

State with reason (in short) whether the following statements are true or false:

- (i) Communicating key audit matters in the auditor's report is a substitute for disclosures in the financial statements that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation;
- (ii) When the auditor includes an Other Matter paragraph in the auditor's report, the auditor need not include the paragraph within a separate section.
- (iii) The auditor shall disclaim an opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.
- (iv) In respect of audit work divided among the joint auditors, each joint auditor shall be responsible for the work allocated to such joint auditor only.
- (v) Inherent risk is the susceptibility of an account balance or class of transactions to misstatement assuming that there were no related internal controls.

- (vi) The method which involves dividing the population into groups of items is known as block sampling.
- (vii) A flow chart is a graphic presentation of each point of the company's system of internal control.
- (viii) It is necessary for the auditor to maintain professional skepticism throughout the audit.
- (ix) The scope of work of an internal auditor may extend even beyond the financial accounting.

- (a) In the context of SA-315, state the assertions used by auditor to consider the different types of potential mis-statements that may occur w.r.t. classes of transactions and events for period under audit.
- (b) What constitutes true and fair view is a matter of auditor's judgement, but some specific points must be seen by the auditor to ensure true and fair view.
- (a) With reference to SA 320 indicate the factors which may affect the identification of an appropriate benchmark in determining materiality for the financial statement as a whole.
- (b) Mr. A was appointed statutory auditor of P Ltd., but he was not able to gather the sufficient audit evidences. Discuss how he should proceed to gather more audit evidences.

The agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement. Explain stating its contents.

The auditor should plan his work to enable him to conduct an effective audit in an efficient and timely manner. Discuss and explain what should be covered in audit plans.

The audit working papers constitute the link between the auditor's report and the client's records. Explain clearly stating the definition and purpose of audit documentation.

State the factors affecting form, content and extent of working papers.

Explain the purpose of Internal Control.

Internal control, no matter how effective, can provide an entity with only reasonable assurance about achieving the entity's financial reporting objectives. The likelihood of their achievement is affected by inherent limitations of internal control. Explain those limitations.