**471. Which of the following SA deals with auditor’s responsibilities regarding related party relationships and transactions when performing an audit of financial statements**

**a)** SA 540

**b)** SA 550

**c)** SA 560

**d)** SA 570

**472. A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interest is called as:**

**a)** Arm’s length transaction

**b)** Related party transaction

**c)** Significant transaction

**d)** None of these

**473. Related party transaction may be conducted**

**a)** In the normal course of business

**b)** Not under normal market terms and conditions

**c)** With no exchange consideration

**d)** All of these

**474. A related party transaction may have the following features:**

**a)** A person or entity under common control

**b)** Owners who are close family members

**c)** Common key management

**d)** All of these

**475. Which of the following is not a record or document that may provide information about related party relationships and transactions:**

**a)** Entity income tax return

**b)** Internal auditor’s report

**c)** Memorandum of Association

**d)** Life insurance policies acquired by the entity.

**476. To identify and assess risk of material misstatements due to fraud or error that could result the entity’s related party relationships and transaction the auditor shall:**

**a)** Inquiry with management and others within the entity

**b)** Perform other risk assessment procedures

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

**d)** None of these

**477. If auditor identifies significant related party transactions, not conducted on the terms and conditions like normal rate and market conditions then, he should evaluate-**

**a)** Business rationale behind these transactions

**b)** Consistency of terms with management’s explanation

**c)** Accounting and disclosure of such transactions in financial statements

**d)** All of these

**478. Statement(1)**

**As per SA-550, auditor should examine whether related party transactions have been appropriately accounted for and disclosed in the financial statements as per financial reporting framework; though he need not check authorization of such transactions by management.**

**Statement (2)**

**Auditor should consider whether management has appropriately accounted and disclosed the related party transactions in their financial statements as per applicable financial framework as it might affect his audit opinion.**

**a)** Only Statement (1) is true

**b)** Only Statement (2) is true

**c)** Both the statements are true

**d)** None of the Statements is true

**479. Statement(1)**

**Regarding related party relationships and transactions with them, auditor shall not obtain any written representation; rather obtain extra evidences independently as he cannot rely on written representations when it comes to related party transactions.**

**Statement (2)**

**As per SA-550, he should maintain documentation regarding name and nature of related party relationships**

**a)** Only Statement (1) is true

**b)** Only Statement (2) is true

**c)** Both the statements are true

**d)** None of the Statements is true

**480. As per Accounting Standard 18, the facts to be disclosed in the financial statements by the auditor shall include-**

**a)** Related party name and nature of relationship

**b)** If there is a transaction between related parties, the nature of transaction, the price at which it has been made and amount of transaction outstanding at the balance sheet date.

**c)** Both a and b

**d)** None of these

**481. For identifying existence of related parties, apart from obtaining written representation from management and TCWG, the auditor should also consider-**

**a)** Key man insurance policies

**b)** Income tax returns

**c)** Internal auditor’s reports

**d)** None of these

**482. SA- \_\_\_\_\_\_\_\_\_\_\_ pertains to management’s responsibilities to examine whether related party transactions have been appropriately accounted for and disclosed in the financial statements.**

**a)** SA-240

**b)** SA-550

**c)** SA-560

**d)** None of these

**SA 560**

**483. SA- \_\_\_\_\_\_\_\_\_\_\_\_relates to auditor’s responsibilities regarding subsequent events**

**a)** SA-550

**b)** SA-560

**c)** SA-570

**d)** None of these

**484. Subsequent events as per SA 560 are-**

**a)** Events occurring between the date of financial statements and the date of auditor’s report

**b)** Facts that become known to the auditor after the date of auditor’s report

**c)** Both a and b

**d)** None of these

**485. The auditor shall obtain sufficient and appropriate evidence that all events after the balance sheet date but before or up to the date of \_\_\_\_\_\_\_\_\_\_ that require adjustment or disclosure in \_\_\_\_\_\_\_ have been identified.**

**a)** Board’s approval; Board report

**b)** Board’s approval; financial statements

**c)** Auditor’s report; Board report

**d)** Auditor’s report; financial statements

**486. Regarding subsequent events, auditor shall comply with the requirements given in SA-560. State which of the following is not correct in this regard?**

**a)** The auditor shall inquire the management and those charged with governance regarding the subsequent events.

**b)** Auditor should read the entity’s subsequent interim financial statements, if any

**c)** The auditor may inquire entity’s lawyer regarding the pending cases and outcomes therefrom.

**d)** Auditor need not consider whether subsequent event may have an impact on going concern assumption

**487. Statement (1)**

**Generally, auditor has no obligation to perform any audit procedures regarding the financial statements after the date of auditor’s report.**

**Statement (2)**

**In case auditor comes to know about a fact after the date of auditor’s report, he should not consider the same.**

**a)** Only Statement (1) is true

**b)** Only Statement (2) is true

**c)** Both the statements are true

**d)** None of the Statements is true

**488. In case facts become known to the auditor after the date of audit report but before the date financial statements are issued, then auditor shall-**

**a)** Discuss with management and TCWG the matter whether there is need to amend financial statements and treatment in financial statements**.**

**b)** Should not ask the management and TCWG to amend the financial statements in any case because it may give rise to many complications.

**c)** He should ask the management and TCWG to inform about the situation to everyone in receipt of previously issued financial statements and amend the financial statements.

**d)** He need not provide a new report even if facts are such that had it been known to the auditor at the date of audit report, it might have affected his audit report.

**489. Statement (1)**

**If auditor comes to know about the facts which are of such nature that had those been known to the auditor at the date of audit report, it might have affected his audit report, and he asks the management and TCWG to amend the financial statements but management does not amend the financial statements, then, he should provide a new report.**

**Statement (2)**

**If he comes to know about the facts after the date financial statements are issued, then, he does not have any obligation because financial statements have already been issued to third parties. At the most he can provide a public notice.**

**a)** Only Statement (1) is true

**b)** Only Statement (2) is true

**c)** Both the statements are true

**d)** None of the Statements is true

**490. A limited company is having a pending case filed against it on 31th March, 2018. A decision has been received from the court on 14th April, 2018. i.e. after the balance sheet date.**

**a)** It is a subsequent event

**b)** It should be considered by the management while preparing the financial statements.

**c)** Auditor needs to check whether it has been dealt with in the financial statements as per applicable financial reporting framework.

**d)** All of these

**491. When after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall**

**a)** Discuss the matter with management and TCWG

**b)** Determine whether the financial statements need amendment

**c)** Inquire how management intends to address the matter in the financial statements

**d)** All of the above

**SA 570**

**492. Statement (1)**

**Under the going concern assumption, an entity is viewed as continuing in business forever.**

**Statement (2)**

**General purpose financial statements are prepared on a going concern basis if management neither intends to liquidate the entity nor to cease the operations**

**a)** Only Statement (1) is true

**b)** Only Statement (2) is true

**c)** Both the statements are true

**d)** None of the Statements is true

**493. In case financial statements have not been prepared on a going concern basis,-**

**a)** The fact need not be appropriately disclosed

**b)** The auditor shall comply with SA-570

**c)** Both a and b

**d)** None of these

**494. Statement (1)**

**As per SA-570, the auditor need not consider whether there is material uncertainty about the entity’s ability to continue as a going concern because it is management’s responsibility to consider the same.**

**Statement (2)**

**The absence of any reference to going concern uncertainty in the auditor’s report may be viewed as a guarantee as to the entity’s ability to continue as a going concern.**

**a)** Only Statement (1) is true

**b)** Only Statement (2) is true

**c)** Both the statements are true

**d)** None of the Statements is true

**495. As per SA-570, the auditor shall**

**a)** Consider the events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

**b)** Plan and perform his audit considering professional skepticism.

**c)** Remain alert throughout the audit

**d)** All of these

**496. The following type of indicators may give rise to a doubt on going concern assumption adopted by management:**

**a)** Financial indicators

**b)** Operating indicators

**c)** Other indicators

**d)** All of these

**497. If the management has prepared financial statements based on going concern assumption but auditor concludes that use of going concern basis is inappropriate, then auditor shall-**

**a)** Express a qualified opinion

**b)** Express an adverse opinion

**c)** Disclaim his opinion

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

**498. If auditor concludes that use of going concern basis of accounting is appropriate but a material uncertainty exists which is adequately disclosed in the financial statements, then auditor shall-**

**a)** Express a qualified opinion

**b)** Express an adverse opinion

**c)** Either option (a) and option (b)

**d)** None of these

**499. If going concern basis of accounting is appropriate, however, there is a material uncertainty which is not disclosed in the financial statements, then auditor shall express-**

**a)** Qualified opinion

**b)** Adverse opinion

**c)** (a) or (b)

**d)** Disclaimer of opinion

**500. The auditor’s report shall include a separate section under the heading “material uncertainty relating to going concern” in case-**

**a)** Adequate disclosure of a material uncertainty has been made in the financial statements

**b)** Adequate disclosure of material uncertainty is not made in the financial statements

**c)** Management may be unwilling to make or extend his assessment

**d)** All of these

**501. If auditor identifies events or conditions that may cast significant doubt on going concern, he shall communicate the same to-**

**a)** Management

**b)** TCWG

**c)** Option (a) and option (b) both

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

**502. The matters relating to going concern may-**

**a)** Be a key audit matter as per SA 701

**b)** Should not be a key audit matter as per SA-701 because these are dealt only in SA-570

**c)** Key audit matters must not include going concern matters

**d)** None of these

**503. While performing audit procedures to obtain audit evidence for management’s use of going concern assumption, the auditor shall consider same time period as covered by management in its assessment, but such period shall not be less than**

**a)** 3 Months

**b)** 6 Months

**c)** 10 Months

**d)** 12 Months

**504. Which of the following is financial event or condition which may cast significant doubt on the entity’s ability to continue as going concern**

**a)** Loss of franchise

**b)** Shortage of supplies

**c)** Negative operating cash flows

**d)** Non-compliance with statutory requirement

**505. Which of the following is operating event or condition which may cast significant doubt on the entity’s ability to continue as going concern**

**a)** Loss of major market segment

**b)** Loss of key customer

**c)** Inability to pay creditors on due date

**d)** (a) and (b)

**506. The auditor found that entity has recurring losses and has negative net worth, these are indicators of-**

**a)** Operating nature

**b)** Financial nature

**c)** Other indicators

**d)** All of these

**507. If auditor concludes that management’s use of going concern basis of accounting is appropriate but material uncertainty exists which has been properly disclosed by management in financial statement, the auditor shall**

**a)** Introduce EOM para in his report in accordance with SA 706

**b)** Introduce separate section in his report under the heading ‘Material Uncertainty Related to Going Concern’

**c)** Introduce OM para in his report in accordance with SA 706

**d)** Qualify his opinion in accordance with SA 705

**508. In case of management’s unwillingness to make or extend its going concern assumption, the auditor shall**

**a)** Consider the implications for the auditor’s report

**b)** Withdraw from engagement

**c)** Introduce EOM para in his report in accordance with SA 706

**d)** Introduce OM para in his report in accordance with SA 706

**509. When any event or condition is identified by auditor which may cast significant doubt on the entity’s ability to continue as going concern, the auditor’s additional procedure shall include the following**

**a)** Communicating the facts to the regulatory auditory of the entity

**b)** Communicate the matter to the Central Government

**c)** Request written representation from management or TCWG regarding their future action and feasibility of these plan

**d)** All of the above