11

CHAPTER

Ethics and Terms of Audit Engagement

MULTIPLE CHOICE QUESTIONS

1. What does the term "Ethics" primarily refer to?
(*a*) Legal principles
(*b*) Moral principles
(*c*) Scientific principles
(*d*) Economic principles

2. Where does ethics originate?
(*a*) External regulations
(*b*) Cultural norms
(*c*) Intrinsic to individuals
(*d*) Government laws

3. What is the key aspect of fostering a culture of ethics?
(*a*) External enforcement
(*b*) Inherent resistance
(*c*) Strong intrinsic force
(*d*) Compliance with rules

4. Why is the requirement of ethics in auditing considered manifold?
(*a*) Legal obligations
(*b*) Increased complexity
(*c*) High level of public trust
(*d*) Government regulations

5. What is the primary purpose of assurance engagements in the auditing profession?
(*a*) Maximizing personal gain
(*b*) Enhancing public confidence
(*c*) Satisfying individual interests
(*d*) Minimizing professional responsibilities

6. What is the basis of professional ethics?
(*a*) Legal regulations
(*b*) Human nature
(*c*) Personal gain
(*d*) Financial interests

7. What does the passage suggest about the relationship between professional bodies and public interest?
(*a*) It is irrelevant
(*b*) It is narrow
(*c*) It is broad
(*d*) It is restrictive

8. What distinguishes the accountancy profession?
(*a*) Financial gain
(*b*) Legal obligations

(*c*) Acceptance of responsibility in the public interest
(*d*) Personal interests

9. What does professional ethics seek to protect?
(*a*) Individual interests (*b*) Public interests
(*c*) Personal gain (*d*) Legal obligations

10. What does the Institute of Chartered Accountants of India (ICAI) require its members to comply with?
(*a*) Legal obligations (*b*) Financial regulations
(*c*) Professional ethics (*d*) Personal interests

11. What action may be taken against Chartered Accountants for deviation from ethical responsibilities?
(*a*) Taxation
(*b*) Legal action
(*c*) Fines, suspension, or other disciplinary actions
(*d*) Public recognition

12. What is the philosophy of the accountancy profession regarding ethical compliance?
(*a*) Legal enforcement (*b*) Personal gain
(*c*) Disciplinary action (*d*) Ethical compliance

13. What is the primary purpose of the code of ethics for Chartered Accountants mentioned in the passage?
(*a*) Maximizing personal gain (*b*) Enhancing professional reputation
(*c*) Satisfying legal obligations (*d*) Governing professional conduct

14. What is the primary focus of a principles-based approach to ethics?
(*a*) Strict adherence to established rules (*b*) Narrow interpretation of ethical guidelines
(*c*) Compliance with the spirit of ethics (*d*) Rigid application of professional judgment

15. How does a principles-based approach differ from a rules-based approach in ethical guidance?
(*a*) It relies on professional judgment and expertise
(*b*) It strictly adheres to established rules
(*c*) It overlooks the spirit of ethics
(*d*) It is more rigid in dealing with practical situations

16. What potential drawback is associated with a rules-based approach to ethics?
(*a*) Flexibility in decision-making (*b*) Overlooking the spirit of ethics
(*c*) Enhanced professional judgment (*d*) Narrow outlook

17. Why does a rules-based approach may be somewhat rigid?
(*a*) Due to its flexibility in practical situations (*b*) Because it relies on professional judgment
(*c*) It strictly adheres to established rules (*d*) It promotes a broad outlook

18. Why is it necessary to follow the spirit of the code in ethical guidance?

(*a*) To promote a narrow outlook
(*b*) To ensure rigid application of rules
(*c*) To enhance professional judgment
(*d*) To prevent overlooking the spirit of ethics

19. What does "independence" mean in the context of an auditor's responsibilities?

(*a*) Following ethical guidelines rigorously
(*b*) Subordinating judgment to the wishes of the client
(*c*) Remaining alert to potential ethical violations
(*d*) Ensuring compliance with legal regulations

20. How should the engagement partner handle situations where there is evidence of non-compliance with ethical requirements by members of the engagement team?

(*a*) Address it independently without consulting others in the firm
(*b*) Ignore the non-compliance if it doesn't impact the audit engagement
(*c*) Consult with others in the firm and determine appropriate action
(*d*) Report it directly to the client for resolution

21. What is one of the responsibilities of the engagement partner in relation to independence requirements?

(*a*) Delegate the evaluation of independence to the engagement team
(*b*) Form a conclusion on compliance with independence requirements
(*c*) Withdraw from the audit engagement without evaluation
(*d*) Minimize communication with the firm on independence matters

22. What action should the engagement partner take if there are identified breaches of the firm's independence policies and procedures?

(*a*) Ignore the breaches if they don't impact the audit engagement
(*b*) Report the breaches only to the relevant engagement team members
(*c*) Evaluate the breaches and take appropriate action to eliminate or reduce threats
(*d*) Withdraw from the audit engagement without further investigation

23. In addition to independence, what is another consideration during preliminary engagement activities?

(*a*) Marketing strategies for the firm
(*b*) Client continuance and compliance with ethical requirements
(*c*) Internal control assessment
(*d*) Financial statement preparation techniques

24. Why is it in the interests of both the entity and the auditor to send an audit engagement letter before the commencement of the audit?

(*a*) To increase audit fees
(*b*) To establish a formal contract between the entity and the auditor
(*c*) To avoid misunderstandings regarding the terms of the engagement
(*d*) To expedite the audit process

25. What is the key characteristic of a principles-based approach to ethics?

(*a*) Strict adherence to established rules
(*b*) Narrow outlook on ethical considerations
(*c*) Compliance with the spirit of ethics
(*d*) Rigid application of professional judgment

26. What does a rules-based approach to ethics primarily rely on?

(*a*) Professional judgment
(*b*) Compliance with the spirit of ethics
(*c*) Clearly established rules
(*d*) Flexibility in handling practical situations

27. Why might a rules-based approach be criticized?

(*a*) It encourages professional judgment
(*b*) It fosters a narrow outlook on ethics
(*c*) It allows flexibility in handling practical situations
(*d*) It strictly adheres to the spirit of ethics

28. What does the fundamental principle of Integrity require from a professional accountant?

(*a*) Compliance with all laws and regulations
(*b*) Avoidance of conflicts of interest
(*c*) Fair dealing and truthfulness
(*d*) Strict adherence to technical standards

29. When may a professional accountant disclose confidential information according to the Confidentiality principle?

(*a*) Only when required by law
(*b*) Whenever the accountant deems it necessary
(*c*) Only with the client's authorization
(*d*) Never, as confidentiality is absolute

30. What does the principle of Objectivity require a professional accountant to avoid?

(*a*) Compliance with regulations
(*b*) Undue influence on professional judgment
(*c*) Maintaining a biased perspective
(*d*) Disclosure of confidential information

31. Which fundamental principle emphasizes the responsibility to act carefully, thoroughly, and on a timely basis?

(*a*) Integrity
(*b*) Objectivity
(*c*) Professional competence and due care
(*d*) Professional behavior

32. Under what circumstances can a professional accountant disclose confidential information without violating the principle of confidentiality?

(*a*) Always, if it serves the accountant's interest
(*b*) Only when authorized by the client or employer
(*c*) Only when permitted by law and authorized by the client or employer
(*d*) Never, as confidentiality is absolute

33. What is the essence of the principle of Professional Behavior?

(*a*) Strict adherence to laws and regulations
(*b*) Avoidance of conflicts of interest
(*c*) Compliance with technical and professional standards
(*d*) Avoidance of activities that might impair the integrity or reputation of the profession

34. Which principle requires a professional accountant to act diligently and in accordance with applicable technical and professional standards?
(*a*) Integrity
(*b*) Objectivity
(*c*) Professional competence and due care
(*d*) Professional behavior

35. What does the principle of Professional Behavior require regarding laws and regulations?
(*a*) Strict compliance with all laws and regulations
(*b*) Compliance only when convenient
(*c*) Avoidance of any conduct that discredits the profession
(*d*) Disregard for legal considerations

36. When is it acceptable for a professional accountant to knowingly engage in an activity that might impair the integrity, objectivity, or good reputation of the profession?
(*a*) When it is personally beneficial
(*b*) Only with client authorization
(*c*) Never, as it is incompatible with fundamental principles
(*d*) When no regulations are violated

37. What is a key aspect of the Confidentiality principle that serves the public interest?
(*a*) Facilitating the free flow of information
(*b*) Restricting the flow of information
(*c*) Only disclosing information to third parties
(*d*) Limiting information sharing with clients

38. What is the key implication of independence in the context of professional judgment for auditors?
(*a*) Subordination to the wishes of the client
(*b*) Compliance with superficial legal standards
(*c*) Provision of an opinion unaffected by compromising influences
(*d*) Adherence to visible standards of independence

39. How is "independence" defined in context to professional integrity?
(*a*) Strict adherence to legal standards
(*b*) A condition of mind and personal character
(*c*) Conformance to visible standards imposed by law
(*d*) Superficial compliance with professional conduct rules

40. What are the two interlinked perspectives of auditor independence?
(*a*) Independence of appearance and adherence
(*b*) Independence in judgment and appearance
(*c*) Independence of character and compliance
(*d*) Independence of mind and independence in appearance

41. Why is independence crucial for auditors in the context of financial statements?
(*a*) To enforce legal standards
(*b*) To maintain superficial compliance
(*c*) To maintain confidence in users of financial statements
(*d*) To satisfy personal interests

42. What is "independence in appearance"?
(*a*) Adherence to legal standards
(*b*) Avoidance of facts and circumstances compromising professional judgment
(*c*) Superficial compliance with professional conduct rules
(*d*) Independence of character and compliance

43. Why does the passage highlight the importance of independence in the relationship between auditors and clients?
(*a*) To emphasize compliance with legal standards
(*b*) To ensure adherence to visible standards
(*c*) To maintain the appearance of independence
(*d*) To instill confidence in users of financial statements

44. What does the passage suggest about the relationship between legal standards and the quality of independence?
(*a*) Legal standards ensure the existence of independence
(*b*) Legal standards may be relaxed or strengthened, but independence remains unaltered
(*c*) Legal standards define the essence of independence
(*d*) Legal standards compromise the quality of independence

45. In what context does independence of an auditor become significant?
(*a*) Compliance with personal interests
(*b*) Providing financial advice to clients
(*c*) Confidence in users of financial statements
(*d*) Superficial adherence to legal standards

46. Why is independence considered a subjective matter?
(*a*) It is defined by legal rules
(*b*) It depends on the state of mind and character of a person
(*c*) It is superficial and visible
(*d*) It is imposed by law

47. What duty does the passage emphasize for every Chartered Accountant regarding independence?
(*a*) Compliance with legal rules
(*b*) Placement in a position compromising independence
(*c*) Conformance to superficial legal standards
(*d*) Determination of independence in given circumstances

48. What is the key implication of independence in the context of professional judgment for auditors?

(*a*) Subordination to the wishes of the client
(*b*) Compliance with superficial legal standards
(*c*) Provision of an opinion unaffected by compromising influences
(*d*) Adherence to visible standards of independence

49. How is "independence" defined in the passage?

(*a*) Strict adherence to legal standards
(*b*) A condition of mind and personal character
(*c*) Conformance to visible standards imposed by law
(*d*) Superficial compliance with professional conduct rules

50. What are the two interlinked perspectives of auditor independence mentioned in the passage?

(*a*) Independence of appearance and adherence
(*b*) Independence in judgment and appearance
(*c*) Independence of character and compliance
(*d*) Independence of mind and independence in appearance

51. According to the passage, why is independence crucial for auditors in the context of financial statements?

(*a*) To enforce legal standards
(*b*) To maintain superficial compliance
(*c*) To instill confidence in users of financial statements
(*d*) To satisfy personal interests

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- (*a*) Compliance with legal rules
- (*b*) Placement in a position compromising independence
- (*c*) Conformance to superficial legal standards
- (*d*) Determination of independence in given circumstances

58. Which type of threat to auditor independence occurs when there is a direct financial interest or a materially significant indirect financial interest in an audit client?
- (*a*) Self-review threats
- (*b*) Advocacy threats
- (*c*) Familiarity threats
- (*d*) Self-interest threats

59. In what situation can self-review threats to auditor independence arise?
- (*a*) Close business relationship with an audit client
- (*b*) Performance of services that are subject matters of audit
- (*c*) Acceptance of significant gifts from the client
- (*d*) Loan or guarantee to or from the client

60. Which type of threat to auditor independence involves promoting a client's opinion to a point where objectivity may be compromised?
- (*a*) Familiarity threats
- (*b*) Self-interest threats
- (*c*) Advocacy threats
- (*d*) Intimidation threats

61. What is the primary concern of familiarity threats to auditor independence?
- (*a*) Auditor intimidation
- (*b*) Acceptance of significant gifts
- (*c*) Rotation of auditors
- (*d*) Being too sympathetic to the client's interests

62. When do self-interest threats occur in the context of audit engagements?
- (*a*) When auditors form relationships with the client
- (*b*) When there is a threat of replacement over disagreements

(*c*) When performing services subject to audit
(*d*) When auditors are deterred from acting objectively

63. What type of threat occurs when auditors are deterred from acting objectively due to the threat of replacement or pressure to reduce work in response to reduced audit fees?
(*a*) Intimidation threats
(*b*) Familiarity threats
(*c*) Advocacy threats
(*d*) Self-review threats

64. In the context of familiarity threats, what does the rotation of auditors aim to address?
(*a*) Pressure to disproportionately reduce work
(*b*) Long association between auditors and client counterparts
(*c*) Acceptance of significant gifts or hospitality
(*d*) Close relatives of the audit team in senior positions in the client company

65. Which type of threat involves the auditor dealing with shares or securities of the audited company, potentially compromising objectivity?
(*a*) Self-interest threats
(*b*) Self-review threats
(*c*) Advocacy threats
(*d*) Familiarity threats

66. What is the primary focus of intimidation threats to auditor independence?
(*a*) Threat of replacement over disagreements
(*b*) Pressure to disproportionately reduce work
(*c*) Deterrence from acting objectively
(*d*) Acceptance of significant gifts or hospitality

67. Which threat involves an auditor's undue dependence on a client's fees, leading to concerns about losing the engagement?
(*a*) Intimidation threats
(*b*) Self-interest threats
(*c*) Familiarity threats
(*d*) Self-review threats

68. In what situations can self-review threats occur?
(*a*) Loan or guarantee to or from the client
(*b*) Close business relationship with the client
(*c*) Performance of services subject to audit
(*d*) Acceptance of significant gifts or hospitality

69. Which type of threat involves auditors forming relationships with clients where they become too sympathetic to the client's interests?
(*a*) Advocacy threats
(*b*) Familiarity threats
(*c*) Self-review threats
(*d*) Intimidation threats

70. When might advocacy threats arise in the context of auditor independence?
(*a*) Rotation of auditors
(*b*) Acceptance of significant gifts
(*c*) Promotion of a client's opinion to compromise objectivity
(*d*) Undue dependence on a client's fees

71. What is the primary concern of self-interest threats to auditor independence?

(*a*) Promotion of a client's opinion

(*b*) Being too sympathetic to the client's interests

(*c*) Benefit from a financial interest in an audit client

(*d*) Deterrence from acting objectively

72. What is best about the definition of threats to auditor independence?

(*a*) Threats can be precisely defined for every situation

(*b*) Legal standards determine the definition of threats

(*c*) Threats are impossible to define in every situation

(*d*) Threats are solely dependent on legal rules

73. What is the primary responsibility of Chartered Accountants regarding independence?

(*a*) To eliminate all threats to independence

(*b*) To take actions to reduce threats to an acceptable level

(*c*) To completely avoid any tasks involving threats to independence

(*d*) To ignore threats and proceed with the task

74. What is the significance of safeguards in the context of auditor independence?

(*a*) They eliminate all threats to independence

(*b*) They are optional and not necessary

(*c*) They effectively reduce threats to an acceptable level

(*d*) They increase threats to independence

75. According to the guiding principles, what must an auditor conscientiously consider before taking on any work?

(*a*) The financial benefits of the task

(*b*) The legal requirements of the task

(*c*) Whether the task involves threats to independence

(*d*) The time required to complete the task

76. What is the recommended course of action for an auditor when threats to independence exist in a task?

(*a*) Proceed with the task without recording safeguards

(*b*) Eliminate all threats without considering safeguards

(*c*) Desist from the task or eliminate the threat or implement safeguards

(*d*) Ignore the threats and rely on personal judgment

77. What does the passage recommend if an auditor is unable to fully implement credible and adequate safeguards?

(*a*) Proceed with the work without safeguards

(*b*) Seek legal advice to overcome the threats

(*c*) Record the inability and continue with the work

(*d*) Refrain from accepting the work

78. What does professional skepticism entail for an auditor?

(*a*) Trusting all information provided by the client

(*b*) Accepting audit evidence without questioning its reliability

(*c*) Having a questioning mind and critical assessment of audit evidence

(*d*) Relying solely on past experience with the client

79. In the context of professional skepticism, what does being "alert to conditions" refer to?

(*a*) Ignoring contradictory audit evidence

(*b*) Overlooking unusual circumstances during the audit

(*c*) Accepting all information without scrutiny

(*d*) Remaining vigilant to possible misstatements due to error or fraud

80. What does professional skepticism require the auditor to be alert to when considering audit evidence?

(*a*) Consistency in all audit evidence obtained

(*b*) Conditions indicating possible fraud

(*c*) Reliability of all documents without exception

(*d*) Overlooking the need for additional audit procedures

81. When does maintaining professional skepticism become particularly crucial in the audit process?

(*a*) Only in the planning stage

(*b*) When dealing with reliable documents

(*c*) Throughout the entire audit process

(*d*) When there is no indication of fraud risk factors

82. What risks does professional skepticism help the auditor reduce during the audit?

(*a*) Risks of relying on past experience

(*b*) Risks of overlooking unusual circumstances

(*c*) Risks of using appropriate assumptions

(*d*) Risks of underestimating the reliability of audit evidence

83. What is a key aspect of professional skepticism's role in the critical assessment of audit evidence?

(*a*) Accepting all records and documents as genuine

(*b*) Relying solely on past experience with the entity's management

(*c*) Considering the sufficiency and appropriateness of audit evidence

(*d*) Ignoring fraud risk factors during the evaluation process

84. In what situation does the auditor have reason to accept records and documents as genuine without further investigation?

(*a*) When past experience indicates honesty and integrity

(*b*) When a single document supports a material financial statement amount

(*c*) When fraud risk factors are prevalent

(*d*) When there is doubt about the reliability of information

85. What is the auditor required to do when there is doubt about the reliability of information or indications of possible fraud?

(*a*) Accept the information and proceed with the audit

(*b*) Investigate further and modify audit procedures as necessary

(*c*) Rely on past experience and assumptions

(*d*) Overlook any indications and continue with routine procedures

86. Does the auditor's belief in the honesty and integrity of management relieve them of the need for professional skepticism?

(*a*) Yes, it negates the need for skepticism

(*b*) No, professional skepticism must be maintained despite beliefs

(*c*) Yes, unless past experience indicates fraud

(*d*) No, unless fraud risk factors are absent

87. What does the passage emphasize about professional skepticism in relation to the entity's management and governance?

(*a*) It allows auditors to disregard past experience

(*b*) It relieves auditors of the need for skepticism

(*c*) It requires ongoing vigilance despite past experience

(*d*) It implies absolute trust in management's integrity

88. What are some potential components of audit engagement terms?

(*a*) Provisions for employee benefits

(*b*) Identification of applicable financial reporting framework

(*c*) Marketing strategies for the client

(*d*) Management's personal responsibilities

89. What is the primary objective of SA 210 regarding the auditor's responsibilities in agreeing to the terms of the audit engagement?

(*a*) To ensure compliance with marketing strategies

(*b*) To establish preconditions for an audit

(*c*) To delegate responsibilities to management

(*d*) To confirm legal obligations

90. How does SA 210 recommend achieving the objective of agreeing on the terms of the audit engagement?

(*a*) Through legal obligations only

(*b*) By confirming management's understanding

(*c*) By establishing preconditions for marketing

(*d*) By ensuring a common understanding between the auditor and management

91. What are the preconditions for an audit, as defined by SA 210?

(*a*) The use of any financial reporting framework

(*b*) Agreement of management to all auditor requests

(*c*) The use of an acceptable financial reporting framework and agreement of management to the audit premise
(*d*) The delegation of all responsibilities to those charged with governance

92. What is the auditor required to determine to establish whether the preconditions for an audit are present?
(*a*) Acceptability of the financial reporting framework only
(*b*) Agreement of management to auditor requests
(*c*) Acceptability of the financial reporting framework and agreement of management to its responsibilities
(*d*) Management's understanding of marketing strategies

93. What does the auditor need to obtain from management to ensure the preconditions for an audit are present?
(*a*) Agreement to the auditor's premises
(*b*) Acknowledgment and understanding of management's responsibilities
(*c*) Delegation of internal control to the auditor
(*d*) Approval of all audit evidence by management

94. According to SA 210, what is management's responsibility for the preparation of financial statements?
(*a*) Providing unrestricted access to persons within the entity
(*b*) Ensuring fair representation of financial statements
(*c*) Delegating the preparation to the auditor
(*d*) Acknowledging the auditor's premises

95. What type of access does SA 210 require management to provide the auditor in relation to information for the audit?
(*a*) Limited access to relevant information
(*b*) Unrestricted access to relevant information
(*c*) Access only to financial statements
(*d*) Access to information only upon request

96. What does SA 210 specify regarding management's responsibility for internal control in relation to financial statement preparation?
(*a*) Delegating all control to the auditor
(*b*) Ensuring internal control for fair representation
(*c*) Limiting internal control to avoid misstatement
(*d*) Leaving internal control entirely to the auditor's discretion

97. What information is management required to provide the auditor for the purpose of the audit, according to SA 210?
(*a*) Only financial statements
(*b*) Relevant information upon request
(*c*) Access to restricted information
(*d*) All information of which management is aware and additional information upon request

98. In the absence of legal requirements, what is the nature of the audit engagement between the auditor and client?

(*a*) Statutory obligation (*b*) Matter of law

(*c*) Matter of contract (*d*) Regulatory mandate

99. What is the primary purpose of reducing the terms of the audit engagement to writing?

(*a*) To fulfill legal obligations (*b*) To increase misunderstandings

(*c*) To clarify the nature of the engagement (*d*) To bypass client responsibilities

100. Who should the auditor agree on the terms of the audit engagement with?

(*a*) Regulatory authorities

(*b*) Auditors from other firms

(*c*) Management or those charged with governance

(*d*) Legal advisors

101. What is the purpose of an audit engagement letter?

(*a*) To impose legal obligations on the client

(*b*) To create confusion and misunderstandings

(*c*) To reduce the possibility of misunderstandings

(*d*) To delegate responsibilities to the auditor

102. What does the audit engagement letter include?

(*a*) Only the auditor's responsibilities

(*b*) Only the client's responsibilities

(*c*) The objective and scope of the audit, responsibilities of both auditor and management, and applicable financial reporting framework

(*d*) Only the applicable financial reporting framework

103. What action should the auditor take if the preconditions for an audit are found to be absent?

(*a*) Proceed with the audit without notifying management

(*b*) Discuss the matter with management

(*c*) Automatically accept the proposed audit engagement

(*d*) Seek legal advice before taking any action

104. Under what circumstances should the auditor not accept the proposed audit engagement, as per the passage?

(*a*) If management does not provide additional information

(*b*) If the financial reporting framework is deemed acceptable

(*c*) If management's agreement is not obtained on various matters

(*d*) If the auditor is legally obligated to accept the engagement

105. Under what circumstances should the auditor refrain from accepting a proposed audit engagement with limitations on the scope of work?

(*a*) If the limitations are imposed by management or those charged with governance

(*b*) If the limitations will result in the auditor disclaiming an opinion

(*c*) Only if required by law or regulation
(*d*) Both (*b*) and (*c*)

106. Under what circumstances may a request for a change in the terms of the audit engagement be considered reasonable?
(*a*) If the change is related to incorrect or incomplete information
(*b*) If the entity experiences a change in circumstances affecting the need for the service
(*c*) Only if management imposes a restriction on the scope of the audit engagement
(*d*) Both (*a*) and (*c*)

107. What may be considered an unreasonable basis for requesting a change in the audit engagement, according to the passage?
(*a*) A change in circumstances affecting the entity's requirements
(*b*) A misunderstanding concerning the nature of the original service
(*c*) A change related to incorrect or incomplete information
(*d*) Any request from the entity for a change

108. When might a change in the audit engagement be deemed unreasonable?
(*a*) When the entity experiences a change in circumstances
(*b*) When the auditor requests additional information
(*c*) When the change is to avoid a qualified opinion or disclaimer of opinion
(*d*) When there is a misunderstanding about the nature of the original service

109. What does the passage suggest about the auditor's consideration of a request to change the terms of the audit engagement?
(*a*) The auditor must always accept any requested changes
(*b*) The justification for the change should be ignored
(*c*) The implications of a restriction on the scope should be carefully assessed
(*d*) The auditor should automatically disclaim an opinion in such cases

110. In what situation might a change in the audit engagement be considered reasonable, according to the passage?
(*a*) When the entity is not forthcoming with information
(*b*) When the auditor requests a change to avoid a qualified opinion
(*c*) When there is a misunderstanding about the nature of the original service
(*d*) When a change is needed due to incorrect or incomplete information

111. When may an auditor be requested to change the audit engagement to a lower level of assurance, and what is the auditor required to determine?
(*a*) After completing the audit, and the auditor must assess legal implications
(*b*) Prior to completing the audit, and the auditor must determine reasonable justification
(*c*) When the client insists on changes, and the auditor must discontinue the engagement
(*d*) After issuing the audit report, and the auditor must assess contractual implications

112. What consideration must the auditor take into account before agreeing to change an audit engagement to a review or related service?

(*a*) Legal or contractual implications
(*b*) Auditor's personal preferences
(*c*) Availability of audit resources
(*d*) Any client requests for changes

113. When changing the audit engagement to a review or related service, what does the auditor need to assess regarding the work performed to the date of change?

(*a*) All work must be repeated from the beginning
(*b*) Only the relevant work may be considered
(*c*) The auditor should discontinue the engagement
(*d*) The original audit engagement must be referenced in the report

114. What should the report on the related service avoid referencing to avoid confusion?

(*a*) Any legal implications
(*b*) The original audit engagement
(*c*) Changes made to the engagement letter
(*d*) Any procedures performed in the original audit engagement

115. If the terms of the audit engagement are changed, what is the requirement for the auditor and management?

(*a*) Discontinue the engagement immediately
(*b*) Agree on and record the new terms in an engagement letter or written agreement
(*c*) Ignore any changes and proceed with the original terms
(*d*) Refer back to the original audit engagement for guidance

116. What is the appropriate course of action for the auditor when unable to agree on a change in terms of the audit engagement and not permitted to continue the original audit engagement by management?

(*a*) Continue with the audit engagement against management's wishes
(*b*) Withdraw from the audit engagement if possible under applicable law or regulation
(*c*) Automatically report the circumstances to regulators
(*d*) Seek legal action against management for non-cooperation

117. Under what circumstances may it be appropriate for the auditor to revise the terms of the audit engagement or remind the entity of existing terms in a recurring audit?

(*a*) Whenever the auditor feels it is necessary
(*b*) Only if there is a recent change of senior management
(*c*) If there is any indication that the entity misunderstands the audit objective and scope
(*d*) Only when there is a change in the financial reporting framework

118. What factor may make it appropriate to send a new audit engagement letter or remind the entity of existing terms in a recurring audit?

(*a*) Routine practice without specific reasons
(*b*) A recent change of senior management
(*c*) The auditor's personal preference
(*d*) The entity's routine business operations

119. When is it not necessary for the auditor to send a new audit engagement letter in a recurring audit?
(*a*) Every year regardless of circumstances
(*b*) When there is a change in ownership
(*c*) When there is a change in legal or regulatory requirements
(*d*) When there are no significant changes in circumstances

120. What is a potential reason for revising the terms of the audit engagement in a recurring audit?
(*a*) Routine annual update
(*b*) A change in the financial reporting framework
(*c*) The auditor's personal preference
(*d*) The entity's routine business operations

121. Which standard is applicable to the entire firm, covering all engagements, including audits, reviews, and other assurance services?
(*a*) SA 220
(*b*) SQC 1
(*c*) Both SA 220 and SQC 1
(*d*) None of the above

122. What is the scope of SA 220 in terms of the engagements it covers?
(*a*) It covers all engagements, including audits, reviews, and other assurance services.
(*b*) It applies exclusively to audit engagements.
(*c*) It addresses reviews and other assurance services but not audits.
(*d*) It only covers engagements related to financial statements but excludes other assurance services.

123. What is the primary objective of the system of quality control, as per SQC 1?
(*a*) To maximize profits for the firm
(*b*) To ensure strict adherence to internal policies only
(*c*) To provide reasonable assurance that the firm complies with professional standards, regulatory and legal requirements, and issues appropriate reports
(*d*) To minimize the workload for engagement partners

124. What is the purpose of documenting and communicating quality control policies and procedures within the firm, as per SQC 1?
(*a*) To comply with regulatory requirements only
(*b*) To create unnecessary paperwork
(*c*) To recognize the importance of obtaining feedback and encourage communication among personnel
(*d*) To limit access to information within the firm

125. According to SQC 1, who is required to assume ultimate responsibility for the firm's system of quality control?
(*a*) Engagement Partners
(*b*) Chief Financial Officer
(*c*) Chief Executive Officer or Managing Partners
(*d*) Quality Control Managers

126. What is the purpose of having persons assigned operational responsibilities for the firm's quality control system possess sufficient experience, ability, and authority, as per SQC 1?

(*a*) To reduce their workload and responsibilities
(*b*) To limit their decision-making authority
(*c*) To ensure the effectiveness of the quality control system
(*d*) To streamline communication within the firm

127. What fundamental principles of professional ethics are established by the Code of Ethics issued by ICAI?

(*a*) Independence, transparency, and accountability
(*b*) Honesty, diligence, and consistency
(*c*) Integrity, objectivity, professional competence and due care, confidentiality, and professional behavior
(*d*) Efficiency, innovation, and collaboration

128. Why is the observance of "Independence" considered a basic requirement in all engagements, according to the Code of Ethics?

(*a*) It is a legal mandate
(*b*) It simplifies audit procedures
(*c*) It aligns with the fundamental principles of professional ethics
(*d*) It reduces the workload for personnel

129. What is the purpose of policies and procedures related to independence, as per the provided information?

(*a*) To increase workload for personnel
(*b*) To limit communication within the firm
(*c*) To ensure compliance with legal requirements
(*d*) To provide reasonable assurance that independence requirements are satisfied

130. How should a firm respond to circumstances and relationships that create threats to independence, according to the provided information?

(*a*) Ignore the threats for the sake of client relations
(*b*) Eliminate threats or reduce them to an acceptable level using safeguards, or consider withdrawal from the engagement
(*c*) Increase fees for the engagement to compensate for the threats
(*d*) Delegate the responsibility to individual personnel

131. What role do engagement partners play in maintaining independence within the firm?

(*a*) They are responsible for financial reporting
(*b*) They communicate independence requirements to personnel
(*c*) They handle legal matters related to independence
(*d*) They are exempt from independence requirements

132. How often should the firm obtain written confirmation of compliance with its independence policies and procedures from relevant personnel?

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

133. What is the objective of obtaining written confirmation of compliance with independence policies?

(*a*) To increase administrative burden
(*b*) To discourage personnel from reporting issues
(*c*) To ensure that independence requirements are satisfied
(*d*) To limit communication within the firm

134. What information does a firm need to assess regarding the integrity of a client before accepting an engagement?

(*a*) The client's financial statements only
(*b*) The identity and business reputation of key personnel, business practices, and the internal control environment
(*c*) The client's marketing strategy
(*d*) The client's technological capabilities

135. What should a firm consider regarding the client's attitude towards aggressive interpretation of accounting standards?

(*a*) It is not relevant to the engagement
(*b*) It may indicate a lack of professionalism
(*c*) It is a positive attribute
(*d*) It is solely the responsibility of the client

136. When should a firm obtain vital information about a client, according to the provided information?

(*a*) After accepting the engagement
(*b*) Only for new clients, not existing ones
(*c*) Before accepting an engagement, when deciding to continue an existing engagement, and when considering acceptance of a new engagement with an existing client
(*d*) Only during the audit process

137. If a firm identifies issues regarding a client and decides to accept or continue the engagement, what is the recommended action?

(*a*) Ignore the issues and proceed with the engagement
(*b*) Document how the issues were resolved
(*c*) Communicate the issues to the client and seek their resolution
(*d*) Immediately withdraw from the engagement

138. What should a firm consider when obtaining information about a client's principal owners, key management, and those charged with governance?

(*a*) Only financial information
(*b*) The client's marketing strategy

(*c*) The identity and business reputation of these individuals
(*d*) Only the client's legal structure

139. In the context of client integrity, what should the firm consider about the client's attitude towards maintaining the firm's fees as low as possible?
(*a*) It indicates a commitment to cost-effectiveness
(*b*) It may be a sign of potential conflict
(*c*) It is a positive attribute
(*d*) It is irrelevant to the engagement

140. When is it crucial to resolve any conflicts of interest between the firm and the client?
(*a*) After the engagement is completed
(*b*) Only when regulatory authorities intervene
(*c*) Before accepting the engagement
(*d*) It is not necessary to resolve conflicts of interest

141. If a firm obtains information that, if known earlier, would have led to declining the engagement, what should the firm consider according to the policies and procedures on continuance of the engagement?
(*a*) Ignore the information
(*b*) Report the information to regulatory authorities only
(*c*) Consider reporting to relevant parties and assess the possibility of withdrawing from the engagement or both the engagement and the client relationship
(*d*) Disclose the information to the client

142. What aspect should a firm consider when evaluating the client's reasons for the proposed appointment of the firm and non-reappointment of the previous firm?
(*a*) The client's financial statements
(*b*) The client's marketing strategy
(*c*) Potential conflicts of interest
(*d*) The reasons for the proposed appointment

143. What is the recommended action if there is a conflict of interest between the firm and the client?
(*a*) Ignore the conflict for the sake of client relations
(*b*) Properly resolve the conflict before accepting the engagement
(*c*) Proceed with the engagement without addressing the conflict
(*d*) Seek legal advice and proceed accordingly

144. How often should the firm obtain written confirmation of compliance with its policies on client information and engagement acceptance?
(*a*) Monthly
(*b*) Annually
(*c*) Biannually
(*d*) Only for new clients

145. What should a firm consider regarding a client's involvement in money laundering or other criminal activities?

(*a*) Ignore the information as it is confidential

(*b*) Report the information to regulatory authorities only

(*c*) Properly investigate and assess the implications for the engagement

(*d*) Proceed with the engagement without further consideration

146. What aspect should a firm's policies and procedures on quality control primarily address in relation to personnel?

(*a*) Recruitment and compensation only

(*b*) Career development and performance evaluation only

(*c*) Ethical principles and commitment only

(*d*) Capabilities, competence, and commitment to ethical principles, among other HR issues

147. What is the primary purpose of an engagement quality control review in the audit of financial statements for listed entities?

(*a*) To reduce the responsibilities of the engagement partner

(*b*) To provide advisory services to the engagement team

(*c*) To take an objective view on significant judgments made in the engagement

(*d*) To act as a substitute for the engagement partner's responsibilities

148. In which circumstances is consultation recommended in the context of engagement performance?

(*a*) Routine engagement tasks

(*b*) Matters that require specialized expertise

(*c*) Only in contentious matters

(*d*) Never recommended in engagement performance

149. How long should the assembly of engagement files be completed after the date of the auditor's report for audit engagements?

(*a*) Within 30 days (*b*) Within 45 days

(*c*) Within 60 days (*d*) Within 90 days

150. Who is responsible for resolving differences of opinion within the engagement team or between the engagement partner and the engagement quality control reviewer?

(*a*) Engagement quality control reviewer (*b*) Engagement partner

(*c*) Another practitioner or firm (*d*) Professional or regulatory body

151. What is the retention period for engagement documentation in the specific case of audit engagements?

(*a*) Five years (*b*) Seven years

(*c*) Ten years (*d*) Three years

152. When is an engagement quality control review mandatory?

(*a*) For all types of engagements
(*b*) Only for advisory services
(*c*) For audits of financial statements of listed entities
(*d*) Never mandatory

153. How can a firm disclose portions of or extracts from engagement documentation to clients?

(*a*) Only with client's consent
(*b*) Without any restrictions
(*c*) Only if required by law
(*d*) Not allowed

154. Who assumes ultimate responsibility for the firm's system of quality control according to SQC 1?

(*a*) Engagement quality control reviewer
(*b*) Engagement partner
(*c*) Chief executive officer or managing partners
(*d*) Audit engagement team

155. In which engagements is an engagement quality control review required, as per SQC 1?

(*a*) Only for audits of financial statements
(*b*) For all types of engagements
(*c*) Only for non-assurance engagements
(*d*) Only for reviews of financial statements

156. What is the purpose of an engagement quality control review in the audit of financial statements?

(*a*) To act as a substitute for the engagement partner's responsibilities
(*b*) To reduce the responsibilities of the engagement partner
(*c*) To provide an objective view on significant judgments made in the engagement
(*d*) To replace the engagement partner in the engagement team

157. What is the purpose of conducting a periodic inspection of a selection of completed engagements as part of a firm's system of quality control?

(*a*) To criticize engagement teams for their performance
(*b*) To identify individual team members responsible for issues
(*c*) To assess the relevance of the firm's quality control policies
(*d*) To ensure policies and procedures are operating effectively

158. What is the primary objective of SA 220, "Quality Control for an Audit of Financial Statements at the Engagement Level"?

(*a*) To establish ethical requirements for auditors
(*b*) To guide engagement teams on client relationship management
(*c*) To ensure compliance with professional standards and legal requirements in audits
(*d*) To monitor the overall performance of the audit firm

159. According to SA 220, which responsibility falls under the domain of the engagement partner?

(*a*) Leadership responsibilities for quality on audits
(*b*) Assignment of engagement teams

(*c*) Monitoring the firm's system of quality control
(*d*) Establishing ethical requirements

160. What is the main objective of implementing quality control procedures at the engagement level, as per SA 220?
(*a*) To maximize audit fees for the engagement
(*b*) To ensure client satisfaction
(*c*) To comply with regulatory requirements
(*d*) To guarantee a favorable outcome in legal matters

161. How is SA 220 related to SQC 1 (Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements)?
(*a*) SA 220 is independent and unrelated to SQC 1
(*b*) SA 220 is a component of SQC 1, focusing on engagement-level controls
(*c*) SQC 1 is modelled after SA 220
(*d*) SQC 1 provides guidelines for ethical conduct, while SA 220 addresses quality control

162. What is the primary emphasis of the leadership responsibility of an engagement partner, according to SA 220?
(*a*) Focusing solely on legal compliance
(*b*) Emphasizing the engagement team's ability to raise concerns
(*c*) Prioritizing cost-effectiveness in audit engagements
(*d*) Highlighting the importance of audit quality and compliance with standards

163. What does the leadership responsibility of the engagement partner underscore regarding the engagement team's actions?
(*a*) Strict adherence to firm's administrative procedures
(*b*) Limiting concerns to matters within the audit team
(*c*) Fear of reprisals for raising concerns
(*d*) Ability to raise concerns without fear of reprisals

164. In an audit engagement, what information should the engagement partner consider when determining the acceptance and continuance of client relationships and audit engagements?
(*a*) Only financial information of the client
(*b*) Information related to the engagement team's hobbies
(*c*) Integrity of principal owners, competence of engagement team, and compliance with ethical requirements
(*d*) Information unrelated to the audit engagement

165. According to SQC 1, when should a firm obtain necessary information about a client engagement?
(*a*) After the completion of the engagement
(*b*) Before deciding to continue an existing engagement
(*c*) Only during the final reporting stage
(*d*) No information is necessary

166. What is the responsibility of the engagement partner regarding the issuance of the auditor's report in an audit engagement?

(*a*) To delay the issuance until the end of the fiscal year
(*b*) To ensure it is drafted by a legal expert
(*c*) To ensure it is appropriate in the circumstances and supported by sufficient audit evidence
(*d*) To delegate it to a junior team member

167. In audits of financial statements of listed entities, what is the engagement partner's responsibility concerning the engagement quality control review?

(*a*) Conducting the review personally
(*b*) Not involving an engagement quality control reviewer
(*c*) Determining that an engagement quality control reviewer has been appointed
(*d*) Assigning the review to the client

168. When should the auditor's report be dated in the context of engagement quality control review for audits of financial statements of listed entities?

(*a*) At the beginning of the audit engagement
(*b*) Before the completion of the engagement quality control review
(*c*) After the resolution of any differences of opinion
(*d*) Only after receiving approval from the engagement team

169. What is the engagement partner's responsibility in case of differences of opinion within the engagement team?

(*a*) Ignore the differences to maintain team harmony
(*b*) Document the differences but proceed without resolution
(*c*) Follow the firm's policies and procedures for dealing with and resolving differences of opinion
(*d*) Escalate the matter to regulatory authorities

170. Who does the engagement partner consult on difficult or contentious matters within or outside the firm?

(*a*) Only internal team members
(*b*) Nobody, as it is the sole responsibility of the engagement partner
(*c*) Others at an appropriate level within or outside the firm
(*d*) Only senior management of the client

171. What is the purpose of the monitoring process in a firm's system of quality control?

(*a*) To increase the workload of engagement teams
(*b*) To provide reasonable assurance that policies and procedures are ineffective
(*c*) To ensure deficiencies are overlooked
(*d*) To provide reasonable assurance that policies and procedures are relevant, adequate, and operating effectively

172. In documenting matters related to an audit engagement, what should the engagement partner include regarding ethical requirements?

(*a*) Avoid mentioning issues related to ethical requirements
(*b*) Document any issues identified and how they were resolved

(*c*) Document only unresolved ethical issues
(*d*) Ignore ethical considerations as they are not relevant to documentation

173. When considering compliance with independence requirements, what is the responsibility of the engagement partner?
(*a*) Delegating it to a junior team member
(*b*) Ignoring discussions with the firm on independence
(*c*) Documenting conclusions on compliance with independence requirements
(*d*) Exclusively relying on the firm's monitoring process

174. What should be documented regarding the nature and scope of consultations undertaken during an audit engagement?
(*a*) Exclude any discussions to maintain confidentiality
(*b*) Document only disagreements with the client
(*c*) Document the entire consultation process in detail
(*d*) Document the conclusions resulting from consultations

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*c*)	**4.** (*c*)	**5.** (*b*)	**6.** (*b*)	**7.** (*c*)	**8.** (*c*)	**9.** (*b*)	**10.** (*c*)
11. (*c*)	**12.** (*d*)	**13.** (*d*)	**14.** (*c*)	**15.** (*a*)	**16.** (*d*)	**17.** (*c*)	**18.** (*d*)	**19.** (*b*)	**20.** (*c*)
21. (*b*)	**22.** (*c*)	**23.** (*b*)	**24.** (*c*)	**25.** (*c*)	**26.** (*c*)	**27.** (*b*)	**28.** (*c*)	**29.** (*a*)	**30.** (*b*)
31. (*c*)	**32.** (*c*)	**33.** (*d*)	**34.** (*c*)	**35.** (*a*)	**36.** (*c*)	**37.** (*a*)	**38.** (*c*)	**39.** (*b*)	**40.** (*d*)
41. (*c*)	**42.** (*b*)	**43.** (*d*)	**44.** (*b*)	**45.** (*c*)	**46.** (*b*)	**47.** (*d*)	**48.** (*c*)	**49.** (*b*)	**50.** (*d*)
51. (*c*)	**52.** (*b*)	**53.** (*d*)	**54.** (*b*)	**55.** (*c*)	**56.** (*b*)	**57.** (*d*)	**58.** (*d*)	**59.** (*b*)	**60.** (*c*)
61. (*d*)	**62.** (*b*)	**63.** (*a*)	**64.** (*b*)	**65.** (*c*)	**66.** (*c*)	**67.** (*b*)	**68.** (*c*)	**69.** (*b*)	**70.** (*c*)
71. (*c*)	**72.** (*c*)	**73.** (*b*)	**74.** (*c*)	**75.** (*c*)	**76.** (*c*)	**77.** (*d*)	**78.** (*c*)	**79.** (*d*)	**80.** (*b*)
81. (*c*)	**82.** (*b*)	**83.** (*c*)	**84.** (*a*)	**85.** (*b*)	**86.** (*b*)	**87.** (*c*)	**88.** (*b*)	**89.** (*b*)	**90.** (*d*)
91. (*c*)	**92.** (*c*)	**93.** (*b*)	**94.** (*b*)	**95.** (*b*)	**96.** (*b*)	**97.** (*d*)	**98.** (*c*)	**99.** (*c*)	**100.** (*c*)
101. (*c*)	**102.** (*c*)	**103.** (*c*)	**104.** (*c*)	**105.** (*d*)	**106.** (*b*)	**107.** (*c*)	**108.** (*c*)	**109.** (*c*)	**110.** (*d*)
111. (*b*)	**112.** (*a*)	**113.** (*b*)	**114.** (*b*)	**115.** (*b*)	**116.** (*b*)	**117.** (*c*)	**118.** (*b*)	**119.** (*d*)	**120.** (*b*)
121. (*b*)	**122.** (*b*)	**123.** (*c*)	**124.** (*c*)	**125.** (*c*)	**126.** (*c*)	**127.** (*c*)	**128.** (*c*)	**129.** (*d*)	**130.** (*b*)
131. (*b*)	**132.** (*c*)	**133.** (*c*)	**134.** (*b*)	**135.** (*b*)	**136.** (*c*)	**137.** (*b*)	**138.** (*c*)	**139.** (*b*)	**140.** (*c*)
141. (*c*)	**142.** (*d*)	**143.** (*b*)	**144.** (*b*)	**145.** (*c*)	**146.** (*d*)	**147.** (*c*)	**148.** (*b*)	**149.** (*c*)	**150.** (*b*)
151. (*b*)	**152.** (*c*)	**153.** (*a*)	**154.** (*c*)	**155.** (*a*)	**156.** (*c*)	**157.** (*d*)	**158.** (*c*)	**159.** (*a*)	**160.** (*c*)
161. (*c*)	**162.** (*d*)	**163.** (*d*)	**164.** (*c*)	**165.** (*b*)	**166.** (*c*)	**167.** (*c*)	**168.** (*c*)	**169.** (*c*)	**170.** (*c*)
171. (*d*)	**172.** (*b*)	**173.** (*c*)	**174.** (*d*)						

SOLUTION

1. (*b*) Moral principles
2. (*c*) Intrinsic to individuals
3. (*c*) Strong intrinsic force
4. (*c*) High level of public trust
5. (*b*) Enhancing public confidence
6. (*b*) Human nature
7. (*c*) It is broad
8. (*c*) Acceptance of responsibility in the public interest
9. (*b*) Public interests
10. (*c*) Professional ethics
11. (*c*) Fines, suspension, or other disciplinary actions
12. (*d*) Ethical compliance
13. (*d*) Governing professional conduct
14. (*c*) Compliance with the spirit of ethics
15. (*a*) It relies on professional judgment and expertise
16. (*d*) Narrow outlook
17. (*c*) It strictly adheres to established rules
18. (*d*) To prevent overlooking the spirit of ethics
19. (*b*) Subordinating judgment to the wishes of the client
20. (*c*) Consult with others in the firm and determine appropriate action
21. (*b*) Form a conclusion on compliance with independence requirements
22. (*c*) Evaluate the breaches and take appropriate action to eliminate or reduce threats
23. (*b*) Client continuance and compliance with ethical requirements
24. (*c*) To avoid misunderstandings regarding the terms of the engagement
25. (*c*) Compliance with the spirit of ethics
26. (*c*) Clearly established rules
27. (*b*) It fosters a narrow outlook on ethics
28. (*c*) Fair dealing and truthfulness
29. (*a*) Only when required by law
30. (*b*) Undue influence on professional judgment
31. (*c*) Professional competence and due care
32. (*c*) Only when permitted by law and authorized by the client or employer
33. (*d*) Avoidance of activities that might impair the integrity or reputation of the profession
34. (*c*) Professional competence and due care
35. (*a*) Strict compliance with all laws and regulations
36. (*c*) Never, as it is incompatible with fundamental principles
37. (*a*) Facilitating the free flow of information
38. (*c*) Provision of an opinion unaffected by compromising influences
39. (*b*) A condition of mind and personal character

40. (*d*) Independence of mind and independence in appearance
41. (*c*) To maintain confidence in users of financial statements
42. (*b*) Avoidance of facts and circumstances compromising professional judgment
43. (*d*) To instill confidence in users of financial statements
44. (*b*) Legal standards may be relaxed or strengthened, but independence remains unaltered
45. (*c*) Confidence in users of financial statements
46. (*b*) It depends on the state of mind and character of a person
47. (*d*) Determination of independence in given circumstances
48. (*c*) Provision of an opinion unaffected by compromising influences
49. (*b*) A condition of mind and personal character
50. (*d*) Independence of mind and independence in appearance
51. (*c*) To instill confidence in users of financial statements
52. (*b*) Avoidance of facts and circumstances compromising professional judgment
53. (*d*) To instill confidence in users of financial statements
54. (*b*) Legal standards may be relaxed or strengthened, but independence remains unaltered
55. (*c*) Confidence in users of financial statements
56. (*b*) It depends on the state of mind and character of a person
57. (*d*) Determination of independence in given circumstances
58. (*d*) Self-interest threats
59. (*b*) Performance of services that are subject matters of audit
60. (*c*) Advocacy threats
61. (*d*) Being too sympathetic to the client's interests
62. (*b*) When there is a threat of replacement over disagreements
63. (*a*) Intimidation threats
64. (*b*) Long association between auditors and client counterparts
65. (*c*) Advocacy threats
66. (*c*) Deterrence from acting objectively
67. (*b*) Self-interest threats
68. (*c*) Performance of services subject to audit
69. (*b*) Familiarity threats
70. (*c*) Promotion of a client's opinion to compromise objectivity
71. (*c*) Benefit from a financial interest in an audit client
72. (*c*) Threats are impossible to define in every situation
73. (*b*) To take actions to reduce threats to an acceptable level
74. (*c*) They effectively reduce threats to an acceptable level
75. (*c*) Whether the task involves threats to independence
76. (*c*) Desist from the task or eliminate the threat or implement safeguards
77. (*d*) Refrain from accepting the work
78. (*c*) Having a questioning mind and critical assessment of audit evidence
79. (*d*) Remaining vigilant to possible misstatements due to error or fraud
80. (*b*) Conditions indicating possible fraud

81. (*c*) Throughout the entire audit process
82. (*b*) Risks of overlooking unusual circumstances
83. (*c*) Considering the sufficiency and appropriateness of audit evidence
84. (*a*) When past experience indicates honesty and integrity
85. (*b*) Investigate further and modify audit procedures as necessary
86. (*b*) No, professional skepticism must be maintained despite beliefs
87. (*c*) It requires ongoing vigilance despite past experience
88. (*b*) Identification of applicable financial reporting framework
89. (*b*) To establish preconditions for an audit
90. (*d*) By ensuring a common understanding between the auditor and management
91. (*c*) The use of an acceptable financial reporting framework and agreement of management to the audit premise
92. (*c*) Acceptability of the financial reporting framework and agreement of management to its responsibilities
93. (*b*) Acknowledgment and understanding of management's responsibilities
94. (*b*) Ensuring fair representation of financial statements
95. (*b*) Unrestricted access to relevant information
96. (*b*) Ensuring internal control for fair representation
97. (*d*) All information of which management is aware and additional information upon request
98. (*c*) Matter of contract
99. (*c*) To clarify the nature of the engagement
100. (*c*) Management or those charged with governance
101. (*c*) To reduce the possibility of misunderstandings
102. (*c*) The objective and scope of the audit, responsibilities of both auditor and management, and applicable financial reporting framework
103. (*c*) Discuss the matter with management
104. (*c*) If management's agreement is not obtained on various matters
105. (*d*) Both (*b*) and (*c*)
106. (*b*) If the entity experiences a change in circumstances affecting the need for the service
107. (*c*) A change related to incorrect or incomplete information
108. (*c*) When the change is to avoid a qualified opinion or disclaimer of opinion
109. (*c*) The implications of a restriction on the scope should be carefully assessed
110. (*d*) When a change is needed due to incorrect or incomplete information
111. (*b*) Prior to completing the audit, and the auditor must determine reasonable justification
112. (*a*) Legal or contractual implications
113. (*b*) Only the relevant work may be considered
114. (*b*) The original audit engagement
115. (*b*) Agree on and record the new terms in an engagement letter or written agreement
116. (*b*) Withdraw from the audit engagement if possible under applicable law or regulation
117. (*c*) If there is any indication that the entity misunderstands the audit objective and scope
118. (*b*) A recent change of senior management

119. (*d*) When there are no significant changes in circumstances
120. (*b*) A change in the financial reporting framework
121. (*b*) SQC 1
122. (*b*) It applies exclusively to audit engagements.
123. (*c*) To provide reasonable assurance that the firm complies with professional standards, regulatory and legal requirements, and issues appropriate reports
124. (*c*) To recognize the importance of obtaining feedback and encourage communication among personnel
125. (*c*) Chief Executive Officer or Managing Partners
126. (*c*) To ensure the effectiveness of the quality control system
127. (*c*) Integrity, objectivity, professional competence and due care, confidentiality, and professional behavior
128. (*c*) It aligns with the fundamental principles of professional ethics
129. (*d*) To provide reasonable assurance that independence requirements are satisfied
130. (*b*) Eliminate threats or reduce them to an acceptable level using safeguards, or consider withdrawal from the engagement
131. (*b*) They communicate independence requirements to personnel
132. (*c*) Annually
133. (*c*) To ensure that independence requirements are satisfied
134. (*b*) The identity and business reputation of key personnel, business practices, and the internal control environment
135. (*b*) It may indicate a lack of professionalism
136. (*c*) Before accepting an engagement, when deciding to continue an existing engagement, and when considering acceptance of a new engagement with an existing client
137. (*b*) Document how the issues were resolved
138. (*c*) The identity and business reputation of these individuals
139. (*b*) It may be a sign of potential conflict
140. (*c*) Before accepting the engagement
141. (*c*) Consider reporting to relevant parties and assess the possibility of withdrawing from the engagement or both the engagement and the client relationship
142. (*d*) The reasons for the proposed appointment
143. (*b*) Properly resolve the conflict before accepting the engagement
144. (*b*) Annually
145. (*c*) Properly investigate and assess the implications for the engagement
146. (*d*) Capabilities, competence, and commitment to ethical principles, among other HR issues
147. (*c*) To take an objective view on significant judgments made in the engagement
148. (*b*) Matters that require specialized expertise
149. (*c*) Within 60 days
150. (*b*) Engagement partner
151. (*b*) Seven years
152. (*c*) For audits of financial statements of listed entities
153. (*a*) Only with client's consent

154. (*c*) Chief executive officer or managing partners
155. (*a*) Only for audits of financial statements
156. (*c*) To provide an objective view on significant judgments made in the engagement
157. (*d*) To ensure policies and procedures are operating effectively
158. (*c*) To ensure compliance with professional standards and legal requirements in audits
159. (*a*) Leadership responsibilities for quality on audits
160. (*c*) To comply with regulatory requirements
161. (*c*) SQC 1 is modelled after SA 220
162. (*d*) Highlighting the importance of audit quality and compliance with standards
163. (*d*) Ability to raise concerns without fear of reprisals
164. (*c*) Integrity of principal owners, competence of engagement team, and compliance with ethical requirements
165. (*b*) Before deciding to continue an existing engagement
166. (*c*) To ensure it is appropriate in the circumstances and supported by sufficient audit evidence
167. (*c*) Determining that an engagement quality control reviewer has been appointed
168. (*c*) After the completion of the engagement quality control review
169. (*c*) Follow the firm's policies and procedures for dealing with and resolving differences of opinion
170. (*c*) Others at an appropriate level within or outside the firm
171. (*d*) To provide reasonable assurance that policies and procedures are relevant, adequate, and operating effectively
172. (*b*) Document any issues identified and how they were resolved
173. (*c*) Documenting conclusions on compliance with independence requirements
174. (*d*) Document the nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement