12 Audit of General Insurance Companies	55 – 58
CHAPTER - 13 Audit of Co-operative Societies	59 – 62
CHAPTER - 14 Audit of Non Banking Financial Companies	63 – 65
CHAPTER - 15 Audit under Fiscal Laws	66 – 74
CHAPTER - 16 Cost Audit	75 – 76
CHAPTER - 17 Special Audit Assignments	77 – 79
CHAPTER - 18 Audit of Public Sector Undertakings	80
CHAPTER - 19 Internal Audit, Management and Operational Audit	81 – 83
CHAPTER - 20 Investigation and Due Diligence	84 – 85
CHAPTER - 21 Peer Review	86 – 88
CHAPTER - 22 Professional Ethics	89 – 99