

Audit Master Q&A;

Chapters 1–11 & Trend/Twist Addenda

Fully framed CA Inter Audit answers • Rotating header & footer • CA Dreamers layout

Includes Appendices: Audit Sampling; Company Audit I & II; Automated Environment & Special Audits

CA DREAMERS

Concepts you must state: Definition of audit; objectives; reasonable assurance; fraud vs error; SA 200, SA 240

Q1. Define audit. State its primary and secondary objectives with reference to SA 200/SA 240. Is detection of fraud the primary objective of audit?

Source: RTP May '25 - adapted

Requirement:

Define audit; list primary and secondary objectives; comment on whether fraud detection is the primary objective.

Given:

Auditing is the independent examination of financial information of any entity, irrespective of its size or legal form, with a view to expressing an opinion thereon (SA 200 framework).

Concept:

Primary objective: to obtain reasonable assurance that the financial statements as a whole are free from material misstatement and to express an opinion in accordance with an acceptable financial reporting framework. Secondary objectives: detect and report material misstatements due to fraud or error (SA 240); evaluate compliance and overall presentation.

Working Notes:

Reasonable - not absolute - assurance due to inherent limitations: judgement, sampling, internal control limitations and possible collusion/override.

■ FINAL: Fraud detection is important but not the primary objective; the primary objective is to express an independent opinion by obtaining reasonable assurance.

Concepts you must state: Statutory vs tax vs internal audit; Companies Act s.139/s.143; ITA s.44AB; s.138

Q2. Differentiate between statutory audit, tax audit and internal audit with suitable examples. Which of these is compulsory for a company?

Source: PYQ Nov '24 - adapted

Requirement:

Distinguish the three audits and state which one is compulsory for companies.

Concept:

Audits differ by the law that triggers them, their objective, and the addressee of the report. For companies, statutory audit is compulsory under the Companies Act, irrespective of profit or turnover.

Type of Audit	Essence / Example / Compulsion
Statutory Audit	Audit required by statute (e.g., Companies Act, 2013). Appointment u/s 139; report u/s 143. Compulsory for companies.
Tax Audit	Audit under Income-tax Act s.44AB based on turnover/professional receipts thresholds (higher limit where cash transactions $\leq$ 5%).
Internal Audit	Independent evaluation of internal control as a management function. Mandatory only for specified classes u/s 138 read with Rules (listed and certain large unlisted/private companies).

■ **FINAL: For a company, statutory audit is compulsory. Tax/internal audits may additionally apply depending on thresholds/class of company.**

Concepts you must state: Reasonable assurance; not an investigator; response to fraud indicators; scope limitation

Q3. An auditor is a watchdog, not a bloodhound. Explain with modern implications under SA 240. What should the auditor do if there are indicators of fraud but management restricts access to evidence?

Source: ICAI SM - adapted

Requirement:

Explain the quote; discuss modern implications; prescribe response to restricted access.

Concept:

The phrase underscores that the auditor provides reasonable, not absolute assurance. The auditor plans and performs procedures to detect material misstatements, not to uncover every fraud. SA 240, however, requires heightened professional skepticism and specific responses when fraud risk factors exist.

Working Notes:

If management restricts access, this is a scope limitation. Auditor should (i) communicate with TCWG, (ii) perform alternative procedures; if not possible, (iii) consider qualified opinion or disclaimer, and (iv) assess withdrawal (if permitted) and seek legal advice.

■ **FINAL: Auditor is not a bloodhound, but must respond robustly to fraud indicators; a management-imposed scope limitation can lead to modified opinion or withdrawal.**

Concepts you must state: Audit risk model: $AR = IR \times CR \times DR$; inherent limitations; sampling; judgement

Q4. Differentiate absolute assurance and reasonable assurance. Explain why audits provide only reasonable assurance and how detection risk links to audit risk.

Source: MTP Sept '24 - adapted

Requirement:

Define absolute vs reasonable assurance; justify reasonable assurance; link detection risk to audit risk.

Concept:

Absolute assurance means certainty - impractical in audits. Reasonable assurance is a high but not absolute level of assurance (SA 200).

Working Notes:

Audits face inherent limitations: selective testing, judgement, internal control limitations, possibility of collusion. Audit Risk (AR) = $IR \times CR \times DR$. Detection risk (DR) is the risk that procedures fail to detect existing misstatements; auditor reduces DR via nature-timing-extent choices.

■ **FINAL: Audits provide reasonable assurance because AR cannot be reduced to zero; the auditor manages detection risk through appropriate procedures.**

Concepts you must state: Inherent limitations; internal control; sampling; collusion; estimates

Q5. List the inherent limitations of an audit and suggest measures to mitigate their effect within the audit strategy.

Source: ICAI SM - adapted

Requirement:

List limitations and suggest mitigation.

Concept:

Key limitations: (i) judgement and estimates, (ii) sampling, (iii) internal control limitations and management override, (iv) collusion, (v) time/cost constraints.

Working Notes:

Mitigation: (i) professional skepticism, (ii) increase sample sizes and use analytical plus tests of details, (iii) evaluate design/implementation of controls; test key controls, (iv) perform unpredictable procedures to counter collusion/override, (v) involve specialists where needed.

■ FINAL: Limitations cannot be eliminated, but a risk-based, skeptical audit strategy mitigates their effect.

Concepts you must state: Fraud vs error; intentional vs unintentional; SA 240 responsibilities

Q6. Distinguish between fraud and error with examples. Describe the auditor's responsibilities relating to each under SA 240.

Source: RTP May '25 - adapted

Requirement:

Define and distinguish fraud and error; state responsibilities.

Concept:

Fraud = intentional act (e.g., manipulation, misappropriation, override). Error = unintentional misstatement (e.g., arithmetical mistakes, oversight).

Working Notes:

Auditor's responsibility is to obtain reasonable assurance that FS are free from material misstatement due to fraud or error. For suspected fraud: discuss with management/TCWG, obtain additional evidence, consider legal/regulatory obligations and communicate appropriately.

■ FINAL: Fraud involves intent; the auditor tailors procedures with heightened skepticism where fraud risk factors exist.

Concepts you must state: Assertions: existence, completeness, rights, valuation, cut-off, classification, presentation

Q7. Explain financial statement assertions relevant to classes of transactions and account balances. Illustrate how assertions guide audit procedures.

Source: ICAI SM - adapted

Requirement:

Explain assertions and illustrate their impact on procedures.

Concept:

Assertions are management's implicit or explicit claims about the financial statements. The auditor uses assertions to design procedures that address risks of material misstatement at assertion level

(SA 315).

Assertion	Meaning / Example in Audit Procedures
Existence/Occurrence	Assets or transactions exist or occurred (e.g., confirm receivables; vouch sales).
Completeness	All items that should be recorded are recorded (e.g., search for unrecorded liabilities).
Rights and Obligations	Entity holds rights and has obligations for recorded items (e.g., inspect title deeds or loan agreements).
Accuracy/Valuation/Allocation	Amounts recorded appropriately (e.g., test inventory valuation; recompute depreciation).
Cut-off/Classification/Presentation	Recorded in correct period/class and properly presented (e.g., cut-off tests around year-end).

■ **FINAL: Assertions provide the map for designing procedures to respond to specific risks at the assertion level.**

Concepts you must state: True and fair vs true and correct; substance over form; materiality

Q8. What does 'true and fair view' mean in the auditor's opinion? Distinguish it from 'true and correct'.

Source: PYQ Nov '23 - adapted

Requirement:

Explain the phrase and differentiate.

Concept:

True and fair acknowledges estimations and materiality; the overall presentation is faithful and free from material misstatement. True and correct implies mathematical precision, impractical for FS relying on estimates and judgement.

Working Notes:

Auditor evaluates overall presentation, structure and content; considers materiality and whether the FS faithfully represent the underlying transactions (substance over form).

■ **FINAL: Auditor opines on a true and fair view, not absolute correctness.**

Concepts you must state: SA 210 preconditions; acceptable framework; management responsibilities; engagement letter

Q9. State the preconditions for an audit and matters to agree in the terms of engagement.

Source: MTP Sept '24 - adapted

Requirement:

List preconditions and engagement terms.

Concept:

Preconditions (SA 210): (i) financial reporting framework is acceptable; (ii) management acknowledges responsibility for preparation of FS, internal controls, and providing access to information and personnel.

Working Notes:

Agree terms via engagement letter covering objective/scope, auditor's responsibilities, management's responsibilities, applicable framework, expected report, reference to limitations, and unrestricted access to information.

■ **FINAL: If preconditions are not present or terms cannot be agreed, the auditor should not accept the engagement.**

Concepts you must state: SA 200 qualities; examples across audit phases

Q10. Explain 'professional skepticism' and 'professional judgment' with practical illustrations from planning to reporting.

Source: ICAI SM - adapted

Requirement:

Define both and illustrate across phases.

Concept:

Professional skepticism: questioning mind, alert to conditions that may indicate misstatement due to error or fraud. Professional judgment: application of training, knowledge and experience in making informed decisions about audit actions.

Working Notes:

Planning: challenge management's ROMM assessment; consider fraud risk factors. Execution: expand samples when anomalies noted; perform unpredictable procedures. Evaluation: reassess materiality if misstatements found; challenge bias in estimates. Reporting: decide on need for modifications and communications with TCWG.

■ **FINAL: Skepticism and judgment underpin a high-quality, trend-aligned audit that earns reasonable assurance.**

Concepts you must state: SA 300; overall strategy; audit plan

Q1. Differentiate Overall Audit Strategy and Detailed Audit Plan with examples.

Source: ICAI SM - adapted

Requirement:

Differentiate and give examples.

Concept:

Strategy sets scope, timing, direction and resources (e.g., component involvement, reliance on controls, timing of inventory counts). Plan converts strategy into detailed procedures by assertion (e.g., tests of revenue cut-off).

■ **FINAL: Strategy = big picture; Plan = specific procedures and allocations.**

Concepts you must state: SA 300; SA 220; SA 210

Q2. List preliminary engagement activities before planning begins.

Source: PYQ Nov '24 - adapted

Requirement:

List activities.

Concept:

Perform client continuance/acceptance; evaluate independence and ethics; agree terms via engagement letter; assign engagement team; perform initial planning meeting.

■ **FINAL: Start with acceptance/continuance, independence and clear terms of engagement.**

Concepts you must state: SA 320; materiality; performance materiality

Q3. Define materiality for the financial statements as a whole and performance materiality with a short numeric illustration.

Source: MTP Sept '24 - adapted

Requirement:

Define and illustrate.

Concept:

Materiality: magnitude of misstatements influencing users' decisions. Performance materiality: set below overall materiality to reduce risk that aggregate misstatements exceed overall materiality.

Working Notes:

Example: Overall materiality set at 10 lakhs; performance materiality at 75% = 7.5 lakhs to absorb undetected/uncorrected items.

■ **FINAL: Set performance materiality below overall materiality to create a safety cushion.**

Concepts you must state: SA 320; allocation

Q4. Explain tolerable misstatement and how it is allocated across accounts/locations.

Source: ICAI SM - adapted

Requirement:

Explain and illustrate allocation.

Concept:

Tolerable misstatement is the application of performance materiality to a particular sampling unit, balance or disclosure. Allocation considers risk, size and volume; higher risk accounts may get lower tolerable misstatement.

■ **FINAL: Allocate tighter tolerable misstatement where risk is higher.**

Concepts you must state: SA 320 revision

Q5. When should materiality be revised during the audit? Give two examples.

Source: RTP May '25 - adapted

Requirement:

State triggers and examples.

Concept:

Revise if new information would have led to a different initial materiality-e.g., profit estimate changes materially; significant acquisition or disposal after planning.

■ **FINAL: Keep materiality dynamic; revise when facts change materially.**

Concepts you must state: SA 220; team briefing; review notes

Q6. What are the principal responsibilities for direction, supervision and review of the audit team?

Source: ICAI SM - adapted

Requirement:

List principal responsibilities.

Concept:

Partner sets tone; hold team briefings; assign tasks to competence level; review work timely; consult specialists; resolve differences; document who reviewed what and when.

■ **FINAL: Strong supervision converts a good plan into high-quality evidence.**

Concepts you must state: Components; reliance; communication

Q7. How does planning change when there are components or branches audited by other auditors?

Source: PYQ Nov '23 - adapted

Requirement:

Explain planning changes.

Concept:

Determine material components; set component materiality; communicate requirements to component auditors; evaluate competence and independence; plan review of their work or perform additional procedures; coordinate reporting timelines.

■ **FINAL: Plan materiality and communications across components to ensure group-wide coverage.**

Concepts you must state: Programme vs procedures; tailoring

Q8. Differentiate an audit programme from audit procedures. Why maintain a tailored programme?

Source: ICAI SM - adapted

Requirement:

Differentiate and justify tailoring.

Concept:

Programme is the list/schedule of procedures by area/assertion; procedures are individual steps. Tailoring prevents copy-paste risk and aligns work with assessed risks.

■ **FINAL: A tailored programme ensures procedures match the entity's risks.**

Concepts you must state: Time budget; staffing; milestones

Q9. What planning considerations go into the audit time budget and scheduling?

Source: MTP Sept '24 - adapted

Requirement:

List considerations.

Concept:

Consider complexity, staff mix, busy season constraints, interim vs year-end work, inventory counts timing, reliance on IT specialists, component reporting timelines; build buffer for overruns.

■ **FINAL: A realistic time budget avoids shortcuts and last-minute errors.**

Concepts you must state: Dynamic planning; documentation

Q10. During testing you discover a new significant risk. How should the audit plan be updated and documented?

Source: RTP May '25 - adapted

Requirement:

State actions and documentation.

Concept:

Update risk assessment; revise strategy and plan (nature/timing/extent); increase sample sizes; involve senior staff; document reasons for change and impact on procedures and conclusions; communicate to TCWG if significant.

■ **FINAL: Planning is iterative-revise promptly and document the why/what/how.**

Concepts you must state: SA 315 components; control environment; risk assessment; information system; control activities; monitoring

Q1. Explain the components of internal control as per SA 315 and the auditor's focus for each component.

Source: ICAI SM - adapted

Requirement:

List components and state what the auditor focuses on for each.

Concept:

Internal control is designed to provide reasonable assurance regarding achievement of entity objectives. Auditor obtains understanding to identify and assess ROMM.

Component	What it means / Auditor focus
Control environment	Tone at the top; integrity, competence, governance; auditor evaluates independence of TCWG, assignment of authority, HR policies.
Entity risk assessment	How management identifies and analyzes risk; auditor checks linkage to FS assertions and fraud risks.
Information system	IT applications and records that initiate, process and report transactions; understand significant classes of transactions and related accounting processes.
Control activities	Policies and procedures (authorizations, reconciliations, reviews, access controls); identify key controls relevant to ROMM.
Monitoring	Ongoing and separate evaluations; internal audit; remediation of deficiencies; evaluate whether remediation is timely and effective.

■ FINAL: Understanding all five components enables the auditor to identify key controls and determine a risk-based response.

Concepts you must state: Design vs implementation vs operating effectiveness; tests of controls

Q2. Differentiate design, implementation and operating effectiveness of controls. How does the auditor evaluate each?

Source: RTP May '25 - adapted

Requirement:

Differentiate the three and explain evaluation.

Concept:

SA 315 requires evaluation of design and implementation. If relying on controls, SA 330 requires testing operating effectiveness.

Working Notes:

Procedures: inquiries, observation, inspection, walkthroughs for design and implementation; re-performance, inspection and observation for operating effectiveness.

Term	Meaning / Example
Design of control	Whether control is capable of preventing or detecting and correcting material misstatements (e.g., 3-way match in purchases).
Implementation	Whether control exists and entity is using it (e.g., observed POs matched with GRNs and supplier invoices).
Operating effectiveness	Whether control operated as designed throughout the period (e.g., sample test of 3-way matches for selected months).

■ **FINAL: Evaluate design and implementation for all relevant controls; test operating effectiveness for those intended to be relied upon.**

Concepts you must state: Definition; examples; responses; documentation

Q3. What are significant risks? Give examples and explain how they affect audit strategy and procedures.

Source: MTP Sept '24 - adapted

Requirement:

Define significant risk; give examples; state responses.

Concept:

A significant risk is an identified and assessed ROMM that, in the auditor's judgment, requires special audit consideration (SA 315). Examples include revenue recognition with complex terms, management override, valuation of complex instruments, related party transactions.

Working Notes:

Responses (SA 330): assign more experienced staff; incorporate elements of unpredictability; obtain more persuasive evidence; test controls where appropriate; perform substantive procedures responsive to the specific risk.

■ **FINAL: Significant risks drive focused procedures and senior attention to obtain more persuasive evidence.**

Concepts you must state: Walkthrough; process maps; key controls; points where misstatements could occur

Q4. Explain walkthrough procedures. How do they help in identifying controls relevant to assertions for significant classes of transactions?

Source: ICAI SM - adapted

Requirement:

Define walkthroughs and explain purpose.

Concept:

A walkthrough traces a transaction from initiation through recording to the financial statements, using inquiries, observation, inspection and re-performance.

Working Notes:

Outputs: process understanding, identification of points where misstatements could occur, locating key controls, and confirming design and implementation.

■ **FINAL: Walkthroughs connect the process flow to assertions and surface the key controls that matter.**

Concepts you must state: ITGC vs application controls; automated environment; reliance

Q5. Differentiate IT General Controls and Application Controls with examples. When must the auditor test ITGCs?

Source: PYQ Nov '23 - adapted

Requirement:

Differentiate and state when to test ITGCs.

Concept:

If the auditor plans to rely on automated controls or data from IT systems, the underlying ITGCs affecting those applications must be evaluated and, when reliance is intended, tested.

Control type	Focus / Examples
IT General Controls (ITGC)	Change management, logical access, backup and recovery, operations. Provide foundation for reliable application controls.
Application controls	Configured controls within applications: edit checks, automated calculations, status checks, three-way matches, system enforced segregation of duties.

■ **FINAL: Reliable automated controls require effective ITGCs; test them when relying on system processing or reports.**

Concepts you must state: Definitions; communications to management and TCWG

Q6. Define control deficiency, significant deficiency and material weakness with communication requirements.

Source: ICAI SM - adapted

Requirement:

Define and state communication requirements.

Concept:

Severity depends on magnitude and likelihood of potential misstatement. Communication is timely and in writing as appropriate.

Term	Meaning / Example	Communication
Control deficiency	Design or operation does not allow prevention or detection of misstatements on a timely basis.	Communicate to management.

Term	Meaning / Example	Communication
Significant deficiency	Less severe than material weakness yet important enough to merit attention by TCWG (e.g., lack of segregation in key areas).	Communicate to TCWG and management.
Material weakness	Deficiency or combination such that a material misstatement may not be prevented or detected on a timely basis.	Strong communication to TCWG; may impact auditor's report in ICFR engagements.

■ **FINAL: Classify by severity and communicate at the right governance level to ensure remediation.**

Concepts you must state: FS-level vs assertion-level risks; responses under SA 330

Q7. Differentiate risks of material misstatement at the financial statement level and at the assertion level with examples. How does each affect the audit response?

Source: MTP Sept '24 - adapted

Requirement:

Differentiate and give examples; explain impact on responses.

Concept:

FS-level risks relate broadly to the FS as a whole (e.g., weak control environment, going concern, pervasive IT failures). Assertion-level risks relate to specific classes of transactions, account balances or disclosures (e.g., inventory valuation, revenue cut-off).

Working Notes:

Responses: FS-level -> more pervasive actions (assign senior staff, more supervision, incorporate unpredictability). Assertion-level -> tailor specific controls/substantive procedures to the assertion affected.

■ **FINAL: FS-level risks require pervasive responses; assertion-level risks drive targeted procedures.**

Concepts you must state: SA 240 fraud triangle; override responses

Q8. List common fraud risk factors and explain auditor responses to the risk of management override of controls.

Source: RTP May '25 - adapted

Requirement:

List factors and responses.

Concept:

Fraud triangle: incentive/pressure, opportunity, rationalization. Override is presumed risk under SA 240.

Working Notes:

Responses: journal entry testing; review of accounting estimates for bias; evaluation of business rationale for significant unusual transactions; incorporate unpredictability.

■ **FINAL: Presume override risk and perform mandatory responses even if other controls appear strong.**

Concepts you must state: Substantive analytics; suitability; precision; data reliability

Q9. When are substantive analytical procedures appropriate compared to tests of details? What conditions must be met?

Source: ICAI SM - adapted

Requirement:

State conditions and suitability.

Concept:

Suitable when relationships are predictable and data is reliable. The expectation must be precise enough to detect material misstatement.

Working Notes:

Consider data reliability, disaggregation, tolerable difference, and whether controls over data were tested. Otherwise perform tests of details.

■ **FINAL: Use analytics where predictable, reliable, and precise; otherwise lean on tests of details.**

Concepts you must state: Content of communication; SA 265

Q10. What should be included in the communication of significant deficiencies in internal control to TCWG?

Source: PYQ Nov '24 - adapted

Requirement:

List contents.

Concept:

Include description of deficiency and its potential effects; context; that purpose of audit is FS opinion not ICFR; definition of significant deficiency; restriction on distribution; and that others may exist.

■ **FINAL: Clear, contextual communication enables prompt remediation without overstating the audit's scope.**

Concepts you must state: Report reliability testing: source, completeness, accuracy, change control

Q1. Tiny case: You intend to rely on an IT-generated 'Sales by Date' report. How will you test its source, completeness and accuracy before using it as audit evidence?

Source: ICAI SM - adapted

Requirement:

Explain steps to validate a system report before reliance.

Concept:

SA 500 requires the auditor to evaluate whether information produced by the entity is sufficiently reliable for audit purposes.

Working Notes:

Perform a walkthrough from transaction entry to the report; document report name, path, parameters, and reproduction steps so another auditor can re-create the result.

Test step	What to do / Evidence
Source	Identify system and report (name, version), query/report definition; obtain configuration screenshot.
Completeness	Reconcile record count/total from report to underlying tables or a control total; check filters/date range.
Accuracy	Re-run report or SQL with auditor parameters; verify key fields (customer, date, amount) to source documents on a sample basis.
Change control	Review who can change report logic/parameters; inspect change logs and approvals.
Journal/report linkage	Tie totals to GL; investigate differences with timing/cut-off explanation.

■ FINAL: Only rely on a report after proving its source, completeness and accuracy through reconciliations and re-performance.

Concepts you must state: Ratio projection; allowance; evaluation against TM

Q2. Give a short numeric example of projecting sample misstatements using ratio projection and comparing with tolerable misstatement (SA 530).

Source: RTP May '25 - adapted

Requirement:

Show calculation steps and conclusion.

Concept:

Ratio projection applies the sample misstatement rate to the population book value. An allowance for sampling risk covers uncertainty in the estimate (method may be statistical or judgmental).

Concepts you must state: SA 500; sufficiency vs appropriateness; risk and quantity

Q1. Explain sufficiency and appropriateness of audit evidence with examples. How do risk assessment and quality of controls influence the quantity of evidence?

Source: ICAI SM - adapted

Requirement:

Define both and explain influence of risk and controls.

Concept:

Sufficiency relates to quantity; appropriateness relates to quality (relevance and reliability). Higher assessed risk or weaker controls -> need more persuasive evidence.

■ **FINAL: Evidence must be both enough and good; higher risk demands more and better evidence.**

Concepts you must state: Reliability hierarchy; external vs internal; direct vs indirect

Q2. Rank common sources of audit evidence by reliability and justify with reasons.

Source: MTP Sept '24 - adapted

Requirement:

Rank sources and justify.

Concept:

Evidence reliability increases when obtained from independent external sources, directly by the auditor, or from systems with effective controls.

Evidence source	Reliability (general rule)
External confirmations directly to auditor	High reliability.
Auditor's direct observations/reperformance	High reliability.
Internally generated but with effective controls	Moderate to high.
Oral representations alone	Low reliability; rarely sufficient.

■ **FINAL: Prefer independent, direct, and well-controlled sources to build a persuasive evidence set.**

Concepts you must state: SA 500; procedures; examples

Q3. List and explain common audit procedures used to obtain evidence with one example each.

Source: ICAI SM - adapted

Requirement:

List and explain with examples.

Concept:

The auditor combines procedures to obtain sufficient appropriate evidence; the mix depends on assessed risks and planned reliance on controls.

Procedure	What it does / Example
Inspection	Examines records or assets (e.g., inspect contracts, count inventory).
Observation	Watching processes or controls being performed (e.g., observe stock count).
External confirmation (SA 505)	Obtains direct responses from third parties (e.g., receivable confirmations).
Recalculation	Checks mathematical accuracy (e.g., recompute depreciation).
Reperformance	Independent execution of procedures/controls (e.g., reperform bank reconciliation).
Analytical procedures (SA 520)	Study of relationships; develop expectations and compare (e.g., ratio analysis).
Inquiry	Seek information from knowledgeable persons; corroborate with other evidence.

■ **FINAL: Use a balanced mix of procedures tailored to risk and assertion.**

Concepts you must state: External confirmation; conditions for negative confirms

Q4. Differentiate positive and negative confirmations under SA 505. When is each appropriate?

Source: PYQ Nov '23 - adapted

Requirement:

Differentiate and state appropriate conditions.

Concept:

Positive confirmation requests the third party to respond in any case; negative requires response only if information is incorrect. Negative confirmations are less persuasive and are appropriate only when assessed RMM is low, a large number of small balances exists, and a very low exception rate is expected with no reason to believe recipients will ignore the requests.

■ **FINAL: Prefer positive confirms for higher risk; use negative confirms only in low-risk, many-small-balances settings.**

Concepts you must state: SA 530 sampling; MUS; stratification

Q5. Explain common sample selection methods and where each is useful.

Source: RTP May '25 - adapted

Requirement:

List methods and use cases.

Concept:

Selection method should address the audit objective and the nature of misstatement risk; document rationale and sample size.

■ **FINAL: Choose the selection method that best targets the risk and assertion.**

Concepts you must state: SA 530 projection; evaluation; tolerable misstatement

Q6. How should the auditor project misstatements identified in a sample to the population and evaluate results?

Source: ICAI SM - adapted

Requirement:

Explain projection and evaluation.

Concept:

Project sample misstatements to the population and add an allowance for sampling risk. Compare aggregate of projected misstatements and known misstatements with tolerable misstatement.

■ **FINAL: If projected misstatements exceed tolerable misstatement, extend testing or request correction.**

Concepts you must state: SA 580; limitations

Q7. What are written representations (SA 580)? Are they a substitute for other audit evidence?

Source: PYQ Nov '24 - adapted

Requirement:

Define and state limitations.

Concept:

Written representations are written statements by management to the auditor; they complement other procedures but do not substitute for other evidence when such evidence is expected to exist.

■ **FINAL: Treat representations as necessary supporting evidence, not as a replacement for other procedures.**

Concepts you must state: SA 500/SA 620; competence; capability; objectivity; relevance

Q8. How does the auditor evaluate the adequacy of evidence obtained from a management's expert?

Source: ICAI SM - adapted

Requirement:

Explain evaluation criteria.

Concept:

Assess the expert's competence, capability and objectivity; understand their work; evaluate relevance and reasonableness of assumptions, methods and data; and consider whether further procedures are required.

■ **FINAL: Auditor does not accept an expert's work blindly; evaluate and, where necessary, corroborate.**

Concepts you must state: Tests of details vs tests of controls; evaluation

Q9. Differentiate misstatements found in tests of details from deviations found in tests of controls. How is each evaluated?

Source: MTP Sept '24 - adapted

Requirement:

Differentiate and state evaluation approach.

Concept:

A misstatement is a difference between reported and required amount/disclosure. A deviation is a departure from a prescribed control. Misstatements are projected to the population; deviations are evaluated for their rate and severity to decide reliance on controls.

■ **FINAL: Project misstatements for substantive testing; evaluate deviation rate for control testing.**

Concepts you must state: Inventory count attendance; cut-off; condition

Q10. List key audit procedures to obtain evidence over inventory quantities and condition when attendance at physical count is possible.

Source: ICAI SM - adapted

Requirement:

List procedures for quantities and condition.

Concept:

Observe count procedures; perform test counts; inspect condition and obsolescence; review cut-off around year-end; reconcile count to ledger; evaluate adjustments.

■ **FINAL: Attendance with test counts, cut-off testing, and reconciliation provide persuasive evidence on quantities and condition.**

Item	Amount (INR)
Population book value (sales)	12,000,000
Sample size / book value	60 invoices / 600,000
Identified net overstatement in sample	18,000
Misstatement rate (18,000 / 600,000)	3.00%
Projected misstatement (3.00% x 12,000,000)	360,000
Allowance for sampling risk (illustrative 20%)	72,000
Projected + allowance	432,000
Tolerable misstatement	500,000

■ **FINAL:** Since 432,000 < 500,000, the results are acceptable; otherwise extend testing or ask management to correct.

Concepts you must state: SA 560/SA 700; subsequent facts; dual-dating

Q3. What is dual-dating in the auditor's report? When is it appropriate at completion?

Source: ICAI SM - adapted

Requirement:

Define dual-dating and state usage.

Concept:

Dual-dating refers to dating the auditor's report as of the original report date and adding a later date for a specific subsequent event disclosed in the FS, thereby limiting auditor responsibility to that specific event after the original date.

Working Notes:

Use only when a specific event occurs after the original report date and management revises disclosure but you do not reopen other areas. Wording example: 'Our report is dated 20 April 20X5, except for Note 32, as to which the date is 05 May 20X5.'

■ **FINAL:** Dual-date to confine additional responsibility to the disclosed subsequent event only.

Concepts you must state: SA 600; reference to component auditor; responsibility

Q4. SA 600 micro-case: Can the group auditor refer to the component auditor in the group report? What happens to responsibility?

Source: PYQ Nov '24 - adapted

Requirement:

Answer succinctly with conditions.

Concept:

Concepts you must state: Revenue occurrence; cut-off; fraud risk; analytics

Q1. State key audit procedures for revenue recognition focusing on occurrence and cut-off (risk of overstatement).

Source: RTP May '25 - adapted

Requirement:

List procedures aimed at occurrence and correct period recognition.

Concept:

Revenue is a presumptive fraud risk area; auditor emphasizes occurrence, cut-off and accuracy.

Working Notes:

Reconcile sales ledger to GL; vouch a sample of dispatch notes/bills of lading to invoices; inspect sales returns after year-end; perform cut-off tests around year-end; circularize trade receivables; perform trend/ratio analytics (GP%, DSO); test IT controls if automated.

■ **FINAL: Focus on occurrence and cut-off with third-party evidence and robust analytics.**

Concepts you must state: Unrecorded liabilities search; subsequent payments review

Q2. Design substantive procedures for purchases and trade payables addressing completeness assertion.

Source: ICAI SM - adapted

Requirement:

Address completeness of payables.

Concept:

Risk: liabilities omitted to inflate profits.

Working Notes:

Search for unrecorded liabilities by examining subsequent payments, unmatched GRNs, unpaid invoices; reconcile vendor statements; review accruals; cut-off testing around year-end.

■ **FINAL: A strong search for unrecorded liabilities provides comfort over completeness.**

Concepts you must state: Cost vs NRV; obsolescence; overhead absorption

Q3. Explain audit procedures to verify valuation of inventory (lower of cost and NRV).

Source: MTP Sept '24 - adapted

Requirement:

List valuation procedures.

Concept:

Inventory valuation requires testing cost build-up and NRV assessment.

Working Notes:

Test standard cost build-ups; verify purchase cost by invoices; check production overhead absorption basis; evaluate slow-moving/obsolete items; compare selling prices after year-end to NRV; recalculate provision for write-downs.

■ **FINAL: Test both cost and NRV with data after year-end and provision assessments.**

Concepts you must state: PPE additions; capitalization criteria; AS/Ind AS context (conceptual)

Q4. What procedures would you perform over additions to Property, Plant and Equipment (PPE) and capitalization of borrowing costs?

Source: PYQ Nov '24 - adapted

Requirement:

Verify additions and capitalization of borrowing costs.

Concept:

Risk: inappropriate capitalization or fictitious assets.

Working Notes:

Vouch additions to vendor invoices, GRNs, asset register; inspect physical existence; verify capitalization date and components; review CWIP; for borrowing costs, verify qualifying asset, capitalization period and rate; review management estimates.

■ **FINAL: Substantiate existence and capitalization criteria; ensure only eligible costs are capitalized.**

Concepts you must state: Intangibles recognition; impairment

Q5. List audit procedures for intangible assets (acquired vs internally generated) including amortization and impairment indicators.

Source: ICAI SM - adapted

Requirement:

List procedures.

Concept:

Risk: incorrect recognition of internally generated intangibles; indefinite vs finite life treatment.

Working Notes:

Vouch acquired intangibles to contracts; for internally generated, evaluate research vs development phase criteria; check amortization method and period; test impairment indicators and calculations.

■ **FINAL: Check recognition criteria carefully and test amortization/impairment logic.**

Concepts you must state: Cash count; bank confirmations; BRS testing

Q6. Describe audit procedures for cash and bank balances including bank reconciliation testing.

Source: ICAI SM - adapted

Requirement:

List procedures.

Concept:

Existence and rights assertions are key.

Working Notes:

Physical cash count; obtain direct bank confirmations; test BRS by tracing outstanding cheques/credits; review unusual reconciling items; verify restrictive covenants/pledges.

■ **FINAL: Direct confirmations and rigorous BRS testing anchor evidence for cash/bank.**

Concepts you must state: Receivable confirmations; subsequent receipts; ECL/provisioning

Q7. How would you test existence and valuation of trade receivables?

Source: RTP May '25 - adapted

Requirement:

Design procedures for existence and valuation.

Concept:

Evidence from third parties and cash collections is persuasive.

Working Notes:

Positive/negative confirmations; examine subsequent receipts; review ageing analysis; evaluate allowance/ECL model; test credit notes issued post year-end for sales returns/discounts.

■ **FINAL: Combine confirmations with subsequent receipts and provisioning review.**

Concepts you must state: Legal letters; management representations; minutes review

Q8. Explain procedures to audit provisions and contingent liabilities.

Source: MTP Sept '24 - adapted

Requirement:

List procedures.

Concept:

Risk: understatement of provisions or non-disclosure of contingencies.

Working Notes:

Discuss with management and legal counsel; obtain legal letters; review board minutes and correspondence; examine subsequent events; evaluate measurement of provisions and adequacy of disclosures.

■ **FINAL: Probe legal and operational areas and ensure adequate disclosure.**

Concepts you must state: Completeness; occurrence; controls; analytics

Q9. Design audit procedures for payroll expenses in a medium-sized entity.

Source: ICAI SM - adapted

Requirement:

List key procedures.

Concept:

Payroll is routine but significant; risk of ghost employees and incorrect rates.

Working Notes:

Test HR master controls; reconcile payroll to ledger; analytical review of payroll ratios; vouch a sample to appointment letters, time sheets and bank transfers; check statutory deductions and remittances on time.

■ **FINAL: Test master data, vouch samples and use analytics to detect anomalies.**

Concepts you must state: Loan confirmations; covenant compliance; classification

Q10. What procedures would you perform for borrowings and finance costs?

Source: PYQ Nov '23 - adapted

Requirement:

List procedures for borrowings and interest.

Concept:

Existence, completeness, classification and compliance with covenants are key.

Working Notes:

Obtain direct confirmations; examine loan agreements; verify interest recomputation and accruals; review covenant compliance; check security/charges filed; ensure correct current/non-current classification.

■ **FINAL: Confirm, recompute and check compliance and classification for borrowings.**

CA DREAMERS

Concepts you must state: SA 230; purposes; evidence of basis for opinion and compliance

Q1. Define audit documentation as per SA 230 and state its purposes.

Source: ICAI SM - adapted

Requirement:

Define and list purposes.

Concept:

Documentation is the record of audit procedures performed, evidence obtained and conclusions reached. Purposes: evidence of basis for opinion; evidence that audit was planned and performed in accordance with SAs and legal requirements; facilitates supervision and review; enables quality control and inspections.

■ **FINAL: Workpapers are the audit's memory and proof of compliance.**

Concepts you must state: Complexity; assessed risk; significance; nature of procedures; exceptions; assembly period

Q2. What factors affect the form, content and extent of audit documentation? What is the assembly period?

Source: MTP Sept '24 - adapted

Requirement:

List factors and define assembly period.

Concept:

Factors: size/complexity; assessed ROMM; significance of matters; nature/extent of procedures; identified misstatements; need for conclusions; experience of staff. Assembly period is the time after the report date within which final audit file is assembled.

■ **FINAL: Tailor documentation to risk and significance; complete file assembly within the firm's set period in line with standards.**

Concepts you must state: Documentation structure; examples

Q3. Differentiate permanent file and current file with examples of contents.

Source: ICAI SM - adapted

Requirement:

Differentiate and give examples.

Concept:

Files are organized to aid continuity and current-year focus.

File	What goes in
Permanent file	Incorporation docs; legal agreements; policies; long-term contracts; prior-year key schedules; organization chart; control narratives.
Current file	This year's planning (strategy, plan, materiality), risk assessment, programs, working papers, conclusions, communications, representation letter.

■ **FINAL: Maintain a robust permanent file and a well-indexed current file to speed planning and review.**

Concepts you must state: Ownership; confidentiality; client access

Q4. Who owns audit working papers? Explain confidentiality and access obligations.

Source: PYQ Nov '23 - adapted

Requirement:

State ownership and confidentiality rules.

Concept:

Working papers are the property of the auditor. Confidentiality is fundamental; do not disclose without client consent unless required by law or professional duty (e.g., peer review, regulatory inspection).

■ **FINAL: Auditor owns the papers but must protect confidentiality at all times.**

Concepts you must state: Sampling documentation items

Q5. What should be documented when sampling is used (SA 530)?

Source: ICAI SM - adapted

Requirement:

List documentation items.

Concept:

Document objective, population, sampling method, sample size rationale, selection, procedures performed, misstatements/deviations found, projection/evaluation and conclusions.

■ **FINAL: Clear sampling documentation allows another auditor to understand what was done and why.**

Concepts you must state: Significant matters; judgments; consultations

Q6. How should significant matters requiring professional judgment be documented? Give two examples.

Source: RTP May '25 - adapted

Requirement:

Explain documentation and examples.

Concept:

Describe the matter, the judgments made, consultations, alternatives considered, basis for conclusions and their effect on the audit. Examples: going concern assessment; impairment of CGUs; revenue recognition with multi-element arrangements.

■ **FINAL: Document the thinking trail so an experienced auditor understands the judgment made.**

Concepts you must state: SA 230 amendments; reasons; timestamps

Q7. What are the rules for changes to audit documentation after the report date and after the assembly period?

Source: ICAI SM - adapted

Requirement:

Explain rules for changes.

Concept:

After report date but before file assembly completion, changes may be made for administrative purposes; document who made the change, when and why. After assembly completion, do not delete or discard; any necessary additions must be documented with reasons, date and person responsible.

■ **FINAL: Preserve integrity with dated, explained changes; never delete evidence after assembly.**

Concepts you must state: Retention period; legal/regulatory; QC

Q8. State retention requirements for audit documentation and why retention matters.

Source: MTP Sept '24 - adapted

Requirement:

State retention period and importance.

Concept:

Retention period is as per law/regulation/firm policy (commonly several years). Retention supports future audits, regulatory inspections and defense in litigation.

■ **FINAL: Retain files for the required period to enable inspections and protect the firm.**

Concepts you must state: Clarity; reviewability; linkage of evidence to conclusions

Q9. Explain the use of tick marks, legends and cross-referencing in working papers. Why are they important during review?

Source: ICAI SM - adapted

Requirement:

Explain usage and importance.

Concept:

Tick marks with a legend denote actions performed; cross-referencing links schedules to lead sheets and conclusions, making the file navigable for reviewers and inspectors.

■ **FINAL: Clear legends and cross-references reduce review time and errors.**

Concepts you must state: Engagement quality control review; supervision; review; documentation

Q10. How does SA 220 (Quality Control for an Audit) interact with SA 230 documentation requirements?

Source: PYQ Nov '24 - adapted

Requirement:

Explain interaction.

Concept:

SA 220 requires direction, supervision and review; SA 230 requires documentation sufficient to show who performed and reviewed work, the date of completion and review, and the nature, timing and extent of procedures.

■ **FINAL: Good documentation enables SA 220-compliant supervision and EQCR where applicable.**

CA DREAMERS

Concepts you must state: SA 520 concluding analytics; overall evaluation SA 700

Q1. Explain the overall review of financial statements and concluding analytical procedures at the completion stage.

Source: ICAI SM - adapted

Requirement:

Explain what the overall review entails and how concluding analytics are used.

Concept:

Concluding analytics evaluate whether FS are consistent with auditor's understanding; investigate unusual or contradictory trends; tie back totals to trial balance; ensure internal consistency of notes.

■ **FINAL: Use concluding analytics to validate the big picture and spot any last contradictions.**

Concepts you must state: SA 450; accumulate; communicate; evaluate; uncorrected

Q2. Outline the steps to evaluate misstatements as per SA 450 and how uncorrected misstatements are treated.

Source: MTP Sept '24 - adapted

Requirement:

Outline steps and treatment of uncorrected items.

Concept:

Evaluation is both quantitative and qualitative; consider pervasiveness, fraud indicators, and compliance effects.

Step	What auditor does / examples
Accumulate	Record all identified misstatements (factual, judgmental, projected) other than clearly trivial.
Communicate	Discuss with management promptly; request correction.
Reassess materiality	Consider if materiality needs revision based on facts found.
Evaluate uncorrected misstatements	Consider size, nature and circumstances; aggregate with undetected risk; effect on trends and key ratios.
Written representation	Obtain statement of uncorrected misstatements and reasons where applicable.

■ **FINAL: Conclude whether uncorrected misstatements are material individually or in aggregate; modify opinion if necessary.**

Concepts you must state: SA 560; Type I vs Type II; responses

Q3. Differentiate adjusting and non-adjusting subsequent events with examples and auditor responses (SA 560).

Source: ICAI SM - adapted

Requirement:

Differentiate and state responses.

Concept:

Perform subsequent events procedures up to the date of auditor's report; extend if facts become known after report date.

Type	Meaning / Example	Auditor response
Type I (adjusting)	Conditions existed at reporting date; e.g., settlement of a court case confirming a present obligation.	Adjust amounts/disclosures.
Type II (non-adjusting)	Conditions arose after reporting date; e.g., major fire after year-end.	Disclose if material; no adjustment unless going concern impacted.

■ FINAL: Adjust for Type I; disclose Type II if material; reassess going concern when events are severe.

Concepts you must state: SA 560 after the report; actions

Q4. What should the auditor do if facts become known after the auditor's report that would have caused the report to change?

Source: PYQ Nov '23 - adapted

Requirement:

State procedures and actions.

Concept:

Discuss with management/TCWG, determine whether FS need amendment; if amended, extend procedures and issue new report; if not amended but auditor believes revision is necessary, take steps to prevent reliance (e.g., notify stakeholders) and seek legal advice.

■ FINAL: Act to ensure users are not misled-update report or prevent reliance.

Concepts you must state: SA 580; management responsibility; uncorrected misstatements; subsequent events; related parties

Q5. List key written representations obtained at completion and explain their purpose.

Source: ICAI SM - adapted

Requirement:

List key representations and purpose.

Concept:

Management acknowledges responsibility for FS and internal controls; confirms completeness of information, disclosure of related parties, subsequent events, unrecorded liabilities, and uncorrected misstatements.

■ FINAL: Representations complement other evidence and close information gaps at completion.

Concepts you must state: SA 260; communication; independence

Q6. What must be communicated to Those Charged with Governance (TCWG) at completion under SA 260?

Source: MTP Sept '24 - adapted

Requirement:

List communication points.

Concept:

Timely two-way communication improves the audit and governance oversight.

Area	What is communicated
Planned scope and timing	Strategy, significant risks, reliance on internal audit/experts.
Significant findings	Qualitative aspects of accounting practices, significant difficulties, uncorrected misstatements, deficiencies in control.
Independence	Statement of independence and related safeguards.

■ **FINAL: Close formally with TCWG-scope/timing, findings (including uncorrected items) and independence.**

Concepts you must state: Optional vs required; content and tone

Q7. Differentiate a management letter from the required communication of significant deficiencies in internal control (SA 265).

Source: ICAI SM - adapted

Requirement:

Differentiate and state content.

Concept:

Management letter is broader and advisory, may include efficiency suggestions. SA 265 communication is required for significant deficiencies, focuses on description, effects and recommendations; addressed to appropriate governance level.

■ **FINAL: Provide both: mandatory SA 265 communication and value-adding management letter.**

Concepts you must state: SA 570; MUCG; adverse/disclaimer scenarios

Q8. At completion, how does the auditor conclude on going concern and what are the reporting outcomes?

Source: RTP May '25 - adapted

Requirement:

Explain conclusion and outcomes.

Concept:

Evaluate management's assessment; consider events after period; if MUCG exists and adequately disclosed -> separate 'Material Uncertainty' section. If disclosure inadequate -> modify opinion; if management unwilling to make or extend assessment -> scope limitation may lead to disclaimer.

■ **FINAL: Reporting depends on adequacy of disclosure and sufficiency of evidence.**

Concepts you must state: SA 560 procedures

Q9. Give examples of subsequent events procedures performed up to the report date.

Source: ICAI SM - adapted

Requirement:

List examples.

Concept:

Read minutes of meetings; inquire of management/legal counsel; read latest interim FS; inquire about covenant compliance; check after-date receipts/payments; review press releases/regulatory filings.

■ **FINAL: Cover legal, operational and financial updates right up to the report date.**

Concepts you must state: Checklist; cold review; EQCR

Q10. List five key items on an audit completion checklist before signing the report.

Source: ICAI SM - adapted

Requirement:

List five items.

Concept:

Signed engagement letter; updated strategy/plan; completed programs with cross-references; evaluated misstatements; WR obtained; subsequent events procedures done; management/TCWG communication complete; internal QC/EQCR completed; disclosures checked.

■ **FINAL: Run the checklist so nothing critical is missed before signing.**

Do not refer to the component auditor unless required by law or regulation. If reference is required, describe the component and magnitude; however, the group engagement partner remains solely responsible for the group opinion-reference does not divide responsibility.

■ **FINAL: Avoid reference unless law requires; responsibility for the group opinion stays with the group auditor.**

Concepts you must state: POC; WIP; cost-to-complete; onerous contracts

Q5. Real-estate/Construction: What are quick checks for WIP and revenue under a Percentage-of-Completion setting?

Source: ICAI SM - adapted

Requirement:

Give quick checks.

Concept:

Focus on measurement of progress, reliability of budgets and certification, and provisioning for foreseeable losses.

Check	What to see
Contract & performance obligations	Review contract terms, milestones, variable consideration, modifications.
Budgeted cost & cost-to-complete	Latest approved budgets; engineer certifications; reasonableness of estimates.
Stage of completion	Cost-to-cost method: (cost incurred / total expected cost); reconcile site progress certificates to books.
WIP & revenue recognition	Match with stage; ensure onerous loss provision where costs exceed expected consideration.
Collections & retention money	Aging, retention terms, LD/penalties risk.

■ **FINAL: Tie certified progress to books and challenge budgets and cost-to-complete.**

Concepts you must state: Principal vs agent indicators; gross vs net

Q6. E-commerce platform: Quick checklist to decide principal vs agent presentation.

Source: ICAI SM - adapted

Requirement:

Give a quick indicator table and implication.

Concept:

Assess indicators collectively; disclosures should explain the basis chosen.

Concepts you must state: SA 700 elements; Opinion; Basis for Opinion; Responsibilities; Other Information; Report on Other Legal and Regulatory Requirements

Q1. State the basic elements of an auditor's report as per SA 700 and briefly explain each section.

Source: ICAI SM - adapted

Requirement:

List and explain basic elements.

Concept:

Title; Addressee; Opinion; Basis for Opinion; Going Concern (if applicable); Key Audit Matters (for listed entities when applicable); Responsibilities of Management and Those Charged with Governance; Auditor's Responsibilities; Other Information (SA 720); Report on Other Legal and Regulatory Requirements; Signature; Place; Date.

■ **FINAL: A clear SA 700 structure enhances understandability and compliance.**

Concepts you must state: SA 705 modifications; material vs pervasive

Q2. Differentiate qualified, adverse and disclaimer opinions under SA 705 with conditions for each.

Source: PYQ Nov '24 - adapted

Requirement:

Differentiate and state conditions.

Concept:

Material vs pervasive drives the type of modification; include a Basis for Qualified/Adverse/Disclaimer section explaining reasons.

Type	When used	Resulting opinion
Qualified	Material but not pervasive misstatement or scope limitation.	Qualified opinion.
Adverse	Material and pervasive misstatement.	Adverse opinion.
Disclaimer	Material and pervasive scope limitation or severe uncertainty; no sufficient appropriate evidence.	Disclaimer of opinion.

■ **FINAL: Assess materiality and pervasiveness to choose the right modification.**

Concepts you must state: SA 706; EOM vs OM; examples

Q3. Differentiate Emphasis of Matter and Other Matter paragraphs under SA 706 with examples.

Source: ICAI SM - adapted

Requirement:

Differentiate and give examples.

Concept:

EOM highlights matters disclosed in FS; OM refers to other matters relevant to users' understanding of the audit, auditor's responsibilities, or the report.

Aspect	Emphasis of Matter (EOM)	Other Matter (OM)
Purpose	Draw attention to matter appropriately presented/disclosed in FS.	Refer to matters other than those presented/disclosed in FS.
Effect on opinion	No modification.	No modification.
Examples	Significant uncertainty, subsequent event properly disclosed.	Restriction on distribution; prior period audited by another auditor.

■ FINAL: EOM/OM provide context without changing the opinion.

Concepts you must state: KAM definition; listed entities; selection

Q4. What are Key Audit Matters (KAM) as per SA 701? Are KAM required for all audits? Outline the selection principles.

Source: MTP Sept '24 - adapted

Requirement:

Define, state applicability, outline selection.

Concept:

KAM are those matters that, in the auditor's professional judgment, were of most significance in the audit of the current period financial statements. Required for listed entities; may be communicated for others when required by law or auditor decides. Selection from matters communicated to TCWG, focusing on areas of higher assessed risk, significant judgments, and the effect on the audit.

■ FINAL: KAM enhance transparency about the audit focus without being a separate opinion.

Concepts you must state: SA 570; material uncertainty; EOM

Q5. Explain reporting implications under SA 570 when a material uncertainty related to going concern exists and is adequately disclosed.

Source: RTP May '25 - adapted

Requirement:

Explain reporting when disclosure is adequate.

Concept:

Include a separate section 'Material Uncertainty Related to Going Concern' drawing attention to the note; opinion remains unmodified; if disclosure inadequate -> modify opinion.

■ FINAL: Adequate disclosure -> separate section; inadequate disclosure -> modified opinion.

Concepts you must state: SA 720 responsibilities; read and consider; reporting

Q6. What are the auditor's responsibilities relating to 'Other Information' in the annual report as per SA 720 (Revised)?

Source: ICAI SM - adapted

Requirement:

State responsibilities and reporting.

Concept:

Read the other information, consider whether it is materially inconsistent with the FS or auditor's knowledge; if material misstatement identified, discuss with management/TCWG and take appropriate action; include 'Other Information' section describing responsibilities and status of obtaining other information.

■ **FINAL: Read, consider consistency, and report transparently about other information.**

Concepts you must state: Statutory reporting; Companies Act 2013

Q7. List key reporting points under Section 143(3) of the Companies Act, 2013.

Source: PYQ Nov '24 - adapted

Requirement:

List key reporting points.

Concept:

Sec 143(3) specifies matters to be included in the auditor's report for companies.

Section 143(3) matter	What it requires
Books and returns	Whether proper books and adequate returns are received from branches.
Accounting standards	Whether FS comply with accounting standards.
Directors disqualification	Written representations; non-disqualification u/s 164(2).
Internal financial controls	Report on adequacy and operating effectiveness (where applicable).
Other points	Observations/comments that have adverse effect; any director remuneration in excess of limits; etc.

■ **FINAL: Ensure statutory matters under 143(3) are covered alongside SA 700 requirements.**

Concepts you must state: CARO 2020; applicability; clauses overview

Q8. Give an overview of CARO 2020: applicability and broad areas covered.

Source: ICAI SM - adapted

Requirement:

State applicability and overview.

Concept:

CARO 2020 applies to specified classes of companies with exemptions (e.g., certain small companies). Broad areas include PPE and intangible assets, inventory and working capital, loans/guarantees/investments, cost records, statutory dues, default in repayment, related party transactions, internal audit, cash losses, CSR, etc.

■ **FINAL: CARO augments the main auditor's report with detailed clause-wise reporting.**

Concepts you must state: SA 705 wording changes

Q9. Outline the basic wording changes in the 'Opinion' and 'Basis for Opinion' sections for a qualified opinion due to material misstatement.

Source: ICAI SM - adapted

Requirement:

Outline wording changes.

Concept:

Opinion section: 'except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph...' Basis section: describe and quantify the misstatement where practicable and explain its effect.

■ **FINAL: Use clear 'except for' language and explain the basis precisely.**

Concepts you must state: SA 710; responsibilities

Q10. Explain the auditor's responsibilities for comparative information as per SA 710 (Corresponding Figures vs Comparative Financial Statements).

Source: MTP Sept '24 - adapted

Requirement:

Explain responsibilities.

Concept:

Obtain sufficient appropriate evidence that comparatives are presented in accordance with the applicable framework; evaluate consistency; report if a modification relates to comparatives; refer to predecessor auditor's report where permitted.

■ **FINAL: Comparatives must be consistent and appropriately audited or referenced.**

Indicator	Points suggesting principal	Points suggesting agent
Control over goods/services	Controls inventory/fulfillment; bears primary responsibility.	No inventory risk; arranges for third party to provide.
Pricing discretion	Sets price to customer.	Earns fixed/percentage commission; price set by vendor.
Inventory/credit risk	Bears stock risk, returns, chargebacks.	No stock risk; passes risk to vendor.
Presentation	Gross revenue recognition.	Net (commission) recognition.

■ FINAL: If mainly agent indicators -> recognise only commission; if principal indicators -> recognise gross.

Concepts you must state: Restructuring; evergreening; red flags

Q7. Bank advances: What red flags indicate restructuring/evergreening and how should you respond?

Source: MTP Sept '24 - adapted

Requirement:

List red flags and responses.

Concept:

Use data analytics for flow-of-funds; corroborate with bank statements, stock statements, GST data and site visits.

Red flag	Why it matters / what to do
Fresh loans to service interest on old accounts	Suggests evergreening; trace fund flows; check RBI/Bank policy compliance.
Frequent short-tenure rollovers near due dates	Masking default; analyze repayment history and DP.
Round-tripping through related parties just before NPA date	Look for cash trails; obtain confirmations; review statements.
Sudden upgrade without evidence of sustained performance	Check cooling period requirements and independent verification of operations.

■ FINAL: Challenge upgrades that lack sustained cash evidence; trace whether new funds simply recycle old dues.

Concepts you must state: Locker rent; occupancy mapping; parameter review

Concepts you must state: Sector-specific risks: education, hospitals, hotels, clubs, NGOs

Q1. Give an overview of special focus areas for common non-corporate entities.

Source: ICAI SM - adapted

Requirement:

Provide an overview table.

Concept:

Different entities have distinctive revenue/collection cycles and compliance needs; tailor procedures accordingly.

Entity type	Special focus areas (examples)
Educational institutions	Fee register and controls, scholarships/waivers approval, hostel/mess collections, grants utilization, fixed assets and labs inventory.
Hospitals	Billing reconciliation with patient records, pharmacy stock and expiries, consultants' fee sharing, insurance TPAs, cash controls at ER/OPD.
Hotels	Room revenue controls (night audit), F&B; controls, recipe costing and yield, banquet revenue, tips/service charge distribution.
Clubs/Societies	Membership register, entrance/subscription fees, bar sales and stock, events income, use of grants/donations.
NGOs/NPOs	Restricted vs unrestricted funds, grant terms, utilization certificates, foreign contributions where applicable, related party transactions with trustees.

■ FINAL: Know the sector's revenue/cost drivers and design procedures around them.

Concepts you must state: Fee register; concessions; controls

Q2. Design audit procedures for fee income and scholarships in an educational institution.

Source: PYQ Nov '24 - adapted

Requirement:

List procedures.

Concept:

Match admissions register to fee demand; test fee receipts to bank; review concessions/waivers approvals; check ageing of dues; reconcile hostel/mess collections.

■ FINAL: Tie admissions to fee demand and bank receipts; verify authorized concessions.

Concepts you must state: Patient billing; pharmacy stock; expiries; pilferage

Q3. Explain procedures for hospital billing and pharmacy inventory.

Source: ICAI SM - adapted

Requirement:

List procedures.

Concept:

Reconcile patient records to bills; sample test for tariff application; check credit approvals for TPAs; pharmacy stock counts, expiries/returns; review narcotics controls as applicable.

■ **FINAL: Link medical records to billing and control high-risk pharmacy items.**

Concepts you must state: Night audit; room revenue; POS reconciliations

Q4. How does a 'night audit' in hotels support revenue completeness and accuracy?

Source: ICAI SM - adapted

Requirement:

Explain role and auditor's use.

Concept:

Night audit reconciles room occupancy, rates, POS postings and cash/credit settlements daily; auditor reviews exceptions/voids, complimentary rooms and rate overrides.

■ **FINAL: Review night-audit exception logs and reconciliations for assurance over hotel revenue.**

Concepts you must state: Membership register; bar stock; pricing

Q5. State audit checks for membership fees and bar stock in a club.

Source: MTP Sept '24 - adapted

Requirement:

List checks.

Concept:

Verify admission approvals; reconcile subscription billing to membership register; test receipts; review arrears and suspensions; perform bar stock counts and yield analysis.

■ **FINAL: Membership and bar operations need strict registers and stock controls.**

Concepts you must state: Restricted funds; utilization certificates; donor reporting

Q6. Explain audit procedures over grants received by an NGO including utilization and reporting.

Source: ICAI SM - adapted

Requirement:

List procedures.

Concept:

Read grant agreements; track restricted fund ledger; verify expenditures to supporting documents; ensure utilization certificates and donor reports align with books; consider foreign contribution compliance where applicable.

■ **FINAL: Trace every restricted rupee from receipt to utilization and reporting.**

Concepts you must state: Membership; share capital; subsidies; statutory reserves

Q7. List essential audit considerations for a co-operative society at an overview level.

Source: ICAI SM - adapted

Requirement:

List considerations.

Concept:

Check membership and share capital registers, statutory reserves/appropriations, borrowings/subsidies, distribution to members, and compliance with co-operative laws/bye-laws.

■ **FINAL: Pay attention to statutory reserves and member-related registers.**

Concepts you must state: Income recognition; repossessions; provisioning

Q8. What focus areas arise in auditing hire-purchase/leasing businesses?

Source: ICAI SM - adapted

Requirement:

List focus areas.

Concept:

Verify interest income recognition patterns; examine asset repossession accounting; assess provisioning for doubtful receivables; check vehicle asset registers and hypothecation documentation.

■ **FINAL: Income timing and receivable quality dominate risk in leasing businesses.**

Concepts you must state: Ticketing system; third-party share

Q9. Describe procedures to test completeness of cinema/multiplex ticket revenue.

Source: PYQ Nov '23 - adapted

Requirement:

List procedures.

Concept:

Reconcile ticketing system reports with cash/online settlements; check show schedules vs tickets sold; validate entertainment tax/GST reporting; verify revenue sharing with distributors.

■ **FINAL: System reports and show schedules are the anchors for completeness testing.**

Concepts you must state: Inventory shrinkage; promo accounting

Q10. In retail chains, how should auditors evaluate shrinkage and promotional discounts?

Source: ICAI SM - adapted

Requirement:

Explain evaluation.

Concept:

Analyze shrinkage trends by store/category; evaluate controls (CCTV, cycle counts); verify promo schemes, accruals for supplier-funded promos and correct recognition of discounts.

■ FINAL: Use analytics and control testing to manage shrinkage/promo risks.

CA DREAMERS

Q8. Bank branches: How to test locker rent revenue for leakages?

Source: ICAI SM - adapted

Requirement:

List leakage tests.

Concept:

Locker rent is small but high-volume-systematic leakages are common if parameter masters are wrong.

Test	What to do
Occupancy vs billing	Match active lockers by size to annual rent billed; investigate inactive billing or unbilled active lockers.
Overdue & penalties	Age analysis of unpaid rent; check penalty application and notices.
Key deposits & break-open charges	Trace receipt/refund/forfeiture; verify approvals for break-open.
System parameters	Review rent rate master and changes; maker-checker approvals.

■ **FINAL: Reconcile occupancy to billing and review parameter masters to plug leakages.**

Concepts you must state: NOCLAR steps; assess -> discuss -> act -> document

Q9. One-pager: What is the NOCLAR response flow for auditors (SA 250 context)?

Source: ICAI SM - adapted

Requirement:

Lay out the decision flow.

Concept:

Balance confidentiality, legal duties and public interest; document thoroughly.

Step	Action / Key points
Identify	Become aware of a suspected or actual non-compliance (laws/regulations).
Understand	Obtain information to understand the matter and circumstances.
Assess	Consider effect on FS and materiality; is it intentional? ongoing?
Discuss	Talk to management/TCWG; urge rectification and disclosure.

Step	Action / Key points
Legal advice	Seek legal counsel where necessary; consider confidentiality duties.
Report externally	If required by law/regulation or in the public interest (as permitted), report to appropriate authority.
Audit impact	Modify risk assessment; consider modification of opinion or EOM/OM; consider withdrawal.
Document	Record facts, discussions, decisions and basis for actions taken.

■ **FINAL: Follow a clear identify-understand-assess-discuss-act-document cycle and update your opinion as needed.**

CA DREAMERS

Concepts you must state: Advances; deposits; treasury; IT/CBS; LFAR

Q1. Provide an overview of key areas in a bank branch audit.

Source: ICAI SM - adapted

Requirement:

Overview of areas.

Concept:

Bank audits are risk-focused with heavy emphasis on advances and LFAR reporting.

Area	Focus points
Advances	Sanction, documentation, end-use, NPA identification, provisioning, income recognition.
Deposits	KYC/AML, interest calculation, unclaimed deposits, reconciliation.
Treasury	Investment classification, valuation, SLR/limits, income recognition.
IT/CBS	Access controls, parameter changes, EOD controls, interface reconciliations.
LFAR	Branch operations, cash, clearing, house-keeping, frauds, large accounts, revenue leakages.

■ **FINAL: Prioritize advances, CBS controls and LFAR observations.**

Concepts you must state: Sanction terms; documentation; security creation

Q2. List audit procedures for advances focusing on sanction and documentation.

Source: RTP May '25 - adapted

Requirement:

List procedures.

Concept:

Verify sanction notes and delegated authority; execute/document security; ROC/charge filings where applicable; end-use verification; stock/book debt statements and drawing power.

■ **FINAL: Sanction within authority and proper documentation are the first defense lines.**

Concepts you must state: Overdue; security; provisioning; reversal of interest

Q3. Explain principles for identifying NPAs and related income recognition/provisioning at a conceptual level.

Source: ICAI SM - adapted

Requirement:

Explain principles.

Concept:

Assets become NPAs when overdue beyond specified days or other criteria; stop accruing unrealized interest; reverse uncollected interest; make provisions based on asset classification and security/ageing.

■ **FINAL: Flag NPAs timely, stop income, and provide adequately.**

Concepts you must state: Cash verification; dual control; ATM reconciliation

Q4. What checks are performed over cash, ATM replenishment and valuables at branches?

Source: PYQ Nov '24 - adapted

Requirement:

List checks.

Concept:

Physical verification under dual control; surprise cash counts; ATM cash reconciliation with EJ logs; insurance/limit adherence; custody of keys and valuables (safe deposit lockers oversight).

■ **FINAL: Dual control and reconciliations are crucial for cash and valuables.**

Concepts you must state: Head office circularization; SLR/valuation overview

Q5. At branch level, how are investment and treasury items generally verified?

Source: ICAI SM - adapted

Requirement:

State verification approach.

Concept:

Most treasury operations are centralized; branch auditor verifies balances/transactions routed through branch, review HO confirmations, test interest/price application, and compliance of SLR where applicable.

■ **FINAL: Coordinate with HO/central auditor and verify branch-reflected items and controls.**

Concepts you must state: Customer onboarding; risk rating; STR

Q6. List key checks over KYC/AML compliance at branches.

Source: ICAI SM - adapted

Requirement:

List checks.

Concept:

Verify KYC documentation; periodic KYC updates; risk rating; large cash transactions; monitoring alerts and STR/SAR filings; PEP screening where applicable.

■ **FINAL: KYC/AML lapses carry regulatory risk-verify documentation and monitoring.**

Concepts you must state: LFAR sections; advances; cash; house-keeping

Q7. What are essential reporting points in the LFAR for bank branches?

Source: ICAI SM - adapted

Requirement:

List essential points.

Concept:

Comment on large advances, borrower-wise irregularities, stock statements and DP, overdue bills, cash/ATM, inter-branch reconciliation, frauds/suspected frauds, revenue leakages, and housekeeping including suspense accounts.

■ **FINAL: LFAR demands pointed comments supported by audit evidence.**

Concepts you must state: Parameter reviews; recomputation; sampling

Q8. Describe tests to detect revenue leakage in interest and service charges.

Source: MTP Sept '24 - adapted

Requirement:

Describe tests.

Concept:

Review CBS parameter tables; recompute interest on sample accounts; verify service charge application; test waivers/overrides; analyze exception reports.

■ **FINAL: Parameter checks and recomputation catch revenue leakages.**

Concepts you must state: Aging; old entries; responsibility

Q9. What audit checks apply to suspense/sundry entries and inter-branch reconciliation?

Source: ICAI SM - adapted

Requirement:

List checks.

Concept:

Obtain aging; investigate old/large balances; verify subsequent clearance; identify responsible officials; review unusual items; confirm inter-branch balances with HO.

■ **FINAL: Push for clearing aged suspense and reconcile inter-branch promptly.**

Concepts you must state: EOD; parameter changes; maker-checker

Q10. Explain EOD controls and parameter change controls in a CBS environment.

Source: ICAI SM - adapted

Requirement:

Explain controls.

Concept:

EOD ensures all transactions are posted and day is properly closed; parameter changes require authorization, logs, and maker-checker; review exception logs and approvals.

■ **FINAL: Strong EOD and change controls underpin reliable CBS operations.**

Concepts you must state: Fundamental principles; ethics

Q1. List the fundamental principles of the Code of Ethics and briefly explain each.

Source: ICAI SM - adapted

Requirement:

List and explain principles.

Concept:

These principles underpin ethical behavior for chartered accountants.

Principle	What it requires
Integrity	Straightforward and honest in all professional relationships.
Objectivity	No bias, conflict of interest or undue influence.
Professional competence & due care	Maintain knowledge/skill; act diligently and in accordance with applicable standards.
Confidentiality	Respect confidentiality; do not disclose without proper authority.
Professional behavior	Comply with laws/regulations and avoid discrediting the profession.

■ **FINAL: Every engagement decision should align with these five principles.**

Concepts you must state: Threats; safeguards

Q2. Explain the five categories of threats to independence with one example and safeguards each.

Source: ICAI SM - adapted

Requirement:

Explain threats with examples and safeguards.

Concept:

Use safeguards to reduce threats to an acceptable level; otherwise decline/withdraw.

Threat	Example	Safeguards (examples)
Self-interest	Contingent fee; overdue fees.	Independent quality review; change fee structure; obtain partial payment before continuing.
Self-review	Non-audit services creating reliance on own work.	Separate teams; additional review; decline service.
Advocacy	Promoting client's shares.	Policy prohibiting such services; safeguards.

Threat	Example	Safeguards (examples)
Familiarity	Long association; close relationship.	Rotation; independent review; change personnel.
Intimidation	Pressure or threats from client.	Involve TCWG; document; withdraw if necessary.

■ **FINAL: Identify threats early and apply effective safeguards.**

Concepts you must state: Fees; referral; advertising

Q3. State ethical considerations around fees (including overdue fees), referral commissions and advertising/solicitation at a principle level.

Source: ICAI SM - adapted

Requirement:

State principles.

Concept:

Avoid contingent fees for audit/attest; overdue fees may create self-interest threat; referral commissions must be transparent and comply with regulations; advertising should be honest, not misleading or comparative; respect ICAI guidelines.

■ **FINAL: Keep fees and promotion transparent, lawful and free of undue influence.**

Concepts you must state: Gifts; hospitality; threats

Q4. How should an auditor evaluate acceptability of gifts and hospitality from clients?

Source: ICAI SM - adapted

Requirement:

Explain evaluation.

Concept:

Decline gifts/hospitality that are not clearly insignificant; assess timing, intent and frequency; document evaluation and apply safeguards (e.g., disclosure to TCWG).

■ **FINAL: If a reasonable third party would view it as influencing the auditor, do not accept.**

Concepts you must state: SA 250; NOCLAR; reporting

Q5. At an overview level, how should an auditor respond to non-compliance with laws and regulations (NOCLAR) in the context of SA 250?

Source: ICAI SM - adapted

Requirement:

Explain response.

Concept:

Understand the matter; evaluate effect on FS; discuss with management/TCWG; seek legal advice if necessary; consider reporting to regulators when required by law; document actions.

■ **FINAL: Respond proportionately, protect the public interest and comply with legal duties.**

Concepts you must state: Professional appointment; NOC; predecessor communication

Q6. What steps should be taken before accepting a new audit-especially in relation to communication with the previous auditor?

Source: ICAI SM - adapted

Requirement:

List steps.

Concept:

Assess client integrity; evaluate independence/conflicts; communicate with previous auditor to know reasons for change and any professional issues (seek NOC as applicable); agree terms via engagement letter.

■ **FINAL: Do not accept until independence, integrity and communication boxes are ticked.**

Concepts you must state: SA 210; engagement letter contents

Q7. List key matters to include in an audit engagement letter as per SA 210.

Source: ICAI SM - adapted

Requirement:

List matters.

Concept:

Agreeing terms avoids misunderstandings and sets expectations.

Term to agree	Typical content
Objective and scope	Audit of FS; scope as per SAs and law.
Responsibilities	Management: preparation of FS, internal control, access to information; Auditor: express opinion.
Applicable framework	Identify FRF used.
Expected report	Form and content; possible modifications.
Other	Fees and billing; involvement of component auditors/experts; communication protocols.

■ **FINAL: A clear engagement letter is the foundation of a smooth audit.**

Concepts you must state: Conflicts; safeguards; separate teams

Q8. How should conflicts of interest and provision of multiple services to the same client be evaluated?

Source: ICAI SM - adapted

Requirement:

Explain evaluation.

Concept:

Identify potential conflicts; obtain informed consent; use separate teams with confidentiality barriers; where prohibited (e.g., Sec 144 for companies), decline the service.

■ **FINAL: Use safeguards or decline; never compromise independence.**

Concepts you must state: Independence confirmations; threats & safeguards

Q9. What independence documentation should be maintained on the audit file?

Source: ICAI SM - adapted

Requirement:

List documentation items.

Concept:

Maintain annual independence confirmations, partner/staff declarations, evaluation of threats and applied safeguards, communications with TCWG about independence.

■ **FINAL: Good documentation evidences independence and passes inspections.**

Concepts you must state: Withdrawal; persistent scope limitation; management integrity issues

Q10. When should an auditor consider withdrawal from an engagement on ethical grounds?

Source: ICAI SM - adapted

Requirement:

State situations.

Concept:

When threats cannot be reduced to acceptable level: management integrity in doubt, pervasive scope limitation, non-compliance or pressure to act unethically. Consider legal/regulatory requirements and communicate with TCWG.

■ **FINAL: If safeguards fail, protect the public interest and the firm's integrity by withdrawing.**

Concepts you must state: SA 530; sampling risk; non-sampling risk; examples

Q1. Define audit sampling as per SA 530 and explain sampling risk vs non-sampling risk with examples.

Source: ICAI SM - adapted

Requirement:

Define sampling; differentiate sampling risk and non-sampling risk.

Concept:

Audit sampling involves the application of audit procedures to less than 100 percent of items in a population such that all sampling units have a chance of selection. Sampling risk arises from conclusions based on a sample that may be different from those based on the entire population. Non-sampling risk arises from factors other than sampling (e.g., inappropriate procedures, misinterpretation of results).

■ **FINAL: Manage sampling risk via adequate sample sizes and proper selection; reduce non-sampling risk via supervision, training and clear procedures.**

Concepts you must state: Sampling approaches; pros/cons; use cases

Q2. Differentiate statistical and non-statistical sampling with advantages, limitations and use cases.

Source: MTP Sept '24 - adapted

Requirement:

Differentiate and list pros/cons/use cases.

Concept:

Both approaches can provide sufficient appropriate evidence when properly designed and applied in line with SA 530.

Aspect	Statistical sampling	Non-statistical sampling
Basis	Probability-based selection with evaluation using probability theory.	Judgmental selection and evaluation without probabilities.
Advantages	Measurable sampling risk; defensible sample size; objective evaluation.	Flexibility; simpler to apply in small populations.
Limitations	Requires more design effort and tools.	Risk of bias; cannot quantitatively measure sampling risk.
When useful	Large populations; need to measure precision/confidence.	Smaller populations; when auditor judgment suffices.

■ **FINAL: Choose the approach that best balances objectivity, efficiency and the audit objective.**

Concepts you must state: Sample size drivers; tolerable vs expected; confidence

Q3. List factors affecting sample size for tests of controls and for tests of details.

Source: ICAI SM - adapted

Requirement:

List factors for both areas.

Concept:

Greater risk or lower tolerable rates/misstatements increase sample size; higher expected deviations/misstatements also increase size.

Area	Factors affecting sample size
Tests of controls	Desired confidence level; tolerable deviation rate; expected deviation rate; population size (minor effect).
Tests of details	Assessed RMM; tolerable misstatement; expected misstatement; stratification; population variability; use of other procedures.

■ **FINAL: Calibrate size to risk, tolerable error and expected error; stratify where helpful.**

Concepts you must state: MUS PPS sampling; overstatement risk; assets/revenue

Q4. Explain Monetary Unit Sampling (MUS), its advantages and limitations, and when it is most suitable.

Source: PYQ Nov '23 - adapted

Requirement:

Explain, list pros/cons, and suitability.

Concept:

MUS selects items with probability proportional to size, making it efficient for detecting overstatements in assets and revenue. Advantages: focuses on material items automatically; easy projection. Limitations: less effective for understatement or zero/negative balances; needs special handling for many small items.

■ **FINAL: Use MUS when overstatement risk dominates (e.g., receivables, revenue).**

Concepts you must state: Selection methods; precautions

Q5. Compare common sample selection methods and highlight a key precaution for each.

Source: RTP May '25 - adapted

Requirement:

Compare and state precautions.

Concept:

Selection must yield a representative sample responsive to the audit objective.

Method	Key point / Precaution
Random	Equal probability; use a random number generator.
Systematic	Fixed interval after random start; ensure no hidden periodicity.

Method	Key point / Precaution
Haphazard	Avoid conscious bias; document rationale; weaker than probabilistic.
Block	Avoid for representative samples; may concentrate similar items; usually not appropriate.

■ **FINAL: Method matters: avoid bias and hidden patterns; document choices carefully.**

Concepts you must state: Projection; allowance; evaluation

Q6. How are misstatements identified in the sample projected to the population? What is an allowance for sampling risk?

Source: ICAI SM - adapted

Requirement:

Explain projection and allowance.

Concept:

Project sample misstatements to the population using appropriate methods (e.g., ratio projection); add allowance for sampling risk to cover uncertainty; compare with tolerable misstatement.

■ **FINAL: Project + allowance $\leq$ tolerable misstatement -> results acceptable; otherwise extend or revise procedures.**

Concepts you must state: Deviation rate; reliance decision; responses

Q7. In a test of controls, how is the deviation rate evaluated and what are the possible responses if the rate exceeds tolerable deviation?

Source: MTP Sept '24 - adapted

Requirement:

Explain evaluation and responses.

Concept:

Compare sample deviation rate + expected sampling risk with tolerable deviation. If it exceeds tolerance: reduce reliance on controls, increase substantive procedures, or modify strategy.

■ **FINAL: Excessive deviations -> reduce reliance and increase substantive work.**

Concepts you must state: Strata; outliers; separate testing

Q8. Explain stratification and how to handle anomalous (outlier) items in sampling.

Source: ICAI SM - adapted

Requirement:

Define stratification and treatment of outliers.

Concept:

Stratification increases efficiency by sampling more from high-value or risky strata. Anomalous items are investigated separately and may be excluded from projection with proper justification.

■ **FINAL: Stratify to focus on risk; treat outliers with separate procedures and document rationale.**

Concepts you must state: Sampling documentation

Q9. List documentation requirements specific to sampling under SA 530.

Source: ICAI SM - adapted

Requirement:

List documentation items.

Concept:

Document objective, population, sampling method, sample size rationale, selection, procedures performed, misstatements/deviations, projection/evaluation and conclusions.

■ **FINAL: Clear sampling documentation supports review and inspection.**

Concepts you must state: Bias sources; mitigation

Q10. What common pitfalls lead to biased samples and how can an auditor avoid them?

Source: RTP May '25 - adapted

Requirement:

List pitfalls and mitigations.

Concept:

Pitfalls: picking convenient items; ignoring voids/credits; not covering the period; deterministic patterns in systematic sampling; failing to stratify. Mitigations: random generators, documented interval calculation, ensure coverage of entire period, include negatives/credits, use stratification.

■ **FINAL: Design selection to avoid bias and ensure representativeness.**

Concepts you must state: Sec 139; first auditor; subsequent auditor; timelines

Q1. Explain appointment of auditor under Section 139 for first and subsequent auditors, including timelines and authority.

Source: ICAI SM - adapted

Requirement:

Explain appointment process and timelines.

Concept:

First auditor: appointed by Board within 30 days of registration; failing which by members at EGM.
Subsequent auditor: appointed by members in AGM; holds office till conclusion of sixth AGM subject to ratification requirements as applicable in current law framework.

■ **FINAL: Board appoints first auditor; members appoint subsequent auditor as per Sec 139 provisions and timelines.**

Concepts you must state: Sec 141; independence; limits

Q2. List eligibility and disqualifications of auditor under Section 141 with practical illustrations.

Source: PYQ Nov '24 - adapted

Requirement:

List eligibility and disqualifications with examples.

Concept:

Independence and capacity are central; avoid financial interests and relationships that impair independence.

Aspect	Key points
Eligibility (Sec 141)	Only a Chartered Accountant (individual or firm/LLP) can be auditor; limits on number of audits; independence requirements.
Disqualifications	Officers/employees; partners/employees of officers; person holding security/indebtedness to company; business relationship; relatives holding prescribed securities; etc.

■ **FINAL: Check Sec 141 thoroughly before accepting/continuing the audit.**

Concepts you must state: Sec 142; remuneration; expenses

Q3. Who fixes auditor remuneration under Section 142 and what does it include/exclude?

Source: ICAI SM - adapted

Requirement:

State who fixes remuneration and inclusions/exclusions.

Concept:

Remuneration fixed by members in general meeting or as determined; includes audit fee and expenses; excludes fee for other services prohibited under Sec 144.

■ **FINAL: Members fix remuneration; keep it separate from prohibited non-audit services.**

Concepts you must state: Sec 140; removal; resignation; ADT forms (conceptual)

Q4. Explain removal of auditor before expiry of term and auditor resignation with filing requirements.

Source: MTP Sept '24 - adapted

Requirement:

Explain procedures and filings.

Concept:

Removal before term requires special resolution and prior approval of the Central Government. On resignation, auditor files a statement of reasons with the company and ROC within prescribed time (form-based).

■ **FINAL: Follow due process for removal and ensure timely filings on resignation.**

Concepts you must state: Sec 143 powers; inquiries; reporting

Q5. State key powers and duties of company auditor under Section 143.

Source: ICAI SM - adapted

Requirement:

List powers and duties.

Concept:

Powers enable an effective audit; duties define mandatory inquiries and reporting.

Area	Key points
Access to records (Sec 143)	Right of access to books and vouchers at all times; seek information and explanations.
Inquiries	Specific inquiries regarding loans/advances, transactions represented merely by book entries, etc.
Reporting	Matters under Sec 143(3), including ICFR where applicable.

■ **FINAL: Use statutory powers to obtain evidence and discharge reporting duties.**

Concepts you must state: Sec 144; prohibited services

Q6. List services prohibited for company auditors under Section 144.

Source: ICAI SM - adapted

Requirement:

List prohibited services.

Concept:

Includes accounting and book-keeping, internal audit, design/implementation of financial information systems, actuarial, investment advisory/banking, outsourced financial services, management services, etc., directly or indirectly to the company and its holding/subsidiary.

■ **FINAL: Avoid conflicts by steering clear of services barred by Sec 144.**

Concepts you must state: Branch audit; branch auditor; consolidation

Q7. Explain branch audit provisions including appointment and reporting (Sec 143(8)).

Source: PYQ Nov '23 - adapted

Requirement:

Explain appointment and reporting for branches.

Concept:

Branch accounts may be audited by the company auditor or by another auditor qualified to be appointed. Branch auditor reports to company auditor; the main auditor considers branch auditor's report in forming opinion.

■ **FINAL: Coordinate with branch auditor and ensure branch reporting is integrated.**

Concepts you must state: Joint audit; division of work; common planning

Q8. What are key considerations in a joint audit arrangement?

Source: ICAI SM - adapted

Requirement:

List considerations.

Concept:

Agree division of work; common planning; uniform documentation; cross-review; collective reporting responsibility. Resolve differences and document conclusions.

■ **FINAL: Joint auditors share responsibility; plan and review jointly.**

Concepts you must state: Rotation; term limits; cooling-off

Q9. Outline auditor rotation requirements for certain classes of companies.

Source: MTP Sept '24 - adapted

Requirement:

Outline rotation rules.

Concept:

For specified classes (e.g., listed), an individual auditor term is limited and an audit firm term is limited, followed by a cooling-off period (as per Companies Act rules).

■ **FINAL: Check whether the company falls under rotation classes and comply with term/cooling-off requirements.**

Concepts you must state: Fraud reporting; thresholds (conceptual)

Q10. Explain auditor's duty to report fraud to the Central Government under Section 143(12) in principle.

Source: ICAI SM - adapted

Requirement:

Explain duty and process at a principle level.

Concept:

If the auditor has reason to believe an offence involving fraud is being or has been committed by officers/employees, he/she shall report to the Central Government as per prescribed manner and time; report to audit committee/Board for other cases as applicable.

■ FINAL: Escalate frauds per Sec 143(12) procedures and timelines.

CA DREAMERS

Concepts you must state: Share issue; private placement; filings

Q1. Design audit procedures for issue of share capital (private placement) covering authorization, pricing and allotment.

Source: RTP May '25 - adapted

Requirement:

List procedures for authorization, pricing and allotment.

Concept:

Risk: non-compliance with Companies Act and SEBI (where applicable); misstatement of share capital and premium.

Working Notes:

Check board/EGM approvals; verify PAS-4/PAS-3 filings (conceptual); examine valuation report and basis of pricing; vouch receipt of consideration; trace allotment to register of members and share certificates; review use of funds.

■ **FINAL: Substantiate compliance and the completeness/accuracy of share capital records.**

Concepts you must state: Buyback; sources; limits

Q2. Explain audit procedures for buyback of shares under Section 68.

Source: ICAI SM - adapted

Requirement:

List procedures and checks.

Concept:

Check sources (free reserves/securities premium/proceeds of issue of same kind excluded), limits, debt-equity ratio post buyback, filing and extinguishment of shares.

■ **FINAL: Verify compliance with Sec 68 and ensure proper accounting/disclosure.**

Concepts you must state: Dividend; sources; unpaid dividend

Q3. What should an auditor verify in declaration and payment of dividend (Sec 123)?

Source: PYQ Nov '24 - adapted

Requirement:

List key verifications.

Concept:

Verify profits/free reserves; depreciation provided; transfer to reserves where required; compliance with IEPF for unpaid dividends; board/AGM approvals; cut-off for shareholders entitled.

■ **FINAL: Ensure lawful declaration, correct amount, and proper transfers to IEPF for unpaid amounts.**

Concepts you must state: Debentures; DRR; interest

Q4. State audit procedures for issue of debentures including creation of DRR and interest payment compliance.

Source: MTP Sept '24 - adapted

Requirement:

List procedures.

Concept:

Verify authorization, offer document, trust deed, creation/maintenance of debenture redemption reserve (where applicable), interest accrual and payment, security/charges filing.

■ **FINAL: Check authorization, DRR/security and interest/payment compliance.**

Concepts you must state: RPT; approvals; disclosure; SA 550

Q5. Design audit procedures for related party transactions (Sec 188) including disclosure and approval requirements.

Source: ICAI SM - adapted

Requirement:

State procedures.

Concept:

Identify related parties; verify approvals (Board/Shareholders as required); evaluate arm's length; test selected transactions; ensure disclosure in FS; consider SA 550 risks.

■ **FINAL: Identify, approve, test and disclose RPTs with heightened skepticism.**

Concepts you must state: Sec 197 overview; approvals

Q6. At a principle level, what should an auditor check regarding managerial remuneration limits and approvals?

Source: ICAI SM - adapted

Requirement:

List principle checks.

Concept:

Check computation vs limits; presence of profits; approvals of Board/Shareholders; remuneration within schedule limits; disclosures; approvals from authorities where required.

■ **FINAL: Ensure remuneration complies with limits and is properly approved and disclosed.**

Concepts you must state: CSR; CSR committee; spend; transfers

Q7. List principle checks for CSR spending compliance and disclosure.

Source: RTP May '25 - adapted

Requirement:

List checks.

Concept:

Check constitution of CSR committee; CSR policy; amount required vs spent; treatment of unspent amounts (ongoing project vs others) and required transfers; disclosures in Board report/FS.

■ **FINAL: Verify computation, spend/treatment of unspent and transparent disclosure.**

Concepts you must state: ESOP/ESPS approvals; accounting; disclosures

Q8. What should an auditor review in ESOP/ESPS schemes at an overview level?

Source: ICAI SM - adapted

Requirement:

List overview checks.

Concept:

Approvals by shareholders; grant terms; fair value accounting recognition; vesting conditions; disclosures.

■ **FINAL: Check approvals, accounting treatment and full disclosures for ESOP/ESPS.**

Concepts you must state: Loans/guarantees/investments; registers; section checks

Q9. Explain audit procedures over loans, guarantees and investments including the register and section compliance checks.

Source: MTP Sept '24 - adapted

Requirement:

List procedures.

Concept:

Verify entries in the register; check compliance with relevant sections and limits; test interest/repayment; evaluate disclosure and impairment where applicable.

■ **FINAL: Ensure authorisation, limits, recoverability and disclosure of loans/guarantees/investments.**

Concepts you must state: Cross-referencing finance and secretarial

Q10. How should the auditor link financial statement audit evidence with secretarial records for company law compliance?

Source: ICAI SM - adapted

Requirement:

Explain linkage and evidence.

Concept:

Cross-check resolutions, minutes, registers and forms with transactions/events in FS to ensure legal compliance and proper approvals.

■ **FINAL: Cross-referencing reduces legal non-compliance risk and supports disclosures.**

Concepts you must state: Automated environment; IT risks; automated controls

Q1. Identify specific risks in an automated accounting environment and corresponding audit responses.

Source: ICAI SM - adapted

Requirement:

List risks and responses.

Concept:

Risks: unauthorized access, program changes, interface errors, data corruption, reliance on spreadsheets, IT-dependent manual controls. Responses: evaluate ITGCs, test application controls, use CAATs/data analytics, perform reperformance and reconciliations.

■ **FINAL: Map risks to ITGC/app control testing and data-driven procedures.**

Concepts you must state: CAATs; analytics; examples

Q2. Explain the use of CAATs/data analytics in auditing with examples across the audit cycle.

Source: RTP May '25 - adapted

Requirement:

Explain uses and examples.

Concept:

Planning: outlier detection in revenue; risk scoring. Execution: 100% testing of three-way matches, duplicate payments, journal entry analysis. Evaluation: recompute provisions, trend analysis of cut-off.

■ **FINAL: Analytics enhance coverage and precision when data quality is reliable.**

Concepts you must state: SA 402; SOC reports; complementary controls

Q3. What are the auditor's considerations when the entity uses a service organization (SA 402)?

Source: ICAI SM - adapted

Requirement:

List considerations.

Concept:

Understand nature of services; evaluate impact on controls; obtain and evaluate SOC 1/Type 2 reports where available; identify complementary user-entity controls and test them; consider need for further procedures at the service organization.

■ **FINAL: When services are outsourced, evaluate service org controls and user controls together.**

Concepts you must state: Exception management; follow-up; false positives

Q4. How should exceptions identified by automated audit tools be evaluated and followed up?

Source: MTP Sept '24 - adapted

Requirement:

Explain evaluation and follow-up.

Concept:

Assess data quality; deduplicate; investigate root cause; design targeted tests; assess whether exceptions indicate control deficiencies or isolated errors; document resolution.

■ **FINAL: Treat exceptions as risk indicators; investigate and document outcomes.**

Concepts you must state: IFC reporting; adequacy and operating effectiveness

Q5. At a principle level, explain the auditor's responsibilities for reporting on Internal Financial Controls (IFC) under Section 143(3)(i).

Source: ICAI SM - adapted

Requirement:

Explain responsibilities.

Concept:

Evaluate design and operating effectiveness of internal financial controls over financial reporting for applicable companies; identify and test key controls; report adequacy and operating effectiveness.

■ **FINAL: Scope includes both design and operating effectiveness where IFC reporting is applicable.**

Concepts you must state: LLP/partnership audits; deed; profit sharing; drawings

Q6. Outline key audit considerations for LLPs/partnerships compared to companies.

Source: ICAI SM - adapted

Requirement:

List differences/considerations.

Concept:

Check LLP/partnership deed; capital/current accounts; drawings; profit-sharing ratios; admission/retirement adjustments; compliance with LLP Act/income tax; fewer statutory reporting clauses than companies.

■ **FINAL: Focus on deed terms, partner accounts and compliance with applicable laws.**

Concepts you must state: Donations; grants; utilization; restrictions

Q7. List special audit considerations for Not-for-Profit/NGO entities.

Source: PYQ Nov '23 - adapted

Requirement:

List considerations.

Concept:

Track restricted vs unrestricted funds; verify grants/donations with conditions; utilization certificates; fixed asset ownership; related party transactions with trustees; disclosures and statutory registrations where applicable.

■ **FINAL: Focus on fund accountability, compliance with restrictions, and transparent disclosure.**

Concepts you must state: ERP; integrated modules; automated workflows

Q8. Explain how an ERP environment changes audit planning and procedures.

Source: ICAI SM - adapted

Requirement:

Explain changes.

Concept:

Integrated processes increase IT dependence; focus on master data controls, role-based access, segregation of duties, automated three-way matches, change management, and interface reconciliations.

■ **FINAL: Plan around master data, access, SoD and automated flow of transactions.**

Concepts you must state: Cyber incidents; ROMM; disclosure

Q9. How should cybersecurity incidents discovered during the audit be considered in assessing ROMM and reporting?

Source: ICAI SM - adapted

Requirement:

Explain assessment and reporting.

Concept:

Assess impact on data integrity and operations; evaluate need for additional procedures; consider disclosure of incidents and remediation; evaluate going concern implications where severe.

■ **FINAL: Cyber incidents can change risk assessment, evidence needs and disclosures.**

Concepts you must state: SA 620; competence; capability; objectivity

Q10. When should an auditor involve an IT specialist or other experts in an automated environment?

Source: MTP Sept '24 - adapted

Requirement:

State when to involve specialists.

Concept:

When complexity of systems/estimates exceeds team competence or risks are significant: e.g., complex ERPs, cybersecurity breaches, complex valuation models, actuarial computations. Evaluate specialist's competence, capability and objectivity.

■ **FINAL: Bring in specialists when the risk/complexity demands deeper expertise.**