**Standards on Auditing**

**1. Which of the following SAs deals with auditor’s responsibilities in agreeing the terms of audit engagement**

**a)** SA 210

**b)** SA 220

**c)** SA 230

**d)** SA 240

**2. The primary purpose of establishing quality control policies and procedures for deciding on client evaluation to**

**a)** Ensure adherence to generally accepted auditing standards

**b)** Acceptance or continuance of client’s relationship

**c)** Ensure audit fees is charged according to the type of audit work assigned

**d)** All of above

**3. The auditor shall establish existence of preconditions for an audit of financial statements**

**a)** Before confirming common understanding between the auditor and management of the terms of audit engagement.

**b)** After confirming common understanding between the auditor and management of the terms of audit engagement.

**c)** Before appointment of auditor

**d)** After the date of auditor’s report.

**4. Terms of auditing engagement are discussed through**

**a)** Letter of appointment

**b)** Letter of acceptance

**c)** Engagement letter

**d)** Letter of weakness

**5. Engagement letter is provided by**

**a)** Management to auditor

**b)** Auditor to Management/TCWG

**c)** Internal auditor to External Auditor

**d)** CG to Auditor

**6. Engagement letter is**

**a)** Always required when auditor is appointed

**b)** Always required when auditor is reappointed

**c)** Not always required when auditor is reappointed but except for certain exceptions

**d)** (a) and (C)

**7. Which of the following reduce the possibility of misunderstanding to a great extent**

**a)** Statements issued by the ICAI

**b)** Guidance notes issued by the ICAI

**c)** Engagement Letter

**d)** All of the above

**8. Which of the following is not a term of engagement letter**

**a)** Object and Scope of audit

**b)** Responsibilities of management and TCWG of the entity

**c)** Fact that audit process may be subject to peer review under Chartered Accountants Act, 1949

**d)** Audit Planning

**9. The audit engagement letter generally should include to each of the following except**

**a)** Limitation of auditing

**b)** Responsibilities of management with respect to audit work

**c)** Expectation of receiving a written representation letter

**d)** A description of the auditor’s method of sample selection.

**10. In which of the following circumstances a new engagement letter is required in recurring audit engagement**

**a)** Any change in the senior management of the entity

**b)** Any change in the nature of business of the entity

**c)** Any change in legal requirement

**d)** All of the above

**11. If auditor is requested by management to change the audit engagement to an engagement that conveys a lower level of assurance, then the auditor shall**

**a)** Reject the management’s request

**b)** Accept the management’s request

**c)** Determine that there is a reasonable justification for doing so

**d)** Shall not entertain any such request

**12. If auditor is unable to agree to change of the terms of the audit engagement and it is not permitted by management to continue the original audit engagement, the auditor shall**

**a)** Withdraw from the audit engagement where possible under applicable law or regulation.

**b)** Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators

**c)** Combination of both (a) and (b)

**d)** Either (a) or (b)

**13. As per SA 210, when at management’s request auditor determines to change any term of auditing engagement, the revised terms of auditing engagement**

**a)** Shall be recorded in the engagement letter

**b)** Need not be recorded in written agreement

**c)** Other suitable form of written agreement

**d)** Either (a) or (c)

**14. The use of an audit engagement letter is the best method of assuring the audit will have**

**a)** Auditor will obtain sufficient appropriate audit evidence

**b)** Management representative letter

**c)** Access to all books, accounts and vouchers required for audit purpose

**d)** Cooperation from other auditors

**15. In order to establish whether the preconditions for an audit of financial statements are present, the auditor shall**

**a)** Determine whether the financial reporting framework is acceptable

**b)** Obtain the agreement of management that it acknowledges and understands its responsibilities its responsibility for the preparation of the financial statements in accordance with the applicable FRF

**c)** To provide the auditor with access to all information such as records, documents and other matters.

**d)** All of the above

**SA 220**

**16. Which of the following SAs deals with responsibilities of auditor regarding quality control procedures for an audit of financial statements**

**a)** SA 200

**b)** SA 210

**c)** SA 220

**d)** SA 260

**17. The objective of SA 220 is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that**

**a)** The audit complies with professional standards and regulatory requirements

**b)** The auditor’s report issued is appropriate in the circumstances

**c)** Both (a) and (b)

**d)** None of these

**18. The partner who is responsible for the auditing engagement and its performance and for the report that is issued on behalf of the firm is called as:**

**a)** Active partner

**b)** Performing partner

**c)** Engagement Partner

**d)** Working Partner

**19. Which of the following is not a function of engagement partner?**

**a)** Designing and implementing internal control

**b)** Compliance with professional standards

**c)** Whether to accept the client or not

**d)** Monitoring of quality control system of firm

**20. SQC-1 sets out**

**a)** The responsibilities of the firm for establishing policies and procedures regarding compliance with relevant ethical requirements

**b)** The engagement partner’s responsibilities with respect to relevant ethical requirements

**c)** Both (a) and (b)

**d)** None

**21. \_\_\_\_\_\_\_\_\_\_\_\_ safeguards the auditor’s ability to form an audit opinion without being affected by any influences.**

**a)** The engagement partner’s responsibilities

**b)** The auditor’s independence

**c)** Both (a) and (b)

**d)** None

**22. Which of the following partner can act as engagement partner**

**a)** Any Partner

**b)** Any CA Partner

**c)** Any CA Partner in full time or part time practice

**d)** Any CA Partner in full time practice

**23. Who will take responsibility for overall quality in an audit of financial statements**

**a)** All the partners of firm

**b)** All CA partners of firm

**c)** Engagement partner

**d)** Engagement team

**24. Which of the following information assist the auditor in accepting and continuing of client relationship**

**a)** The integrity of the principal owners, key management and TCWG of the entity

**b)** Whether the firm and the engagement partner can comply with the relevant ethical requirements

**c)** Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources

**d)** All of these

**25. Appointment of engagement quality control reviewer is mandatory in case of audit of financial statements of**

**a)** Any entity

**b)** Any entity except One Person Company and Small Company

**c)** Listed Entity

**d)** None of these

**26. Which of the following in not element of quality control in an audit of financial statements**

**a)** Leadership Responsibilities

**b)** Assignment of Engagement Team

**c)** Acceptance and Continuance of Client Relationship and Audit Engagements

**d)** Signing on Audit Report

**27. If any difference of opinion arise within engagement team or between engagement partner and quality control reviewer, the engagement team follow**

**a)** Engagement partner

**b)** Engagement quality control reviewer

**c)** Firm’s policies and procedures

**d)** Majority of members of engagement team

**28. Auditing firms should establish quality control policies and procedures for personnel management in order to provide reasonable assurance that**

**a)** Employees promoted possess the appropriate characteristics to perform competently

**b)** Personnel will have the knowledge required to fulfill responsibilities assigned

**c)** The extent of supervision and review in a given instance will be appropriate

**d)** All of the above are reasons

**29. The least important element in the evaluation of an audit firm’s system of quality control would relate to**

**a)** Assignment of audit assistants

**b)** Consultation with experts

**c)** System for determining audit fees

**d)** Confidentiality of client’s information

**30. The engagement partner may identify a threat to independence regarding the audit engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case**

**a)** The engagement partner reports to the relevant person(s) within the firm to determine appropriate action.

**b)** Withdraw from audit engagement, where withdrawal is legally permitted.

**c)** Where applicable law or regulation does not permit withdrawal of the auditor from the engagement, disclose through a public report.

**d) All of the above**

**31. In pursuing its quality control objectives with respect to independence, an auditing firm may use policies and procedures such as**

**a)** Emphasizing independence of mental attitude in firm training programs and in supervision and review of work

**b)** Prohibiting employees from owning stock of public companies

**c)** Suggesting that employees conduct their banking transactions with banks that do not maintain accounts with client firms

**d)** Assigning employees who may lack independence to research positions that do not require participation in field audit work

**32. Policies and procedures w.r.t human resources address which of the following issues**

**a)** Recruitment

**b)** Capabilities

**c)** Competence

**d)** All of above

**33. Throughout the audit engagement, the engagement partner shall remain alert for evidence of non-compliance with relevant ethical requirements by engagement team through**

**a)** Inquiry

**b)** Observation

**c)** (a) and (b)

**d)** Review of audit documentation

**34. As per SQC-1, the firms’ system of quality control should include policies and procedures addressing which of the following element**

**a)** Leadership responsibilities for quality

**b)** Audit planning

**c)** Auditor’s judgement

**d)** All of the above

**35. The engagement quality control reviewer shall perform an object evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the auditor’s report. This evaluation shall involve**

**a)** Discussion of significant matters with engagement team.

**b)** Review of the financial statements and the proposed auditor’s report

**c)** Review of selected audit documentation relating to the significant judgements and the engagement team made and the conclusions it reached

**d)** All of the above

**36. Duties of Engagement Quality Control Reviewer**

**a)** Whether to accept the client or not

**b)** Discuss significant matters with engagement partner

**c)** To resolve issues of engagement team

**d)** All of the above

**37. Which of the following is not function of engagement partner**

**a)** Design and implementing internal control

**b)** Compliance with professional standards

**c)** Whether to accept the client or not

**d)** Monitoring of quality control system of firm

**38. The firm should establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice, which refers to**

**a)** Engagement Performance

**b)** Human Resources

**c)** Monitoring

**d)** Firm’s Quality Control policies