CHAPTER 8

Audit Report

MULTIPLE CHOICE QUESTIONS

1. What is the primary purpose of an audit report?
(*a*) To provide a detailed analysis of financial statements
(*b*) To express an opinion on the financial statements
(*c*) To highlight insignificant matters for transparency
(*d*) To ensure compliance with tax regulations

2. According to SA 700 (Revised), what is the primary responsibility of the auditor in the auditor's report?
(*a*) To provide assurance on the future prospects of the audited entity
(*b*) To confirm the accuracy of individual transactions
(*c*) To express an opinion on the financial statements
(*d*) To guarantee future financial performance

3. In an auditor's report, what is the purpose of the introductory paragraph?
(*a*) To describe the auditor's responsibility
(*b*) To communicate the auditor's opinion
(*c*) To highlight key audit matters
(*d*) To disclose material misstatements

4. Under SA 700 (Revised), which section of the auditor's report includes a statement about the auditor's independence?
(*a*) Introductory paragraph
(*b*) Opinion paragraph
(*c*) Basis for Opinion paragraph
(*d*) Emphasis of Matter paragraph

5. What does the auditor's opinion in the auditor's report represent?
(*a*) A conclusion regarding the overall fairness of the financial statements
(*b*) A guarantee of the accuracy of individual transactions
(*c*) An assessment of the entity's market value
(*d*) An opinion on the entity's future prospects

6. In the opinion paragraph, what term does the auditor use to express that the financial statements are free from material misstatements?
   (*a*) True and fair view
   (*b*) Unqualified opinion
   (*c*) Adverse opinion
   (*d*) Disclaimer of opinion

7. What is the purpose of the "Emphasis of Matter" paragraph in an auditor's report?
   (*a*) To highlight insignificant matters for transparency
   (*b*) To express a qualified opinion on the financial statements
   (*c*) To emphasize matters that are of fundamental importance
   (*d*) To provide additional information to the entity's competitors

8. In the "Basis for Opinion" paragraph, what does the auditor provide insights into?
   (*a*) The entity's marketing strategy
   (*b*) The auditor's independence
   (*c*) The audit procedures performed and evidence obtained
   (*d*) The entity's future financial performance

9. When does an auditor include an "Other Matter" paragraph in the auditor's report?
   (*a*) To express a qualified opinion on the financial statements
   (*b*) To provide assurance on the entity's future financial performance
   (*c*) To communicate additional information that is relevant to users
   (*d*) To confirm compliance with tax regulations

10. What is the purpose of the "Key Audit Matters" (KAM) section in the auditor's report?
    (*a*) To highlight insignificant matters for transparency
    (*b*) To communicate matters that, in the auditor's professional judgment, were of most significance in the audit
    (*c*) To provide a detailed analysis of financial statements
    (*d*) To express an opinion on the entity's future prospects

11. In the auditor's report, what is the auditor required to evaluate regarding the entity's ability to continue as a going concern?
    (*a*) The entity's past profitability
    (*b*) The entity's compliance with tax regulations
    (*c*) The appropriateness of management's use of the going concern assumption
    (*d*) The entity's market share

12. What does the auditor's report include in relation to the auditor's responsibilities for the financial statements?
    (*a*) A detailed analysis of the auditor's fees
    (*b*) A comprehensive review of the entity's internal controls
    (*c*) A statement about the auditor's independence
    (*d*) A description of the audit procedures performed and evidence obtained

13. What is the significance of the "Opinion on Other Matters" section in an auditor's report?
- (*a*) It provides an opinion on the entity's future prospects
- (*b*) It expresses an opinion on the accuracy of individual transactions
- (*c*) It communicates the auditor's opinion on matters outside the financial statements
- (*d*) It highlights insignificant matters for transparency

14. Under the "Emphasis of Matter" paragraph, what does the auditor typically communicate?
- (*a*) Matters that are of fundamental importance
- (*b*) Insignificant matters for transparency
- (*c*) A qualified opinion on the financial statements
- (*d*) The auditor's independence

15. What is the purpose of the "Other Matter" paragraph in an auditor's report?
- (*a*) To express a qualified opinion on the financial statements
- (*b*) To highlight insignificant matters for transparency
- (*c*) To communicate additional information that is relevant to users
- (*d*) To provide assurance on the entity's future financial performance

16. What does the "Key Audit Matters" (KAM) section aim to enhance in the auditor's report?
- (*a*) The auditor's independence
- (*b*) The communicative value of the auditor's report
- (*c*) The entity's market value
- (*d*) The significance of insignificant matters

17. In the opinion paragraph, what term is used when the auditor concludes that the financial statements are not presented fairly?
- (*a*) Unqualified opinion
- (*b*) Disclaimer of opinion
- (*c*) Adverse opinion
- (*d*) Qualified opinion

18. What is the primary focus of the "Basis for Opinion" paragraph in an auditor's report?
- (*a*) Confirming the accuracy of individual transactions
- (*b*) Providing a detailed analysis of financial statements
- (*c*) Describing the auditor's responsibility
- (*d*) Explaining the auditor's opinion on other matters

19. Under SA 700 (Revised), what is the overarching objective of the auditor's communication of key audit matters (KAM)?
- (*a*) To minimize the importance of significant audit findings
- (*b*) To express an opinion on the entity's future prospects
- (*c*) To enhance the communicative value of the auditor's report
- (*d*) To guarantee future financial performance

20. What is the significance of the "Key Audit Matters" (KAM) section in the context of transparency in financial reporting?

(*a*) It highlights insignificant matters

(*b*) It communicates matters that were of least significance in the audit

(*c*) It provides additional information to the entity's competitors

(*d*) It provides insights into matters that were of most significance in the audit

21. What is the primary purpose of including an "Emphasis of Matter" paragraph in the auditor's report?

(*a*) To highlight insignificant matters

(*b*) To express a qualified opinion on the financial statements

(*c*) To draw attention to matters that are appropriately presented or disclosed

(*d*) To guarantee future financial performance

22. When would an auditor include an "Emphasis of Matter" paragraph in the auditor's report?

(*a*) To express an opinion on the financial statements

(*b*) To communicate key audit matters

(*c*) To highlight significant uncertainties or events

(*d*) When the financial statements are presented fairly

23. What distinguishes an "Emphasis of Matter" paragraph from a "Qualified Opinion" in the auditor's report?

(*a*) It expresses a more severe level of concern

(*b*) It draws attention to specific matters but does not affect the auditor's opinion

(*c*) It indicates a limitation in the scope of the audit

(*d*) It provides additional information on the entity's future business plans

24. Which of the following statements regarding the "Emphasis of Matter" paragraph is correct?

(*a*) It guarantees the accuracy of individual transactions

(*b*) It expresses an adverse opinion on the financial statements

(c) It draws attention to fundamental matters and affects the auditor's opinion

(*d*) It is optional and rarely included in auditor's reports

25. In the "Emphasis of Matter" paragraph, what language does the auditor typically use to communicate the identified matter?

(*a*) Strongly recommend corrective action

(*b*) Express certainty about the matter's impact

(*c*) Use neutral and factual language

(*d*) Provide a detailed analysis of the matter

26. What impact does an "Emphasis of Matter" paragraph have on the overall audit opinion?

(*a*) It always leads to a qualified opinion

(*b*) It automatically results in an adverse opinion

(*c*) It does not affect the auditor's opinion on the financial statements
(*d*) It requires the auditor to express an unmodified opinion

27. What type of information might be included in an "Emphasis of Matter" paragraph?
(*a*) Routine and insignificant matters
(*b*) Matters that have been adequately disclosed in the financial statements
(*c*) Matters that significantly affect the auditor's opinion
(*d*) Details of the auditor's independence

28. How does an "Emphasis of Matter" paragraph contribute to transparency in financial reporting?
(*a*) By highlighting insignificant matters
(*b*) By expressing a guarantee of future financial performance
(*c*) By drawing attention to fundamental matters that may be overlooked
(*d*) By minimizing the importance of significant audit findings

29. Under what circumstances would an auditor choose to include an "Emphasis of Matter" paragraph?
(*a*) To express an unmodified opinion
(*b*) To highlight the entity's marketing strategy
(*c*) To draw attention to a significant uncertainty or event
(*d*) When the financial statements are presented fairly

30. What is the primary objective of an audit of financial statements?
(*a*) Guaranteeing the accuracy of financial statements
(*b*) Expressing an opinion on the financial statements' fairness
(*c*) Ensuring compliance with tax regulations
(*d*) Maximizing the entity's profitability

31. Under Indian auditing standards, what term is commonly used to describe the auditor's responsibility to obtain reasonable assurance about whether the financial statements are free from material misstatements?
(*a*) Absolute assurance
(*b*) Limited assurance
(*c*) Reasonable assurance
(*d*) Guaranteed assurance

32. What is the significance of the auditor's responsibility to assess the entity's ability to continue as a going concern?
(*a*) Determining the entity's past profitability
(*b*) Confirming the accuracy of individual transactions
(*c*) Assessing the appropriateness of the going concern assumption
(*d*) Evaluating the entity's marketing strategy

33. Which statement is correct regarding the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements?
(*a*) The auditor is only responsible for assessing risks related to fraud.
(*b*) The auditor assesses risks solely based on historical financial performance.

(*c*) The auditor is responsible for identifying and assessing both fraud and error risks.
(*d*) The auditor is not required to consider risks associated with internal controls.

34. What is the auditor's responsibility regarding the selection and application of accounting policies by management?
(*a*) Recommending specific accounting policies to management
(*b*) Confirming the accuracy of accounting policies chosen by management
(*c*) Assessing the appropriateness of accounting policies selected by management
(*d*) Prescribing accounting policies to be used by the entity

35. According to Indian auditing standards, what does the auditor communicate to those charged with governance regarding significant deficiencies in internal control?
(*a*) A detailed analysis of internal control weaknesses
(*b*) An express guarantee of future improvements in internal control
(*c*) Significant deficiencies do not require communication to those charged with governance.
(*d*) Information about the nature and implications of significant deficiencies

36. What is the auditor's responsibility regarding the detection of fraud during an audit of financial statements?
(*a*) The auditor is not responsible for detecting fraud; it is solely the management's responsibility.
(*b*) The auditor is responsible for detecting all instances of fraud, regardless of materiality.
(*c*) The auditor is responsible for obtaining reasonable assurance about the absence of fraud that is material to the financial statements.
(*d*) The auditor is responsible for guaranteeing the absence of fraud in the financial statements.

37. As per Indian auditing standards, what is the auditor's responsibility when the financial statements are prepared using an accounting framework that is not widely recognized?
(*a*) The auditor must insist on the use of a recognized accounting framework.
(*b*) The auditor should disclaim an opinion on the financial statements.
(*c*) The auditor must refuse to perform the audit.
(*d*) The auditor can proceed with the audit without any modification.

38. Regarding the auditor's responsibility to maintain professional skepticism, which statement is correct?
(*a*) Professional skepticism is not required in the audit process.
(*b*) Professional skepticism is only necessary when dealing with large organizations.
(*c*) The auditor must maintain professional skepticism throughout the audit, considering the possibility of material misstatements.
(*d*) Professional skepticism is only relevant when assessing internal control.

39. What does the auditor communicate when there is a material inconsistency between the auditor's opinion and other information in documents containing the audited financial statements?
(*a*) The auditor has no responsibility for other information.
(*b*) The auditor disclaims an opinion on the financial statements.

(*c*) The auditor includes an explanatory paragraph in the report.
(*d*) The auditor revises the opinion to align with other information.

40. In a group audit engagement, which statement accurately describes the responsibilities of the component auditors?
(*a*) Component auditors are solely responsible for forming an opinion on the group financial statements.
(*b*) Component auditors are responsible for the entire group audit, including consolidation.
(*c*) Component auditors are responsible for the audit of individual components only.
(*d*) Component auditors are responsible for ensuring compliance with tax regulations.

41. What is the primary responsibility of the group engagement partner in a group audit engagement as per SA 600?
(*a*) To perform the audit procedures for all components.
(*b*) To supervise and review the work of the component auditors.
(*c*) To prepare the group financial statements.
(*d*) To issue an unmodified opinion on the group financial statements.

42. According to SA 600, what should the group engagement partner do if a component auditor's work is not up to the required standard?
(*a*) Accept the component auditor's work to maintain professional courtesy.
(*b*) Amend the component auditor's work without informing them.
(*c*) Evaluate the impact on the group audit and consider the need for additional procedures or using the work of another auditor.
(*d*) Disregard the component auditor's work and perform the entire audit independently.

43. What does SA 600 emphasize regarding the group engagement team's understanding of the component auditors?
(*a*) The group engagement team is not required to have an understanding of the component auditors.
(*b*) The group engagement team should have a detailed understanding of the component auditors' professional qualifications.
(*c*) The group engagement team should obtain an understanding of the methods used by component auditors and the significance of their findings.
(*d*) The group engagement team is responsible for all aspects of the component auditors' work.

44. What is the significance of the group engagement partner's review of the component auditor's report as per SA 600?
(*a*) To criticize the component auditor's approach.
(*b*) To ensure that the component auditor's report is identical to the group engagement partner's report.
(*c*) To evaluate the appropriateness of the component auditor's report in the context of the group audit.
(*d*) To issue a separate opinion on the component auditor's work.

45. According to SA 600, in a group audit engagement, when should the group engagement partner communicate significant matters to those charged with governance?

(*a*) Only if the matters relate to the group engagement partner's work.

(*b*) Only if the matters are related to individual components.

(*c*) Only if the matters are significant in the context of the group audit.

(*d*) Regardless of whether the matters are significant in the context of the group audit.

46. What is the role of the group engagement partner in assessing the objectivity and competence of the component auditor?

(*a*) The group engagement partner is not responsible for assessing the objectivity and competence of the component auditor.

(*b*) The group engagement partner should rely on the representation letter from the component auditor.

(*c*) The group engagement partner should perform an independent assessment of the objectivity and competence of the component auditor.

(*d*) The assessment of the component auditor's objectivity and competence is the sole responsibility of the entity's management.

47. What is the purpose of the group engagement partner's communication with the component auditor regarding the terms of the engagement?

(*a*) To dictate the terms of the engagement to the component auditor.

(*b*) To confirm that the component auditor's fees are reasonable.

(*c*) To ensure that the component auditor is aware of the scope and objectives of the group audit.

(*d*) To delegate all responsibilities to the component auditor.

48. In a group audit engagement, what does the group engagement partner do if the component auditor is unwilling to allow access to relevant information?

(*a*) Accept the limitation in accessing information without taking further action.

(*b*) Consult legal counsel to take legal action against the component auditor.

(*c*) Disregard the work of the component auditor entirely.

(*d*) Assess the impact on the group audit and consider modifying the audit opinion.

49. What responsibility does the group engagement partner have regarding the documentation of the group audit engagement?

(*a*) The group engagement partner is solely responsible for documenting the entire group audit.

(*b*) The group engagement partner is not required to maintain any documentation.

(*c*) The group engagement partner is responsible for documenting the work performed, significant matters, and conclusions reached.

(*d*) The group engagement partner delegates the documentation responsibility to the component auditors.

50. What is the primary objective of SA 560 regarding events and transactions after the date of the auditor's report?

(*a*) To require the auditor to predict future events.

(*b*) To ensure that the auditor's report remains accurate and relevant after the report date.

(*c*) To mandate a complete re-audit of the financial statements.
(*d*) To assess the entity's future business plans.

51. Under SA 560, what is the auditor's responsibility for subsequent events after the date of the auditor's report?
(*a*) The auditor has no responsibility for subsequent events.
(*b*) The auditor is required to predict the impact of subsequent events on the financial statements.
(*c*) The auditor should perform procedures to identify events that may require adjustment of or disclosure in the financial statements.
(*d*) The auditor is responsible for preparing updated financial statements.

52. When performing procedures for subsequent events, what is the auditor primarily concerned with according to SA 560?
(*a*) Predicting future economic conditions.
(*b*) Identifying events that may impact the auditor's reputation.
(*c*) Evaluating the impact on the auditor's fees.
(*d*) Discovering events that may affect the financial statements.

53. According to SA 560, what is the distinction between Type 1 and Type 2 subsequent events?
(*a*) Type 1 events are more significant than Type 2 events.
(*b*) Type 1 events occurred before the report date, while Type 2 events occurred after the report date.
(*c*) Type 1 events are predictable, while Type 2 events are unforeseeable.
(*d*) Type 1 events require disclosure, while Type 2 events may require adjustment.

54. Under SA 560, what action should the auditor take if a Type 2 subsequent event is identified that requires adjustment to the financial statements?
(*a*) Issue a revised auditor's report with a new opinion.
(*b*) Prepare a separate report specifically addressing the subsequent event.
(*c*) Communicate the matter to those charged with governance and adjust the financial statements.
(*d*) Ignore the subsequent event if it is not material.

55. What is the auditor's responsibility if a subsequent event is identified after the date of the auditor's report, but before the financial statements are issued?
(*a*) Ignore the subsequent event as it is beyond the auditor's reporting period.
(*b*) Communicate the event to those charged with governance and consider the need for an adjustment to the financial statements.
(*c*) Include the subsequent event in the next year's financial statements.
(*d*) Revise the auditor's report for the prior year.

56. What is the purpose of the auditor's dual date in the auditor's report as per SA 560?
(*a*) To indicate the auditor's birthday.
(*b*) To emphasize the significance of subsequent events.

(*c*) To address events occurring after the report date but before the financial statements are issued.
(*d*) To provide two separate opinions on the financial statements.

57. How does SA 560 guide the auditor when a subsequent event is identified after the financial statements are issued?
(*a*) The auditor is not required to take any action as the report has already been issued.
(*b*) The auditor should immediately issue a revised report with the updated information.
(*c*) The auditor should consider the need to inform the regulatory authorities.
(*d*) The auditor should assess the impact and communicate as necessary.

58. In a subsequent event, what is the auditor's primary concern regarding management representations made after the date of the auditor's report?
(*a*) Management's attempts to manipulate financial results.
(*b*) Confirming that management does not alter the financial statements.
(*c*) Assessing the accuracy of management's future predictions.
(*d*) The appropriateness of management's actions in response to the event.

59. What is the significance of a "Type 2" subsequent event that is not adequately disclosed in the financial statements as per SA 560?
(*a*) It is acceptable as long as it is not material.
(*b*) It requires the auditor to issue an adverse opinion.
(*c*) It may indicate a limitation in the scope of the audit.
(*d*) It suggests a violation of ethical standards by the auditor.

60. In India, which regulatory body prescribes the format and content of the auditor's report for companies listed on stock exchanges?
(*a*) Securities and Exchange Board of India (SEBI)
(*b*) Institute of Chartered Accountants of India (ICAI)
(*c*) Ministry of Corporate Affairs (MCA)
(*d*) Reserve Bank of India (RBI)

61. As per the Companies Act in India, what is the primary purpose of the auditor's report?
(*a*) To express an opinion on the effectiveness of internal controls
(*b*) To communicate additional information for transparency
(*c*) To provide assurance on the entity's future financial performance
(*d*) To express an opinion on the true and fair view of the financial statements

62. Under Indian law, which section of the Companies Act mandates the requirements for the auditor's report?
(*a*) Section 143
(*b*) Section 129
(*c*) Section 211
(*d*) Section 184

63. What information must be included in the auditor's report for a company in India, as required by the Companies Act?

(*a*) Detailed analysis of the entity's marketing strategy
(*b*) Management's explanation for any qualification or adverse remark
(*c*) Auditor's recommendations for improving profitability
(*d*) Forecasts of the entity's future financial performance

64. In India, if the auditor disagrees with a fundamental accounting principle adopted by the company, what action should be taken in the auditor's report?

(*a*) The auditor should express a disclaimer of opinion.
(*b*) The auditor should communicate the disagreement in an explanatory paragraph.
(*c*) The auditor should modify the opinion to express disagreement.
(*d*) The auditor is not allowed to disagree with accounting principles.

65. What is the primary purpose of the "Basis for Opinion" paragraph in the auditor's report?

(*a*) To provide detailed financial analysis
(*b*) To highlight insignificant matters for transparency
(*c*) To express the auditor's opinion on the financial statements
(*d*) To explain the auditor's responsibility and the scope of the audit

66. In the "Basis for Opinion" paragraph, what does the auditor typically address regarding the financial statements?

(*a*) The entity's future business plans
(*b*) The significance of insignificant matters
(*c*) The auditor's independence
(*d*) The auditor's responsibility for expressing an opinion

67. According to auditing standards, what does the "Basis for Opinion" paragraph confirm about the financial statements?

(*a*) That they are presented fairly, in all material respects
(*b*) That they guarantee future financial performance
(*c*) That they include all possible disclosures
(*d*) That they comply with tax regulations

68. If there is a limitation in the scope of the audit, how is it typically addressed in the "Basis for Opinion" paragraph?

(*a*) By expressing a disclaimer of opinion
(*b*) By stating the auditor's disagreement with management
(*c*) By emphasizing the auditor's independence
(*d*) By providing a detailed analysis of internal controls

69. What information might the "Basis for Opinion" paragraph include if there is a significant uncertainty about the entity's ability to continue as a going concern?

(*a*) A detailed analysis of internal controls
(*b*) An unmodified opinion on the financial statements
(*c*) An emphasis of matter paragraph
(*d*) A guarantee of future financial performance

70. If a Key Audit Matter involves a significant risk, what information should be included in the description in the auditor's report?

(*a*) A guarantee that the risk will not materialize
(*b*) A detailed analysis of internal controls to mitigate the risk
(*c*) The specific risk identified, how it was addressed in the audit, and the auditor's response
(*d*) An emphasis of matter paragraph addressing the risk

71. How does the inclusion of Key Audit Matters in the auditor's report enhance transparency in financial reporting?

(*a*) By highlighting insignificant matters
(*b*) By communicating matters that were least significant in the audit
(*c*) By providing insights into matters that were of most significance in the audit
(*d*) By guaranteeing the entity's future financial performance

72. Which entity is primarily responsible for the preparation of standalone financial statements?

(*a*) External Auditors
(*b*) Regulatory Authorities
(*c*) Board of Directors
(*d*) Shareholders

73. What specific responsibilities of the Board of Directors are mentioned in section 134(5) of the Companies Act, 2013?

(*a*) Compliance with tax regulations
(*b*) Preparation of financial statements that present a true and fair view
(*c*) Maximizing shareholder dividends
(*d*) Prediction of future financial performance

74. According to the statement, what is the objective of the standalone financial statements prepared by the Board of Directors?

(*a*) Guaranteeing future financial performance
(*b*) Maximizing the entity's profitability
(*c*) Presenting a true and fair view of financial position, performance, and cash flows
(*d*) Achieving compliance with international accounting standards

75. In accordance with the statement, what accounting principles should be followed for the preparation of financial statements?

(*a*) Principles specified by external auditors
(*b*) Principles adopted by the industry competitors

(*c*) Accounting principles generally accepted in India
(*d*) Principles determined by the government

76. Which section of the Companies Act, 2013, specifies the accounting standards that should be followed in the preparation of financial statements?
(*a*) Section 132
(*b*) Section 134(5)
(*c*) Section 133
(*d*) Section 135

77. What components of the company's financial position are mentioned in the statement?
(*a*) Financial performance and changes in equity
(*b*) Financial position and changes in equity
(*c*) Financial position and cash flows
(*d*) Financial performance and cash flows

78. According to the statement, what is the responsibility of the Board of Directors regarding the true and fair view of financial statements?
(*a*) To manipulate financial data for a positive outlook
(*b*) To present a true and fair view without considering changes in equity
(*c*) To ensure the true and fair view of financial position, performance, and cash flows
(*d*) To delegate the responsibility to external auditors

79. What regulatory act governs the mentioned responsibilities of the Board of Directors in the statement?
(*a*) Companies Act, 1956
(*b*) Income Tax Act, 1961
(*c*) Goods and Services Tax (GST) Act
(*d*) Companies Act, 2013

80. In the statement, what is the significance of the phrase "including the accounting Standards specified under section 133 of the Act"?
(*a*) It emphasizes the exclusion of accounting standards.
(*b*) It highlights the application of specific accounting standards mandated by the Act.
(*c*) It suggests flexibility in choosing any accounting standards.
(*d*) It implies that accounting standards are irrelevant.

81. Which of the following is NOT mentioned as a component of the standalone financial statements in the statement?
(*a*) Financial position
(*b*) Financial performance
(*c*) Changes in equity
(*d*) Market share analysis

82. According to Paragraph 40(b) of the SA mentioned, where can the appropriate reference be made within the body of the auditor's report, referring to additional information, be located?
(*a*) In the auditor's opinion
(*b*) In the auditor's report appendix
(*c*) On the entity's website
(*d*) In the financial statements

83. As per the information provided, why is the risk of not detecting a material misstatement resulting from fraud considered higher than that resulting from error?

(*a*) Fraud typically involves complex financial transactions.

(*b*) Fraud may involve intentional actions and deception.

(*c*) Error is easier to detect through routine audit procedures.

(*d*) Error usually requires collusion among employees.

84. In accordance with the statement, when can a reference be made to a website for the description of the auditor's responsibilities instead of including it in the auditor's report?

(*a*) When the website contains irrelevant information

(*b*) When the auditor prefers online disclosure

(*c*) When permitted by law, regulation, or auditing standards, and the website's description is consistent with the material in the report

(*d*) Only if the entity explicitly requests it

85. In accordance with section 143(3)(i) of the Companies Act, 2013, what is the auditor's responsibility regarding internal financial controls?

(*a*) Providing consulting services for the development of internal controls

(*b*) Ensuring the implementation of internal controls after the audit

(*c*) Expressing an opinion on the adequacy and operating effectiveness of the company's internal financial controls

(*d*) Delegating internal control assessments to management

86. What is the primary purpose of evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates during the audit?

(*a*) To challenge and contradict management's decisions

(*b*) To identify errors in financial statements

(*c*) To ensure compliance with tax regulations

(*d*) To form a basis for expressing an opinion on the financial statements

87. As part of the audit, when evaluating the appropriateness of management's use of the going concern basis of accounting, what is the auditor primarily concerned with?

(*a*) Predicting future economic conditions

(*b*) Confirming that management does not manipulate financial results

(*c*) Assessing the entity's profitability

(*d*) Determining whether events or conditions may cast significant doubt on the company's ability to continue as a going concern

88. According to the information provided, when is the auditor required to draw attention to a material uncertainty related to going concern in the auditor's report?

(*a*) If the uncertainty is disclosed adequately by management

(*b*) If the auditor anticipates future uncertainties

(*c*) If the uncertainty is related to routine business operations

(*d*) If the auditor concludes that a material uncertainty exists and is inadequately disclosed by management

89. How does the information provided acknowledge the potential impact of future events on the auditor's conclusions regarding going concern?

(*a*) By suggesting that the auditor's opinion is final and not subject to change

(*b*) By emphasizing that future events cannot impact the going concern assessment

(*c*) By stating that conclusions are based on evidence up to the date of the auditor's report, but future events may cause the company to cease as a going concern

(*d*) By indicating that the auditor's conclusions are solely based on management's representations

90. What is the primary consideration for determining whether to describe matters as key audit matters (KAMs) in the auditor's report, as per the information provided?

(*a*) The complexity of the financial statements

(*b*) The significance of the matters in the audit

(*c*) The preferences of those charged with governance

(*d*) The auditor's personal judgment and preference

91. As per the Companies (Auditor's Report) Order, 2020, what is the primary purpose of the Annexure to the auditor's report?

(*a*) Provide additional financial information

(*b*) Explain the audit procedures in detail

(*c*) Present matters specified in paragraphs 3 and 4 of the Order, to the extent applicable

(*d*) Include a summary of the auditor's opinion

92. According to Section 143(3) of the Companies Act, 2013, what is the auditor's responsibility regarding seeking information and explanations from the company's management?

(*a*) Seek information only if the management requests it

(*b*) Seek information and explanations necessary for the audit

(*c*) Rely solely on information provided by the company's management

(*d*) Seek information only if there is a suspicion of fraud

93. What is the auditor's role concerning branch offices, as mentioned in the provided information?

(*a*) The auditor is not responsible for branch offices' reports.

(*b*) The auditor consolidates branch office reports independently.

(*c*) The auditor incorporates branch office reports received from branch auditors.

(*d*) The auditor relies on branch offices for financial information.

94. According to the information, what must be consistent for the auditor to conclude that the financial statements are in agreement with the books of account?

(*a*) Compliance with international accounting standards

(*b*) Consistency with branch office reports

(*c*) Consistency with the returns received from the branches not visited

(*d*) Compliance with tax regulations

95. What is the basis for concluding that the standalone financial statements comply with Accounting Standards, as per the information provided?

(*a*) Compliance with international accounting standards

(*b*) Compliance with local tax regulations

(*c*) Compliance with Accounting Standards specified under Section 133 of the Companies Act, 2013

(*d*) The auditor's personal judgment

96. In the context of director disqualification under Section 164(2) of the Act, what does the auditor rely on for information?

(*a*) Publicly available databases

(*b*) Written representations received from the directors

(*c*) The auditor's personal judgment

(*d*) The company's board meeting minutes

97. According to the information, what is the auditor's stance on the adequacy of internal financial controls over financial reporting?

(*a*) The auditor expresses an opinion in the main report.

(*b*) The auditor provides a separate report in "Annexure A."

(*c*) The auditor does not address internal financial controls.

(*d*) The auditor's opinion is solely based on management's representations.

98. Regarding long-term contracts, what does the auditor report in the auditor's report?

(*a*) Material foreseeable losses on long-term contracts

(*b*) Only the existence of long-term contracts

(*c*) The management's strategy on long-term contracts

(*d*) The auditor's opinion on the necessity of long-term contracts

99. In the context of funds advanced or loaned by the company, what does the auditor primarily assess?

(*a*) The profitability of the entities receiving funds

(*b*) Whether funds are invested in foreign entities

(*c*) The understanding with intermediaries and ultimate beneficiaries

(*d*) The amount of funds advanced compared to share premium

100. In the context of Standard on Auditing (Sa) 705, when would the auditor issue a modified opinion on the financial statements?

(*a*) Whenever there is a significant change in market conditions

(*b*) Only when fraud is detected during the audit

(*c*) When the auditor concludes, in accordance with SA 700 (Revised), that a modification to the opinion is necessary

(*d*) At the auditor's discretion to highlight minor discrepancies

101. Under what circumstances would the auditor express a qualified opinion on the financial statements, according to the provided information?

(*a*) When the misstatements are immaterial to the financial statements

(*b*) When the misstatements are pervasive, regardless of materiality

(*c*) When misstatements are material but not pervasive

(*d*) When there is a complete absence of misstatements

102. In which situation would the auditor be inclined to issue a qualified opinion based on the inability to obtain sufficient appropriate audit evidence?

(*a*) The auditor cannot obtain any audit evidence

(*b*) The possible effects of undetected misstatements are immaterial

(*c*) The possible effects of undetected misstatements could be material but not pervasive

(*d*) The misstatements are pervasive throughout the financial statements

103. In the context of misstatements, what does the term "pervasive" signify, according to the definition provided?

(*a*) Misstatements that are widespread and present in every financial statement element

(*b*) Misstatements that have a minimal impact on financial statements

(*c*) Misstatements that are confined to specific elements, accounts, or items

(*d*) Misstatements that only affect disclosures

104. According to the definition, when are the effects of misstatements considered pervasive in the auditor's judgment?

(*a*) Only when they represent a substantial proportion of the financial statements

(*b*) When they are confined to specific elements, accounts, or items

(*c*) When they have a minimal impact on disclosures

(*d*) When they are fundamental to users' understanding of the financial statements

105. Under what circumstances would the auditor disclaim an opinion, according to the information provided?

(*a*) When there are no uncertainties in the financial statements

(*b*) When uncertainties are pervasive but not material

(*c*) When the possible effects of undetected misstatements are both material and pervasive

(*d*) When uncertainties exist, but their effects are immaterial

106. In what situation would the auditor disclaim an opinion due to multiple uncertainties?

(*a*) When uncertainties are immaterial individually

(*b*) When uncertainties are related to routine business operations

(*c*) When uncertainties have a material and pervasive effect individually

(*d*) In extremely rare circumstances involving uncertainties that, despite being individually addressed, collectively prevent the formation of an opinion

107. According to the provided information, what is a key consideration for disclaiming an opinion due to multiple uncertainties?

(*a*) The likelihood of uncertainties occurring

(*b*) The materiality of each individual uncertainty

(*c*) The auditor's preference for a clean opinion

(*d*) The potential interaction of uncertainties and their possible cumulative effect on the financial statements

108. When determining the appropriate type of modified opinion, what factors does the auditor consider, according to the information provided?

(*a*) The complexity of the financial statements

(*b*) The auditor's personal preferences

(*c*) The nature of the matter giving rise to the modification and the auditor's judgment about the pervasiveness of the effects

(*d*) The extent of public interest in the financial statements

109. What action should the auditor take if, after accepting the engagement, management imposes a limitation on the scope of the audit that is likely to result in the need for a qualified or disclaimer opinion?

(*a*) Accept the limitation and proceed with the audit as planned

(*b*) Request that management removes the limitation and proceed with the audit

(*c*) Disqualify the opinion immediately without further investigation

(*d*) Consult legal counsel before taking any action

110. If management refuses to remove a limitation on the scope of the audit, what is the auditor's next course of action?

(*a*) Immediately issue a qualified opinion on the financial statements

(*b*) Communicate the matter to those charged with governance and proceed with the audit

(*c*) Withdraw from the audit, if possible, or disclaim an opinion if withdrawal is not practicable

(*d*) Ignore the limitation and express an unmodified opinion

111. What action should the auditor take if, after withdrawal from the audit, misstatements are identified that would have led to a modification of the opinion?

(*a*) Disclose the misstatements only in the communication to those charged with governance

(*b*) Include the misstatements in the withdrawal communication to those charged with governance

(*c*) Proceed to issue a qualified opinion based on the identified misstatements

(*d*) Ignore the misstatements as they are no longer the auditor's concern

112. When withdrawing from the audit is not practicable or possible, and the auditor concludes that possible effects of undetected misstatements could be both material and pervasive, what action should the auditor take?

(*a*) Proceed to issue a qualified opinion to communicate the gravity of the situation

(*b*) Disclaim an opinion on the financial statements

(*c*) Seek legal advice before making a decision
(*d*) Ignore the limitation and issue an unmodified opinion

113. In the context of withdrawing from the audit, what is the auditor's primary consideration according to the information provided?
(*a*) The convenience of withdrawal for the auditor
(*b*) The gravity of the situation and the inability to communicate it adequately through a qualified opinion
(*c*) The availability of alternative audit procedures
(*d*) The potential legal consequences of withdrawal

114. What is the auditor's responsibility regarding the inclusion of the financial effects of a material misstatement in the Basis for Opinion section?
(*a*) Include the effects only if they are immaterial
(*b*) Quantify the effects unless prohibited by law
(*c*) Quantify the effects unless impracticable
(*d*) Describe the effects in a separate communication to those charged with governance

115. When there is a material misstatement related to narrative disclosures, what is the auditor required to include in the Basis for Opinion section?
(*a*) Quantification of the misstatement
(*b*) An explanation of how the disclosures are misstated
(*c*) Omitted disclosures
(*d*) Any non-material misstatements

116. In the case of non-disclosure of information required to be disclosed, what action should the auditor take, provided it is practicable?
(*a*) Omit the information without disclosure
(*b*) Discuss the non-disclosure with those charged with governance
(*c*) Include the omitted disclosures regardless of practicability
(*d*) Quantify the omitted information in a separate communication

117. When expressing a qualified or adverse opinion, what amendment is required in the statement about the sufficiency and appropriateness of audit evidence, as per SA 700 (Revised)?
(*a*) Include the word "modified"
(*b*) Include the word "qualified" or "adverse," as appropriate
(*c*) Omit the statement about audit evidence
(*d*) Use a disclaimer instead of an opinion

118. What elements are excluded from the auditor's report when disclaiming an opinion on the financial statements, as per SA 700 (Revised)?
(*a*) A reference to the section of the auditor's report describing responsibilities and a statement about audit evidence
(*b*) A description of the reasons for other matters requiring modification

(*c*) Inclusion of the word “disclaimer”
(*d*) A summary of financial misstatements

119. When disclaiming an opinion due to an inability to obtain sufficient appropriate audit evidence, what amendment is required in the description of the auditor’s responsibilities according to SA 700 (Revised)?
(*a*) Include a detailed explanation of the audit procedures conducted
(*b*) Retain the original description without any amendments
(*c*) Include only a statement about the auditor’s responsibility to conduct an audit and issue a report
(*d*) Include a summary of financial misstatements

120. What specific information is required to be included in the amended description of the auditor’s responsibilities when disclaiming an opinion?
(*a*) Details of the entity’s financial statements
(*b*) A summary of audit findings
(*c*) A statement about auditor independence and other ethical responsibilities
(*d*) A list of limitations encountered during the audit

121. When including an Emphasis of Matter paragraph in the auditor’s report, what is a required action by the auditor, according to the provided information?
(*a*) Integrate the paragraph into the main body of the auditor’s report
(*b*) Include the paragraph within a separate section with an appropriate heading
(*c*) Provide a detailed analysis of the emphasized matter
(*d*) Modify the auditor’s opinion in respect of the matter emphasized

122. What is an Emphasis of Matter paragraph not intended to substitute for, according to the provided information?
(*a*) A detailed analysis of financial misstatements
(*b*) A modified opinion in accordance with SA 705 (Revised) when required by the circumstances of a specific audit engagement
(*c*) An unmodified opinion in all audit engagements
(*d*) A comprehensive review of management’s ethical responsibilities

123. In the context of an Emphasis of Matter paragraph, what is it not meant to replace in the auditor’s report?
(*a*) Disclosures in the financial statements required by law
(*b*) Reporting in accordance with SA 570 (Revised) when a material uncertainty exists
(*c*) Auditor’s responsibilities in evaluating internal controls
(*d*) The detailed analysis of financial ratios

124. Under what conditions is the inclusion of an Other Matter paragraph in the auditor’s report permitted, according to the provided information?
(*a*) Prohibited by law or regulation
(*b*) When the matter has been determined to be a key audit matter

(*c*) Relevant to users' understanding of the audit, and not prohibited by law or regulation
(*d*) Irrelevant to users' understanding of the audit

125. What is a required action when including an Other Matter paragraph in the auditor's report, according to the provided information?
(*a*) Integrate the paragraph into the main body of the auditor's report
(*b*) Exclude the paragraph if SA 701 is applicable
(*c*) Include the paragraph without a separate section or heading
(*d*) Include the paragraph within a separate section with the heading "Other Matter" or other appropriate heading

126. What is the auditor required to do if there is an expectation to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, according to the provided information?
(*a*) Include the paragraph without any prior communication
(*b*) Consult legal counsel before communicating with those charged with governance
(*c*) Communicate with those charged with governance regarding the expectation and wording of the paragraph
(*d*) Include the paragraph only if those charged with governance request it

127. What does SA 710 primarily address in an audit of financial statements?
(*a*) Auditor's responsibilities for detecting fraud
(*b*) Auditor's reporting responsibilities for comparative information
(*c*) Procedures for testing internal controls
(*d*) Requirements for inventory valuation

128. When the financial statements of the prior period have been audited by a predecessor auditor or were not audited, which standard's requirements also apply according to SA 710?
(*a*) SA 560 - Subsequent Events
(*b*) SA 510 - Opening Balances
(*c*) SA 701 - Communicating Key Audit Matters
(*d*) SA 600 - Using the Work of Another Auditor

129. What is the key difference in the auditor's reporting responsibilities between corresponding figures and comparative financial statements, as outlined in SA 710?
(*a*) The need for forensic audit procedures
(*b*) The inclusion of a Management Discussion and Analysis (MD&a) section
(*c*) The scope of the auditor's opinion, referring to the current period only for corresponding figures and to each period for comparative financial statements
(*d*) The application of analytical procedures

130. What is the auditor's responsibility regarding the inclusion of comparative information in the financial statements, according to SA 710?
(*a*) Verify the accuracy of the prior period information only
(*b*) Determine whether the comparative information is appropriately classified

(*c*) Evaluate the consistency of accounting policies and disclosure changes
(*d*) All of the above

131. In evaluating the comparative information, what does the auditor need to assess regarding accounting policies, as per SA 710?
(*a*) Ensure that accounting policies in the comparative information match exactly with the current period
(*b*) Verify that no changes in accounting policies have occurred
(*c*) Assess whether changes in accounting policies have been properly accounted for and disclosed
(*d*) Ignore changes in accounting policies as they are not relevant to the audit

132. If the auditor identifies a possible material misstatement in the comparative information during the current period audit, what action should the auditor take?
(*a*) Ignore the misstatement as it relates to the prior period
(*b*) Perform additional audit procedures to determine whether a material misstatement exists
(*c*) Wait until the next audit period to address the misstatement
(*d*) Report the misstatement without further investigation

133. According to SA 580, what does the auditor need to request for all periods referred to in the auditor's opinion?
(*a*) Additional financial statements
(*b*) Written representations
(*c*) Comparative financial statements
(*d*) Management discussion and analysis

134. What specific written representation is required regarding any prior period item separately disclosed in the current year's statement of profit and loss, as per SA 710?
(*a*) Confirmation of the prior period item's accuracy
(*b*) Assurance that no changes have occurred since the prior period
(*c*) An explanation of the reasons for the prior period item
(*d*) A specific written representation regarding the prior period item

135. In what circumstances should the auditor modify the opinion on the current period's financial statements when corresponding figures are presented, as per SA 710?
(*a*) Whenever there is an unresolved matter from the prior period
(*b*) Only if the prior period's opinion was qualified or modified
(*c*) If the corresponding figures are unaudited
(*d*) If a material misstatement exists in the prior period financial statements

136. What action should the auditor take if audit evidence reveals a material misstatement in the prior period financial statements, as per SA 710?
(*a*) Ignore the misstatement and issue an unmodified opinion
(*b*) Express a qualified or adverse opinion in the current period's report
(*c*) Issue a disclaimer of opinion
(*d*) Inform the predecessor auditor about the misstatement

137. What disclosure is required if the prior period financial statements were not audited, as per SA 710?

(*a*) Include an Emphasis of Matter paragraph
(*b*) State that the corresponding figures are unaudited in an Other Matter paragraph
(*c*) Modify the opinion to reflect the unaudited status
(*d*) Disclose the reasons for not auditing the prior period

138. If the financial statements of the prior period were audited by a predecessor auditor, what information should be disclosed in the auditor's report, according to SA 710?

(*a*) Only mention the predecessor auditor's name
(*b*) State that the prior period figures are reliable
(*c*) Disclose the type of opinion expressed by the predecessor auditor and the date of that report
(*d*) Provide a detailed analysis of the predecessor auditor's work

139. What should the auditor do if the matter giving rise to a modification in the prior period is unresolved, according to SA 710?

(*a*) Ignore the matter in the current period's report
(*b*) Modify the opinion without referring to the corresponding figures
(*c*) Refer to both the current period's figures and the corresponding figures in the description of the matter
(*d*) Request the predecessor auditor to resolve the matter

140. What is the auditor's responsibility when the prior period financial statements were not audited, according to SA 710?

(*a*) State in an Emphasis of Matter paragraph that the comparative financial statements are unaudited
(*b*) Include a modified opinion in the current period's report
(*c*) State in an Other Matter paragraph that the comparative financial statements are unaudited
(*d*) Disregard the unaudited status of the prior period financial statements

141. As per section 128(1) of the Companies Act, 2013, where can a company keep its books of account and relevant papers?

(*a*) Only at its registered office
(*b*) At any place in India decided by the Board of Directors
(*c*) Only at its branch office
(*d*) In electronic mode outside India

142. What is the requirement for a company with a branch office as per section 128(2) of the Companies Act, 2013?

(*a*) The branch office must keep separate books of account
(*b*) The branch office must send its books of account to the registered office
(*c*) Proper books of account at the branch and periodic summarized returns to the registered office
(*d*) The branch office must appoint a separate auditor

143. According to sub-section (8) of section 143 of the Companies Act, 2013, who can audit the accounts of a branch office situated in a country outside India?

(*a*) Only the company's auditor

(*b*) Only an accountant appointed by the branch office

(*c*) Either the company's auditor or an accountant

(*d*) The branch auditor appointed under section 139

144. What is the duty of the branch auditor as per sub-section (8) of section 143?

(*a*) Prepare a report and send it to the Registrar

(*b*) Prepare a report and send it to the company's auditor

(*c*) Submit the report directly to the shareholders

(*d*) File a separate audit report for the branch office

145. According to rule 12 of the Companies (Audit and Auditors) Rules, 2014, what is the branch auditor required to do in case of reporting fraud?

(*a*) Report directly to the shareholders

(*b*) Submit a report to the Registrar

(*c*) Report to the company's auditor

(*d*) Keep the information confidential

146. What does the term "Principal auditor" refer to, as defined in the given text?

(*a*) The main auditor responsible for the entire audit process

(*b*) The auditor appointed by the Board of Directors

(*c*) The auditor of the branch office

(*d*) The auditor with responsibility for reporting on the financial information of the entity

147. What is the primary advantage of joint audit in big companies and corporations, as mentioned in the passage?

(*a*) Increased workload for auditors

(*b*) Higher staff development costs

(*c*) Sharing of expertise and resources

(*d*) Increased fees for auditors

148. According to the passage, what is one of the general disadvantages of joint audit?

(*a*) Enhanced coordination of work

(*b*) Sharing of fees

(*c*) Increased workload

(*d*) Improved service to the client

149. Which standard issued by the Institute of Chartered Accountants of India provides principles for effective conduct of joint audit?

(*a*) SA 580 (Revised)

(*b*) SA 299 (Revised)

(*c*) SA 200 (Overall Objectives)

(*d*) SA 570 (Revised)

150. According to SA 299 (Revised), what is a responsibility of joint auditors in planning the audit?

(*a*) Develop individual audit strategies

(*b*) Discuss and develop a joint audit plan

(*c*) Work independently without coordination

(*d*) Share common engagement letters

151. When issuing a separate audit report due to disagreement, what does SA 299 (Revised) require joint auditors to do?

(*a*) Include only positive opinions

(*b*) Issue separate reports without reference to each other

(*c*) Reference each other's audit reports

(*d*) Communicate disagreement directly to the client

152. What is the primary duty of the auditor under Section 143(1) of the Companies Act, 2013?

(*a*) Confirming the company's profitability

(*b*) Ensuring all loans are repaid

(*c*) Inquiring into specific matters related to the company's financial transactions

(*d*) Verifying employee salaries

153. According to Section 143(2) of the Companies Act, 2013, what does the auditor have to report to the members of the company?

(*a*) Future financial projections

(*b*) Findings on financial transactions

(*c*) The impact of pending litigations

(*d*) Report on the accounts examined by the auditor

154. What is the auditor required to report under Section 143(3)(i) of the Companies Act, 2013?

(*a*) Confirmation of proper bookkeeping

(*b*) Proper returns from branches visited

(*c*) Seeking and obtaining necessary information for the audit

(*d*) Compliance with accounting standards

155. Which class of companies may be directed by the Central Government to include additional statements in the auditor's report under Section 143(11)?

(*a*) Private companies

(*b*) Public companies

(*c*) Listed companies

(*d*) Companies specified in the order

156. According to Section 143(12), if the auditor has reason to believe an offence of fraud involving ₹1 crore or above has been committed, to whom should the auditor report?

(*a*) Local Police

(*b*) Registrar of Companies

(*c*) Central Government

(*d*) Audit Committee

157. In case of fraud involving less than ₹1 crore, where should the auditor report the matter?

(*a*) Police Department

(*b*) Registrar of Companies

(*c*) Audit Committee or Board

(*d*) Ministry of Corporate Affairs

158. What is the auditor's responsibility regarding reporting on frauds as per Section 143(12)?

(*a*) Reporting only to the Central Government

(*b*) Reporting only to the Audit Committee

(*c*) Reporting to both the Central Government and Audit Committee

(*d*) Reporting to the Board

159. As per Section 143(3)(f), what does the auditor need to report regarding internal financial controls in a private company?

(*a*) Existence of internal financial controls
(*b*) Compliance with accounting standards
(*c*) Adequacy of internal financial controls
(*d*) Operating effectiveness of internal financial controls

160. Which rule specifies the matters to be included in the audit report under Section 143(3)(j) of the Companies Act, 2013?

(*a*) Rule 12 of the Companies (Audit and Auditors) Rules, 2014
(*b*) Rule 11 of the Companies (Audit and Auditors) Rules, 2014
(*c*) Rule 15 of the Companies (Audit and Auditors) Rules, 2014
(*d*) Rule 14 of the Companies (Audit and Auditors) Rules, 2014

161. What is the consequence if the auditor finds any of the matters required to be included in the audit report Answered negatively or with a qualification under Section 143(4)?

(*a*) The auditor has fulfilled their duty
(*b*) The auditor has to issue a separate opinion
(*c*) The auditor may ignore it
(*d*) No consequence

162. Under Section 143(3)(e), what does the auditor report on regarding financial statements?

(*a*) Existence of internal controls
(*b*) Compliance with accounting standards
(*c*) Observations on financial transactions
(*d*) Compliance with section 123 of the Companies Act, 2013

163. What does Section 143(3)(f) require the auditor to report regarding accounting software used by the company?

(*a*) The cost of the software
(*b*) The brand of the software
(*c*) Whether it has a feature of recording audit trail
(*d*) Whether it is cloud-based or on-premise

164. Under Section 143(3)(j)(a), what does the auditor report regarding pending litigations?

(*a*) Whether the company has disclosed the impact on its financial position
(*b*) Whether the company has won all litigations
(*c*) Whether the litigations are criminal or civil
(*d*) Whether the litigations are disclosed in the annual report

165. According to Section 143(3)(j)(b), what does the auditor report regarding provisions for foreseeable losses on long-term contracts?

(*a*) Whether the company has made any provisions
(*b*) Whether the company has won any contracts
(*c*) Whether the company has followed proper tendering procedures
(*d*) Whether the company has made provisions for material foreseeable losses

166. What is the auditor's responsibility regarding the reporting requirement on adequacy of internal financial controls for certain private companies?

(*a*) It is applicable to all private companies

(*b*) It is not applicable to any private company

(*c*) It is applicable only to private companies with a turnover of more than ₹ 50 crore

(*d*) It is applicable only to private companies with a turnover less than ₹ 50 crore

167. What is the primary legal basis for the Companies (Auditor's Report) Order, 2020?

(*a*) Section 2 of the Companies Act, 2013

(*b*) Section 143(11) of the Companies Act, 2013

(*c*) Section 5 of the Banking Regulation Act, 1949

(*d*) Section 8 of the Insurance Act, 1938

168. What does "supersession" in the passage imply?

(*a*) Amendment (*b*) Abolishment

(*c*) Replacement (*d*) Enactment

169. What document does the Companies (Auditor's Report) Order, 2020 replace?

(*a*) Companies Act, 2013 (*b*) Insurance Act, 1938

(*c*) Banking Regulation Act, 1949 (*d*) Companies (Auditor's Report) Order, 2016

170. When was the Companies (Auditor's Report) Order, 2016, published?

(*a*) 29th March, 2016 (*b*) 1st April, 2013

(*c*) 18th March, 2016 (*d*) 29th March, 2020

171. Who is consulted before making the Companies (Auditor's Report) Order, 2020?

(*a*) Reserve Bank of India (RBI)

(*b*) National Financial Reporting Authority (NFRA)

(*c*) Securities and Exchange Board of India (SEBI)

(*d*) Ministry of Corporate Affairs

172. What is the short title of the Companies (Auditor's Report) Order, 2020?

(*a*) Order 2020 (*b*) Auditor's Report Order, 2020

(*c*) Companies Act, 2013 (*d*) CARO 2020

173. To which companies does the Order NOT apply?

(*a*) Banking companies (*b*) Insurance companies

(*c*) One Person Companies (*d*) All of the above

174. What is the application of the Order based on?

(*a*) Revenue only (*b*) Paid-up capital only

(*c*) Both paid-up capital and revenue (*d*) Total borrowings only

175. Which section defines a One Person Company in the Companies Act, 2013?

(*a*) Section 2
(*b*) Section 8
(*c*) Section 62
(*d*) Section 85

176. What is the financial criterion for a private limited company to be exempted under the Order?

(*a*) Paid-up capital not more than one crore rupees
(*b*) Total borrowings not more than one crore rupees
(*c*) Total revenue not exceeding ten crore rupees
(*d*) All of the above

177. Under what circumstances does the Companies (Auditor's Report) Order, 2020 apply to a private limited company?

(*a*) If it is a subsidiary of a public company
(*b*) If it is a holding company of a public company
(*c*) If it has total borrowings exceeding one crore rupees
(*d*) If it has total revenue exceeding ten crore rupees

178. What is the relevance of Scheduled III to the Companies Act, 2013, in the context of the Order?

(*a*) It defines the short title of the Order
(*b*) It outlines the reporting requirements
(*c*) It specifies the exclusion criteria
(*d*) It provides the effective date

179. What does the passage mean by "except as respects things done or omitted to be done before such supersession"?

(*a*) The Order is effective retrospectively
(*b*) The Order is not applicable to past actions
(*c*) The 2016 Order is still in effect for past actions
(*d*) The 2020 Order only applies to future actions

180. What role does the National Financial Reporting Authority (NFRa) play in the context of the Order?

(*a*) Consultation authority
(*b*) Regulatory body
(*c*) Advisory board
(*d*) Enforcing agency

181. What is the significance of a company licensed to operate under section 8 of the Companies Act, in the context of the Order?

(*a*) It is exempt from the Order
(*b*) It must comply with the Order
(*c*) It is subject to a separate order
(*d*) It is regulated by the Reserve Bank of India

182. What term does the passage use to describe the Companies (Auditor's Report) Order, 2020?

(*a*) Amendment
(*b*) Regulation
(*c*) Supersession
(*d*) Implementation

183. Which clause of the Companies Act, 2013, defines a small company?

(*a*) Clause (42) of section 2
(*b*) Clause (85) of section 2
(*c*) Clause (62) of section 2
(*d*) Clause (c) of section 5

184. What is the purpose of mentioning "except as respects things done or omitted to be done before such supersession"?

(*a*) To emphasize the importance of the new Order

(*b*) To clarify that the 2016 Order still applies in some cases

(*c*) To indicate the retrospective nature of the Order

(*d*) To specify the effective date of the Order

185. What does the auditor's report under section 143 of the Companies Act need to contain for companies audited for financial years commencing on or after 1st April, 2019?

(*d*) Matters specified in paragraphs 1 and 2

(*c*) Matters specified in paragraphs 3 and 4

(*c*) Matters specified in paragraphs 5 and 6

(*d*) Matters specified in paragraphs 7 and 8

186. When does this Order apply to the auditor's report on the accounts of a company?

(*a*) For financial years commencing before 1st April, 2019

(*b*) For financial years commencing on or after 1st April, 2019

(*c*) For financial years ending before 1st April, 2019

(*d*) For financial years ending on or after 1st April, 2019

187. To which type of financial statements does this Order not apply, except for clause (xxi) of paragraph 3?

(*a*) Standalone financial statements (*b*) Consolidated financial statements

(*c*) Interim financial statements (*d*) Comparative financial statements

188. What is the specific clause in paragraph 3 that applies to the auditor's report on consolidated financial statements?

(*a*) Clause (i) (*b*) Clause (v)

(*c*) Clause (xiv) (*d*) Clause (xxi)

189. In which section of the Companies Act does the requirement for the auditor's report, as mentioned in the passage, fall under?

(*a*) Section 132 (*b*) Section 143

(*c*) Section 144 (*d*) Section 145

190. What is the effective date for the application of this Order to the auditor's report?

(*a*) 1st April, 2018 (*b*) 1st April, 2019

(*c*) 1st April, 2020 (*d*) 1st April, 2021

191. Which provision of the Companies Act empowers the auditor to make a report under the mentioned section?

(*a*) Section 132(1) (*b*) Section 143(2)

(*c*) Section 144(3) (*d*) Section 145(4)

192. What is the primary purpose of requiring the auditor's report to contain matters specified in paragraphs 3 and 4 of CARO 2020?

(*a*) To increase the length of the report
(*b*) To provide a summary of financial statements
(*c*) To enhance the quality and transparency of the report
(*d*) To simplify the audit process

193. What does the auditor need to verify regarding Property, Plant, and Equipment (PPE)?

(*a*) The market value of PPE
(*b*) Quantitative details and situation of PPE
(*c*) The historical cost of PPE
(*d*) The fair value of PPE

194. In addition to Property, Plant, and Equipment, what other assets' records should the auditor examine?

(*a*) Financial assets
(*b*) Intangible assets
(*c*) Current assets
(*d*) Investments

195. How often should Property, Plant, and Equipment be physically verified by the management?

(*a*) Annually
(*b*) Monthly
(*c*) Biennially
(*d*) Quarterly

196. What is the auditor required to report if material discrepancies are noticed during the physical verification of Property, Plant, and Equipment?

(*a*) Ignore the discrepancies
(*b*) Report them in the books of account
(*c*) Notify the regulatory authorities
(*d*) Seek legal advice

197. Regarding immovable properties, what should the auditor verify about their title deeds?

(*a*) Whether they are pledged as collateral
(*b*) Whether they are leased
(*c*) Whether they are disclosed in financial statements
(*d*) Whether they are owned by the company

198. Under what circumstances would the auditor inquire about lease agreements related to immovable properties?

(*a*) When the company is the lessor
(*b*) When the company is the lessee
(*c*) When the lease agreements are executed in favor of the lessee
(*d*) When the company owns the immovable properties

199. What is the primary objective of verifying the title deeds of immovable properties?

(*a*) Ensuring compliance with tax regulations
(*b*) Confirming ownership of the properties
(*c*) Determining fair value of the properties
(*d*) Evaluating market conditions

200. What is the overarching purpose of including these statements in the auditor's report?

(*a*) Legal compliance
(*b*) Enhancing transparency and accountability
(*c*) Minimizing tax liabilities
(*d*) Improving shareholder value

201. When does this Order apply to the auditor's report on the accounts of a company?

(*a*) For financial years commencing before 1st April, 2019
(*b*) For financial years commencing on or after 1st April, 2019
(*c*) For financial years ending before 1st April, 2019
(*d*) For financial years ending on or after 1st April, 2019

202. What statement is required in the auditor's report regarding the revaluation of assets?

(*a*) Confirmation of revaluation by the company
(*b*) Disclosure of the revaluation amount
(*c*) Identification of Registered Valuer
(*d*) (*a*) and (*b*)

203. In case of revaluation, what is the auditor required to specify regarding the change in the carrying value of assets?

(*a*) Percentage change only
(*b*) Absolute change only
(*c*) Both percentage and absolute change
(*d*) Change in fair value

204. What assets are specifically mentioned in the context of revaluation in the provided information?

(*a*) Only Property, Plant, and Equipment
(*b*) Only intangible assets
(*c*) Both Property, Plant, and Equipment and intangible assets
(*d*) Only Right of Use assets

205. What legislation is referred to concerning benami property in the auditor's report?

(*a*) Income Tax Act, 1961
(*b*) Companies Act, 2013
(*c*) Benami Transactions (Prohibition) Act, 1988
(*d*) Indian Penal Code, 1860

206. What disclosure is expected from the company in its financial statements if there are proceedings related to benami property?

(*a*) No disclosure is required
(*b*) Disclosure of the fact only
(*c*) Detailed disclosure of the proceedings
(*d*) Disclosure of legal advice received

207. Under what circumstances would the auditor inquire about benami property proceedings in the company?

(*a*) Only if the company is involved in legal proceedings
(*b*) Only if the company is engaged in real estate activities
(*c*) If the company has initiated proceedings against others
(*d*) If proceedings have been initiated or are pending against the company

208. What does the auditor's report include statements on, according to the CARO 2020?

(*a*) Financial statements only
(*b*) Inventory and working capital limits
(*c*) Loans and advances only
(*d*) All of the above

209. According to the CARO 2020, Regarding physical verification of inventory, what does the auditor assess?

(*a*) The quantity of inventory only
(*b*) The coverage and procedure of verification by management
(*c*) The market value of inventory
(*d*) The historical cost of inventory

210. According to the CARO 2020, When reporting discrepancies in inventory, what threshold does the auditor consider?

(*a*) 5%
(*b*) 8%
(*c*) 10%
(*d*) 15%

211. According to the CARO 2020, For working capital limits exceeding five crore rupees, what does the auditor examine?

(*a*) Security of fixed assets
(*b*) Security of current assets
(*c*) Quarterly returns or statements filed
(*d*) All of the above

212. According to the CARO 2020, In the context of loans, what does the auditor verify about repayments?

(*a*) Repayment terms and schedules
(*b*) Only overdue amounts
(*c*) Repayments to related parties
(*d*) Repayments made on public holidays

213. Under what circumstances does the auditor inquire about the renewal or extension of loans?

(*a*) When loans are granted to subsidiaries
(*b*) When loans have fallen due during the year
(*c*) When loans are unsecured
(*d*) When loans are given for short durations

214. According to the CARO 2020, In the context of preferential allotment, what does the auditor assess?

(*a*) Compliance with Companies Act, 2013
(*b*) Usage of funds raised
(*c*) Whether preferential allotment occurred
(*d*) All of the above

215. According to the CARO 2020, In the context of statutory dues, what does the auditor assess?

(*a*) Only income tax payments
(*b*) Timely deposit of statutory dues
(*c*) Legal compliance with Goods and Services Tax
(*d*) None of the above

216. What is the primary objective of including these statements in the auditor's report?

(*a*) Legal compliance
(*b*) Enhancing transparency and accountability
(*c*) Minimizing tax liabilities
(*d*) Improving shareholder value

217. What section of the Companies Act deals with non-cash transactions with directors?

(*a*) Section 192 (*b*) Section 177

(*c*) Section 186 (*d*) Section 188

218. What aspect does the auditor examine under section 185 and 186 of the Companies Act?

(*a*) Director's loans and investments

(*b*) Loans to subsidiaries

(*c*) Loans, investments, guarantees, and security

(*d*) Loans from financial institutions

219. Regarding the Nidhi Company, what ratio is mentioned for Net Owned Funds to Deposits?

(*a*) 1:10 (*b*) 1:15

(*c*) 1:20 (*d*) 1:25

220. What provision is referred to concerning ongoing projects and unspent amounts?

(*a*) Section 135(5) (*b*) Section 135(6)

(*c*) Schedule VII (*d*) Section 186

221. Regarding the Core Investment Company (CIC), what criteria does the auditor assess?

(*a*) Size of assets (*b*) Fulfilment of RBI criteria

(*c*) Profitability (*d*) All of the above

222. What does the auditor verify regarding the internal audit system?

(*a*) Only existence of an internal audit system (*b*) Reports of the Internal Auditors

(*c*) Compliance with Companies Act (*d*) Audit committee meetings

223. According to the CARO 2020, In the context of cash losses, what amount does the auditor state?

(*a*) Net cash losses only

(*b*) Cash losses for the financial year

(*c*) Any cash losses exceeding one crore rupees

(*d*) Amount of cash losses

224. What does the auditor examine regarding the resignation of statutory auditors?

(*a*) Only the reasons for resignation

(*b*) Consideration of issues raised by outgoing auditors

(*c*) Compliance with Companies Act, 2013

(*d*) Only the timing of resignation

225. Under what section of the Companies Act does the auditor assess material uncertainty?

(*a*) Section 143(11) (*b*) Section 186

(*c*) Section 135(6) (*d*) Section 192

226. In the auditor's report, if the Answer to any of the questions in paragraph 3 is unfavorable or qualified, what is the auditor required to do?

(*a*) Omit the unfavorable details

(*b*) Provide an explanation for such Answer

(*c*) Submit a separate report to the management

(*d*) Seek legal advice

227. If the auditor is unable to express an opinion on a specified matter, what is the auditor expected to do in the report?

(*a*) Provide an unfavorable opinion

(*b*) Disclose the limitation and reasons for the inability

(*c*) Ignore the matter in the report

(*d*) Report it in a separate confidential document

228. What is the purpose of stating the basis for an unfavorable or qualified Answer in the auditor's report?

(*a*) To criticize the management

(*b*) To fulfill a regulatory requirement

(*c*) To confuse the readers

(*d*) To avoid legal consequences

229. When should the auditor provide reasons for being unable to express an opinion on a specified matter?

(*a*) Only when the matter is critical

(*b*) When the auditor chooses to do so

(*c*) Always, as it is a mandatory disclosure

(*d*) Only if requested by the company's management

230. What is the primary objective of disclosing the basis for an unfavourable or qualified Answer in the auditor's report?

(*a*) To shift blame to the management

(*b*) To clarify the auditor's position and reasoning

(*c*) To criticize the regulatory authority

(*d*) To undermine the credibility of the financial statements

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*a*)	**4.** (*c*)	**5.** (*a*)	**6.** (*b*)	**7.** (*c*)	**8.** (*c*)	**9.** (*c*)	**10.** (*b*)
11. (*c*)	**12.** (*d*)	**13.** (*c*)	**14.** (*a*)	**15.** (*c*)	**16.** (*b*)	**17.** (*c*)	**18.** (*c*)	**19.** (*c*)	**20.** (*d*)
21. (*c*)	**22.** (*c*)	**23.** (*b*)	**24.** (*d*)	**25.** (*c*)	**26.** (*c*)	**27.** (*c*)	**28.** (*c*)	**29.** (*c*)	**30.** (*b*)
31. (*c*)	**32.** (*c*)	**33.** (*c*)	**34.** (*c*)	**35.** (*d*)	**36.** (*c*)	**37.** (*b*)	**38.** (*c*)	**39.** (*c*)	**40.** (*c*)
41. (*b*)	**42.** (*c*)	**43.** (*c*)	**44.** (*c*)	**45.** (*d*)	**46.** (*c*)	**47.** (*c*)	**48.** (*d*)	**49.** (*c*)	**50.** (*b*)
51. (*c*)	**52.** (*d*)	**53.** (*b*)	**54.** (*c*)	**55.** (*b*)	**56.** (*c*)	**57.** (*d*)	**58.** (*b*)	**59.** (*c*)	**60.** (*c*)
61. (*d*)	**62.** (*a*)	**63.** (*b*)	**64.** (*c*)	**65.** (*d*)	**66.** (*d*)	**67.** (*a*)	**68.** (*a*)	**69.** (*c*)	**70.** (*c*)

71. (*c*)	**72.** (*c*)	**73.** (*b*)	**74.** (*c*)	**75.** (*c*)	**76.** (*c*)	**77.** (*b*)	**78.** (*c*)	**79.** (*d*)	**80.** (*b*)
81. (*d*)	**82.** (*b*)	**83.** (*b*)	**84.** (*c*)	**85.** (*c*)	**86.** (*d*)	**87.** (*d*)	**88.** (*d*)	**89.** (*c*)	**90.** (*b*)
91. (*c*)	**92.** (*b*)	**93.** (*c*)	**94.** (*c*)	**95.** (*c*)	**96.** (*b*)	**97.** (*b*)	**98.** (*a*)	**99.** (*c*)	**100.** (*c*)
101. (*c*)	**102.** (*c*)	**103.** (*c*)	**104.** (*d*)	**105.** (*c*)	**106.** (*d*)	**107.** (*d*)	**108.** (*c*)	**109.** (*b*)	**110.** (*c*)
111. (*b*)	**112.** (*b*)	**113.** (*b*)	**114.** (*c*)	**115.** (*b*)	**116.** (*b*)	**117.** (*b*)	**118.** (*a*)	**119.** (*c*)	**120.** (*c*)
121. (*b*)	**122.** (*b*)	**123.** (*b*)	**124.** (*c*)	**125.** (*d*)	**126.** (*c*)	**127.** (*b*)	**128.** (*b*)	**129.** (*c*)	**130.** (*d*)
131. (*c*)	**132.** (*b*)	**133.** (*b*)	**134.** (*d*)	**135.** (*a*)	**136.** (*b*)	**137.** (*b*)	**138.** (*c*)	**139.** (*c*)	**140.** (*c*)
141. (*b*)	**142.** (*c*)	**143.** (*c*)	**144.** (*b*)	**145.** (*c*)	**146.** (*d*)	**147.** (*c*)	**148.** (*b*)	**149.** (*b*)	**150.** (*b*)
151. (*c*)	**152.** (*c*)	**153.** (*d*)	**154.** (*c*)	**155.** (*d*)	**156.** (*c*)	**157.** (*c*)	**158.** (*c*)	**159.** (*c*)	**160.** (*b*)
161. (*b*)	**162.** (*d*)	**163.** (*c*)	**164.** (*a*)	**165.** (*d*)	**166.** (*d*)	**167.** (*b*)	**168.** (*c*)	**169.** (*d*)	**170.** (*a*)
171. (*b*)	**172.** (*d*)	**173.** (*d*)	**174.** (*c*)	**175.** (*c*)	**176.** (*d*)	**177.** (*c*)	**178.** (*b*)	**179.** (*b*)	**180.** (*b*)
181. (*a*)	**182.** (*c*)	**183.** (*b*)	**184.** (*b*)	**185.** (*b*)	**186.** (*b*)	**187.** (*b*)	**188.** (*d*)	**189.** (*b*)	**190.** (*b*)
191. (*b*)	**192.** (*c*)	**193.** (*b*)	**194.** (*b*)	**195.** (*a*)	**196.** (*b*)	**197.** (*d*)	**198.** (*c*)	**199.** (*b*)	**200.** (*b*)
201. (*b*)	**202.** (*c*)	**203.** (*c*)	**204.** (*c*)	**205.** (*c*)	**206.** (*c*)	**207.** (*d*)	**208.** (*d*)	**209.** (*b*)	**210.** (*c*)
211. (*d*)	**212.** (*a*)	**213.** (*b*)	**214.** (*d*)	**215.** (*b*)	**216.** (*b*)	**217.** (*a*)	**218.** (*c*)	**219.** (*c*)	**220.** (*b*)
221. (*b*)	**222.** (*b*)	**223.** (*b*)	**224.** (*b*)	**225.** (*a*)	**226.** (*b*)	**227.** (*b*)	**228.** (*b*)	**229.** (*c*)	**230.** (*b*)

SOLUTION

1. (*b*) To express an opinion on the financial statements
2. (*c*) To express an opinion on the financial statements
3. (*a*) To describe the auditor's responsibility
4. (*c*) Basis for Opinion paragraph
5. (*a*) A conclusion regarding the overall fairness of the financial statements
6. (*b*) Unqualified opinion
7. (*c*) To emphasize matters that are of fundamental importance
8. (*c*) The audit procedures performed and evidence obtained
9. (*c*) To communicate additional information that is relevant to users
10. (*b*) To communicate matters that, in the auditor's professional judgment, were of most significance in the audit
11. (*c*) The appropriateness of management's use of the going concern assumption
12. (*d*) A description of the audit procedures performed and evidence obtained
13. (*c*) It communicates the auditor's opinion on matters outside the financial statements
14. (*a*) Matters that are of fundamental importance
15. (*c*) To communicate additional information that is relevant to users
16. (*b*) The communicative value of the auditor's report
17. (*c*) Adverse opinion
18. (*c*) Describing the auditor's responsibility
19. (*c*) To enhance the communicative value of the auditor's report
20. (*d*) It provides insights into matters that were of most significance in the audit
21. (*c*) To draw attention to matters that are appropriately presented or disclosed
22. (*c*) To highlight significant uncertainties or events
23. (*b*) It draws attention to specific matters but does not affect the auditor's opinion
24. (*d*) It is optional and rarely included in auditor's reports
25. (*c*) Use neutral and factual language
26. (*c*) It does not affect the auditor's opinion on the financial statements
27. (*c*) Matters that significantly affect the auditor's opinion
28. (*c*) By drawing attention to fundamental matters that may be overlooked
29. **(*c*) To draw attention to a significant uncertainty or event:** If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users' understanding of the financial statements, an Emphasis of Matter paragraph is added in accordance with SA 706 (Revised), drawing attention to the disclosure.
30. (*b*) Expressing an opinion on the financial statements' fairness
31. (*c*) Reasonable assurance
32. (*c*) Assessing the appropriateness of the going concern assumption
33. (*c*) The auditor is responsible for identifying and assessing both fraud and error risks.

34. (*c*) Assessing the appropriateness of accounting policies selected by management

35. (*d*) Information about the nature and implications of significant deficiencies

36. (*c*) The auditor is responsible for obtaining reasonable assurance about the absence of fraud that is material to the financial statements.

37. (*b*) The auditor should disclaim an opinion on the financial statements.

38. (*c*) The auditor must maintain professional skepticism throughout the audit, considering the possibility of material misstatements.

39. (*c*) The auditor includes an explanatory paragraph in the report.

40. (*c*) Component auditors are responsible for the audit of individual components only.

41. (*b*) To supervise and review the work of the component auditors.

42. (*c*) Evaluate the impact on the group audit and consider the need for additional procedures or using the work of another auditor.

43. (*c*) The group engagement team should obtain an understanding of the methods used by component auditors and the significance of their findings.

44. (*c*) To evaluate the appropriateness of the component auditor's report in the context of the group audit.

45. (*d*) Regardless of whether the matters are significant in the context of the group audit.

46. (*c*) The group engagement partner should perform an independent assessment of the objectivity and competence of the component auditor.

47. (*c*) To ensure that the component auditor is aware of the scope and objectives of the group audit.

48. (*d*) Assess the impact on the group audit and consider modifying the audit opinion.

49. (*c*) The group engagement partner is responsible for documenting the work performed, significant matters, and conclusions reached.

50. (*b*) To ensure that the auditor's report remains accurate and relevant after the report date.

51. (*c*) The auditor should perform procedures to identify events that may require adjustment of or disclosure in the financial statements.

52. (*d*) Discovering events that may affect the financial statements.

53. (*b*) Type 1 events occurred before the report date, while Type 2 events occurred after the report date.

54. (*c*) Communicate the matter to those charged with governance and adjust the financial statements.

55. (*b*) Communicate the event to those charged with governance and consider the need for an adjustment to the financial statements.

56. (*c*) To address events occurring after the report date but before the financial statements are issued.

57. (*d*) The auditor should assess the impact and communicate as necessary.

58. (*b*) Confirming that management does not alter the financial statements.

59. (*c*) It may indicate a limitation in the scope of the audit.

60. (*c*) Ministry of Corporate Affairs (MCA)

61. (*d*) To express an opinion on the true and fair view of the financial statements

62. (*a*) Section 143

63. (*b*) Management's explanation for any qualification or adverse remark

64. (*c*) The auditor should modify the opinion to express disagreement.

65. (*d*) To explain the auditor's responsibility and the scope of the audit

66. (*d*) The auditor's responsibility for expressing an opinion

67. (*a*) That they are presented fairly, in all material respects

68. (*a*) By expressing a disclaimer of opinion

69. (*c*) An emphasis of matter paragraph

70. (*c*) The specific risk identified, how it was addressed in the audit, and the auditor's response

71. (*c*) By providing insights into matters that were of most significance in the audit

72. (*c*) Board of Directors

73. (*b*) Preparation of financial statements that present a true and fair view

74. (*c*) Presenting a true and fair view of financial position, performance, and cash flows

75. (*c*) Accounting principles generally accepted in India

76. (*c*) Section 133

77. (*b*) Financial position and changes in equity

78. (*c*) To ensure the true and fair view of financial position, performance, and cash flows

79. (*d*) Companies Act, 2013

80. (*b*) It highlights the application of specific accounting standards mandated by the Act.

81. (*d*) Market share analysis

82. (*b*) In the auditor's report appendix: Paragraph 40 permits the auditor to include the statements required by paragraphs 38-39 describing the auditor's responsibilities for the audit of the financial statements in an appendix to the auditor's report, provided that appropriate reference is made within the body of the auditor's report to the location of the appendix.

83. (*b*) Fraud may involve intentional actions and deception.

84. (*c*) When permitted by law, regulation, or auditing standards, and the website's description is consistent with the material in the report

85. (*c*) Expressing an opinion on the adequacy and operating effectiveness of the company's internal financial controls

86. (*d*) To form a basis for expressing an opinion on the financial statements

87. (*d*) Determining whether events or conditions may cast significant doubt on the company's ability to continue as a going concern

88. (*d*) If the auditor concludes that a material uncertainty exists and is inadequately disclosed by management

89. (*c*) By stating that conclusions are based on evidence up to the date of the auditor's report, but future events may cause the company to cease as a going concern

90. (*b*) The significance of the matters in the audit

91. (*c*) Present matters specified in paragraphs 3 and 4 of the Order, to the extent applicable

92. (*b*) Seek information and explanations necessary for the audit

93. (*c*) The auditor incorporates branch office reports received from branch auditors.

94. (*c*) Consistency with the returns received from the branches not visited

95. (*c*) Compliance with Accounting Standards specified under Section 133 of the Companies Act, 2013

96. (*b*) Written representations received from the directors

97. (*b*) The auditor provides a separate report in "Annexure A."

98. (*a*) Material foreseeable losses on long-term contracts

99. (*c*) The understanding with intermediaries and ultimate beneficiaries

100. (*c*) When the auditor concludes, in accordance with SA 700 (Revised), that a modification to the opinion is necessary

101. (*c*) When misstatements are material but not pervasive

102. (*c*) The possible effects of undetected misstatements could be material but not pervasive

103. (*c*) Misstatements that are confined to specific elements, accounts, or items

104. (*d*) When they are fundamental to users' understanding of the financial statements

105. (*c*) When the possible effects of undetected misstatements are both material and pervasive

106. (*d*) In extremely rare circumstances involving uncertainties that, despite being individually addressed, collectively prevent the formation of an opinion

107. (*d*) The potential interaction of uncertainties and their possible cumulative effect on the financial statements

108. (*c*) The nature of the matter giving rise to the modification and the auditor's judgment about the pervasiveness of the effects

109. (*b*) Request that management removes the limitation and proceed with the audit

110. (*c*) Withdraw from the audit, if possible, or disclaim an opinion if withdrawal is not practicable

111. (*b*) Include the misstatements in the withdrawal communication to those charged with governance

112. (*b*) Disclaim an opinion on the financial statements

113. (*b*) The gravity of the situation and the inability to communicate it adequately through a qualified opinion

114. (*c*) Quantify the effects unless impracticable

115. (*b*) An explanation of how the disclosures are misstated

116. (*b*) Discuss the non-disclosure with those charged with governance

117. (*b*) Include the word "qualified" or "adverse," as appropriate

118. (*a*) A reference to the section of the auditor's report describing responsibilities and a statement about audit evidence

119. (*c*) Include only a statement about the auditor's responsibility to conduct an audit and issue a report

120. (*c*) A statement about auditor independence and other ethical responsibilities

121. (*b*) Include the paragraph within a separate section with an appropriate heading

122. (*b*) A modified opinion in accordance with SA 705 (Revised) when required by the circumstances of a specific audit engagement

123. (*b*) Reporting in accordance with SA 570 (Revised) when a material uncertainty exists

124. (*c*) Relevant to users' understanding of the audit, and not prohibited by law or regulation

125. (*d*) Include the paragraph within a separate section with the heading "Other Matter" or other appropriate heading

126. (*c*) Communicate with those charged with governance regarding the expectation and wording of the paragraph

127. (*b*) Auditor's reporting responsibilities for comparative information

128. (*b*) SA 510 - Opening Balances

129. (*c*) The scope of the auditor's opinion, referring to the current period only for corresponding figures and to each period for comparative financial statements

130. (*d*) All of the above

131. (*c*) Assess whether changes in accounting policies have been properly accounted for and disclosed

132. (*b*) Perform additional audit procedures to determine whether a material misstatement exists

133. (*b*) Written representations

134. (*d*) A specific written representation regarding the prior period item

135. (*a*) Whenever there is an unresolved matter from the prior period

136. (*b*) Express a qualified or adverse opinion in the current period's report

137. (*b*) State that the corresponding figures are unaudited in an Other Matter paragraph

138. (*c*) Disclose the type of opinion expressed by the predecessor auditor and the date of that report

139. (*c*) Refer to both the current period's figures and the corresponding figures in the description of the matter

140. (*c*) State in an Other Matter paragraph that the comparative financial statements are unaudited

141. (*b*) At any place in India decided by the Board of Directors

142. (*c*) Proper books of account at the branch and periodic summarized returns to the registered office

143. (*c*) Either the company's auditor or an accountant

144. (*b*) Prepare a report and send it to the company's auditor

145. (*c*) Report to the company's auditor

146. (*d*) The auditor with responsibility for reporting on the financial information of the entity

147. (*c*) Sharing of expertise and resources

148. (*b*) Sharing of fees

149. (*b*) SA 299 (Revised)

150. (*b*) Discuss and develop a joint audit plan

151. (*c*) Reference each other's audit reports

152. (*c*) Inquiring into specific matters related to the company's financial transactions
153. (*d*) Report on the accounts examined by the auditor
154. (*c*) Seeking and obtaining necessary information for the audit
155. (*d*) Companies specified in the order
156. (*c*) Central Government
157. (*c*) Audit Committee or Board
158. (*c*) Reporting to both the Central Government and Audit Committee
159. (*c*) Adequacy of internal financial controls
160. (*b*) Rule 11 of the Companies (Audit and Auditors) Rules, 2014
161. (*b*) The auditor has to issue a separate opinion**
162. (*d*) Compliance with section 123 of the Companies Act, 2013**
163. (*c*) Whether it has a feature of recording audit trail**
164. (*a*) Whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement**
165. (*d*) Whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts**
166. (*d*) It is applicable only to private companies with a turnover less than ₹ 50 crore
167. (*b*) Section 143(11) of the Companies Act, 2013
168. (*c*) Replacement
169. (*d*) Companies (Auditor's Report) Order, 2016
170. (*a*) 29th March, 2016
171. (*b*) National Financial Reporting Authority (NFRA)
172. (*d*) CARO 2020
173. (*d*) All of the above
174. (*c*) Both paid-up capital and revenue
175. (*c*) Section 62
176. (*d*) All of the above
177. (*c*) If it has total borrowings exceeding one crore rupees
178. (*b*) It outlines the reporting requirements
179. (*b*) The Order is not applicable to past actions
180. (*b*) Regulatory body
181. (*a*) It is exempt from the Order
182. (*c*) Supersession
183. (*b*) Clause (85) of section 2
184. (*b*) To clarify that the 2016 Order still applies in some cases
185. (*b*) Matters specified in paragraphs 3 and 4
186. (*b*) For financial years commencing on or after 1st April, 2019

187. (*b*) **Consolidated financial statements:** CARO does not apply to the auditor's report on consolidated financial statements, except for clause (xxi) of paragraph 3.

188. (*d*) **Clause (xxi):** The auditor's report on consolidated financial statements is subject to clause (xxi) of paragraph 3.

189. (*b*) Section 143

190. (*b*) 1st April, 2019

191. (*b*) Section 143(2)

192. (*c*) **To enhance the quality and transparency of the report:** Requiring specific matters in the report aims to enhance the quality and transparency of the auditor's report.

193. (*b*) **Quantitative details and situation of PPE:** The auditor should verify whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant, and Equipment.

194. (*b*) **Intangible assets:** The auditor should include a statement on whether the company is maintaining proper records showing full particulars of intangible assets.

195. (*a*) **Annually:** The auditor should determine whether these assets have been physically verified by the management at reasonable intervals.

196. (*b*) **Report them in the books of account:** The auditor should report whether any material discrepancies were noticed on such verification and, if so, whether the same have been properly dealt with in the books of account.

197. (*d*) **Whether they are owned by the company:** The auditor should verify whether the title deeds of all the immovable properties disclosed in the financial statements are held in the name of the company.

198. (*c*) **When the lease agreements are executed in favor of the lessee:** The auditor should inquire whether the title deeds of immovable properties are held in the name of the company, excluding cases where the company is the lessee and the lease agreements are duly executed in favor of the lessee.

199. (*b*) Confirming ownership of the properties

200. (*b*) Enhancing transparency and accountability

201. (*b*) For financial years commencing on or after 1st April, 2019

202. (*c*) **Identification of Registered Valuer:** The auditor's report should include a statement on whether the revaluation is based on the valuation by a Registered Valuer.

203. (*c*) **Both percentage and absolute change:** The auditor should specify the amount of change, and if the change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets.

204. (*c*) **Both Property, Plant, and Equipment and intangible assets:** Revaluation of "Property, Plant and Equipment (including Right of Use assets) or intangible assets or both."

205. (*c*) Benami Transactions (Prohibition) Act, 1988

206. (*c*) Detailed disclosure of the proceedings

207. (*d*) **If proceedings have been initiated or are pending against the company:** The auditor should inquire whether any proceedings have been initiated or are pending against the company for holding any benami property.

208. (*d*) All of the above

209. (*b*) The coverage and procedure of verification by management: The auditor assesses whether the coverage and procedure of inventory verification by management are appropriate.

210. (*c*) 10%: The auditor reports discrepancies of 10% or more in the aggregate for each class of inventory.

211. (*d*) All of the above: The auditor examines security, working capital limits, and the agreement of returns or statements with books of accounts.

212. (*a*) Repayment terms and schedules: The auditor verifies if the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments are regular.

213. (*b*) When loans have fallen due during the year: The auditor inquires if loans that have fallen due during the year have been renewed or extended.

214. (*d*) All of the above: The auditor assesses compliance with the Companies Act, 2013, usage of funds, and the occurrence of preferential allotment.

215. (*b*) Timely deposit of statutory dues: The auditor assesses whether the company is regular in depositing undisputed statutory dues.

216. (*b*) Enhancing transparency and accountability: The inclusion of these statements in the auditor's report aims to enhance transparency and accountability in financial reporting.

217. (*a*) Section 192: Section 192 deals with non-cash transactions with directors or persons connected with him.

218. (*c*) Loans, investments, guarantees, and security: The auditor examines compliance with sections 185 and 186 regarding loans, investments, guarantees, and security.

219. (*c*) 1:20: The auditor examines whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1:20.

220. (*b*) Section 135(6): The auditor examines whether unspent amounts under subsection (5) of section 135 have been transferred to a special account in compliance with subsection (6).

221. (*b*) Fulfilment of RBI criteria: The auditor assesses whether the CIC continues to fulfill the criteria of a CIC as defined by the RBI.

222. (*b*) Reports of the Internal Auditors: The auditor verifies whether reports of the Internal Auditors for the period under audit were considered.

223. (*b*) Cash losses for the financial year: The auditor states whether the company has incurred cash losses in the financial year.

224. (*b*) Consideration of issues raised by outgoing auditors: The auditor examines whether the auditor has taken into consideration the issues, objections, or concerns raised by the outgoing auditors.

225. (*a*) Section 143(11): The auditor assesses whether there is any material uncertainty as on the date of the audit report that the company is capable of meeting its liabilities within one year from the balance sheet date.

226. (*b*) Provide an explanation for such Answer: According to paragraph 4(1), the auditor's report is required to state the basis for any unfavorable or qualified Answer.

227. (*b*) Disclose the limitation and reasons for the inability: As per paragraph 4(2), the auditor's report should indicate the fact of being unable to express an opinion and provide reasons for the inability.

228. (*b*) To fulfill a regulatory requirement: Providing the basis for an unfavorable or qualified Answer is a regulatory requirement to enhance transparency and accountability.

229. (*c*) Always, as it is a mandatory disclosure: According to paragraph 4(2), the auditor's report should indicate the fact of being unable to express an opinion and provide reasons for the inability.

230. (*b*) To clarify the auditor's position and reasoning: Disclosing the basis for an unfavorable or qualified Answer helps clarify the auditor's position and reasoning, ensuring transparency and understanding.