Strategy to Qualify and Excel in Final Course CA Final Course Paper 3: Advanced Auditing & Professional Ethics

Background Material

Level of knowledge - Expert

The major areas of the paper which requires in-depth study are as –

- Accounting Standards
- Auditing Standards
- ICAI Guidance Notes
- CARO 2003 application
- Company Audit
- Operational audit
- Management audit, internal and propriety audit
- Special audit techniques
- Special audit assignments
- Cost audit
- Audit in IS Environment
- Investigations, forensic audit, SOX Act, 2002
- Audit of banks, insurance companies
- Audit under Direct tax laws
- Other topics

Approach to preparation

- The syllabus of advanced auditing is vast but it is interesting.
- Please do not count the total number of pages before preparing for the paper.
- While reading the chapters try to highlight the important lines or make appropriate headings and sub-headings. It will help you a lot in the last days of the exams to have a quick view.
- Arrange all the notes at one place. After completing each chapter try to solve the case studies. Also practice well the latest case laws and amendments. Do not add anything new near the exams.
- Prepare Professional Ethics, EDP Audit, Audit Report and CARO, Management & Operational Audit, Investigations and Special Audits are some important topics.
- Also practice with the previous year's papers and also carefully study the suggested answers.
- Guidance notes are also very helpful.

- Exam strategy :
  - At the time of taking exam try to attempt all the questions and start attempting the easy and short questions first and then devote time to the tough questions. Do not answer the questions in essay type presentation make precise points headings and sub-headings while writing the exam.

Step 1

First of all give ICAI audit study material a quick reading to understand the depth and figure out the efforts and time required for final preparation. You would appreciate that through this quick reading you would be able to figure out where extra efforts are required in audit subject and plan accordingly. This will serve as a SWOT analysis for preparation of audit paper.

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Make necessary notes or put suggestions or mark strategy for yourself on the study book during first reading. This task helps you to deal with audit subject later on during final preparation. Pre-condition for this first study is --- go ahead for quick study with a completely relax and chilled mind.

Your main purpose behind this quick study is observation and formation of a plan to deal with audit.

Step 3

During first study ride prepare a plan for final preparation. Also use scanner for making the plan. Later on use any good notes to prepare. Remember at this moment you have everything in your mind like what is imp along with basic idea of the topic and chapter.

Step 4

- **SPECIAL ATTENTION TO Standards on Audit (SAs)**

In Audit paper Accounting Standards (AS) and Auditing Standards (SA) plays very crucial role. This role has two way functionality. One is good preparation of AS and SA give good confidence to deal with exam paper and pressure; Second is good preparation of AS and SA helps you to deal with real job situations during your professional journey as a qualified CA.

Please give special attention to SA and AS. Only good knowledge of SA and AS is not enough but you must understand the technique to apply SA and AS in audit practical problems. For this purpose refer ICAI suggested answers and observe the application of SA and AS to the problem. Another benefit of this task is—it also helps you to understand SA and AS in a much better way. In the final exam, your understanding, knowledge level and application skill of all the SA, SQC, SRS etc will be tested based on practical case studies.

PREPARATION AND APPLICATION OF SA AND AS IN AUDIT

Special attention to SA and AS is required to be given. Along with good knowledge of SA and AS the technique to apply SA and AS in audit practical problems should also be clear to you all.

To understand the application of SA and AS in audit practical problems I would advise you to observe the application of SA and AS in the scanner solutions and ICAI suggested.

It is also advisable to mention SA in audit paper wherever required just like sections. For example if some where going concern word is used in the context of Audit, you may mention the relevant AS no. where “going concern” is defined and explain the same if you have time.

Step 5
Special attention to CA Act 1949 and Professional Ethics

The preparation of Professional Ethics is vital as this is one of the most interesting & scoring topic (at least 16 marks). Refer to CA Act 1949, CA Regulations 1988, CA Final background material of ICAI for this & then solve all the questions given in the practice manual issued by ICAI.

Step 6

Practice under exam conditions –

- Practice Manual,
- Suggested Questions and
- previous years papers

Other Guidelines:

- Go through past 3-4 years solved papers before starting reading. This will give you complete idea of paper style of Auditing and which kind of questions is important.
- Solve at least 5 Papers before examination.
- Make a separate book for short forms of all chapters and cram all short forms. You will be able to write yourself only if you know main points. So give more weight to main points.
- On the day before exam, read this short point book.
- Keep a red pen with you when you are reading any theory subject and mark all the items, lines, topics that you feel hard to remember and also mark important points. You cannot revise whole study material on the day before exam. So read only these marked points by you.

Need to have an OPEN MIND -

As per my opinion audit is a paper that requires lots of quick and logical application of mind to answer practical problems. Serious study is a must. By this kind of reading you may prepare a strategy for audit purpose.

Here you can make necessary notes for yourself on the study book during reading. This will surely help you to deal with audit subject later on during final preparation. During this study keep scanner with you to figure out the important topics. Later on use any good notes to prepare.

ANSWERING PRACTICAL QUESTIONS

In Audit paper Practical questions plays an important role. These Practical questions mostly based on Practical questions Accounting standards and auditing standards. . Always remember good command over Accounting standards and its application to practical questions are the real key to score in audit.

Further Accounting standards are also mandatory to prepare for Financial Reporting paper or Accounting paper. So give special attention to AS.

STRATEGY FOR COMPANY AUDIT

Strategy for company audit also needs to be prepared well in advance. Weightage of company audit is very high in audit paper. For this I'd suggest you to prepare well all the relevant sections. Refer previous exam practical problems asked in previous exams.

SOME OTHER GENERAL POINTS

I would strongly suggest you all to stick to the basics of study to avoid failure and ensure success. Some basics of study are as follows:

a) **Timely completion of course material**—Very first basic thing is to finish your course to have better idea of course structure. This will also help you to prepare a good revision schedule along with study plan.

b) **Timely revision**-- Another basic study point is to give ample emphasis to a good revision plan.

There is nothing is this world which can substitute a good revision plan. To succeed revision is must.

c) **Ample amount of practice of Numerical [account and cost] questions--** One major reason of student failure is bad performance in practical questions. So ample amount of practice of Numerical [account and cost] questions is must along with perfect conceptual clarity.

d) **Right amount of theory preparation in practical subjects**—Most of the students don't give due value to the theory in the practical subject. So right amount of theory preparation in practical subjects is equally important. The best way to solve this issue is to prepare notes of frequently asked theory questions from Scanner.

e) **Selection of right books**— Another basic point for good preparation is the selection of right reference books. So take help from your seniors in choosing right books.

f) **Good presentation of theory**— Lack of good presentation especially in theory paper is one of the major drawbacks for most of the students. In theory subjects good presentation of theory is must along with mentioning case laws and sections etc. So I'd request you all to take note of the same.

Important Chapters

1). Normal Audit	Bank Audit Tax Audit Other Audit
2). Standard on Auditing	SA(Standards on Auditing) SQC (Standard on Quality Control) SRE(Standard on Review Engagement) SRS(Standard on Related Services) SAE(Standard on Assurance Engagements)
3). Professional Ethics	CA Act, 1949

Standards on Auditing: Many SAs are revised. Read only revised SA. Read all SA and make a separate book for main points of important SAs like SA 200, 230, 240, 600, SA 299, SA300, SA 500 and other important SAs.

Accounting Standards: AS are also important for Audit, but All AS are covered in FR subject. So no separate preparation is needed for Auditing.

CA Act and Professional Ethics: This topic is very much easy and important. At least 20 marks cases and questions are asked every year from this chapter. And most important part is clauses of Schedule I and Schedule II. Cram all the clauses with their numbers.

Company Audit – Basics:

Audit Reports: Various clauses of CARO, 2003 are very much important in this chapter. You need not to cram clauses or remember their numbers. Just remember the provisions of Various clauses. Audit Report formats are also important in this chapter.

Chapter 13: Audit Committee and Corporate Governance and B. SOX Act.

Chapter 17: Peer Review: This chapter is very much important. So read whole chapter.

Chapter 18: Guidance Notes on Audit Matters: All guidance notes are not important except guidance notes given in Part 18.1 are not at all important.

Important amendments – Companies Bill 2013- relevant proposal in audit and financial reporting to be studied (passed by RS on Aug 8, 2013)

To excel in Audit proper preparation and planning is very much required to avoid failure. Further Audit is a paper which requires a practical approach towards actual Audit work. With reasonable articleship training, it is possible to score high in this paper.

All the best in Audit Paper ..

Syllabus of Audit paper – CA Final

1. Audit strategy, planning and programming
   Planning the flow of audit work; drafting of reports; audit strategy, planning, programme, and importance of super-vision; review of audit notes and working papers; principal's ultimate responsibility; extent of delegation; control over the quality of audit work; reliance on the work of other auditor, internal auditor or an expert.
2. Internal control
   Evaluation of internal control procedures; techniques including questionnaire, flowchart; internal audit and external audit, coordination between the two.
3. Special audit techniques
   a. Selective verification; statistical sampling.
   b. Special audit procedures; witnessing physical verification of assets, direct circularisation of debtors and creditors.
   c. Analytical review procedures.
   d. Improving the efficiency of auditing, systems auditing, risk-based auditing.
4. Statements/Standards and Guidance Notes.
5. Generally accepted accounting practices and auditing procedures. Statements on Standard Auditing Practices and Guidance Notes.
6. Audit of limited companies: Statutory requirements under the Companies Act 1956; Audit of branches; joint audits. Concepts of true and fair and materiality and audit risk in the context of audit of companies.
7. Audit reports; qualifications, notes on accounts, distinction between notes and qualifications, detailed observations by the statutory auditor to the management vis-a-vis obligations of
   reporting to the members; Special reports on offer documents.
8. Dividends and divisible profits; financial, legal, and policy considerations with special reference to depreciation. 8. Special points in audit of public sector companies. Directions of Comptroller and Auditor General under Section 619; Concepts of propriety and efficiency audit.
9. Rights, duties, and liabilities of auditors; Third party liability - nature and extent.
10. Audit Committees and Corporate Governance.
11. Investigation including Due Diligence.
12. Cost audit, Environmental Audit, Energy Audit.
13. Audit of public expenditure.

14. Certificates under the Payment of Bonus Act, import/export control authorities, etc.; Distinction between certificates and reports; specific services to non-audit clients.
15. Audit under different statutes, viz; income tax, other direct tax laws and indirect taxes.
16. Special features of audit of banks, insurance companies, co-operative societies and non- banking financial companies.
17. Special audit assignments like audit of bank borrowers, audit of stock exchange brokers and depositories; Inspection of special entities like banks, financial institutions, mutual funds, stock brokers.
18. Professional Liability of Auditors: Code of Ethics with special reference to the relevant provisions of The Chartered Accountants Act, 1949 and the Regulations there under.
19. Internal audit, management and operational audit: nature and purpose, organisation, audit programme; behavioural problems; Specific areas of management and operational audit involving review of internal control, purchasing opera-tions, manufacturing operations, selling

and distribution, personnel policies, systems and procedures. Aspects relating to concurrent audit.

20. Audit under computerised environment: Computer auditing; specific problems of EDP audit, need for review of internal control especially procedure controls and facility controls; techniques of audit of EDP output; use of computers for internal and management audit purposes; test packs, computerised audit programmes; involvement of the auditor at the time of setting up the computer system.