

SA 260(Revised) - Communication with Those Charged with Governance

Select True or False:

1. The responsibility for communicating matters of governance interest to those charged with governance is that of the auditor only.
 - a) True
 - b) False
2. The auditor may communicate matters not covered by SA 260(Revised) to those charged with governance.
 - a) True
 - b) False
3. The objective of the auditor is to obtain from those charged with governance information relevant to the audit.
 - a) True
 - b) False
4. SA 260(Revised) does not establish requirements regarding the auditor's communication with entity's owners unless they are also charged with governance role.
 - a) True
 - b) False
5. The communication about auditor independence may be oral or written.
 - a) True
 - b) False
6. Further matters, not required by this or other Standards on Auditing, may be required to be communicated by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement.
 - a) True
 - b) False
7. The Standards on Auditing require the auditor to perform procedures specifically to identify any other matters to communicate with those charged with governance.
 - a) True
 - b) False

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8. Law or regulation may restrict the auditor's communication of certain matters with those charged with governance.
 - a) True
 - b) False
9. If the auditor communicates with a subgroup of those charged with governance, then the auditor is not required to communicate with the governing body.
 - a) True
 - b) False
10. In the case of listed entities, the auditor's communication to those charged with governance for ensuring compliance with relevant ethical requirements regarding independence shall consider total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity.
 - a) True
 - b) False
11. Written communications need not include all matters that arose during the course of the audit.
 - a) True
 - b) False
12. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation.
 - a) True
 - b) False
13. In some smaller entities, one person may be charged with governance.
 - a) True
 - b) False
14. In cases where the appropriate person(s) with whom to communicate may not be clearly identifiable the auditor may need to discuss and agree with the engaging party the relevant person(s) with whom to communicate.
 - a) True
 - b) False
15. The auditor may make explicit in agreeing the terms of engagement that, unless prohibited by law or regulation, the auditor retains the right to communicate directly with the governing body.
 - a) True
 - b) False

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16. Law or regulation, an agreement with the entity or additional requirements applicable to the engagement may provide for broader communication with those charged with governance.
- a) True
 - b) False
17. Communication with those charged with governance may change the auditor's responsibility to establish the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- a) True
 - b) False
18. If the terms of engagement are not agreed with those charged with governance, the auditor may provide those charged with governance with a copy of the engagement letter to communicate about matters relevant to the audit.
- a) True
 - b) False
19. The communication requirements relating to auditor independence apply only in the case of listed entities and will not be required in the case of some other entities, including those that may be of significant public interest.
- a) True
 - b) False
20. When a written communication prepared for those charged with governance is provided to third parties, it may be important in the circumstances that the third parties be informed that the communication was not prepared with them in mind.
- a) True
 - b) False
21. The auditor may need the prior consent of those charged with governance before providing a third party with a copy of the auditor's written communications with those charged with governance.
- a) True
 - b) False

Fill in the blanks:

22. One of the objectives of the auditor in communicating with those charged with governance is to provide the latter with timely observations, which are significant and relevant in overseeing the _____ process.
- a) Audit
 - b) Financial reporting

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23. Auditor's evaluation of the two way communication with those charged with governance is based on observation of appropriateness and _____ of action taken by those charged with governance in response to matters raised by the auditor.
- a) Timeliness
 - b) Adequacy
24. In case of _____ communication with those charged with governance, the auditor shall document when and to whom communications were made.
- a) Oral
 - b) Written
25. The appropriate timing of communications will vary with the significance and nature of the matter, and the action expected to be taken by _____.
- a) Auditor
 - b) Those charged with governance
26. Auditor shall communicate with those charged with governance regarding auditor _____ in the case of listed entities.
- a) Independence
 - b) Competence
27. Where the auditor reaches the conclusion that the two way communication between the auditor and those charged with governance was inadequate for the purpose of audit, the auditor should evaluate its effect on auditor's assessment of risk of material misstatement and ability to obtain _____.
- a) Management representation
 - b) Sufficient appropriate audit evidence
28. Auditor shall communicate with those charged with governance the form, _____ and expected general content of communications.
- a) Nature
 - b) Timing
29. Effective two-way communication is important in assisting the auditor and those charged with governance in developing a constructive working relationship. This relationship is developed while maintaining the auditor's _____ and _____.
- a) Independence and objectivity
 - b) Competence and objectivity

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30. _____ communication of specific matters required to be communicated by Standards on Auditing is an integral part of every audit.
- a) Timely
 - b) Clear
31. In case of complex potential conflicts between the auditor's obligations of confidentiality and obligations to communicate, the auditor may consider obtaining _____.
- a) Legal advice
 - b) Written representation
32. _____ has the executive responsibility for the conduct of the entity's operations.
- a) Management
 - b) Those charged with governance
33. _____ have the responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.
- a) Management
 - b) Those charged with governance
34. The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the _____ identified by the auditor.
- a) Significant risks
 - b) Material misstatements
35. The auditor shall communicate in writing with those charged with governance regarding significant _____ from the audit if, in the auditor's professional judgment, oral communication would not be adequate.
- a) Findings
 - b) Matters
36. When governance is a _____ responsibility, a subgroup such as an audit committee or even an individual, may be charged with specific tasks to assist the governing body in meeting its responsibilities
- a) Collective
 - b) Joint
37. Communicating _____ identified by the auditor helps those charged with governance understand those matters and why they require special audit consideration.
- a) Significant Risks
 - b) Key Audit Matters

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Choose the correct option from the following:

38. When considering communicating with a subgroup of those charged with governance, the auditor may take into account such matters:
- a) The respective responsibilities of the subgroup and the governing body
 - b) The nature of the matter to be communicated
 - c) Relevant legal or regulatory requirements
 - d) Whether the subgroup has the authority to take action in relation to the information communicated
 - e) All of the above