

MULTIPLE CHOICE QUESTIONS

1. _____ along with other disciplines such as accounting and law, equips you with all the knowledge that is required to enter into auditing as a profession.
(a) Auditing (b) Taxation
(c) Finance (d) Law
2. No business or institution can effectively carry on its activities without the help of proper _____:
(a) Audit (b) Record and accounts
(c) Neither (a) nor (b) (d) Both (a) and (b)
3. As per SA-200 “Overall Objectives of the Independent Auditor”, in conducting an audit of financial statements, the overall objectives of the auditor are:
(a) To obtain reasonable assurance (b) To report on the financial statements
(c) Both (a) and (b) above (d) To obtain absolute assurance.
4. (IESBA Code) related to an audit of financial statements establishes which of the following as the fundamental principle of professional ethics relevant to the auditor when conducting an audit of financial statements:
(a) Professional judgement. (b) Professional skepticism.
(c) Professional intelligence. (d) Professional competence and due care.
5. The auditor’s _____ safeguards the auditor’s ability to form an audit opinion without being affected by any influences.
(a) Objectivity (b) Independence
(c) Confidentiality (d) Integrity
6. Which of the following is the responsibility of the auditor:
(a) Preparation and presentation of the financial statements in accordance with applicable financial reporting
(b) Design, implementation and maintenance of internal controls
(c) Express an opinion on the Financial Statements
(d) To obtain limited assurance

7. An employee of Fruits and Vegetables Limited was of the opinion that the auditor of a company is required to express an opinion. On which one of the following the auditor of a company is required to express an opinion:
- (a) Only Balance Sheet of the Company.
 - (b) Financial Statements of the Company.
 - (c) Only Profit and Loss Account of the Company.
 - (d) Only Cash Flow Statement of the Company.
8. The auditor of Delicious Sweets Limited was of the opinion that the objective of audit of financial statements of a company is to provide reasonable assurance that financial statements of that company are free from misstatements. Which type of misstatements are mentioned by auditor of Delicious Sweets Limited:
- (a) Simple.
 - (b) Material.
 - (c) Easy.
 - (d) Competent.
9. If the auditor concludes that there is reasonable justification to change the engagement and if the audit work performed complied with the SAs applicable to the changed engagement, the report issued would be appropriate for the revised terms of engagement. In order to avoid confusion, the report would not include reference to:
- (a) the original engagement; or any procedures that may have been performed in the original engagement.
 - (b) the original engagement;
 - (c) any procedures that may have been performed in the original engagement
 - (d) the original engagement and any procedures that may have been performed in the original engagement.
10. If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall:
- (a) Withdraw from the audit engagement where possible under applicable law or regulation;
 - (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
 - (c) Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
 - (d) Withdraw from the audit engagement where possible under applicable law or regulation or determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
11. A request from the client for the auditor to change the engagement may result from-
- (1) a change in circumstances affecting the need for the service,
 - (2) a misunderstanding as to the nature of an audit or related service originally requested
 - (3) a restriction on the scope of the engagement, whether imposed by management or caused by circumstances.
- (a) (1) only
 - (b) (1) and (2)
 - (c) (1), (2) and (3)
 - (d) (1) or (2) or (3)

12. Standard on Quality Control (SQC) 1 provides that,
- (a) Unless otherwise specified by law or regulation, audit documentation is the property of the management.
 - (b) unless otherwise specified by law or regulation, audit documentation is the property of those charged with governance.
 - (c) unless otherwise specified by law or regulation, audit documentation is the property of the management or those charged with governance.
 - (d) unless otherwise specified by law or regulation, audit documentation is the property of the auditor.
13. As explained in SA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing", _____ is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.
- (a) absolute assurance
 - (b) limited assurance
 - (c) reasonable assurance
 - (d) reasonable or absolute assurance
14. Which of the following is not the Part of a complex business environment?
- (a) Share holders
 - (b) Bank
 - (c) Government
 - (d) Succeeding parties
15. From which latin word audit originated?
- (a) Audire
 - (b) Audir
 - (c) Audiry
 - (d) Audi
16. When was the first auditor general of India appointed in British india?
- (a) 1850
 - (b) 1860
 - (c) 1870
 - (d) 1880
17. What are the points which are required for an independent examination of financial information of any entity?
- (1) Financial statements are asked for the books of accounts and the proper amount is mentioned in asper classification of accounting standards
 - (2) All the entries are mentioned in the books and has been supported by sufficient and appropriate audit evidences and no accounting entries has been omitted
 - (3) All the information is clear and unbiased.
- (a) (1) only
 - (b) (1), (2) only
 - (c) (2), (3) only
 - (d) (1), (2), (3)
18. What is the core purpose of an audit?
- (a) To ensure that entries has been made properly in the books of accounts
 - (b) To ensure that unbiased information has been provided in the financial statements
 - (c) To ensure that an opinion has been given on the financial statement
 - (d) To ensure that qualified opinion has been given on the financial statement

19. By what method an auditor expresses an opinion on the financial statements of an entity?
- (a) By Audit evidences (b) By Audit Documentation
(c) By Working papers (d) By Written Audit report
20. The financial statements are properly , andin conformity with the accounting standards.
- (a) Classified, described and disclosed (b) Accounted, described and disclosed
(c) Classified, described and supported (d) Classified, reported and disclosed
21. Auditing Has interdisciplinary relationship with various subjects. Based on the sentence whether the following points are correct or not:-
- (1) Auditor should have a good knowledge of accounting law and the production only.
(2) Auditor must be familiar with the economic environment of the client with a good knowledge of human behavior so that a good strategic sampling can be done through statistics in mathematical knowledge.
(3) The Auditor must verify and go through the data processing. Having a good financial knowledge and having a sound knowledge of accounting also.
- (a) (1) only (b) (1), (2) only
(c) (2), (3) only (d) (1), (2) and (3)
22. As per SA 200 the objective of audit includes to obtain and to report on
- (a) Absolute assurance; financial statements
(b) Reasonable assurance ; financial statements
(c) Complete assurance ; standard of accounting
(d) Reasonable assurance ; the standard of accounting
23. What is meant by reasonable assurance?
- (a) Guarantee (b) Absolute assurance
(c) High level of assurance (d) Low level of assurance
24. Reasonable assurance is not a guarantee but a high level of assurance.

Following are the objectives of audit

- (1) To report on financial statements
(2) Reporting of opinion in accordance with audit findings
(3) Communication of reporting
(4) Reporting and communication in accordance with standards on accounting
- (a) (1) (b) (1),(2)
(c) (1),(2),(3) (d) (1),(2),(3),(4)
25. Scope refers to the range or reach of something. The purpose of an order is to enhance the of intended users in the financial statements.
- (a) degree of confidence (b) degree of reliability
(c) Degree of adequacy (d) Degree of objectivity

- 26.** A scope of audit of financial statement doesn't includes
- (a) Coverage of all aspects of entity
 - (b) Reliability and sufficiency of financial information
 - (c) Proper disclosure of financial information
 - (d) Investigation
- 27.** A scope of audit of financial statement includes:-
- (a) Investigation
 - (b) Responsibility of preparation of financial statements
 - (c) Authentication of the documentation
 - (d) Reliable and sufficient financial information
- 28.** Auditors are not expected to reduce the audit risk to
- (a) Zero
 - (b) Assurance
 - (c) 50%
 - (d) Judgement
- 29.** Auditors cannot obtain absolute assurance. It means-
- (a) Financial statements as a whole are free from material misstatement.
 - (b) Financial statements as a whole are free from material misstatement due to fraud and error.
 - (c) Financial statements as a whole are free from misstatement due to fraud and error.
 - (d) Financial statements as a whole are free from material misstatement due to fraud.
- 30.** The nature of audit proceedings may involve
- (a) Sampling Approach
 - (b) Limited Approach
 - (c) 100% assurance Approach
 - (d) Documentation
- 31.** Which of the following are not inherent limitations of audit
- (a) Preparation of financial statements does not involve management judgment
 - (b) Nature of audit processor is based on sampling approach
 - (c) Audit is not an official investigation.
 - (d) Timeliness of financial reporting and decrease in relevance of information over time
- 32.** The management of a company has devised the control that all purchase bills should reflect the stamp and signature of an authorized person and goods receiving section of the company. What does it reflect?
- (a) Internal control
 - (b) Internal Audit
 - (c) Internal order
 - (d) Audit limitation
- 33.** An auditor does not test all transactions and balances. He forms his opinion only by testing samples. It is an example of a practical limitation on an auditor's ability to obtain
- (a) Audit evidence
 - (b) Audit processor
 - (c) Audit strategy
 - (d) Written representation

34. There is no way by which an auditor can force management to provide complete information as may be requested by the auditor. In case he is not provided with required information, he can only report. It is an example of on an auditor's ability to obtain audit evidence.
- (a) Practical limitation (b) legal limitation
(c) Internal Limitation (d) Internal Control
35. The information being relied upon by the auditor over the timeliness of financial reporting may decrease in of information over time.
- (a) Reasonable assurance (b) Absolute assurance
(c) Relevance (d) Material Misstatement
36. Which of the following is an advantage of audit?
- (a) It Enhances risk of management bias
(b) It doesn't provide high quality financial information
(c) It never helps in safeguarding interest of shareholders
(d) It acts as a moral check on employees
37. What kind of documents may be produced from any of the transactions in which fraud is involved to make the auditor believe?
- (a) Fake documents (b) Non genuine documents
(c) Fabricated documents (d) Fraud documents
38. MGF and company chartered accountants successfully carried out the audit of Escape garments for the financial year 2023-2024. After the completion of the audit, there were found material misstatement due to fraud in the financial statements, which were not noticed and reported by the auditor even after performing audit with all due diligence and in accordance with SAs. Management alleges that it is a failure on the part of the auditor. What kind of risk does it involve?
- (a) Avoidable Risk (b) Unavailable Risk
(c) Unavoidable Risk (d) Available Risk
39. In the case of certain subject matters, limitations on the auditor's ability to detect material misstatement are particularly significant. Such assertions are subject matters may not include:-
- (a) Fraud (b) Related party transactions
(c) Future events (d) Compliance with law and regulations
40. What is a formal agreement between auditor and client under which auditor agrees to provide audit services to the entity?
- (a) Engagement (b) Audit engagement
(c) Engagement letter (d) External audit engagement
41. In India, non corporate entities choose to have their accounts audited by an external auditor because of the benefits of such an audit. What does it reflect?
- (a) Internal Audit Engagements (b) External audit engagements
(c) Absolute audit engagements (d) Audit engagement

42. The purpose of is to enhance the degree of confidence of intended users of financial statements.
- | | |
|--------------------------------|--------------------------------|
| (a) Internal Audit Engagements | (b) External audit engagements |
| (c) Absolute audit engagements | (d) Audit engagement |
43. What is not the purpose of audited financial statements?
- | |
|---|
| (a) High quality information |
| (b) Reliability |
| (c) Give confidence to user of financial statements |
| (d) Rectification of legal limitation |
44. Why is an audit needed?
- | |
|--|
| (a) High quality information of financial statements |
| (b) Model check on employees |
| (c) Helpful for government |
| (d) Non review of internal control |
45. Is audit mandatory?
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| (a) As per IT Act 1961, A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 1 crore/ Rs. 10 crore. |
| (b) As per IT Act 1961, A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 2 crore/ Rs. 10 crore. |
| (c) As per IT Act 1961, A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 3 crore/ Rs. 10 crore. |
| (d) As per IT Act 1961, A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 5 crore/ Rs. 10 crore. |
46. Who appoints an auditor of non government companies?
- | | |
|-----------------------------|------------------------|
| (a) Board of directors | (b) Audit committee |
| (c) Members (share holders) | (d) As per Regulations |
47. Who appoints an auditor of government authorities?
- | | |
|-----------------------------|----------------------------|
| (a) Board of directors | (b) Audit committee |
| (c) Members (share holders) | (d) As per Regulations/Law |
48. What kind of order to report is to be submitted by an auditor?
- | | |
|--------------------|-----------------------------|
| (a) Oral report | (b) Absolute Report |
| (c) Written Report | (d) Oral and written report |
49. To whom ordered reporters submitted by an auditor?
- | | |
|---------------|----------------|
| (a) Directors | (b) Appointies |
| (c) C & AG | (d) Partners |

50. What kind of assurance does an audit of financial statements provide?
- (a) It provides reasonable assurance meaning a more great level
 - (b) It provides reasonable assurance meaning a Low level of assurance
 - (c) It provides reasonable assurance meaning a High level of assurance
 - (d) It provides reasonable assurance meaning an Absolute assurance
51. means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible parties about the outcome of the evaluation or measurement of a subject matter against criteria.
- (a) Reasonable assurance
 - (b) Assurance engagement
 - (c) Reasonable engagement
 - (d) Absolute engagement
52. What is not the suitable benchmarks can be used to evaluate the subject matter for assurance engagement?
- (a) Accounting Standards
 - (b) Guidance notes
 - (c) Different laws
 - (d) Opinions
53. relates to the quantity of evidence obtained by the auditor and relates to the quality of evidence obtained by the auditor.
- (a) Appropriate; Sufficient
 - (b) Sufficient; Appropriate
 - (c) Reasonable; absolute
 - (d) Absolute; reasonable
54. Which of the following are not an element of an assurance engagement?
- (a) Three party relationship
 - (b) Sufficient appropriate evidence
 - (c) Written assurance report
 - (d) Inappropriate subject matter
55. What does not include in review of financial statements?
- (a) Limited assurance engagement
 - (b) Lower level of assurance
 - (c) Limited conclusion
 - (d) More procedures
56. engagement performs elaborate and extensive procedures to obtain sufficient appropriate evidence.
- (a) Reasonable assurance
 - (b) Limited assurance
 - (c) Review assurance
 - (d) Absolute assurance
57. What is not correct about prospective financial information?
- (a) Audit and review of historical financial information
 - (b) Based on events that may occur in future
 - (c) In form of forecast
 - (d) It is on internal control of an entity
58. Prospective financial information provides which level of assurance?
- (a) Reasonable assurance
 - (b) Absolute assurance
 - (c) Low assurance
 - (d) Moderate assurance

59. Which of the following are examples of engagement assurance?

- (1) Audit of financial statements
 - (2) Review of financial statements
 - (3) Examination of prospective financial statements
 - (4) Report on controls operating at an organization
- (a) (2),(3),(4) (b) (1),(2),(4)
(c) (1),(2),(3) (d) (1),(2),(3),(4)

60. What is the core purpose of the standard of quality controls (SQC)?

- (a) Carrying ordered aspire global practices and benchmark
- (b) Improve quality of financial report
- (c) To ensure uniformity
- (d) Services covered by engagement standards

61. Which engagement standards are not issued under the authority of the ICAI council?

- (a) SQC (b) SA
- (c) SRE (d) ACS

62. What is true about SRS?

- (a) Quality control for all services
- (b) Audit of historical financial information
- (c) Review of historical financial information
- (d) Procedures with compilation of related services

63. Which standard of accounting is for identifying and assessing the risk of material misstatement through understanding the entity and its environment?

- (a) SA 230 (b) SA 315
- (c) SA 500 (d) SA 200

64. Which standard on review engagement is issued for engagement to review historical financial statements?

- (a) SRE 2400 (Revised) (b) SRE 2400
- (c) SRE 2410 (d) SRE 2410 (Revised)

65. Why are standards needed?

- (1) Standards ensure carrying out orders against established benchmarks at par with global practices.
- (2) Standards improve quality of financial reporting thereby helping users to make diligent decisions
- (3) Standards promote uniformity as audit of financial statements is carried out following these standards
- (4) Standards does not equip professional accountants.

(a) (1),(2),(3)

(b) (1),(2),(4)

(c) (2),(3),(4)

(d) (1),(3),(4)

66. What is the duty of a professional accountant if standards would be ineffective in particular engagement?

(a) To disclose in the report

(b) To document alternative procedures only.

(c) To document alternative procedures with the reason to depart in his report.

(d) No disclosure required.

Answer Key

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

SOLUTION

1. **(a) Auditing:** Auditing, along with other disciplines such as accounting and law, equips you with all the knowledge that is required to enter into auditing as a profession.
2. **(b) Record and Accounts:** No business or institution can effectively carry on its activities without the help of proper record and accounts.
3. **(c) Both (a) and (b) above:** As per SA-200 “Overall Objectives of the Independent Auditor”, in conducting an audit of financial statements, the overall objectives of the auditor are:
 - (a) To obtain reasonable assurance
 - (b) To report on the financial statements
4. **(d) Professional competence and due care:** (IESBA Code) related to an audit of financial statements establishes Professional competence and due care as the fundamental principle of professional ethics relevant to the auditor when conducting an audit of financial statements.
5. **(b) Independence:** The auditor’s Independence safeguards the auditor’s ability to form an audit opinion without being affected by any influences.
6. **(c) Express an opinion on the Financial Statements:** The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
7. **(b) Financial Statements of the Company:** An employee of Fruits and Vegetables Limited was of the opinion that the auditor of a company is required to express an opinion. The auditor of a company is required to express an opinion on the financial statements of the company.
8. **(b) Material:** The auditor of Delicious Sweets Limited was of the opinion that the objective of audit of financial statements of a company is to provide reasonable assurance that financial statements of that company are free from misstatements. In the given case Material misstatements are mentioned by the auditor.
9. **(a) The original engagement; or any procedures that may have been performed in the original engagement:** If the auditor concludes that there is reasonable justification to change the engagement and if the audit work performed complied with the SAs applicable to the changed engagement, the report issued would be appropriate for the revised terms of engagement. In order to avoid confusion, the report would not include reference to the original engagement; or any procedures that may have been performed in the original engagement.
10. **(c) Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators:** If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
11. **(c) (1), (2) and (3):** A request from the client for the auditor to change the engagement may result from-

- (1) a change in circumstances affecting the need for the service,
 - (2) a misunderstanding as to the nature of an audit or related service originally requested
 - (3) a restriction on the scope of the engagement, whether imposed by management or caused by circumstances.
12. **(d) Unless otherwise specified by law or regulation, audit documentation is the property of the auditor:** Standard on Quality Control (SQC) 1 provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor.
 13. **(c) Reasonable assurance:** As explained in SA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”, reasonable assurance is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.
 14. **(d) Succeeding parties:** The importance of a complex business environment is associated with the company’s shareholders, bank or financial institutions, Government, other trade industries and many other diversified users.
 15. **(a) Audire:** The word audit originates from the latin word Audire meaning to hire.
 16. **(b) 1860:** The first Auditor General of India was appointed in British India in 1860, having both accounting and auditing functions.
 17. **(d) (1), (2) and (3):** All the above mentioned points have to be considered by an auditor for independent examination of financial statements of any of the entities.
 18. **(c) To ensure that an opinion has been given on the financial statement:** The main purpose of the audit is to express an opinion on the financial statements.
 19. **(d) By Written Audit report:** The auditor expresses an opinion on a financial statement by means of a written report.
 20. **(a) Classified, described and disclosed:** The financial statements are properly classified, described and disclosed in conformity with accounting standards.
 21. **(d) (1), (2) and (3):** All the above mentioned points have to be considered by an auditor for auditing.
 22. **(b) Reasonable assurance ; financial statements:** As per SA 200 the objective of audit includes to obtain reasonable assurance and to report on financial statements.
 23. **(c) High level of assurance**
 24. **(d) (1),(2),(3),(4):** The objectives of audit are as follows
 1. Obtaining a reasonable assurance that financial statements are as a whole are free from material misstatement and due to fraud or error
 2. Gaining reasonable assurance
 3. To report on financial statements
 4. Reporting of opinion in accordance with audit findings
 5. Communication of reporting
 6. Reporting and communication in accordance with standards on accounting

25. (a) **Degree of confidence:** The purpose of an order is to enhance the degree of confidence of indented users in the financial statements.
26. (d) **Investigation:** A scope of audit of financial statement includes:-
- Coverage of all aspects of entity
 - Reliability and sufficiency of financial information
 - Proper disclosure of financial information
27. (d) **Reliable and sufficient financial information:** A scope of audit of financial statement doesn't includes:-
- Investigation
 - Responsibility of preparation of financial statements
 - Authentication of the documentation
28. (a) **Zero:** Auditors are not expected to reduce the audit risk to Zero.
29. (b) **Financial statements as a whole are free from material misstatement due to fraud and error:** Auditors cannot obtain absolute assurance. It means financial statements as a whole are free from material misstatement due to fraud and error.
30. (a) **Sampling Approach:** The nature of audit proceedings may involve Sampling Approach.
31. (a) **Preparation of financial statements does not involve management judgment:** Following are inherent limitations of audit:-
- Preparation of financial statements involves management judgment
 - Nature of audit processor is based on sampling approach
 - Audit is not an official investigation.
 - Timeliness of financial reporting and decrease in relevance of information over time
 - It is based on future event
32. (a) **Internal Control:** The management of a company has devised the control that all purchase bills should reflect the stamp and signature of an authorized person and goods receiving section of the company. It reflects internal control.
33. (a) **Audit evidence:** An auditor does not test all transactions and balances. He forms his opinion only by testing samples. It is an example of a practical limitation on an auditor's ability to obtain audit evidence.
34. (b) **Legal limitation:** There is no way by which an auditor can force management to provide complete information as may be requested by the auditor. In case he is not provided with required information, he can only report. It is an example of legal limitation on an auditor's ability to obtain audit evidence.
35. (c) **Relevance:** The information being relied upon by the auditor over the timeliness of financial reporting may decrease in relevance of information over time.
36. (d) **It acts as a moral check on employees:** Following other advantages of an audit:-
- It does not enhance risk of management bias
 - It provides high quality financial information
 - It helps in safeguarding interest of shareholders
 - It acts as a moral check on employees

37. (c) **Fabricated documents:** It is possible to produce fabricated documents before the auditor to lead him to believe that audit evidence is valid. However in reality such documents could be fake or non genuine.
38. (c) **Unavoidable Risk:** MGF and company, chartered accountants successfully carried out the audit of Escape garments for the financial year 2023-2024. After the completion of the audit, there were found material misstatement due to fraud in the financial statements, which were not noticed and reported by the auditor even after performing audit with all due diligence and in accordance with SAs. Management alleges that it is a failure on the part of the auditor. It involves unavoidable risk.
39. (d) **Compliance with law and regulations:** In the case of certain subject matters, limitations on the auditor's ability to detect material misstatement are particularly significant. Such assertions are subject matters may include:-
- Fraud
 - Related party transactions
 - Future events
 - Non Compliance with law and regulations
40. (c) **Engagement letter:** Engagement letter is a formal agreement between auditor and client under which the auditor agrees to provide audit services to the entity.
41. (b) **External audit engagements:** The purpose of external audit engagements is to enhance the degree of confidence of intended users of financial statements.
42. (b) **External audit engagements:** The purpose of external audit engagements is to enhance the degree of confidence of intended users of financial statements.
43. (d) **Rectification of legal limitation:** Following are purpose of audited financial statements:-
- High quality information
 - Reliability
 - Give confidence to user of financial statements
 - Detection of fraud and errors.
44. (d) **Non review of internal control:** Audit is needed because:-
- High quality information of financial statements
 - Model check on employees
 - Helpful for government
45. (a) **As per IT Act 1961, A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 1 crore/ Rs. 10 crore:** As per section 44AB of IT Act ,1961, following persons are compulsorily required to get their accounts audited : A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 1 crore/ Rs. 10 crore
46. (c) **Members (share holders):** Members (share holders) appoint an auditor of non government companies.
47. (d) **As per Regulations/Law:** Auditor of government authorities are appointed as per Regulations/Law.

48. (c) **Written Report:** Written Report is to be submitted by an auditor.
49. (b) **Appointies:** Auditor will submit his report to appointees.
50. (c) **It provides reasonable assurance meaning a High level of assurance:** Audit of financial statements provides reasonable assurance meaning a High level of assurance.
51. (b) **Assurance engagement:** Assurance engagement means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible parties about the outcome of the evaluation or measurement of a subject matter against criteria.
52. (d) **Opinions:** The suitable benchmarks can be used to evaluate the subject matter for assurance engagement:-
- Accounting Standards
 - Guidance notes
 - Different laws/regulations
53. (b) **Sufficient; Appropriate:** Sufficient relates to quantity of evidence obtained by auditor and appropriate relates to quality of evidence obtained by auditor.
54. (d) **Inappropriate subject matter:** The following are element of an assurance engagement:-
- Three party relationship
 - Sufficient appropriate evidence
 - Written assurance report
 - Appropriate subject matter
55. (d) **More procedures:** Review of financial statements may include:-
- Limited assurance engagement
 - Lower level of assurance
 - Limited conclusion
 - Fewer procedures
56. (a) **Reasonable assurance:** Reasonable assurance engagement performs elaborate and extensive procedures to obtain sufficient appropriate evidence.
57. (a) **Audit and review of historical financial information:** Prospective financial information is generally an audit and review of historical financial information that does. It is generally on the internal control of an entity based on assumptions about events that may occur in the future or possible actions by an entity in form of a cast or projections, which obtains sufficient appropriate audit evidence about management assumptions.
58. (d) **Moderate assurance:** Prospective financial information provides a moderate level of assurance.
59. (d) (1),(2),(3),(4)
60. (d) **Services covered by engagement standards:** Standard of Quality Controls (SQC) apply for all services covered by engagement standards i.e. SAs, SREs, SAEs and SRSs.
61. (d) **ACS:** Following Are the engagement standard issued under the authority of ICAI council:
- SQC

- SA
- SRE
- SAE
- SRS

62. (d) Procedures with compilation and related services: Standards on related services which apply an agreed upon procedure to information compilation engagements and other related service engagement.

63. (b) SA 315

64. (a) SRE 2400 (Revised)

65. (a) (1),(2),(3): Standards are needed because:-

- Standards ensure carrying out orders against established benchmarks at par with global practices.
- Standards improve quality of financial reporting thereby helping users to make diligent decisions.
- Standards promote uniformity as audit of financial statements is carried out following these standards.
- Standards equip professional accountants with professional knowledge and the skills.
- Standards ensure audit quality.

66. (c) To document alternative procedures with the reason to depart in his report: A situation may arise when a specific processor has required a standard that would be ineffective in a particular engagement. In such a case, he is required to document how alternative procedures achieve the purpose of the required procedure. Also the reason for the department has also to be documented unless it is clear. Further, his report drew attention to such departments.