

6

CHAPTER

Audit Documentation



MULTIPLE CHOICE QUESTIONS

1. According to SA 230, what is the primary focus of the auditor's responsibility in relation to audit documentation?
 - (a) Reviewing financial statements
 - (b) Preparing audit documentation
 - (c) Assessing internal controls
 - (d) Conducting substantive procedures
2. Which of the following statements is true regarding the application of SA 230 to audits of other historical financial information?
 - (a) SA 230 is not applicable to audits of other historical financial information.
 - (b) SA 230 applies without adaptation to audits of other historical financial information.
 - (c) SA 230 may be adapted as necessary in the circumstances when applied to audits of other historical financial information.
 - (d) The specific documentation requirements of other SAs limit the application of SA 230 to audits of other historical financial information.
3. What does Audit Documentation primarily encompass, according to SA 230?
 - (a) Financial statements reviewed
 - (b) Audit procedures performed, audit evidence obtained, and auditor's conclusions
 - (c) Internal control assessments
 - (d) Substantive procedure outcomes
4. Which term is commonly used interchangeably with "Audit Documentation" as per SA 230?
 - (a) Audit findings
 - (b) Examination records
 - (c) Working papers or work papers
 - (d) Financial summaries
5. What is the primary objective of audit documentation according to SA 230?
 - (a) Providing evidence of the financial statements' accuracy
 - (b) Demonstrating compliance with legal and regulatory requirements
 - (c) Offering a comprehensive record for the auditor's report basis
 - (d) Facilitating communication within the engagement team

6. According to SA 230, what does audit documentation primarily provide evidence of?
- (a) Auditor's personal conclusions
 - (b) Legal and regulatory requirements
 - (c) Achievement of overall audit objectives
 - (d) Client's financial performance
7. Which purpose does audit documentation serve in assisting the engagement team, as per SA 230?
- (a) Identifying internal control weaknesses
 - (b) Documenting financial statements
 - (c) Planning and performing the audit
 - (d) Conducting external inspections
8. What role does audit documentation play in enabling the engagement team to be accountable for its work?
- (a) Ensuring compliance with tax regulations
 - (b) Facilitating quality control reviews
 - (c) Documenting client interactions
 - (d) Record of matters of continuing significance
9. Which purpose does audit documentation serve by retaining a record of matters of continuing significance to future audits?
- (a) Facilitating external inspections
 - (b) Enhancing client communication
 - (c) Assisting in planning and performing the audit
 - (d) Supporting quality control reviews
10. What does audit documentation enable in accordance with applicable legal, regulatory, or other requirements?
- (a) Client communication
 - (b) External inspections
 - (c) Financial statement preparation
 - (d) Quality control reviews
11. According to SA 230, what is one of the key purposes of audit documentation in relation to assisting members of the engagement team?
- (a) Documenting client interactions
 - (b) Facilitating external inspections
 - (c) Directing and supervising audit work
 - (d) Recording financial transactions
12. According to SA 230, what should audit documentation be sufficient to enable an experienced auditor, with no previous connection to the audit, to understand?
- (a) Financial statements reviewed
 - (b) Nature, timing, and extent of audit procedures performed
 - (c) Size and complexity of the entity
 - (d) Significant matters discussed with management
13. In documenting the nature, timing, and extent of audit procedures performed, what does the auditor need to record, according to SA 230?
- (a) Size and complexity of the entity
 - (b) Identifying characteristics of specific items or matters tested
 - (c) Results of audit procedures
 - (d) Financial misstatements identified

14. According to SA 230, what is a requirement when documenting discussions of significant matters with management or those charged with governance?
- (a) Record only the conclusions reached
 - (b) Omit the nature of significant matters discussed
 - (c) Document when and with whom the discussions took place
 - (d) Exclude discussions with others
15. What factor(s) determine the form, content, and extent of audit documentation, as per SA 230?
- (a) Audit methodology and tools used
 - (b) Size and complexity of the entity
 - (c) Nature of audit procedures performed
 - (d) All of the above
16. When the auditor identifies information inconsistent with the final conclusion on a significant matter, what does SA 230 require the auditor to do?
- (a) Ignore the inconsistency
 - (b) Document how the inconsistency was addressed
 - (c) Discuss the inconsistency with management
 - (d) Revise the final conclusion

User

Examples of Audit Documentation: Audit documentation may be recorded on paper or on electronic or other media.

Audit Documentation include:

Audit programmes.

Analyses.

Issues memoranda.

Summaries of significant matters.

Letters of confirmation and representation. Checklists.

Correspondence (including e-mail) concerning significant matters. The auditor may include copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation is not a substitute for the entity's accounting records.

The auditor need not include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

17. Which of the following is considered a part of audit documentation as per SA 230?
- (a) Superseded drafts of working papers
 - (b) Preliminary thinking notes
 - (c) Letters of confirmation
 - (d) Duplicates of documents
18. What types of records may be included in audit documentation, according to SA 230?
- (a) Superseded drafts of working papers
 - (b) Previous copies of documents corrected for errors
 - (c) Copies of the entity's significant contracts and agreements
 - (d) Duplicates of documents

19. According to SA 230, what is NOT considered a part of audit documentation?
- (a) Preliminary thinking notes
 - (b) Superseded drafts of working papers
 - (c) Summaries of significant matters
 - (d) Copies of financial statements
20. What is the auditor not required to include in audit documentation, according to SA 230?
- (a) Copies of financial statements
 - (b) Superseded drafts of working papers
 - (c) Preliminary thinking notes
 - (d) Summaries of significant matters
21. Which media can be used to record audit documentation according to SA 230?
- (a) Only paper
 - (b) Only electronic
 - (c) Paper, electronic, or other media
 - (d) None of the above
22. What is the primary purpose of preparing audit documentation on a timely basis, according to SA 230?
- (a) Facilitating administrative processes
 - (b) Enhancing the quality of the audit
 - (c) Reducing the retention period
 - (d) Initiating new audit procedures
23. How is an audit file defined in SA 230?
- (a) A single storage medium only
 - (b) In electronic form only
 - (c) One or more folders or other storage media, in physical or electronic form
 - (d) A collection of financial statements
24. According to SA 230, what is an appropriate time limit for completing the assembly of the final audit file after the date of the auditor's report?
- (a) 30 days
 - (b) 45 days
 - (c) 60 days
 - (d) 90 days
25. During the final assembly process of the audit file, what changes may be made if they are administrative in nature?
- (a) Adding new audit procedures
 - (b) Deleting superseded documentation
 - (c) Revising significant audit conclusions
 - (d) Changing the audit methodology
26. What does SA 230 require regarding the retention of audit documentation after the completion of the final audit file?
- (a) Documents can be discarded after 2 years
 - (b) Documents can be retained for a minimum of 5 years
 - (c) Documents can be discarded after the end of the engagement
 - (d) Documents must be retained for a minimum of 7 years from the date of the auditor's report
27. What factor(s) influence the form, content, and extent of audit documentation for significant matters?
- (a) The size of the entity
 - (b) The complexity of audit procedures
 - (c) The extent of professional judgment exercised
 - (d) The completion of administrative processes

- 28.** What is an example of a circumstance that may cause the auditor significant difficulty in applying necessary audit procedures, according to SA 230?
- (a) Routine examination of bank statements
 - (b) Smooth execution of audit procedures
 - (c) Circumstances leading to potential material misstatements
 - (d) Completion of the final audit file
- 29.** According to SA 230, what does the documentation of professional judgments aim to achieve?
- (a) Expedite the audit process
 - (b) Reinforce the quality of judgments
 - (c) Limit the scope of audit procedures
 - (d) Reduce the retention period
- 30.** In what situations is it appropriate to prepare audit documentation related to the use of professional judgment, as per SA 230?
- (a) When the auditor is preparing financial statements
 - (b) When there are no significant matters identified
 - (c) When the matters and judgments are significant
 - (d) When there is no need for further investigation
- 31.** According to SA 230, what does the completion of the assembly of the final audit file involve?
- (a) Drawing new conclusions
 - (b) Initiating new audit procedures
 - (c) Administrative processes
 - (d) Applying additional professional judgments
- 32.** What role does the rationale for the auditor's conclusion play in documentation related to the use of professional judgment?
- (a) Supports the need for new audit procedures
 - (b) Clarifies the auditor's previous conclusions
 - (c) Reinforces the quality of the judgment
 - (d) Accelerates the completion of audit documentation
- 33.** What circumstance might require the auditor to document the authenticity of a document?
- (a) Routine execution of audit procedures
 - (b) Completion of the final audit file
 - (c) Findings that could result in a modification to the audit opinion
 - (d) Absence of any material misstatements
- 34.** What does SA 230 state regarding documentation of significant matters and related professional judgments?
- (a) It is optional and left to the auditor's discretion
 - (b) It is not applicable to audits of financial statements
 - (c) It is necessary for matters related to financial statements only
 - (d) It is essential to explain the auditor's conclusions and reinforce the quality of judgments

35. What is the primary purpose of documenting significant matters and related professional judgments?
- (a) Reducing the retention period of audit documentation
 - (b) Enhancing the quality of financial statements
 - (c) Explaining the auditor's conclusions and reinforcing the quality of judgments
 - (d) Initiating new audit procedures
36. What examples of changes during the final assembly process are considered administrative in nature, according to SA 230?
- (a) Implementing new audit procedures
 - (b) Discarding superseded documentation
 - (c) Changing significant audit conclusions
 - (d) Revising the audit methodology
37. What is the purpose of preparing a completion memorandum or audit documentation summary, as suggested by SA 230?
- (a) To create a formal report for stakeholders
 - (b) To facilitate effective and efficient review of audit documentation
 - (c) To replace the need for detailed audit documentation
 - (d) To minimize the significance of matters identified during the audit
38. According to SA 230, what may the preparation of a completion memorandum assist the auditor in considering?
- (a) Client's financial position
 - (b) The auditor's independence
 - (c) Whether individual SA objectives are achieved
 - (d) Compliance with audit methodologies
39. Who is typically considered the owner of audit documentation according to Standard on Quality Control (SQC) 1?
- (a) Audit firm's clients
 - (b) Audit partner in charge
 - (c) Engagement team members
 - (d) Auditor
40. Under what conditions may an auditor make portions of, or extracts from, audit documentation available to clients, according to Standard on Quality Control (SQC) 1?
- (a) Only if required by law
 - (b) At the auditor's discretion, provided it doesn't undermine the validity of the work
 - (c) Only if approved by the audit committee
 - (d) If requested by regulatory authorities
41. What is the primary consideration for making portions of, or extracts from, audit documentation available to clients, as per SA 230?
- (a) Compliance with client requests
 - (b) Maintaining auditor independence
 - (c) Enhancing transparency of the audit process
 - (d) Avoiding any potential impact on the validity of the work

42. According to SA 230, what aspect does the ownership of audit documentation relate to?
- (a) Legal requirements (b) Auditor's independence
(c) Audit firm's policies (d) Standard on Quality Control (SQC) 1
43. What does Standard on Quality Control (SQC) 1 state about the conditions under which audit documentation is the property of the auditor?
- (a) It is the client's property by default
(b) It is the property of the audit committee
(c) It is the property of the auditor, unless specified by law or regulation
(d) It is the property of the audit firm
44. What does the auditor need to consider when making portions of, or extracts from, audit documentation available to clients?
- (a) Client's preferences (b) Independence of the auditor or personnel
(c) Ensuring complete transparency (d) Compliance with audit methodologies
45. What role does the completion memorandum or audit documentation summary play in large and complex audits, according to SA 230?
- (a) Replacing the need for detailed audit documentation
(b) Enhancing the validity of the audit work
(c) Facilitating effective and efficient review of audit documentation
(d) Minimizing the significance of audit matters
46. What is the primary condition for the auditor to make portions of, or extracts from, audit documentation available to clients, as per Standard on Quality Control (SQC) 1?
- (a) Approval by the audit committee
(b) Compliance with regulatory authorities
(c) At the auditor's discretion, without conditions
(d) Provided it doesn't undermine the validity of the work

Answer Key

1. (b)	2. (c)	3. (b)	4. (c)	5. (c)	6. (c)	7. (c)	8. (b)	9. (d)	10. (b)
11. (c)	12. (b)	13. (b)	14. (c)	15. (d)	16. (b)	17. (c)	18. (c)	19. (d)	20. (b)
21. (c)	22. (b)	23. (c)	24. (c)	25. (b)	26. (d)	27. (c)	28. (c)	29. (b)	30. (c)
31. (c)	32. (c)	33. (c)	34. (d)	35. (c)	36. (b)	37. (b)	38. (c)	39. (d)	40. (b)
41. (d)	42. (d)	43. (c)	44. (b)	45. (c)	46. (d)				

SOLUTION

1. (b) Preparing audit documentation
2. (c) SA 230 may be adapted as necessary in the circumstances when applied to audits of other historical financial information.
3. (b) Audit procedures performed, audit evidence obtained, and auditor's conclusions
4. (c) Working papers or work papers
5. (c) Offering a comprehensive record for the auditor's report basis
6. (c) Achievement of overall audit objectives
7. (c) Planning and performing the audit
8. (b) Facilitating quality control reviews
9. (d) Supporting quality control reviews
10. (b) External inspections
11. (c) Directing and supervising audit work
12. (b) Nature, timing, and extent of audit procedures performed
13. (b) Identifying characteristics of specific items or matters tested
14. (c) Document when and with whom the discussions took place
15. (d) All of the above
16. (b) Document how the inconsistency was addressed
17. (c) Letters of confirmation
18. (c) Copies of the entity's significant contracts and agreements
19. (d) Copies of financial statements
20. (b) Superseded drafts of working papers
21. (c) Paper, electronic, or other media
22. (b) Enhancing the quality of the audit
23. (c) One or more folders or other storage media, in physical or electronic form
24. (c) 60 days
25. (b) Deleting superseded documentation
26. (d) Documents must be retained for a minimum of 7 years from the date of the auditor's report
27. (c) The extent of professional judgment exercised
28. (c) Circumstances leading to potential material misstatements
29. (b) Reinforce the quality of judgments
30. (c) When the matters and judgments are significant
31. (c) Administrative processes
32. (c) Reinforces the quality of the judgment
33. (c) Findings that could result in a modification to the audit opinion
33. (d) It is essential to explain the auditor's conclusions and reinforce the quality of judgments
35. (c) Explaining the auditor's conclusions and reinforcing the quality of judgments
36. (b) Discarding superseded documentation
37. (b) To facilitate effective and efficient review of audit documentation
38. (c) Whether individual SA objectives are achieved
39. (d) Auditor

- 40. (b) At the auditor's discretion, provided it doesn't undermine the validity of the work
- 41. (d) Avoiding any potential impact on the validity of the work
- 42. (d) Standard on Quality Control (SQC) 1
- 43. (c) It is the property of the auditor, unless specified by law or regulation
- 44. (b) Independence of the auditor or personnel
- 45. (c) Facilitating effective and efficient review of audit documentation
- 46. (d) Provided it doesn't undermine the validity of the work