

SA 700(Revised) - Forming an Opinion and Reporting on Financial Statements

Select True or False:

1. In case of financial statements prepared in accordance with compliance framework, auditor is required to evaluate whether financial statements achieve fair presentation.
 - a) True
 - b) False
2. SA 700(Revised) deals with all types of auditor's opinion.
 - a) True
 - b) False
3. Supplementary information that is not required by the applicable financial reporting framework but is nevertheless an integral part of financial statements because it cannot be clearly differentiated from the audited financial statements due to its nature or how it is presented shall be covered by the auditor's opinion.
 - a) True
 - b) False
4. The auditor's report shall be in writing. A written report encompasses reports issued in hard copy format and those using an electronic medium.
 - a) True
 - b) False
5. SA 700(Revised) specifies minimum elements of the auditor's report and the order in which these elements should be included.
 - a) True
 - b) False
6. Basis for opinion paragraph should be included in audit reports only if the opinion is modified.
 - a) True
 - b) False

Choose the correct option from the following:

7. Under which section in the auditor's report is the introductory paragraph stating, 'we have audited the financial statements of _____', is to be included?
 - a) Auditor's responsibilities for the audit of the Financial Statements paragraph
 - b) Basis for Opinion paragraph
 - c) Responsibilities of Management for the Financial Statements paragraph
 - d) Opinion paragraph

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8. The elements of an audit report as stated in SA 700(Revised) apply to:
- a) General purpose financial statements
 - b) Special purpose financial statements
 - c) Single financial statement
 - d) All of the above
9. Does the requirement of SA 700(Revised) apply for the review engagements of financial statements/financial results for the period commencing on or after 1 April 2018?
- a) Yes, auditor should comply with requirements of SA 700 for all engagements including review engagements.
 - b) No, auditor should comply with the requirements of review standards SRE 2400 or SRE 2410 as may be applicable. SA 700(Revised) does not apply to review engagements.
10. Audit report on general purpose financial statements of a company is addressed to:
- a) Those charged with governance
 - b) Management
 - c) Board of Directors
 - d) Members of the company
11. Responsibility for the preparation of the financial statements as per applicable financial reporting framework is required to be disclosed under which of the following sections in the auditor's report?
- a) Under basis for opinion paragraph
 - b) Under opinion paragraph since the opinion is to be on the financial statements
 - c) Under auditor's responsibility paragraph since auditor is responsible for auditing the financial statements
 - d) Under management's responsibility paragraph since management is responsible for the preparation of the financial statements as per applicable financial reporting framework
12. The management's responsibility paragraph includes a statement that management is responsible for design, implementation and maintenance of internal financial controls and that they were operating effectively. Should this paragraph be amended if the internal financial controls are not operating effectively?
- a) Auditor should modify the management's responsibility paragraph appropriately.
 - b) Management's responsibility paragraph is not required to be amended. The auditors' opinion on internal financial controls should be modified appropriately.

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13. What is the significance of the date of the auditor's report?
- a) There is no significance of date of auditor's report and it is not mandatory that the report should be dated.
 - b) Date of the auditor's report informs the user of the auditor's report that the auditor has considered subsequent events up to that date in making his audit report and has obtained sufficient appropriate audit evidence to support his opinion.
14. Can an auditor sign the auditor's report at a place other than the place where the registered office of the entity is situated?
- a) No, place of signature should be the same location where the registered office of the entity is situated.
 - b) Yes, an auditor can sign at a place which is different from the registered office of the entity and ordinarily, location as per SA 700 (Revised) is the place where audit report is signed.
15. Can an auditor in India conduct an audit in accordance with International Standards on Auditing (ISA) in addition to Standards on Auditing (SA) issued by ICAI?
- a) No, auditor cannot conduct an audit under both SA and ISA.
 - b) Yes, auditor's report may refer to Standards on Auditing in addition to the International Standards on Auditing provided (i) there is no conflict between ISA and SA that would lead to different opinion or not include an emphasis of matter or other matter paragraph where particularly required by SA; and (ii) each of the elements set out in paragraph 49(a)-(n) of SA 700(Revised) are included in such report.

Choose all the correct options from the following:

16. What terms can be used to express an unmodified opinion on financial statements prepared in accordance with a fair presentation framework?
- a) Present fairly, in all material respects
 - b) With the foregoing explanation
 - c) Give a true and fair view
 - d) Subject to
17. In which of the following circumstances, an auditor cannot give an unmodified opinion?
- a) When the auditor reaches a conclusion that the financial statements taken as a whole are not free from material misstatement
 - b) When due to non-availability of sufficient appropriate audit evidence, the auditor does not have the ability to conclude that the financial statements, taken as a whole, are free from material misstatement
 - c) When the accompanying financial statements give a true and fair view in accordance with the applicable financial reporting framework
 - d) When the financial statements are prepared using International Financial Reporting Standards (IFRS)

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18. SA 700(Revised) introduces some new elements of audit report as compared to the pre-revised standard. These include:
- a) Going concern
 - b) Key audit matters
 - c) Other matter
 - d) Auditor's responsibility for the audit of the financial statements
19. As per SA 700(Revised), which of the following are correct?
- a) The first section of the audit report should be the opinion paragraph
 - b) Basis for opinion paragraph should be placed after the opinion paragraph
 - c) Report on other legal and regulatory requirements is the last section of the audit report to be included after the auditor's responsibilities paragraph
 - d) In case of modified opinion, basis for modification paragraph should be placed before the opinion paragraph
20. Which of the following statements are correct in case of financial statements prepared in accordance with fair presentation framework:
- a) Fair presentation framework acknowledges explicitly or implicitly that it may be necessary for management to provide disclosures beyond those specifically required by the framework.
 - b) Fair presentation framework acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework and such departures are expected to be necessary only in extremely rare circumstances.
 - c) When expressing an unmodified opinion, the auditor should state that the accompanying financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
 - d) The term "fair presentation framework" is used is used to refer to a financial reporting framework that requires compliance with the requirements of the framework.
21. The description of the auditor's responsibility for the audit of financial statements can be included:
- a) In the auditor's report
 - b) In an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix
 - c) By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority, where law, regulation or the applicable auditing standards expressly permit the auditor to do so
 - d) In the engagement letter and in such case the audit report should refer to the engagement letter

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22. Which of the following statements are correct in respect of supplementary information that is not required by the applicable financial reporting framework but is provided voluntarily by the management or required by a law or regulation and the management (or law/ regulation) requires such information not to be subjected to audit?
- a) Such information should be covered by the auditor's opinion
 - b) It is not required to differentiate such information from the audited financial statements
 - c) Auditor should evaluate whether such information is presented in such a way that sufficiently and clearly differentiates it from audited financial statements
 - d) If such information is not differentiated from audited financial statements, auditor should explain in his report that such information is unaudited
23. Which of the following information is inter-alia required to be included in the auditor's responsibility section in the auditor's report?
- a) Statement that the preparation of the financial statements as per applicable reporting framework is responsibility of management
 - b) The objectives of the auditor
 - c) Statement that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists
 - d) Statement about auditor being independent as per relevant ethical requirements
24. Which of the following aspects are required to be included in the basis for opinion section in the auditor's report?
- a) Statement that the audit was conducted in accordance with Standards on Auditing
 - b) Statement that the financial statements have been audited
 - c) Statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit
 - d) Statement whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion

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25. How can an auditor describe materiality with respect to misstatements due to fraud or errors under the section of auditor's responsibility?
- a) Auditor may describe that misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements
 - b) Auditor may provide a definition or description of materiality in accordance with the applicable financial reporting framework
 - c) There is no concept of materiality as auditor has to provide reasonable assurance and accordingly no reference should be made to materiality
 - d) Either of the option (a) or (b) above
26. Which of the following statements are correct in case of financial statements prepared in accordance with compliance framework:
- a) It acknowledges explicitly or implicitly that it may be necessary for management to provide disclosures beyond those specifically required by the framework
 - b) It acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework and such departures are expected to be necessary only in extremely rare circumstances
 - c) Auditor is not required to evaluate whether financial statements achieve fair presentation
 - d) The term "compliance framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework but does not contain the acknowledgements in (a) or (b) above