

SA 620 - Using the Work of an Auditor's Expert

Select True or False:

1. This SA deals with the situations where the engagement team includes a member with expertise in areas related to accounting or auditing.
 - a) True
 - b) False
2. The auditor's responsibility is reduced by the auditor's use of the work of an auditor's expert.
 - a) True
 - b) False
3. The risk of material misstatement may increase when expertise in a field other than accounting is needed for management to prepare the financial statements.
 - a) True
 - b) False
4. It is the responsibility of the external auditor to determine the objectivity of the auditor's expert.
 - a) True
 - b) False
5. The auditor shall obtain a sufficient understanding of the field of expertise of the auditor's expert.
 - a) True
 - b) False
6. Auditor's expert will always be external in relation to the auditor.
 - a) True
 - b) False
7. When an auditor's expert's work involves the use of source data that is significant to that expert's work, the auditor needs to perform procedures to test that data.
 - a) True
 - b) False
8. When an auditor's expert's work involves the use of source data that is significant to that expert's work, the auditor need not check the completeness of the source data.
 - a) True
 - b) False

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9. When an auditor's expert's work involves the use of significant assumptions and methods, those assumptions and methods need to be consistent with the requirements of the applicable financial reporting framework.
- a) True
 - b) False
10. An auditor's internal expert may be a partner or staff, including temporary staff, of the auditor's firm itself, and therefore is subject to the quality control policies and procedures of that firm in accordance with SQC 1.
- a) True
 - b) False
11. An auditor's external expert is not a member of the engagement team and is also subject to quality control policies and procedures in accordance with SQC 1.
- a) True
 - b) False
12. If the preparation of the financial statements involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit those financial statements.
- a) True
 - b) False
13. The auditor shall evaluate the competence and capability of auditor's expert as well as the objectivity of the expert.
- a) True
 - b) False

Fill in the blanks:

14. Reference to auditor's expert in the auditor's report _____ the responsibility of the auditor for the opinion.
- a) Reduces
 - b) Increases
 - c) Does not reduce
15. An auditor's expert may be either a _____ or auditor's _____.
- a) Management's expert, external expert
 - b) Auditor's internal expert, external expert
 - c) Management's expert, internal expert

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16. The auditor shall not refer to the work of auditor's expert in an auditor's report containing an unmodified opinion unless required by _____.
a) Management
b) Law or regulation
c) Audit committee
d) Board of directors
17. If the auditor determines that the work of the auditor's expert is not adequate for his purposes, the auditor shall agree with that expert on the nature and extent of _____ work to be performed by that expert.
a) Additional
b) Further
18. In many cases, distinguishing between expertise in accounting or auditing, and expertise in another field, will be _____ even where this involves a specialised area of accounting or auditing.
a) Straightforward
b) Simple

Choose the correct option from the following:

19. The auditor should agree, in writing when appropriate, on the following matters with the auditor's expert:
- I. The nature, scope and objectives of that expert's work.
 - II. The respective roles and responsibilities of the auditor and that expert.
 - III. The nature, timing and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert.
 - IV. The need for the auditor's expert to observe confidentiality requirements.

Choose the correct option:

- a) I, II and III only
 - b) I, II & IV only
 - c) All of the above matters
 - d) II, III, IV only
20. For the purposes of this SA, following are considered as experts:
- I. Expert in complex modeling for valuing financial instruments.
 - II. Expert in taxation law.
 - III. Expert in application of Accounting Standard on deferred taxes.

Choose the correct option:

- (a) All of the above
- (b) I & II
- (c) I & III

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21. Auditor has to evaluate auditor's expert on the basis of following:

- I. Competence
- II. Capability
- III. Objectivity

Choose the correct option:

- a) I & II
- b) I & III
- c) I, II and III

22. Interests and relationships that may be relevant to determine the objectivity of the auditor's expert include:

- I. Financial interests.
- II. Business and personal relationships.
- III. Provision of other services by the expert

Choose the correct option:

- a) Any one is sufficient to be checked
- b) All are required to be checked, as applicable
- c) All are required to be checked

23. The auditor using the work of an auditor's expert, having followed this SA, concludes that the work of that expert is inadequate for the auditor's purposes. He will

- I. Engage another expert
- II. Perform additional procedures
- III. Express modified opinion

Choose the correct option:

- a) All of the above
- b) I and II
- c) II and III
- d) Combination of above, as may be necessary

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24. In determining the nature, timing and extent of auditor's procedures, the auditor shall consider matters including:
- I. The nature of the matter to which that expert's work relates.
 - II. The risks of material misstatement in the matter to which that expert's work relates.
 - III. The significance of that expert's work in the context of the audit.
 - IV. The auditor's knowledge of and experience with previous work performed by that expert.
 - V. Whether that expert is subject to the auditor's firm's quality control policies and procedures.

Choose the correct option:

- a) I, II, III only
 - b) II & IV only
 - c) I, III, V only
 - d) All of the above
25. Expertise in a field other than accounting or auditing may include expertise in relation to matters such as:
- I. The valuation of complex financial instruments, land and buildings, plant and machinery, jewelry, works of art, antiques, intangible assets, assets acquired and liabilities assumed in business combinations and assets that may have been impaired.
 - II. The actuarial calculation of liabilities associated with insurance contracts or employee benefit plans.
 - III. The estimation of oil and gas reserves.
 - IV. The valuation of environmental liabilities, and site clean-up costs.
 - V. The interpretation of contracts, laws and regulations.
 - VI. The analysis of complex or unusual tax compliance issues.

Choose the correct option:

- a) II, IV & VI only
- b) I, III & V only
- c) None of the above
- d) All of the above

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26. Match the following:

a)	SA 620 deals with the auditor's responsibility	1	Estimation of oil and gas reserves.
b)	Example of matters of use of auditor's expert	2	To use the work of an auditor's expert.
c)	Expertise means	3	Skills, knowledge and experience in a particular field.

27. Match the following:

a)	Capability means	1	Respective roles and responsibilities of auditor and auditor's expert.
b)	Agreement with auditor's expert by auditor includes	2	Relevance and reasonableness of expert's findings and conclusion.
c)	Auditor shall evaluate adequacy of the auditor's expert's work including	3	Ability to exercise competence in circumstances of engagement.