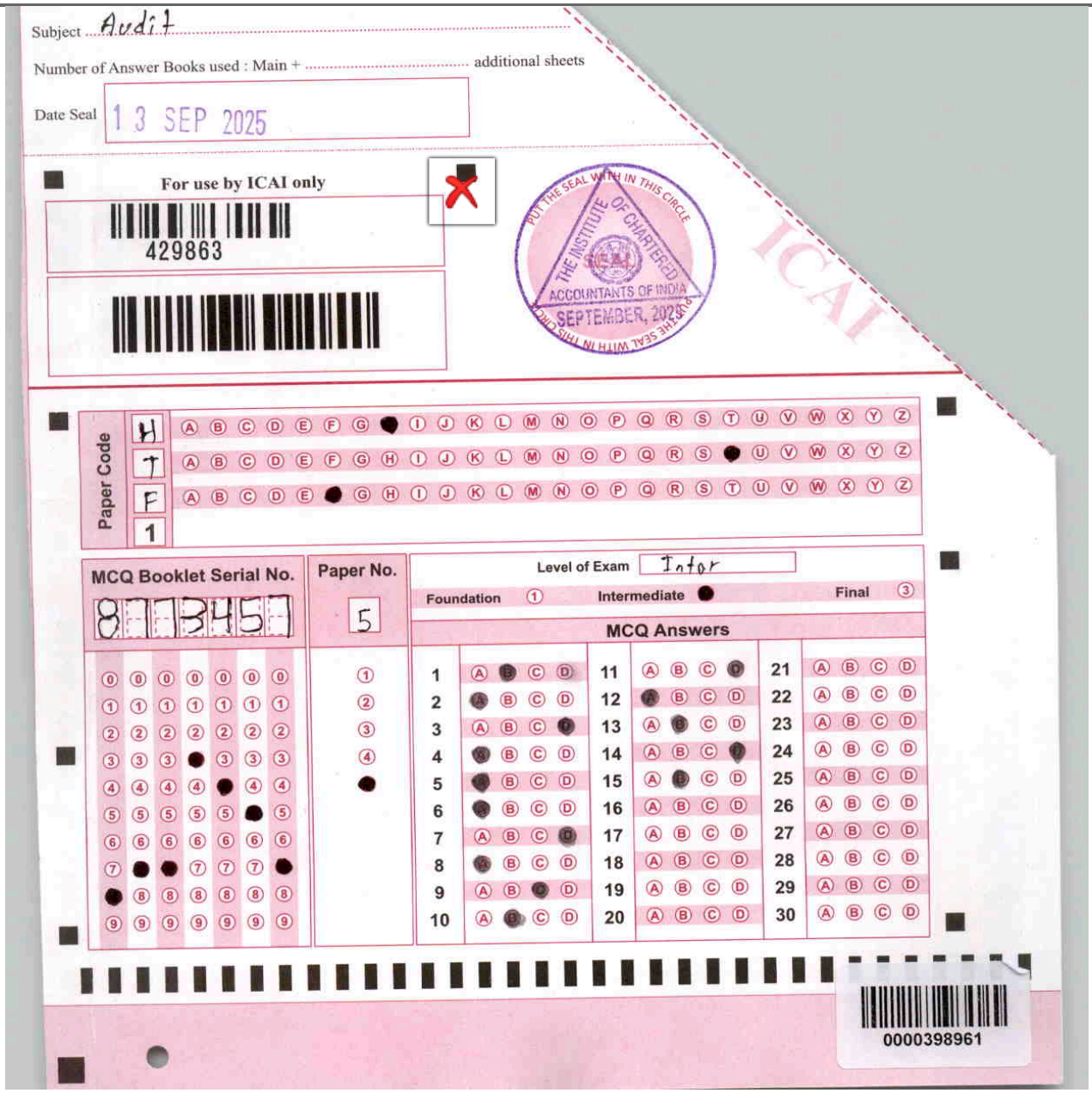
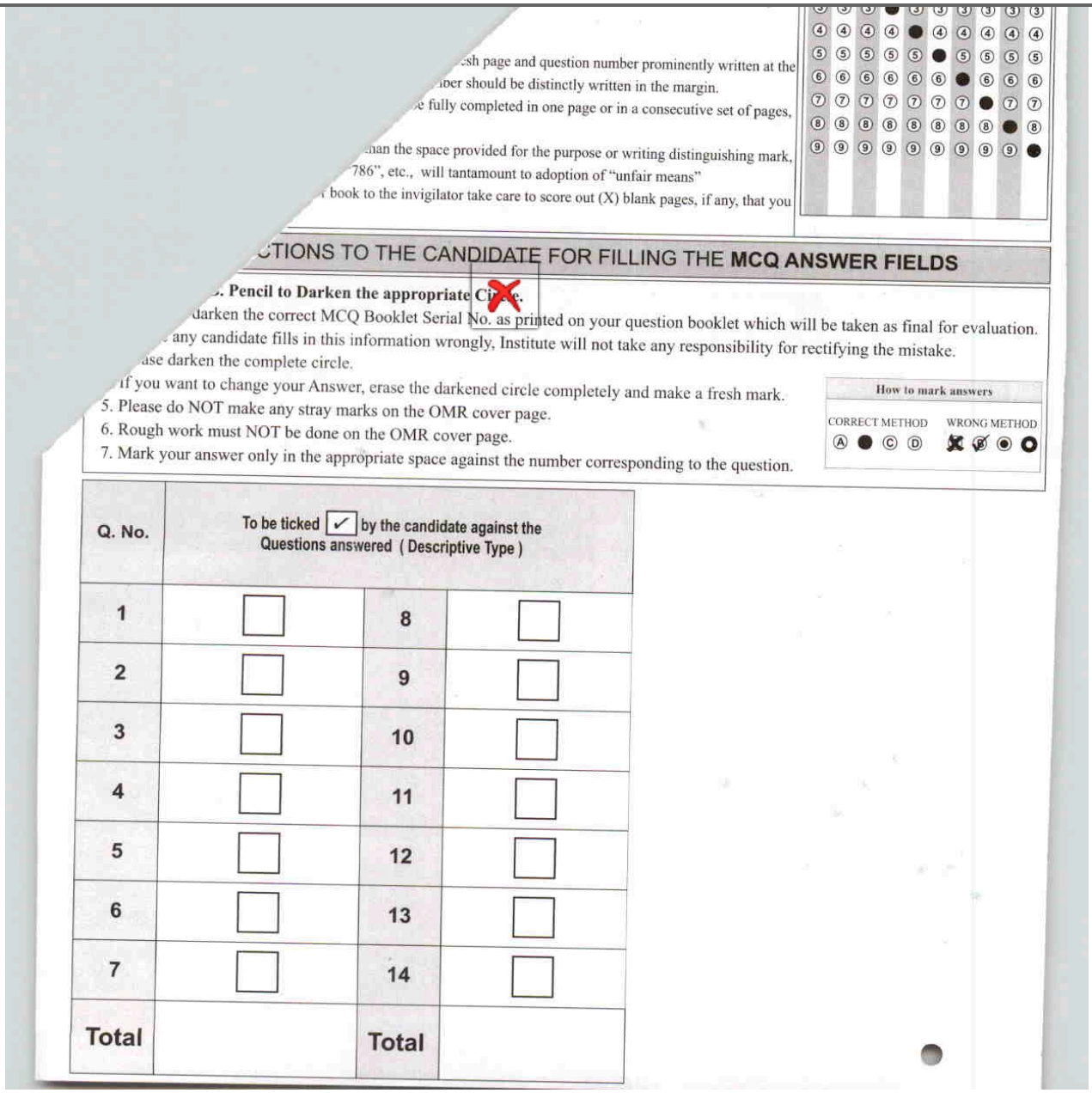
The Institute of Chartered Accountants of India

Code:	**IN5AE429863**	**Total Marks:**	**70**
Subject :	**05 Auditing and Ethics**	**Marks Obtained :**	**33**



The Institute of Chartered Accountants of India

Code:	**IN5AE429863**	**Total Marks:**	**70**
Subject :	**05 Auditing and Ethics**	**Marks Obtained :**	**33**



esh page and question number prominently written at the
ber should be distinctly written in the margin.
e fully completed in one page or in a consecutive set of pages,

han the space provided for the purpose or writing distinguishing mark,
786", etc., will tantamount to adoption of "unfair means"
book to the invigilator take care to score out (X) blank pages, if any, that you

CTIONS TO THE CANDIDATE FOR FILLING THE **MCQ ANSWER FIELDS**

. Pencil to Darken the appropriate Circle.
darken the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.
any candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.
ase darken the complete circle.
If you want to change your Answer, erase the darkened circle completely and make a fresh mark.
5. Please do NOT make any stray marks on the OMR cover page.
6. Rough work must NOT be done on the OMR cover page.
7. Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

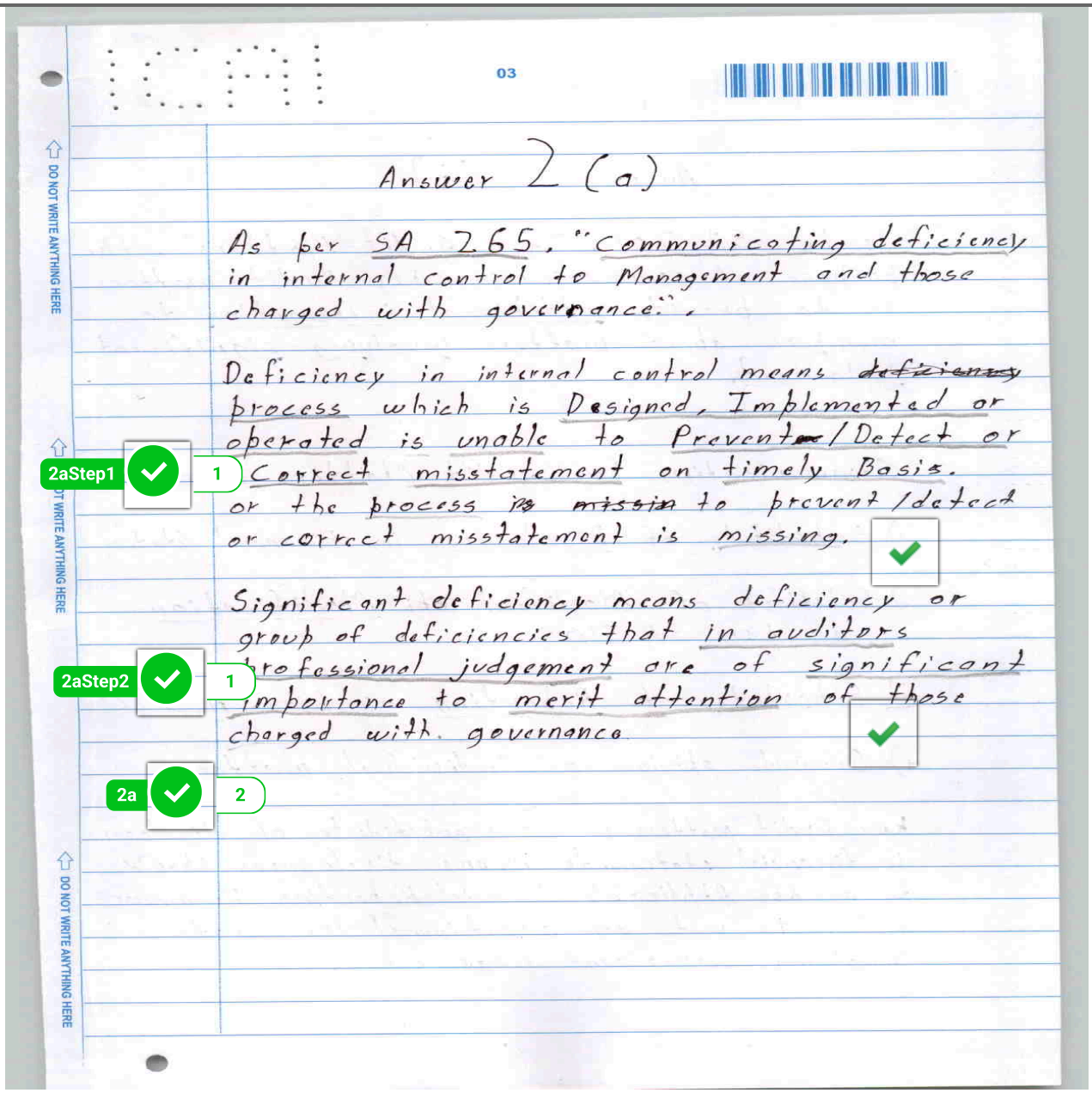
CORRECT METHOD WRONG METHOD

Ⓐ ● Ⓒ Ⓓ

Q. No.	To be ticked ☑ by the candidate against the Questions answered (Descriptive Type)		
1	☐	8	☐
2	☐	9	☐
3	☐	10	☐
4	☐	11	☐
5	☐	12	☐
6	☐	13	☐
7	☐	14	☐
Total		Total	

The Institute of Chartered Accountants of India

Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33



03

Answer 2 (a)

As per SA 265, "communicating deficiency in internal control to Management and those charged with governance".

Deficiency in internal control means ~~deficiency~~ process which is Designed, Implemented or operated is unable to Prevent / Detect or Correct misstatement on timely Basis. or the process is ~~missin~~ to prevent / detect or correct misstatement is missing.

Significant deficiency means deficiency or group of deficiencies that in auditors professional judgement are of significant importance to merit attention of those charged with governance.

2aStep1 1

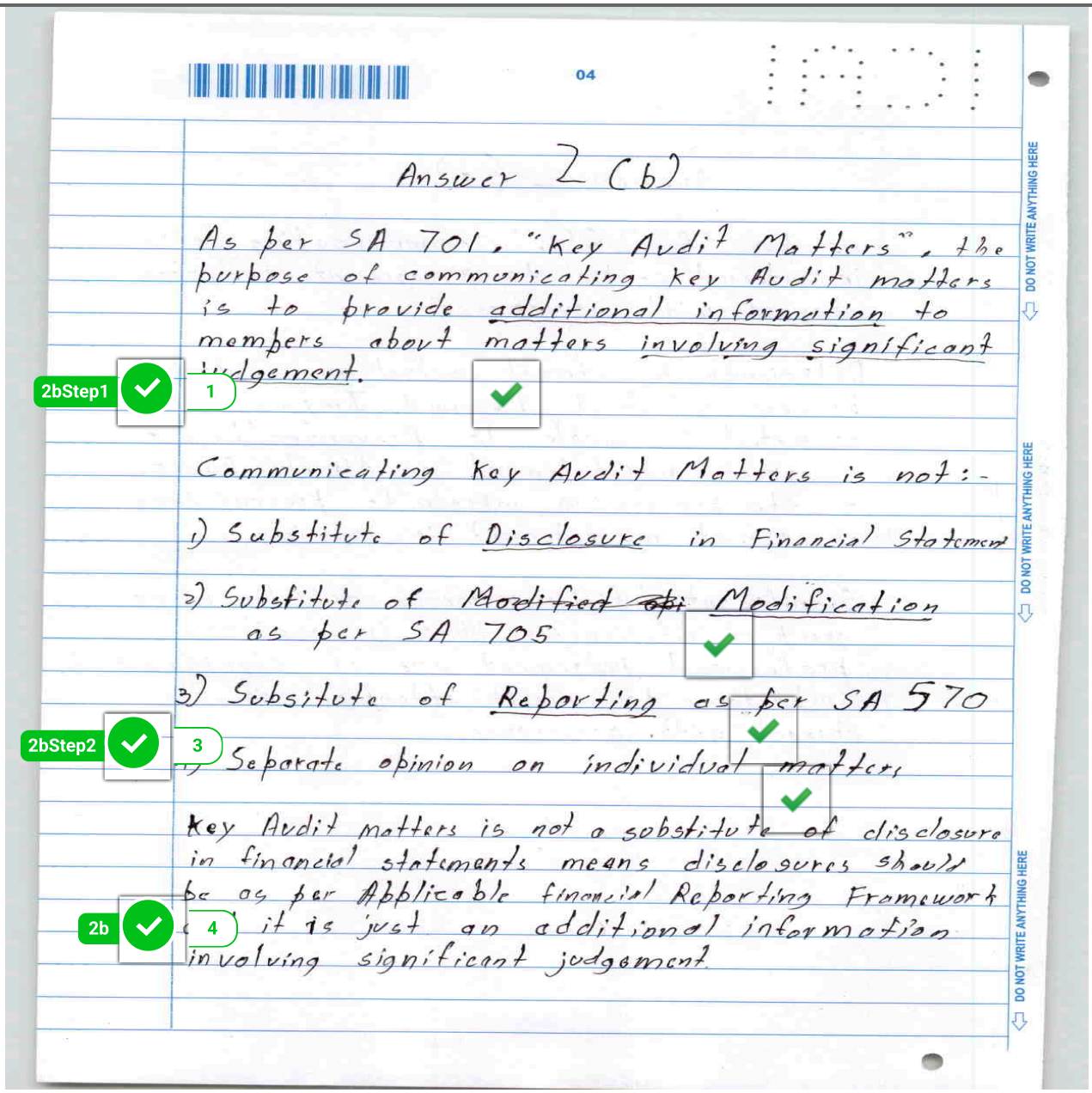
2aStep2 1

2a 2

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



04

Answer 2 (b)

As per SA 701, "Key Audit Matters", the purpose of communicating key Audit matters is to provide additional information to members about matters involving significant judgement.

2bStep1 1

Communicating Key Audit Matters is not :-

1) Substitute of Disclosure in Financial Statement

2) Substitute of ~~Modified etc~~ Modification as per SA 705

3) Substitute of Reporting as per SA 570

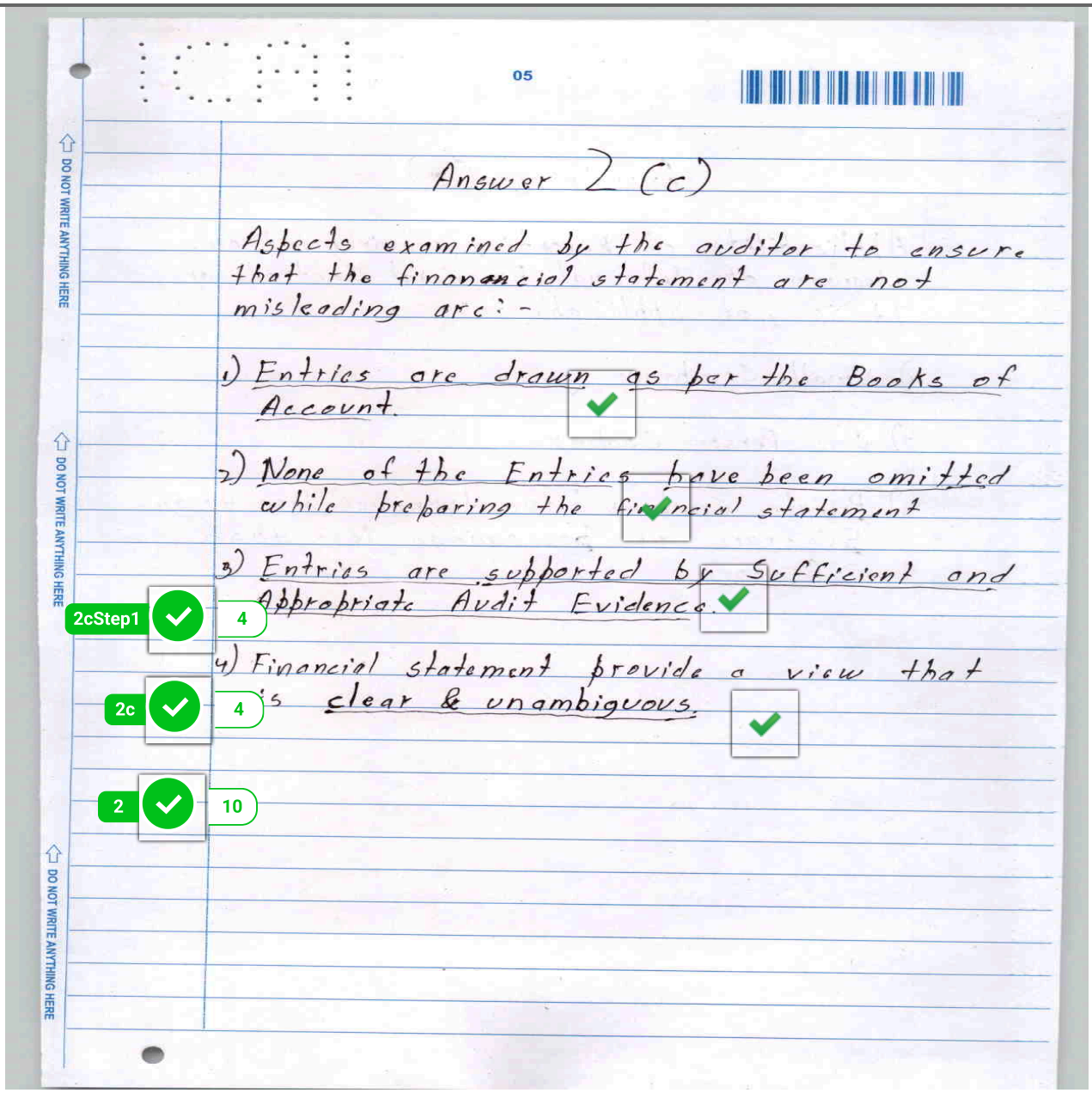
2bStep2 3

4) Separate opinion on individual matters

Key Audit matters is not a substitute of disclosure in financial statements means disclosures should be as per Applicable financial Reporting Framework

2b 4 it is just an additional information involving significant judgement

DO NOT WRITE ANYTHING HERE



05

Answer 2 (c)

Aspects examined by the auditor to ensure that the finanancial statement are not misleading are :-

1) Entries are drawn as per the Books of Account.

2) None of the Entries have been omitted while preparing the financial statement

3) Entries are supported by Sufficient and Appropriate Audit Evidence.

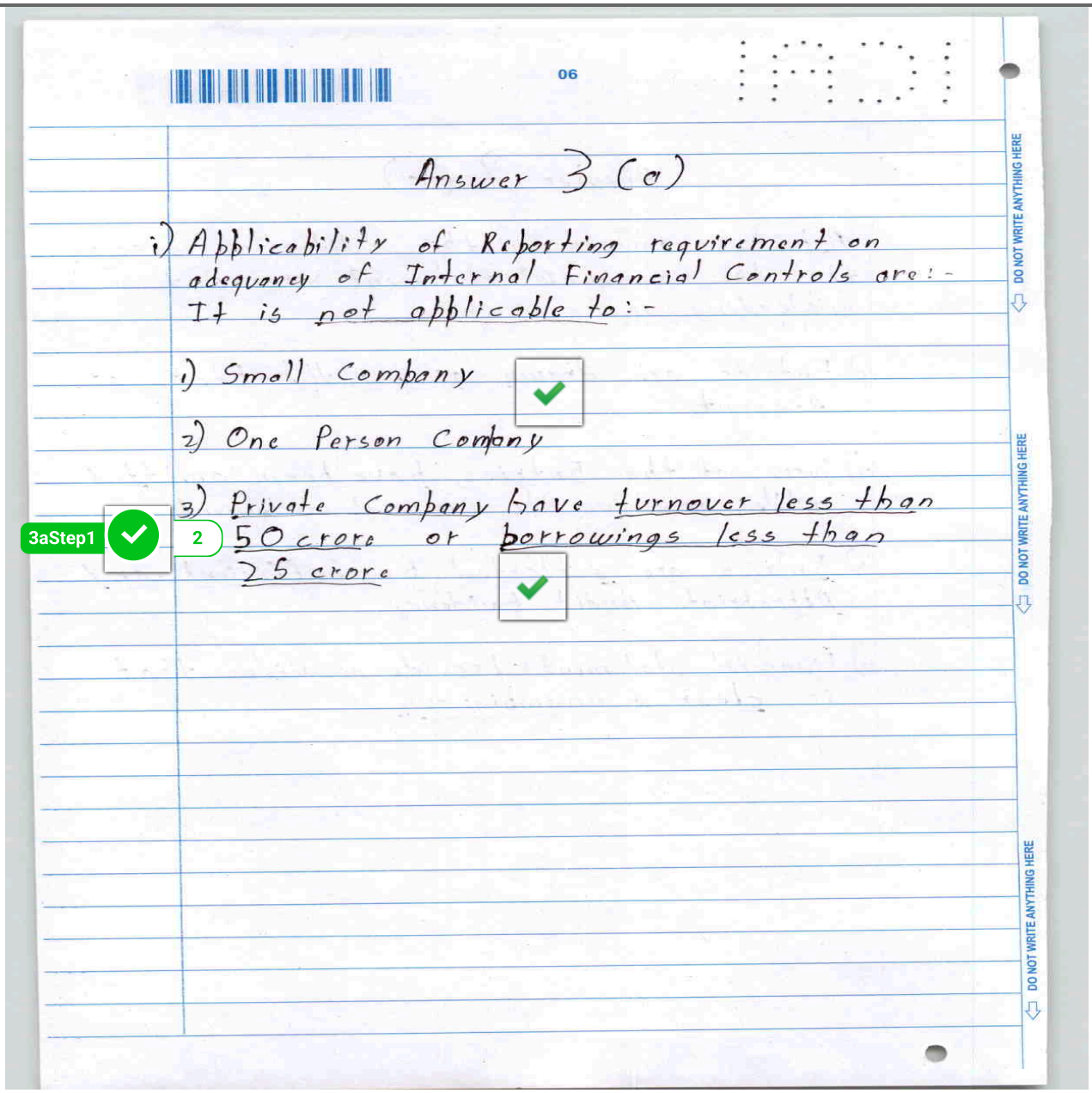
4) Financial statement provide a view that is clear & unambiguous.

2cStep1 4

2c 4

2 10

DO NOT WRITE ANYTHING HERE



06

Answer 3 (a)

i) Applicability of Reporting requirement on adequacy of Internal Financial Controls are:-
It is not applicable to:-

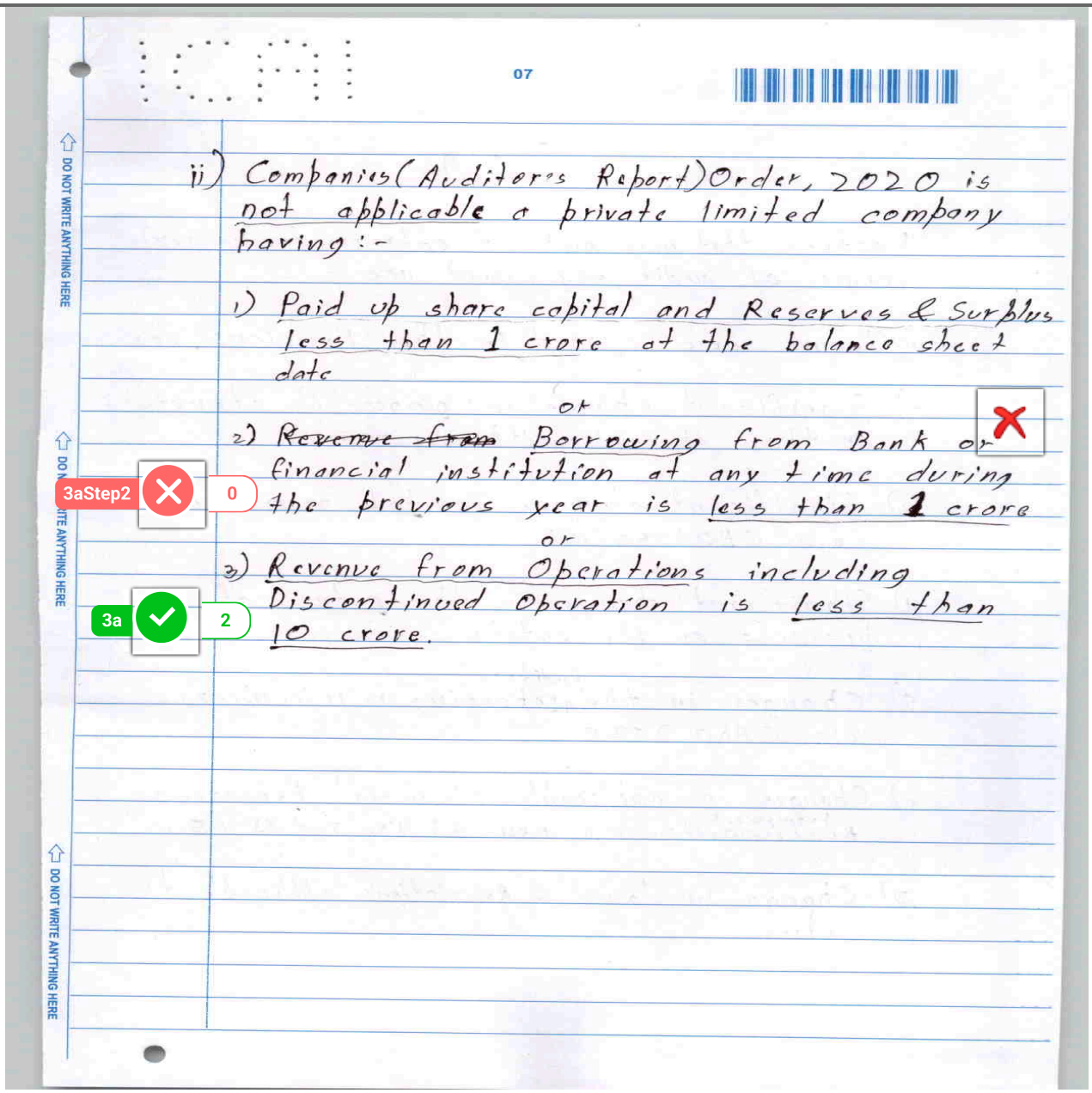
1) Small Company

2) One Person Company

3) Private Company have turnover less than 50 crore or borrowings less than 25 crore

3aStep1 2

DO NOT WRITE ANYTHING HERE



07

ii) Companies (Auditor's Report) Order, 2020 is not applicable a private limited company having :-

1) Paid up share capital and Reserves & Surplus less than 1 crore at the balance sheet date

or

2) ~~Revenue from~~ Borrowing from Bank or financial institution at any time during the previous year is less than 1 crore

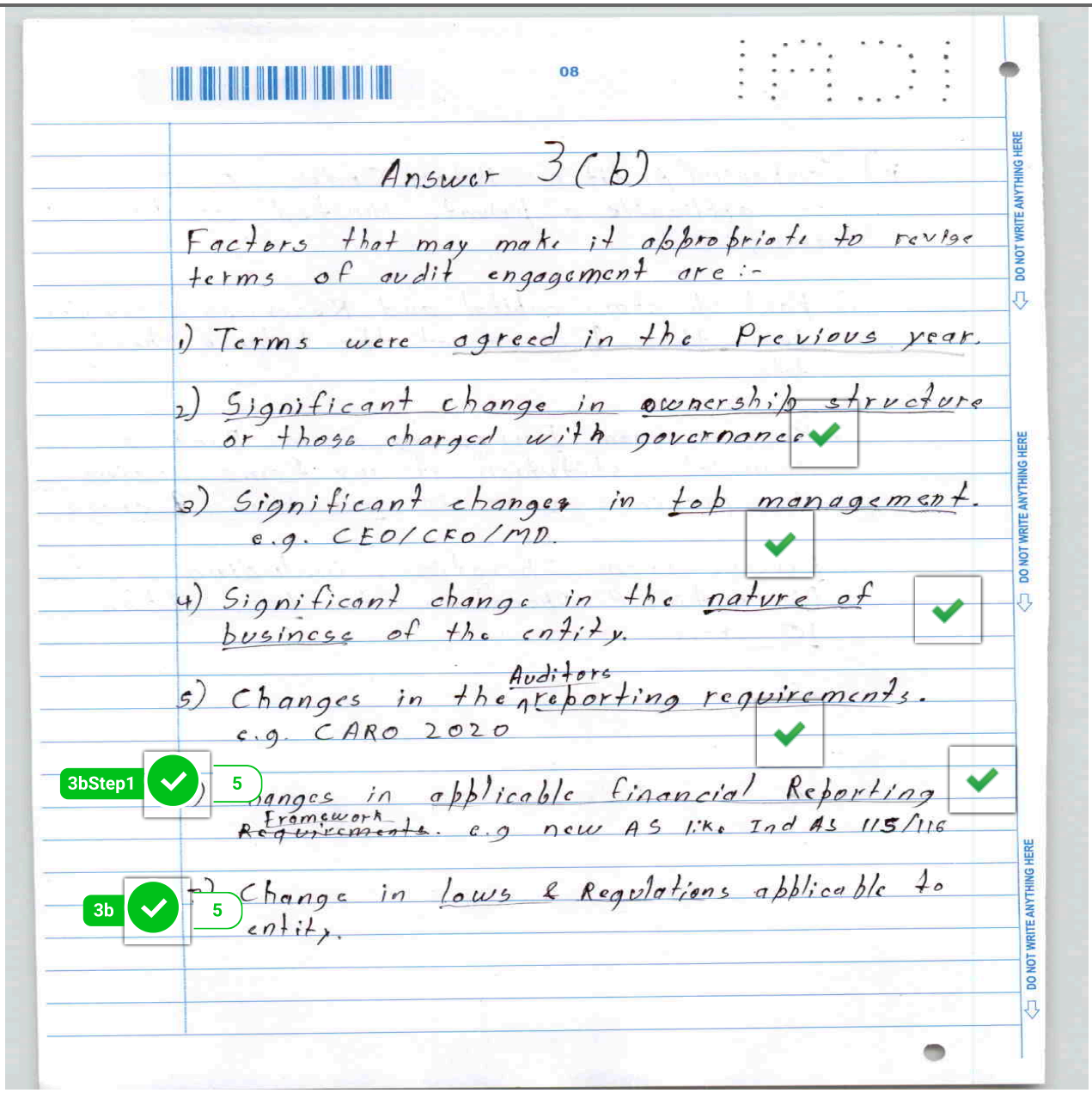
3aStep2 0

or

3) Revenue from Operations including Discontinued Operation is less than 10 crore.

3a 2

DO NOT WRITE ANYTHING HERE



08

Answer 3(b)

Factors that may make it appropriate to revise terms of audit engagement are :-

1) Terms were agreed in the Previous year.

2) Significant change in ownership structure or those charged with governance ✓

3) Significant changes in top management. e.g. CEO/CFO/MD. ✓

4) Significant change in the nature of business of the entity. ✓

5) Changes in the Auditors reporting requirements. e.g. CARO 2020 ✓

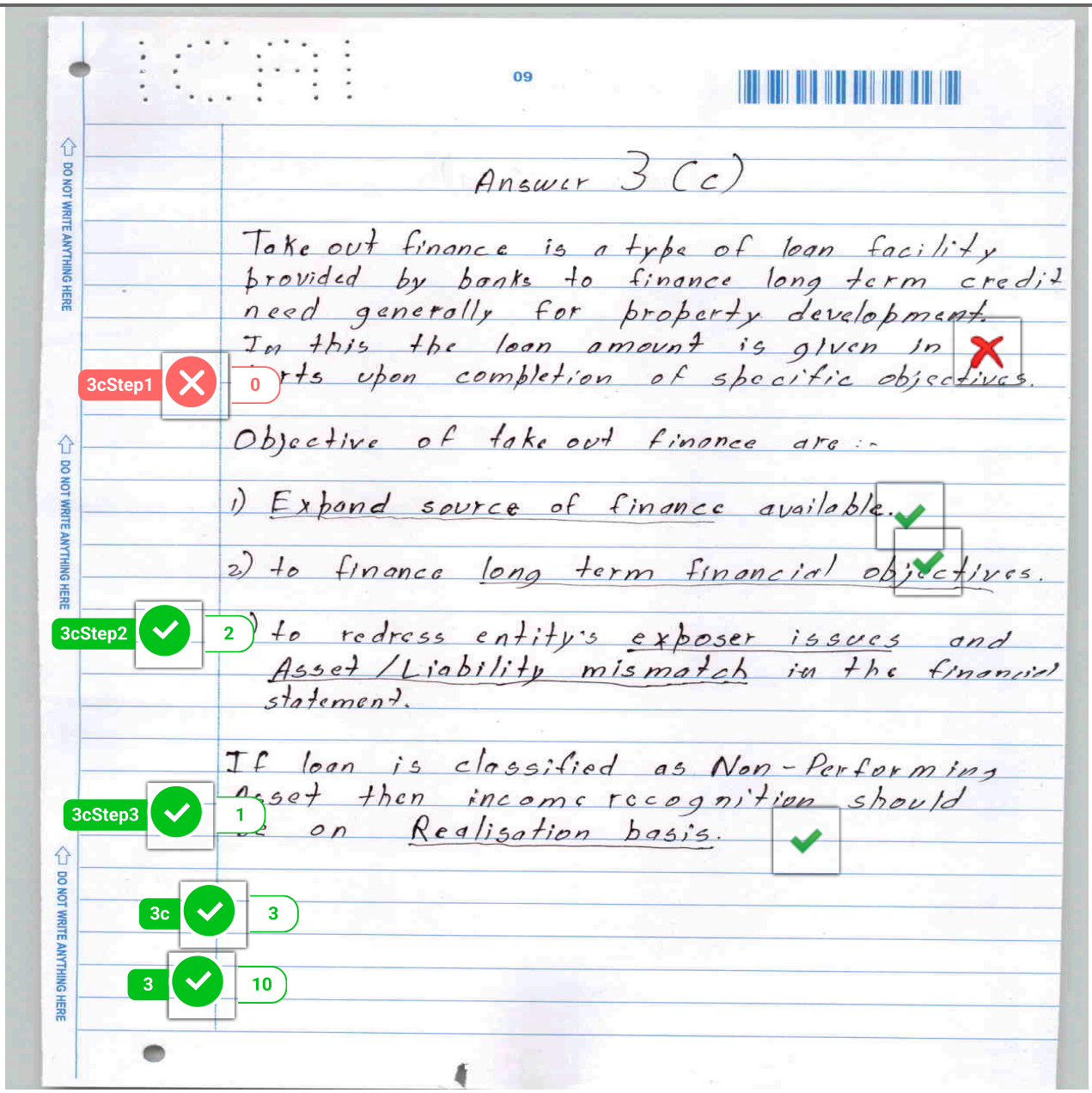
3bStep1 ✓ 5) anges in applicable financial Reporting Framework Requirements. e.g new AS like Ind AS 115/116 ✓

3b ✓ 5) Change in laws & Regulations applicable to entity.

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



09

DO NOT WRITE ANYTHING HERE

Answer 3 (c)

Take out finance is a type of loan facility provided by banks to finance long term credit need generally for property development. In this the loan amount is given in parts upon completion of specific objectives.

3cStep1 0

Objective of take out finance are :-

1) Expand source of finance available.

2) to finance long term financial objectives.

3cStep2 2

3) to redress entity's exposer issues and Asset / Liability mismatch in the financial statement.

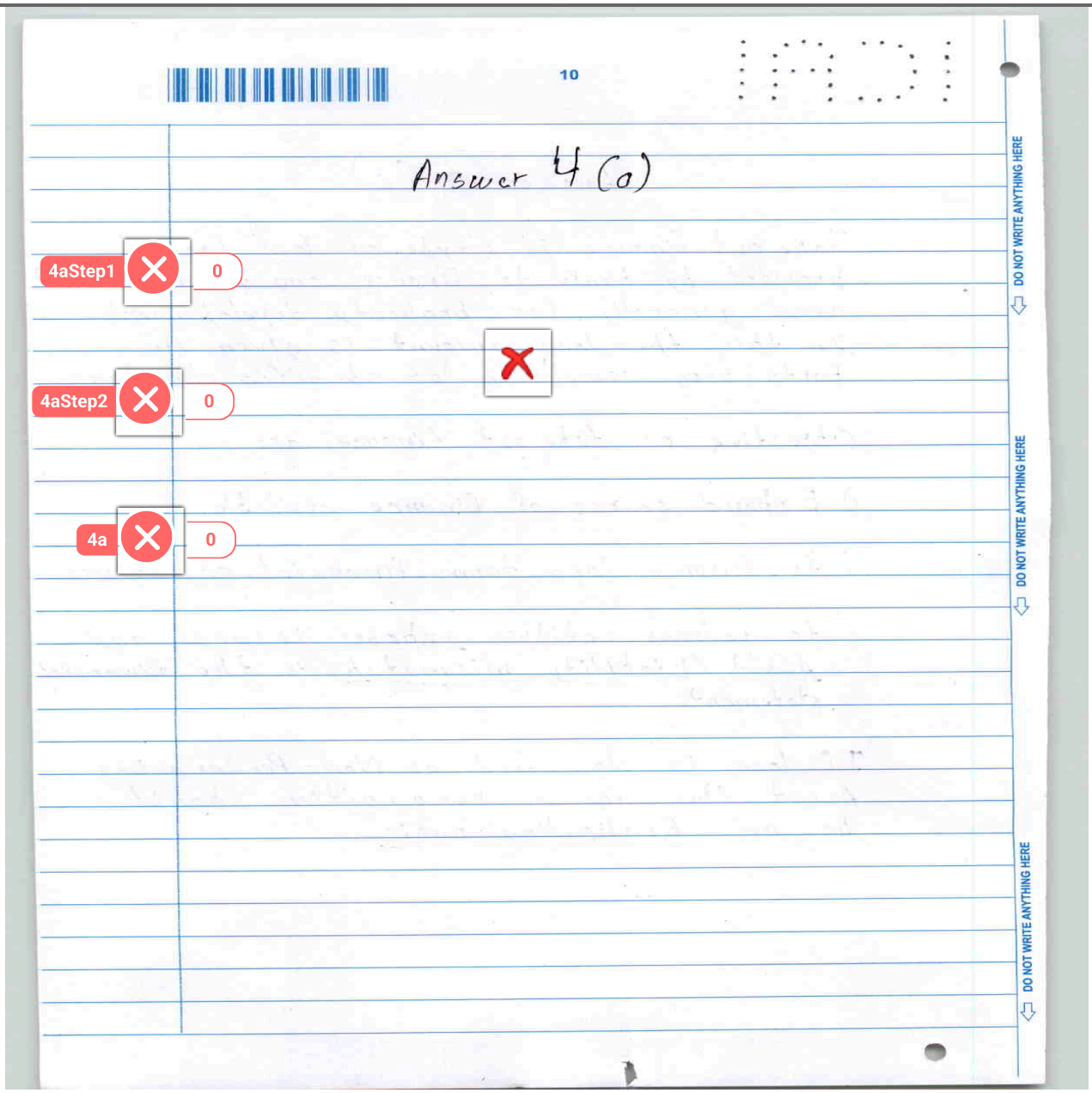
If loan is classified as Non-Performing Asset then income recognition should be on Realisation basis.

3cStep3 1

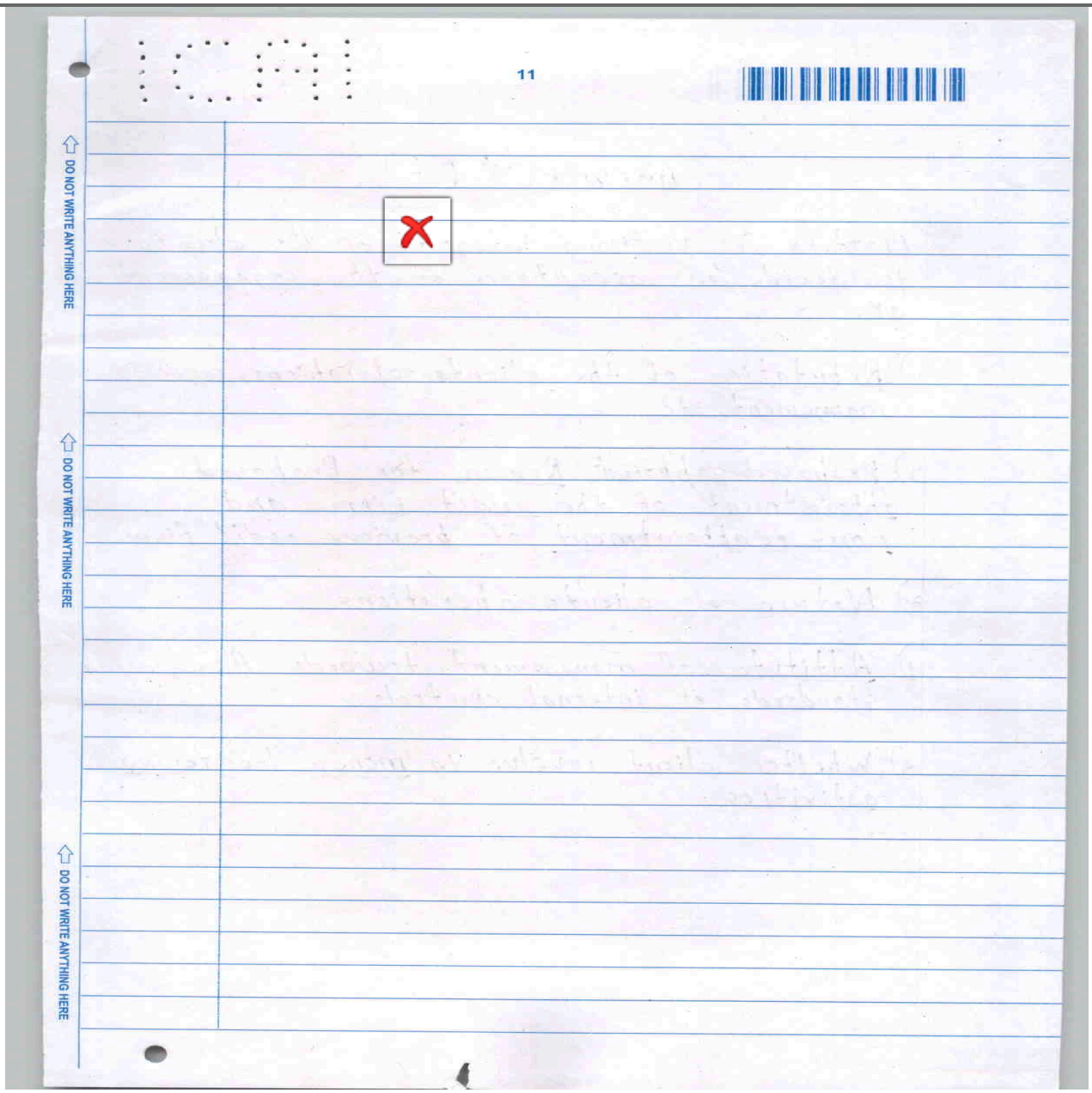
3c 3

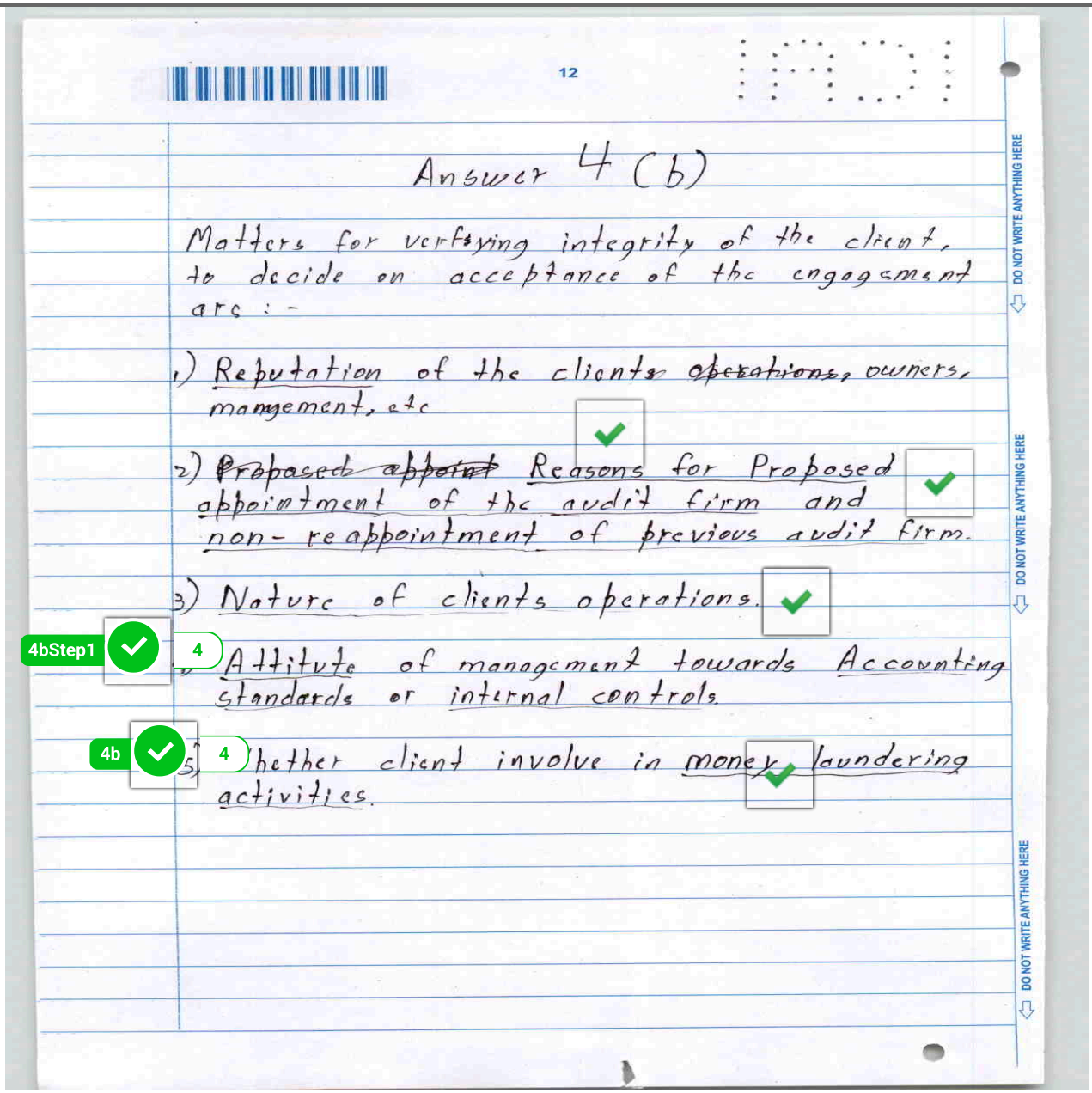
3 10

Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33



Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33





12

Answer 4 (b)

Matters for verifying integrity of the client, to decide on acceptance of the engagement are :-

1) Reputation of the client~~s operations~~, owners, management, etc

2) ~~Proposed appoint~~ Reasons for Proposed appointment of the audit firm and non-reappointment of previous audit firm.

3) Nature of clients operations.

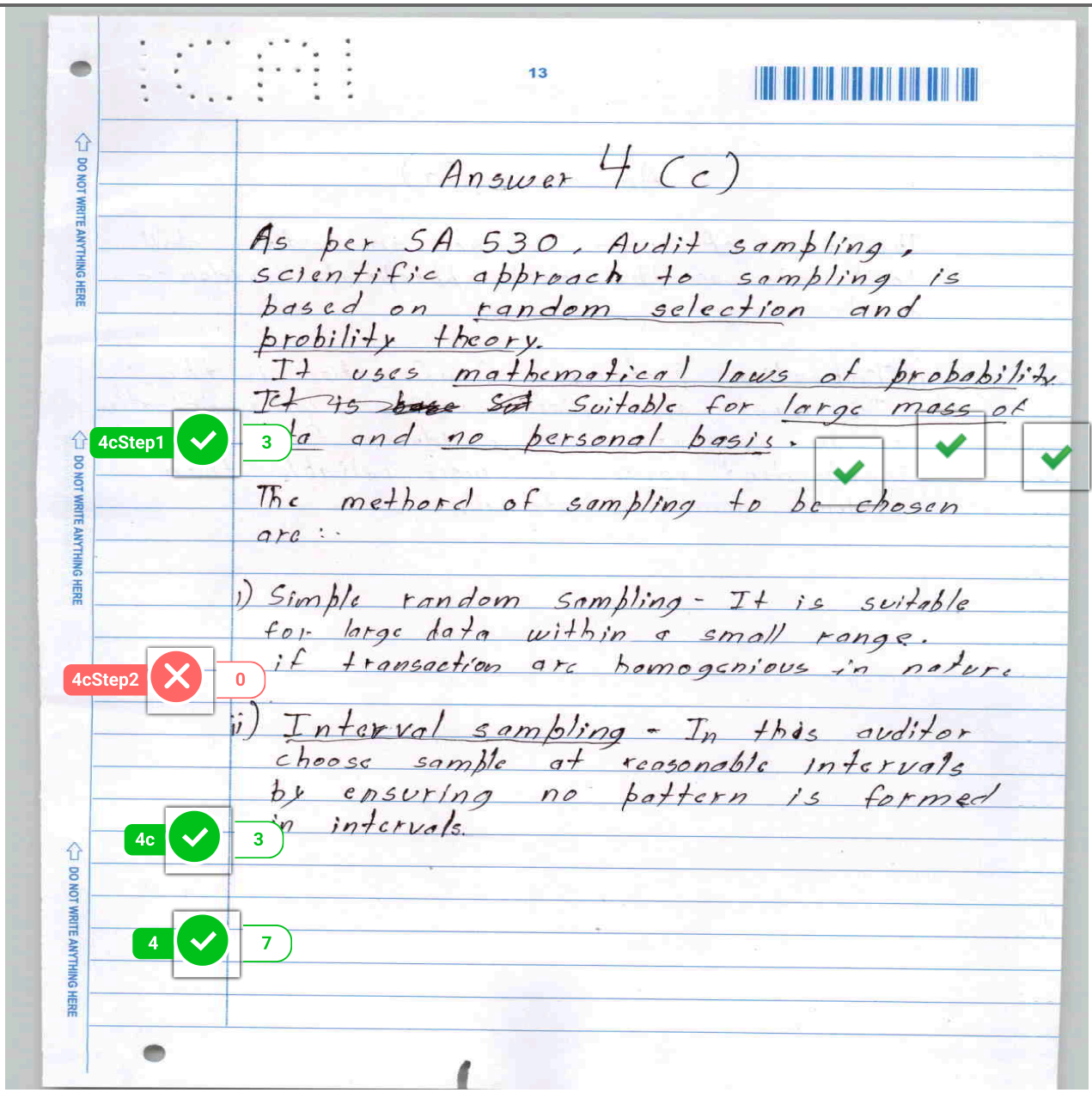
4bStep1 4 4) Attitute of management towards Accounting standards or internal controls.

4b 4 5) Whether client involve in money laundering activities.

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



13

Answer 4 (c)

As per SA 530, Audit sampling, scientific approach to sampling is based on random selection and probility theory.
It uses mathematical laws of probability. It is ~~base~~ Suitable for large mass of data and no personal basis.

4cStep1 3

The method of sampling to be chosen are :-

i) Simple random sampling - It is suitable for large data within a small range. if transaction are homogenious in nature.

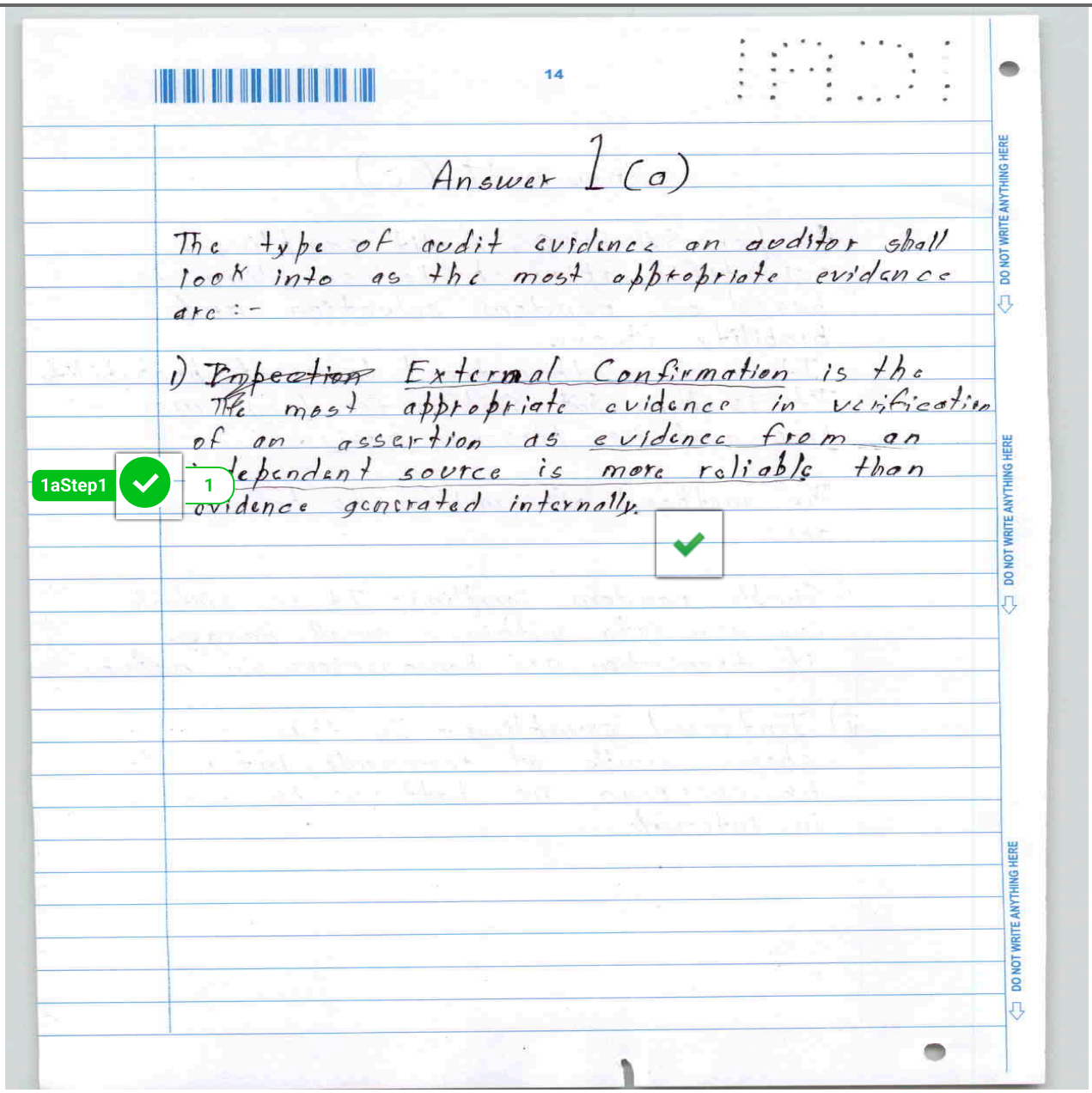
4cStep2 0

ii) Interval sampling - In this auditor choose sample at reasonable intervals by ensuring no pattern is formed in intervals.

4c 3

4 7

DO NOT WRITE ANYTHING HERE



14

Answer 1 (a)

The type of audit evidence an auditor shall look into as the most appropriate evidance are :-

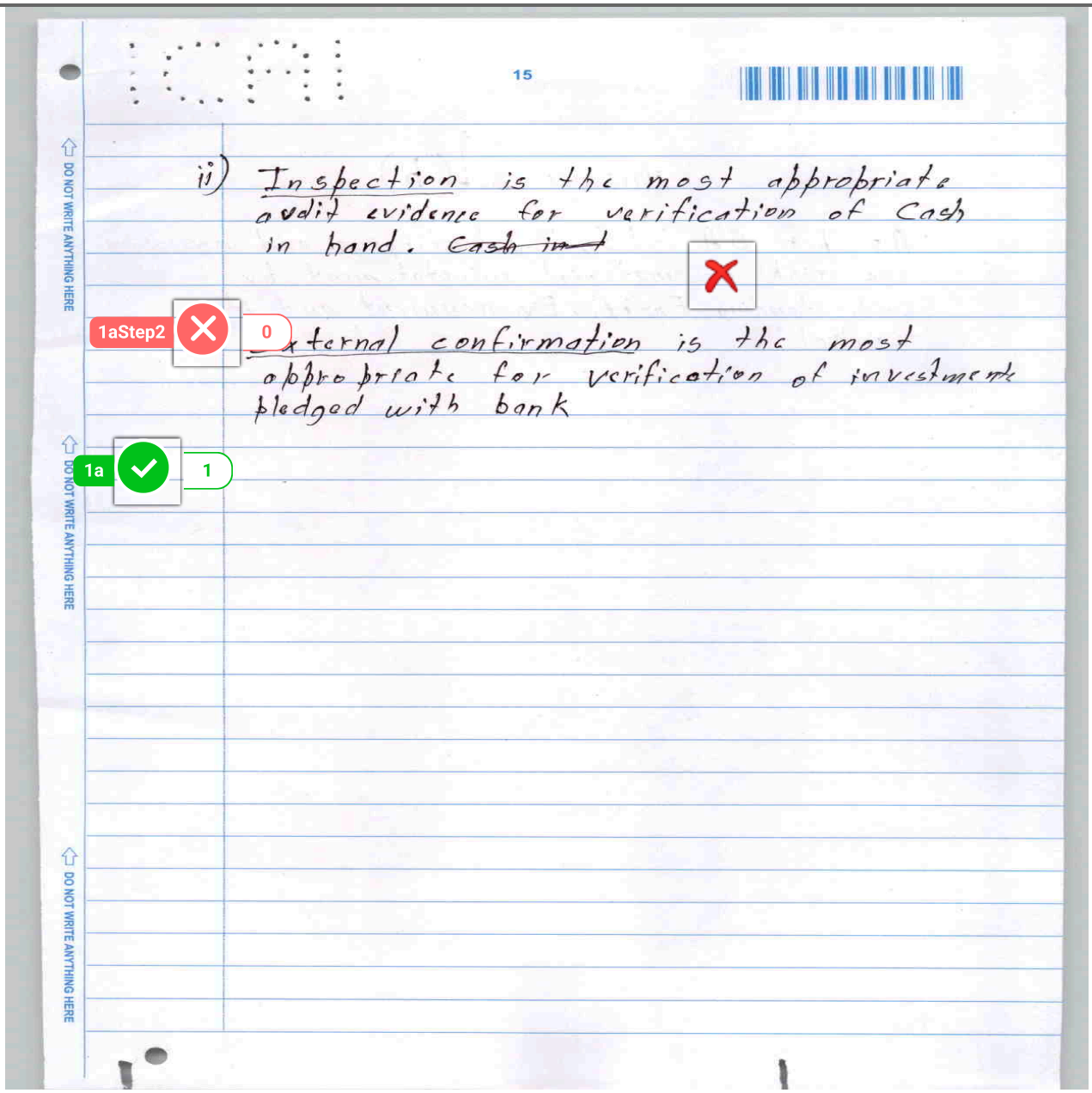
i) ~~Inspection~~ External Confirmation is the most appropriate evidence in verification of an assertion as evidence from an independent source is more reliable than evidence generated internally.

1aStep1 1

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



15

ii) Inspection is the most appropriate audit evidence for verification of Cash in hand. ~~Cash in~~

1aStep2 0 External confirmation is the most appropriate for verification of investments pledged with bank

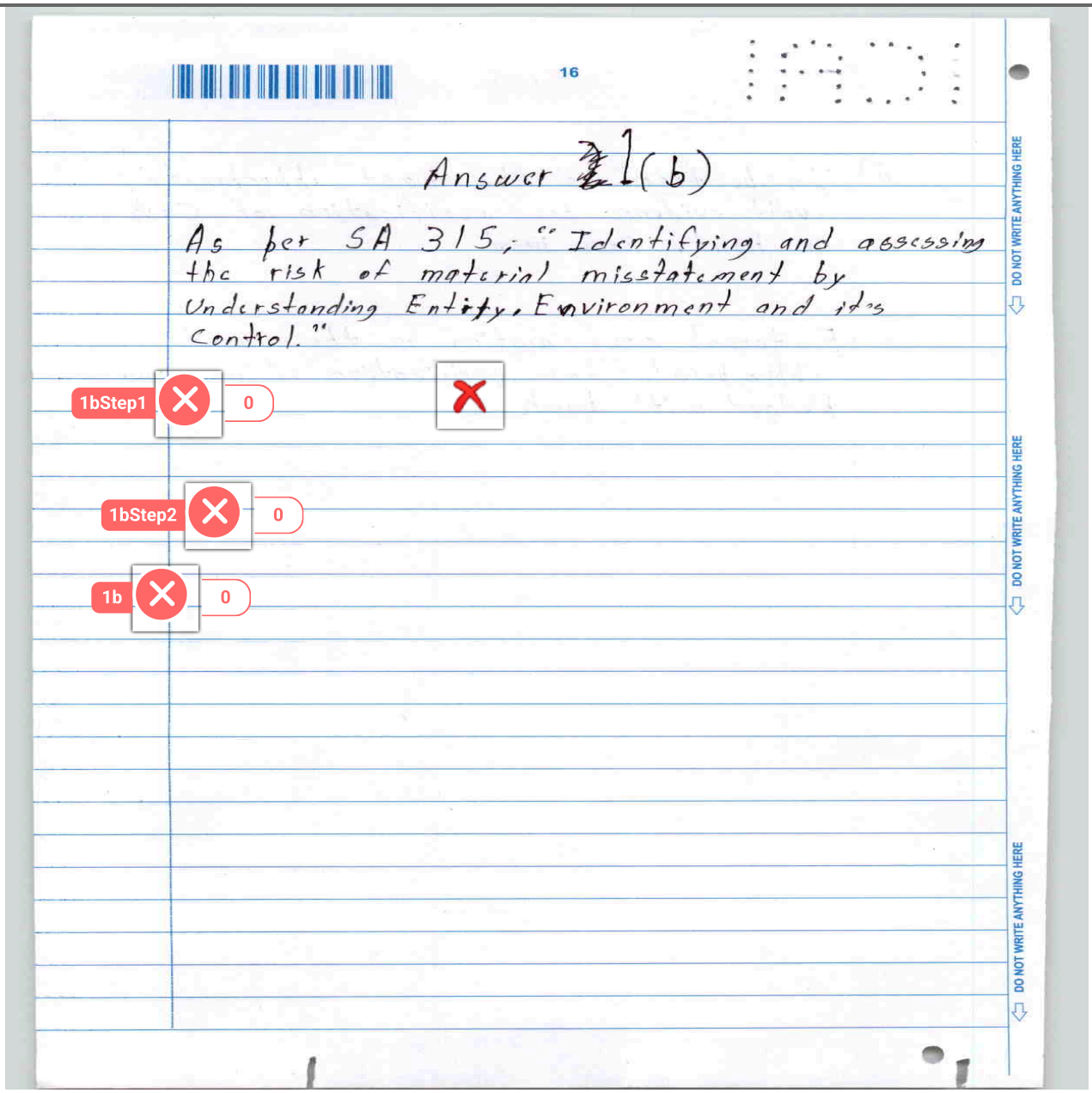
1a 1

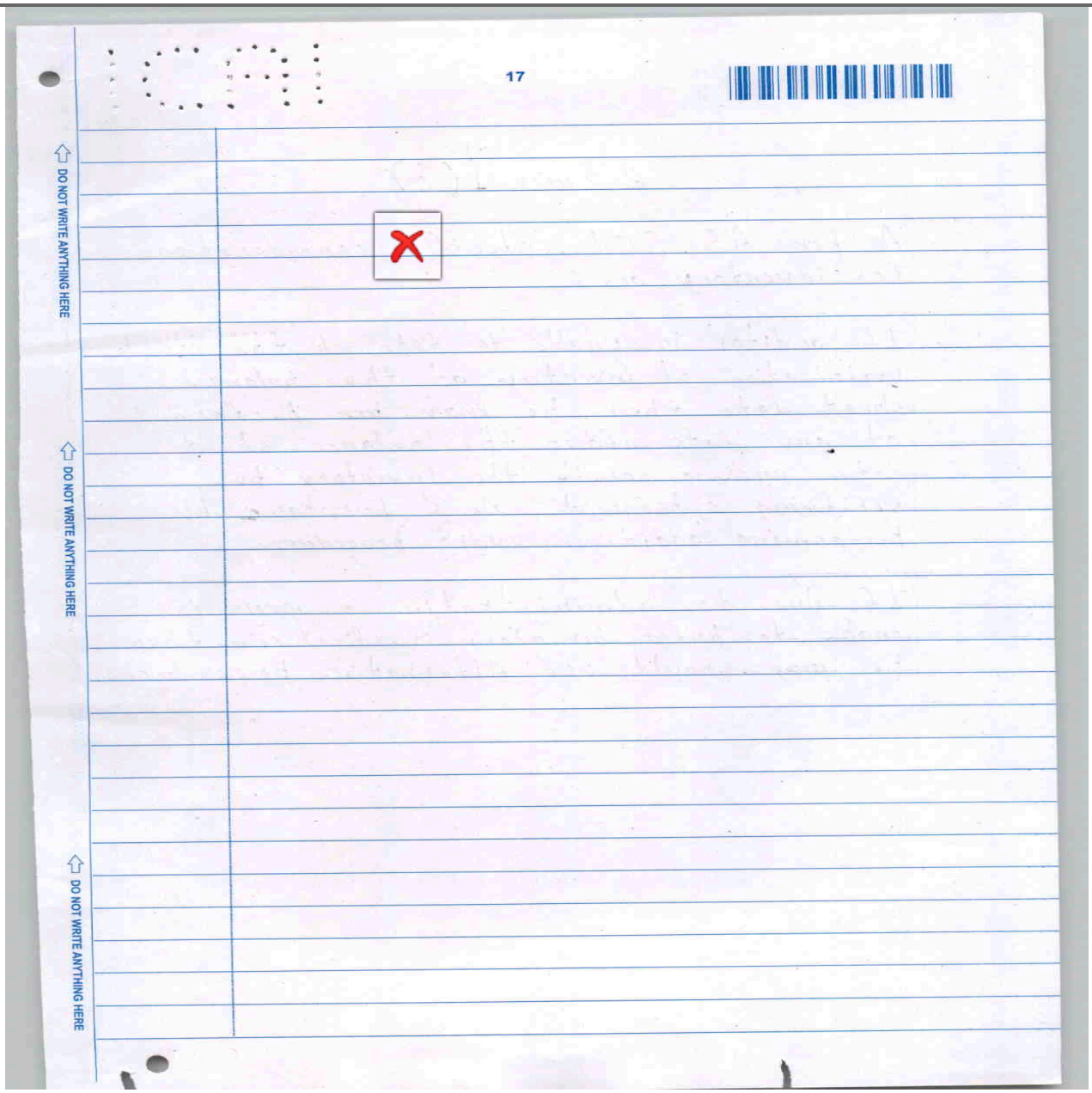
DO NOT WRITE ANYTHING HERE

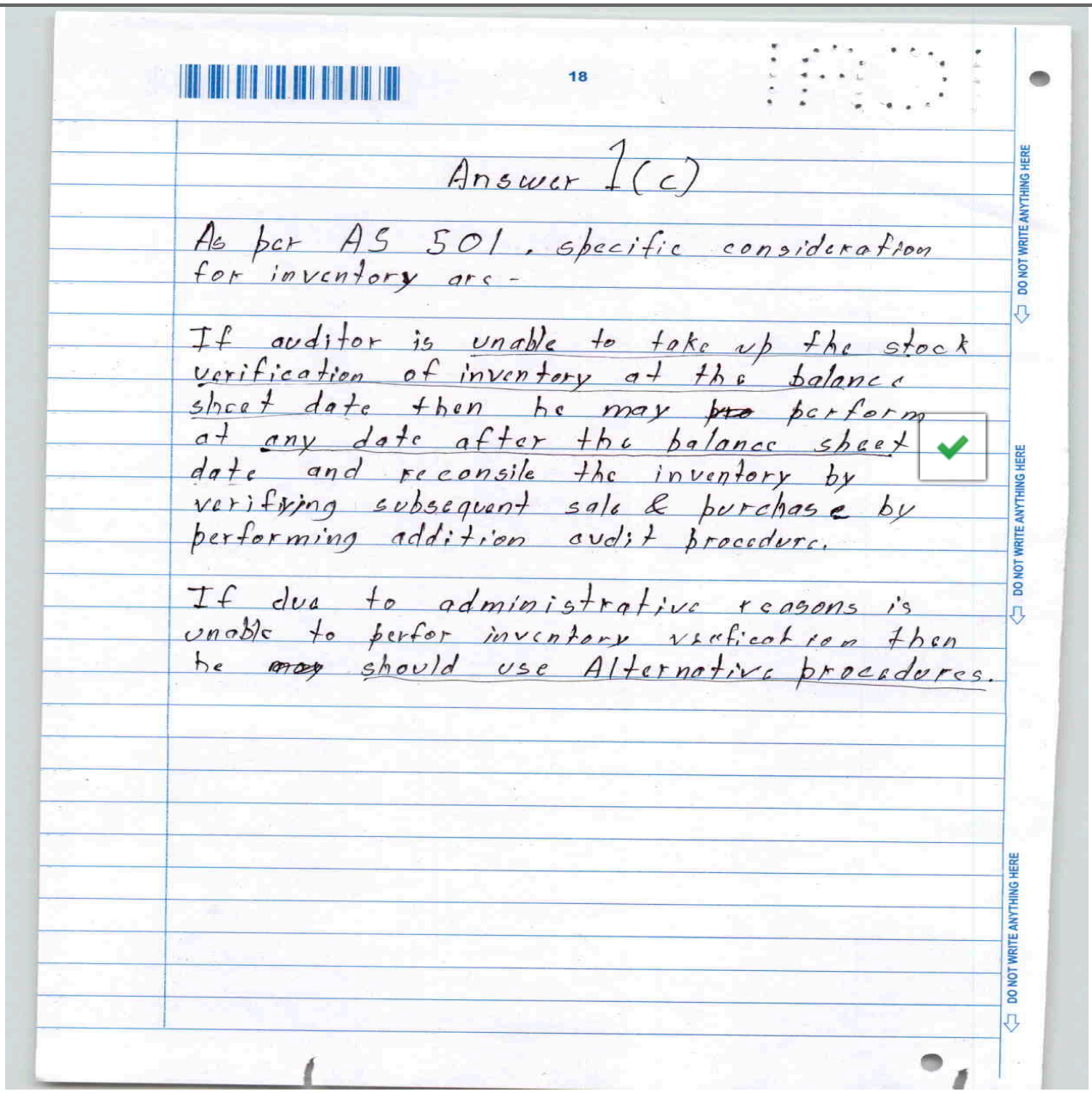
DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33




17
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE



18

Answer 1(c)

As per AS 501, specific consideration for inventory are -

If auditor is unable to take up the stock verification of inventory at the balance sheet date then he may ~~pro~~ perform at any date after the balance sheet date and reconsile the inventory by verifying subsequent sale & purchase by performing addition audit procedure.

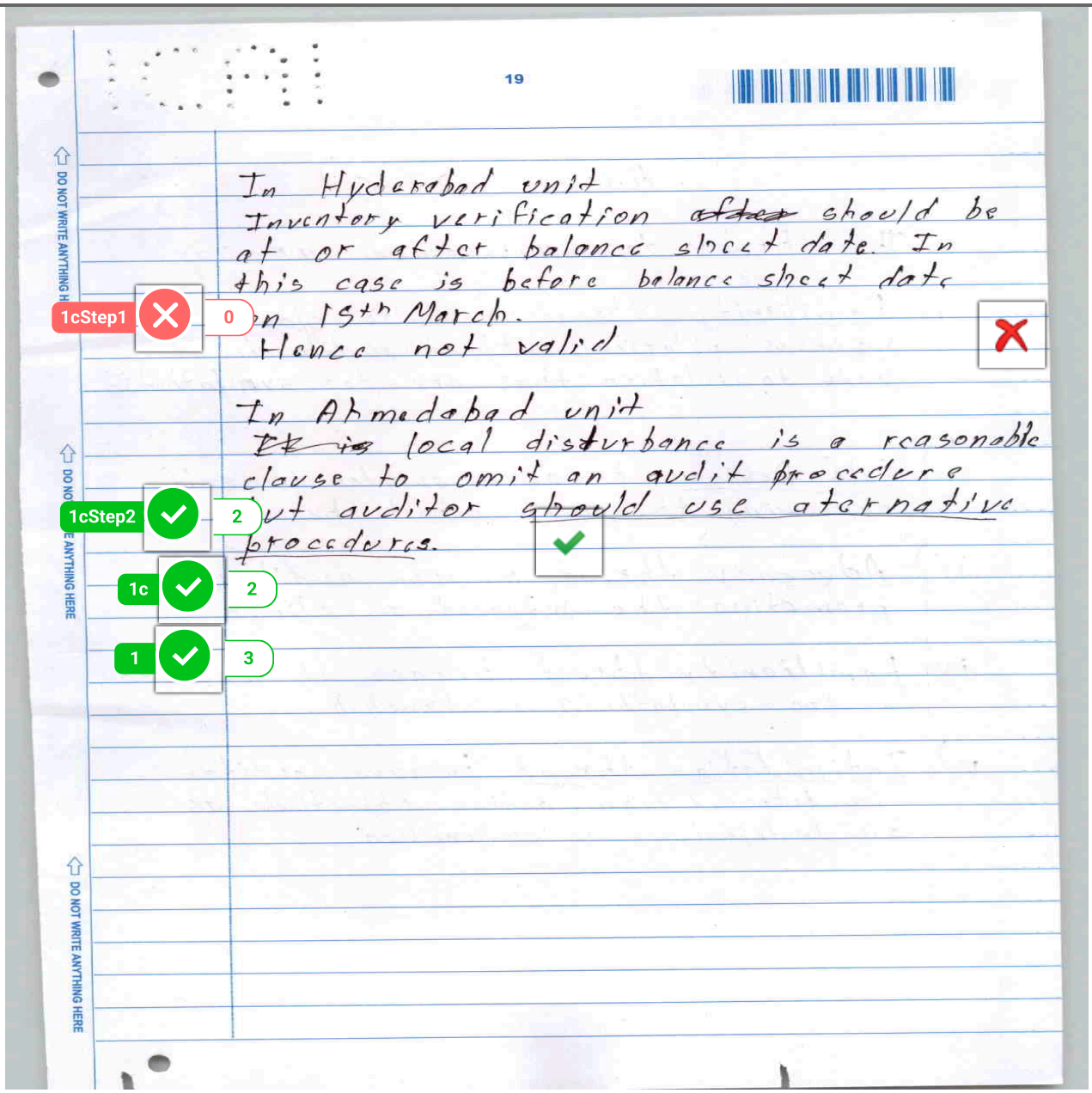
If due to administrative reasons is unable to perfor inventory verification then he ~~may~~ should use Alternative procedures.

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33



19

In Hyderabad unit
Inventory verification ~~after~~ should be at or after balance sheet date. In this case is before balance sheet date on 15th March.
Hence not valid

In Ahmedabad unit
~~It is~~ local disturbance is a reasonable clause to omit an audit procedure but auditor ~~should~~ use alternative procedures.

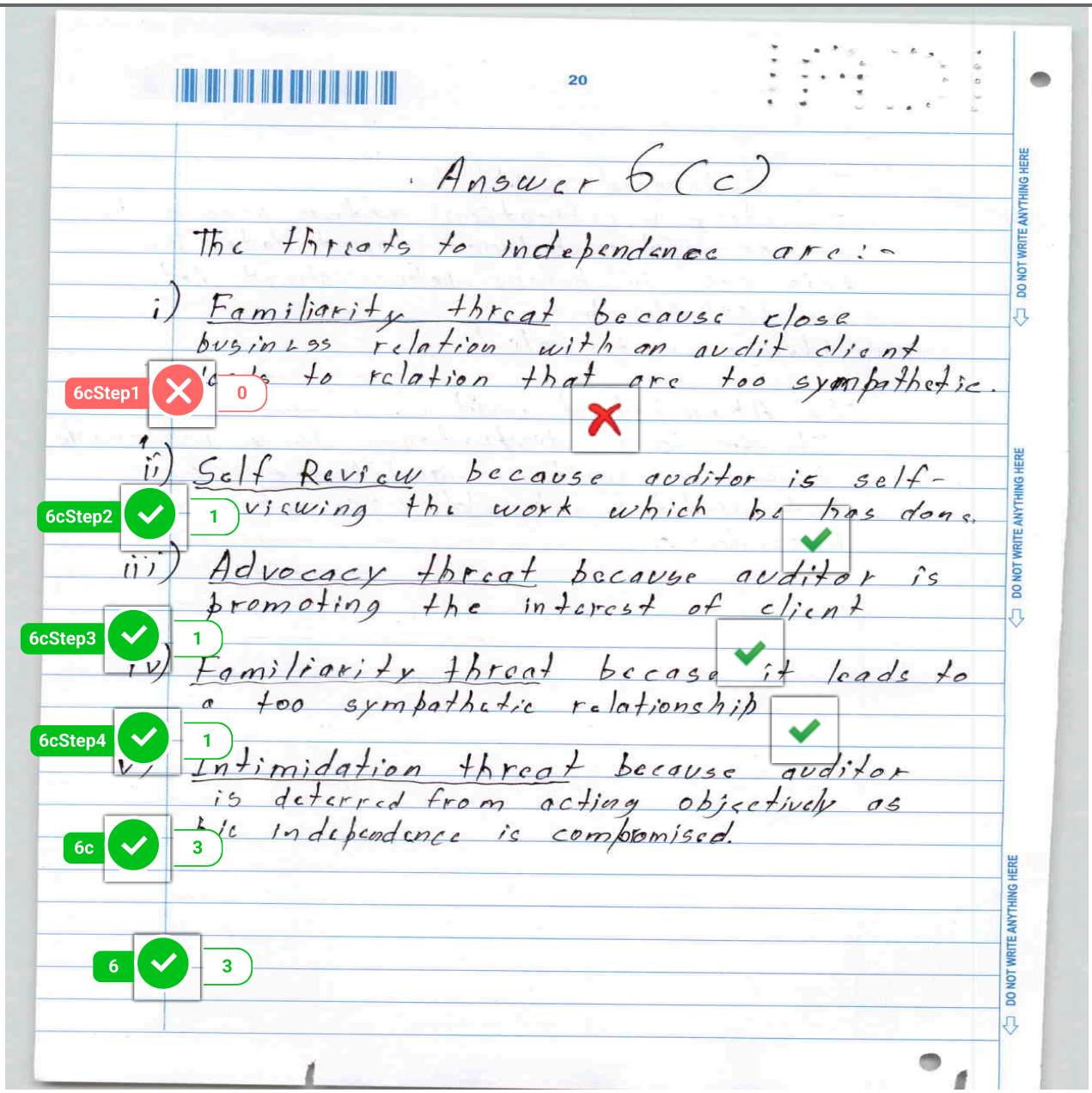
1cStep1 0

1cStep2 2

1c 2

1 3

DO NOT WRITE ANYTHING HERE



20

Answer 6(c)

The threats to independance are :-

i) Familiarity threat because close business relation with an audit client leads to relation that are too sympathetic.

ii) Self Review because auditor is self-viewing the work which he has done.

iii) Advocacy threat because auditor is promoting the interest of client

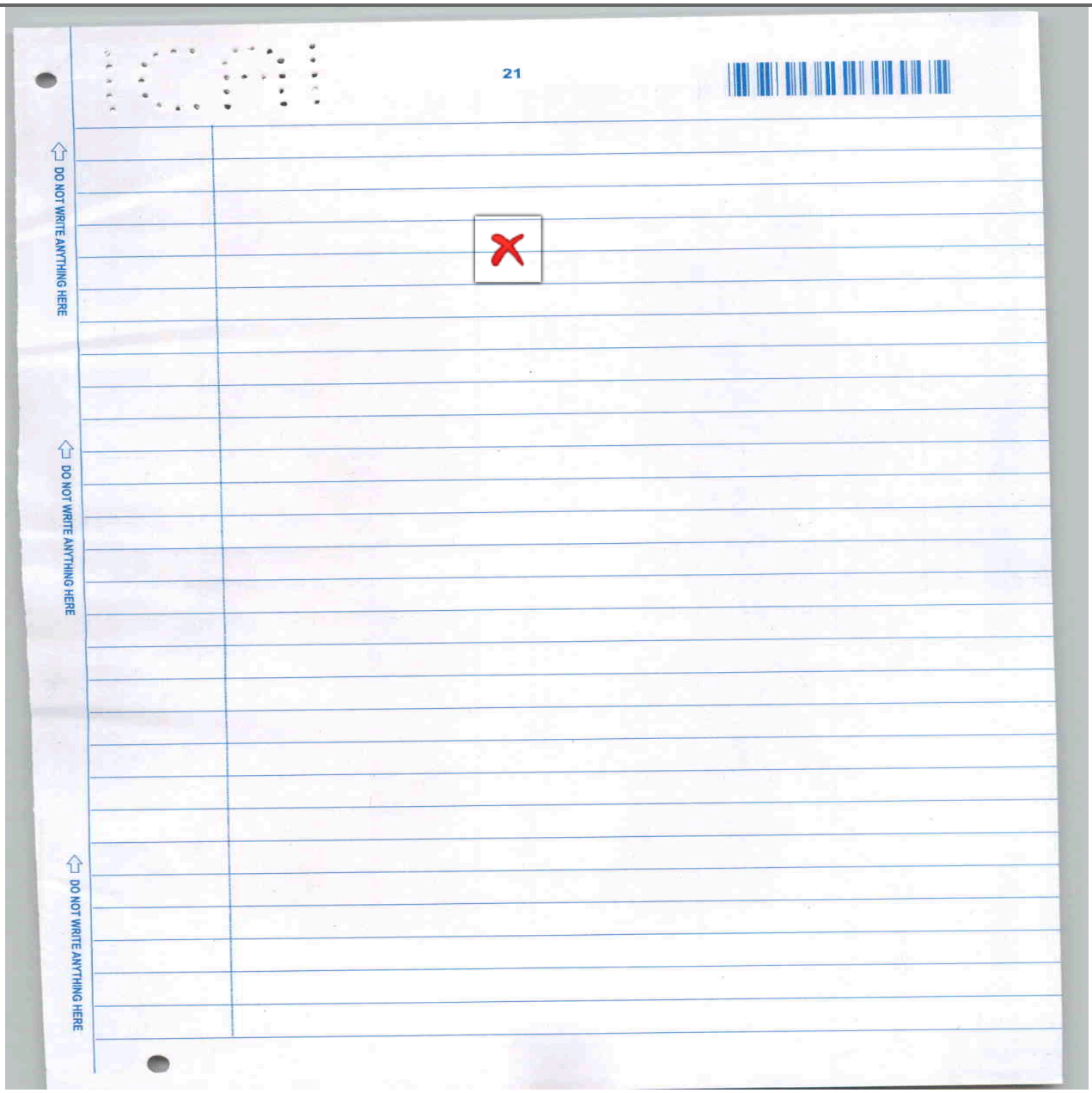
iv) Familiarity threat because it leads to a too sympathetic relationship

v) Intimidation threat because auditor is deterred from acting objectively as his independence is compromised.

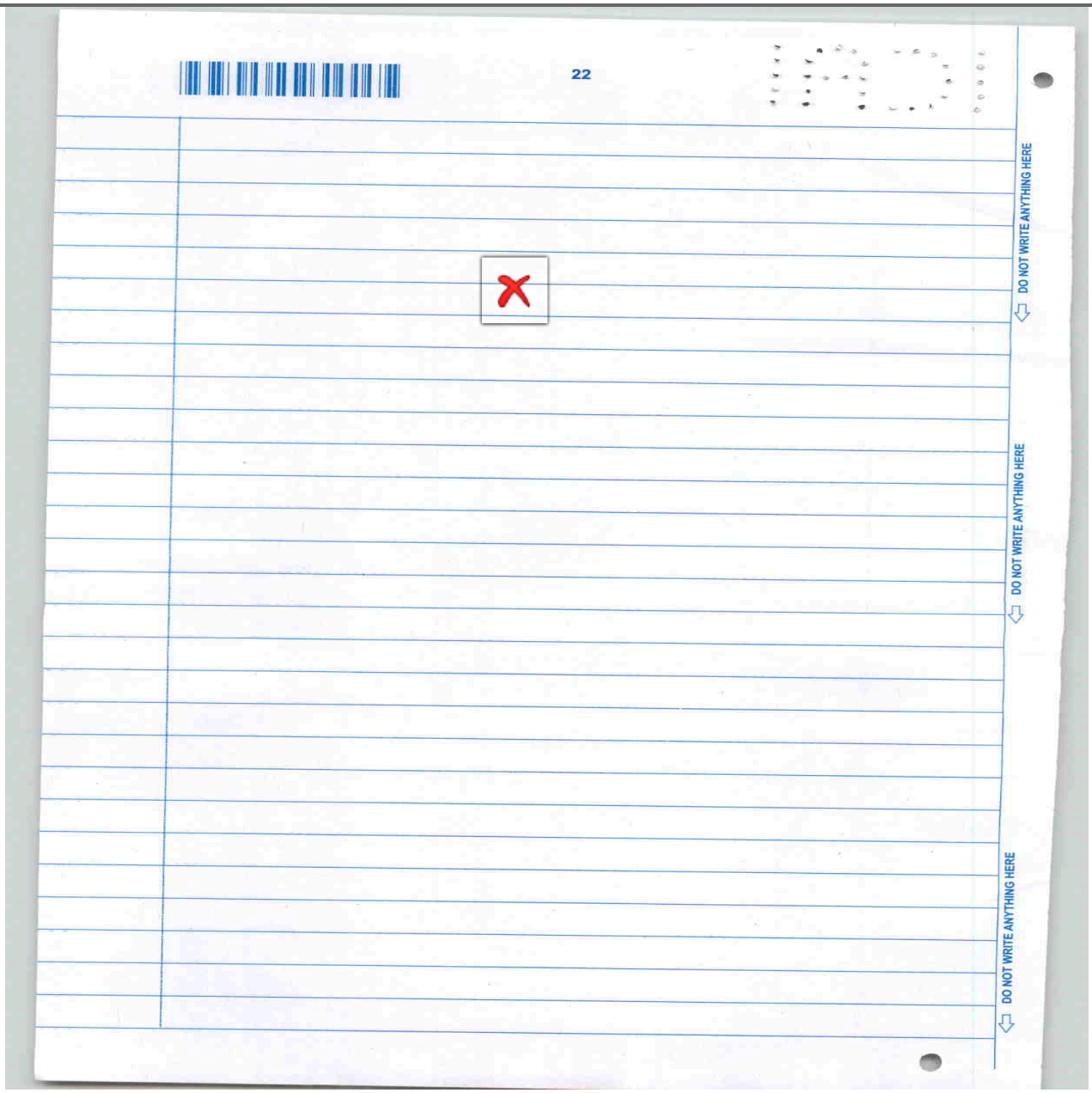
6cStep1 0 | 6cStep2 1 | 6cStep3 1 | 6cStep4 1 | 6c 3 | 6 3

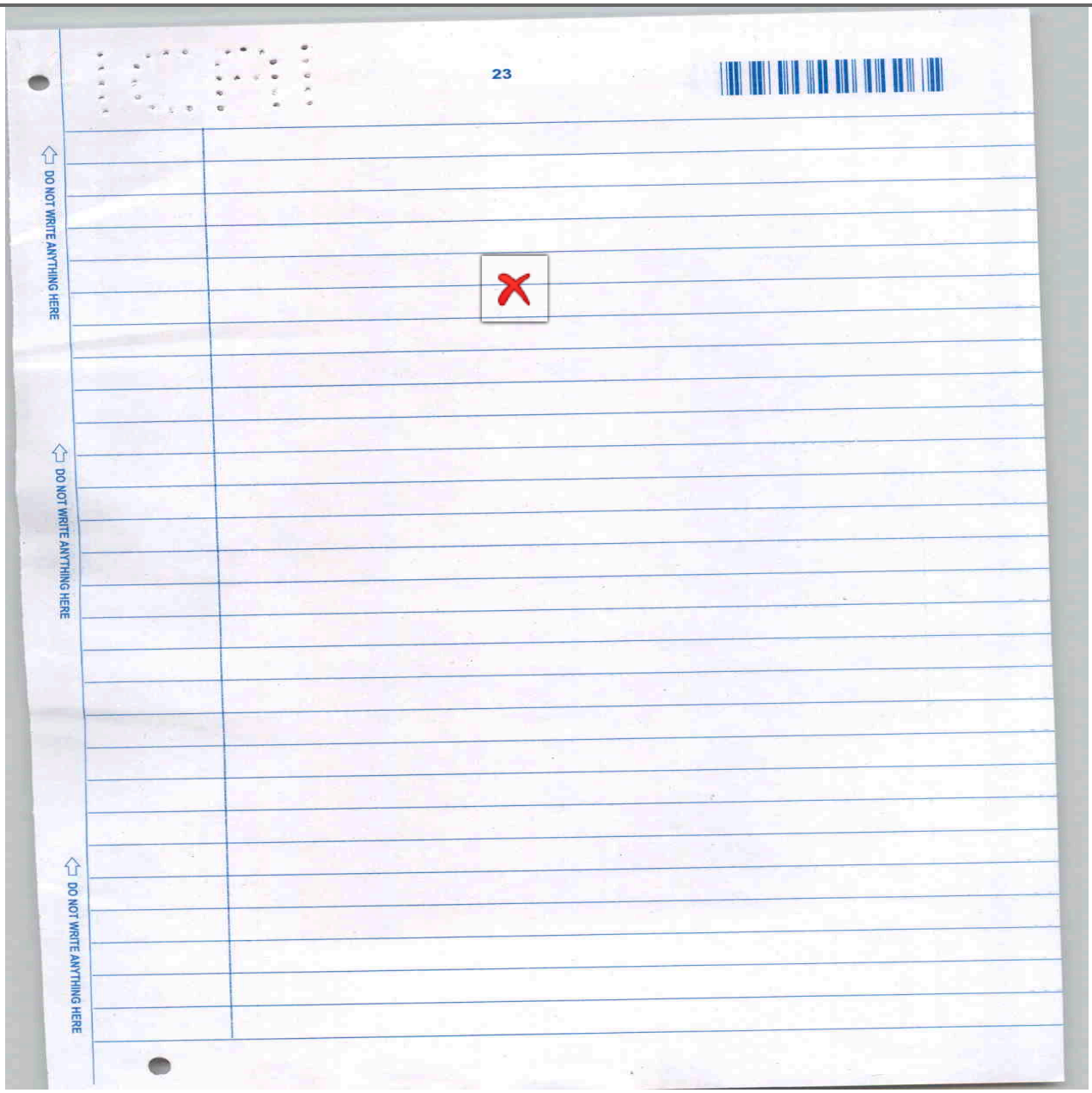
DO NOT WRITE ANYTHING HERE

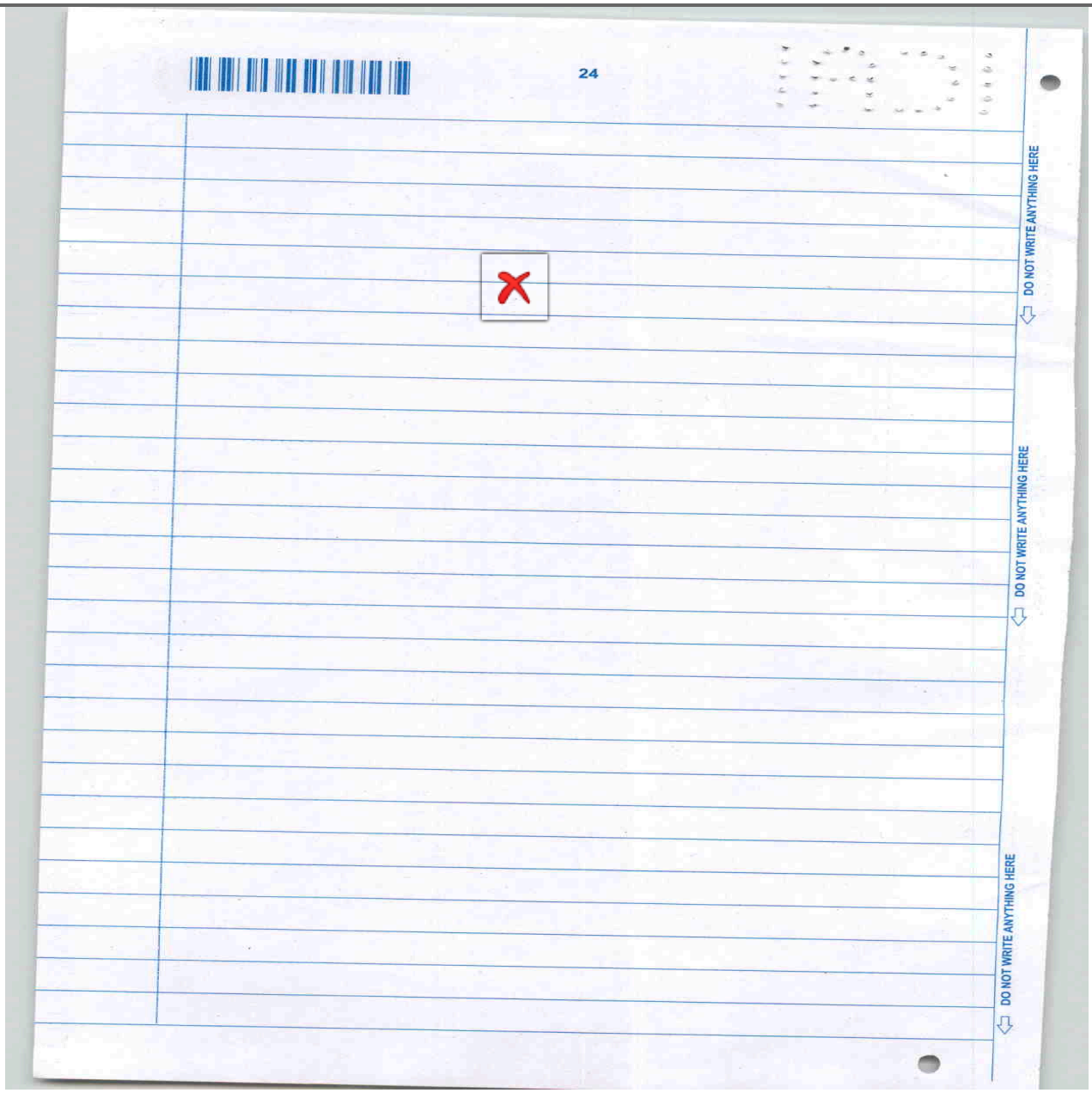
Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33

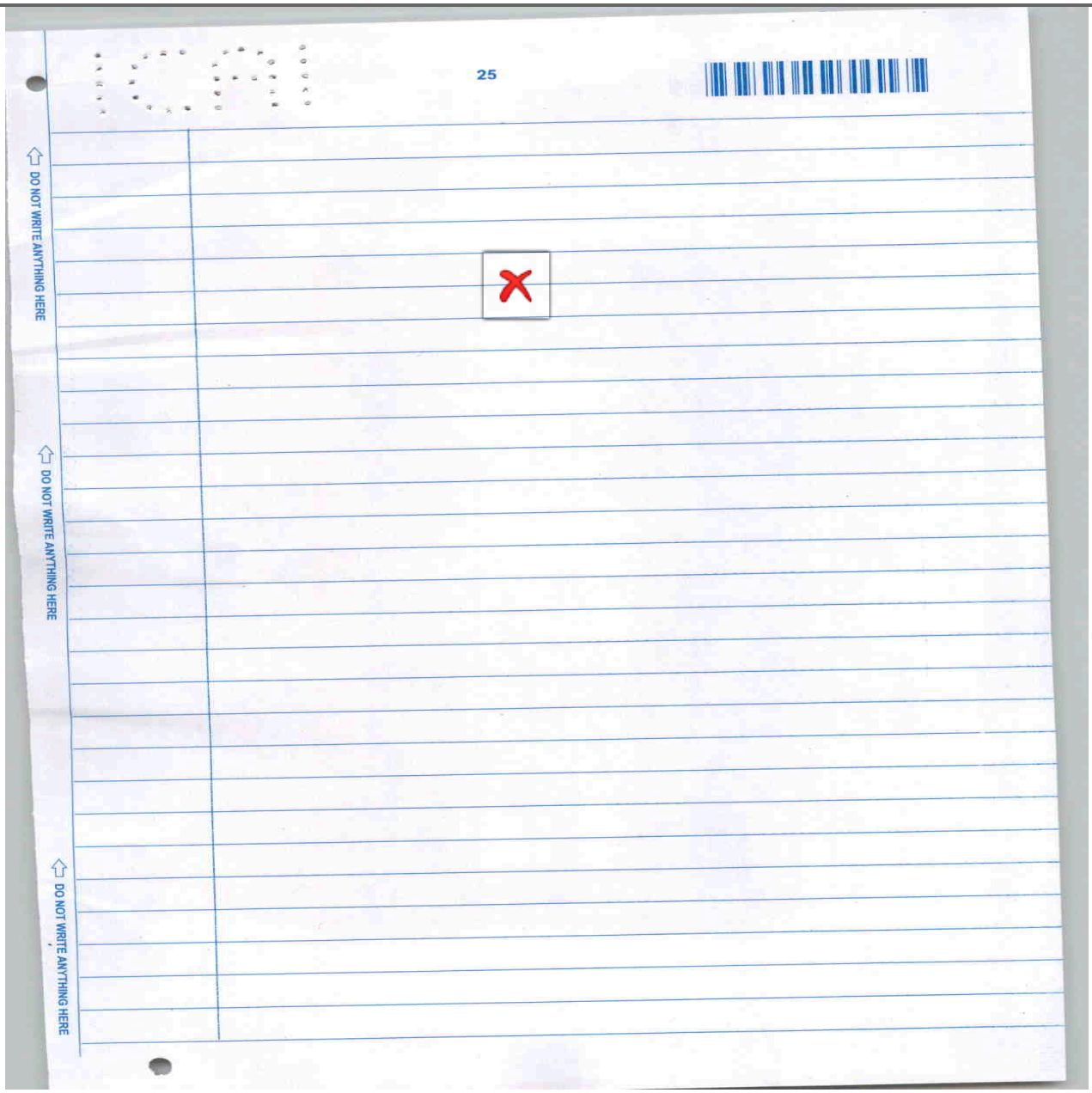


Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33

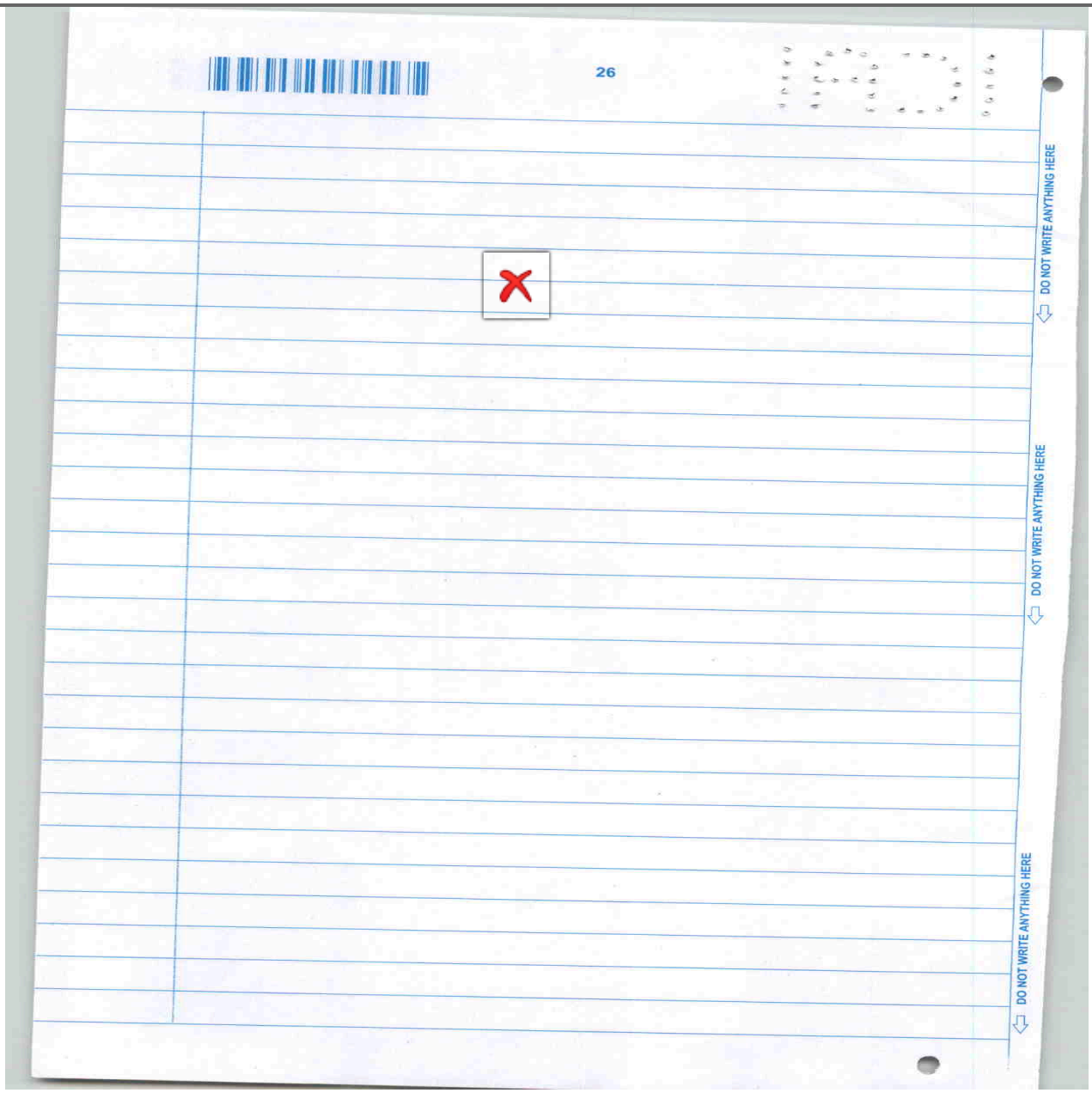



23
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE

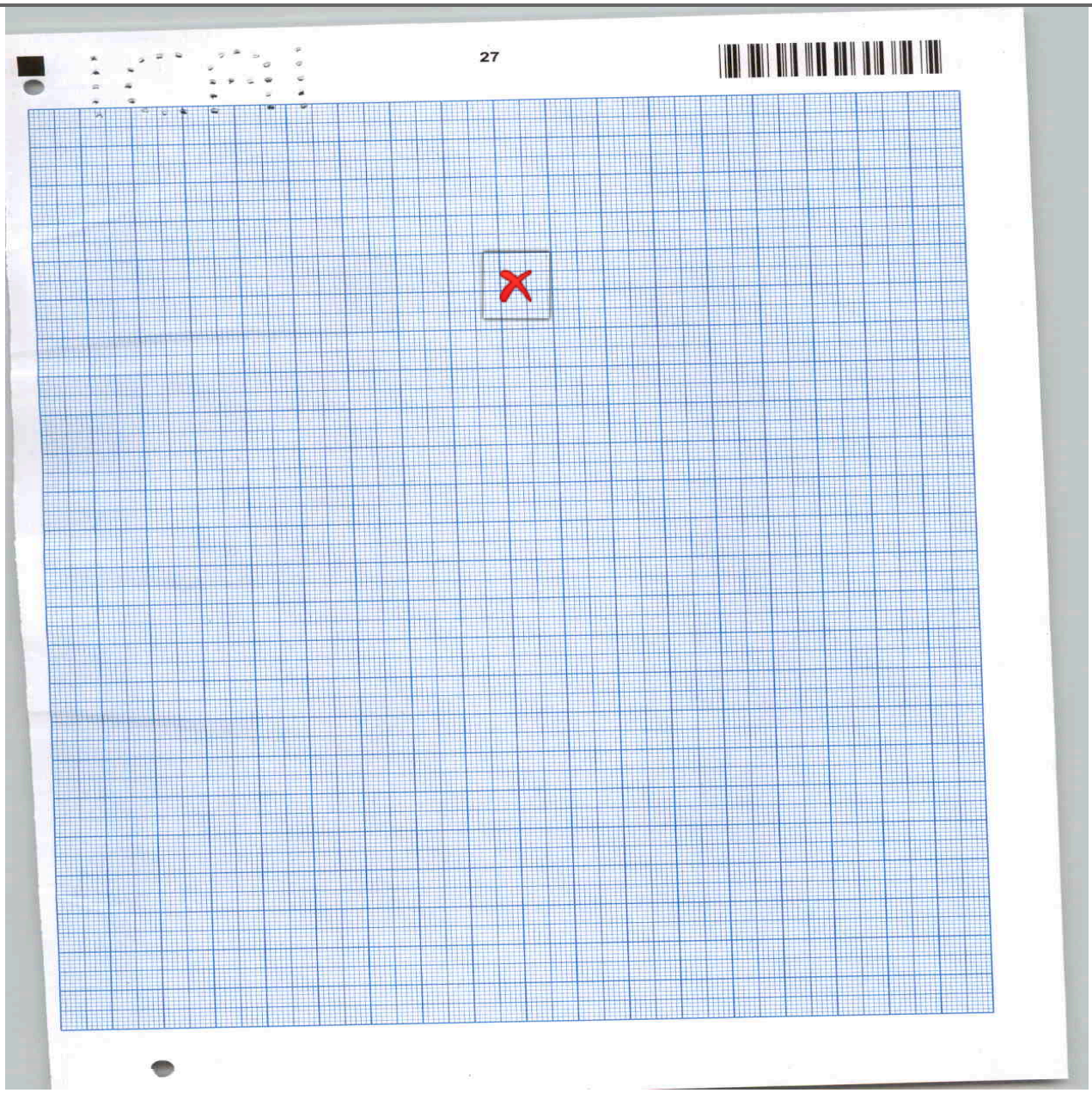

24
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE


25
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE

Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33



Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33



Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33



The Institute of Chartered Accountants of India

Code:	IN5AE429863	Total Marks:	70
Subject :	05 Auditing and Ethics	Marks Obtained :	33

Result Overview

Awarded Marks: 33 **Max Marks:**70

NA Not Attempted O Optional M Marked

Q1_Compulsory (Score: 3/14)

Question No	Awarded Marks	Maximum Marks	Status
1	3	14	M
1a	1	5	M
1b	0	5	M
1c	2	4	M

Q2_Q6 (Score: 30/56)

Question No	Awarded Marks	Maximum Marks	Status
2	10	14	M
2a	2	5	M
2b	4	5	M
2c	4	4	M
3	10	14	M
3a	2	5	M
3b	5	5	M
3c	3	4	M
4	7	14	M
4a	0	5	M
4b	4	5	M
4c	3	4	M
5	0	14	O
5a	0	5	O
5b	0	5	O
5c	0	4	O
6	3	14	M
6a	NA	5	NA
6b	NA	5	NA

6c	3	4	M