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Question Paper	
Auditing and Assurance	Duration: 60
Details: Test – 3 (CH-3)	Marks: 30

Instructions:

- All the questions are compulsory
- Properly mention test number and page number on your answer sheet, Try to upload sheets in arranged manner.
- In case of multiple choice questions, mention option number only Working notes are compulsory wherever required in support of your solution
- Do not copy any solution from any material. Attempt as much as you know to fairly judge your performance.

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Q-1 Audit documentation provides evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. Explain stating clearly purpose of audit documentation.

(5 Marks)

Q-2 Auditing is a logical process. An auditor is called upon to assess the actualities of the situation, review the statements of account and give an expert opinion about the truth and fairness of such accounts. This he cannot do unless he has examined the financial statements objectively. He needs evidence to obtain information for arriving at his judgment. Discuss explaining clearly the detailed meaning of audit evidence.

(5 Marks)

Q-3 The auditor P of PAR and Co., a firm of Chartered Accountants is conducting audit of AB Industries Ltd. The auditor requests management to provide Banker's certificate in support of Fixed deposits whereas management provides only written representation on the matter. Analyse how would you deal as an auditor.

(4 Marks)

Q-4 When performing risk assessment procedures as required by SA 315, the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. In so doing, the auditor has determined that management of XYZ Ltd has already performed a preliminary assessment of the entity's ability

to continue as a going concern. Explain how would auditor of XYZ Ltd proceed in the above case.

Also explain how would the auditor proceed if such an assessment has not yet been performed by the management.

(4 Marks)

Q-5 Examine with reason (in short) whether the following statement is correct or incorrect.

If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall include an Emphasis of Matter paragraph in the auditor's report.

(2 Marks)

Q-6 MCQs:-

1. Audit documentation provides:

- (a) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; or evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.
- (b) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.
- (c) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor
- (d) Evidence that the audit was planned and Performed in accordance with SAs and and applicable legal and regulatory requirements.

2. Ltd., a listed company, appointed CA. Kranny for auditing complete set of consolidated financial statements of the company. CA. Kranny is unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign associate. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the consolidated financial statements. Based on the audit evidence obtained, CA. Kranny concludes that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern in accordance with SA 570. State what type of opinion CA. Kranny must have provided in the given scenario?

- (a) Unmodified opinion.
- (b) Qualified opinion.
- (c) Adverse opinion.
- (d) Disclaimer of opinion

3. Which of the following is correct:

- (a) Auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.
- (b) The auditor shall assemble the audit documentation in an audit file and shall not complete the administrative process of assembling the final audit file.
- (c) The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis before the date of auditor's report.
- (d) The auditor shall not assemble the audit documentation in an audit file.

4. Audit evidence is necessary to support the auditor's opinion and report. It is _____ in Nature and is primarily obtained from audit procedures performed during the course of the audit.

- (a) Cumulative
- (b) Regressive
- (c) Selective
- (d) Objective

5. Statement (1): Client is having a right to access audit working papers kept by auditor because working papers ultimately pertain to the client and if the auditor shows the working papers to client itself the rule of confidentiality is not hampered at all.

Statement (2): Ownership and custody of working papers rest with auditor.

- (a) Only statement 1 is true
- (b) Only statement 2 is true
- (c) Both the statements are true
- (d) None of the statement is true

(5×2=10 Marks)

