

50 Good but need improvement in the conceptual clarity and focus on attempting full paper

Case study 1:

~~1. (d)~~ The exchange rates applicable on respective dates

~~2. (d)~~

~~3. (d)~~

~~4. (b)~~

~~5. (a)~~

Case study 2:

~~6. (c)~~

~~7. (d)~~

~~8. (d)~~

Case Study 3:

~~9. (a)~~

~~10. (b)~~

~~11. (d)~~

~~12.~~

~~13.~~

~~14. (b)~~

~~15. (a)~~

CA K conducting audit of branch of LUD Bank Ltd. whose principal business is lending money to large corporates. Many large accounts of this branch have turned NPA category and Management sold DEF Ltd.'s NPA account amounting to ₹ 10 Crores to Asset Reconstruction Company.

CA K should proceed as under: In case of Sale of NPA by Bank, the auditor should examine:

- (i) The policy laid down by the Board of Directors in this regard relating to procedures, valuation and delegation of powers including non performing financial assets that may be purchased/sold, norms or such purchase/sale, valuation procedure and accounting policy.
- (ii) Only such NPA has been sold which has remained NPA in the books of the bank for at least 2 years.
- (iii) The assets have been sold 'without recourse' only. i.e. the entire credit risk associated with the non performing asset should be transferred to the purchasing bank.

Q.2 (A) ~~only those NPAs should be sold which have been classified as NPA in books for more than 2 years~~

(2) Bank should not ~~sell~~ the Repurchase NPAs sold

(3) NPAs sold ~~should~~ be removed from books.

(4) NPAs should be ~~sold~~ without recourse. i.e. ~~all risk should be~~

(5) NPAs ~~to~~ sold should ~~transfer~~ the risk to the purchasing ~~bank~~.

Q.2 (C) As per SA 501 Audit evidence - Specific consideration for selected items:

Audit procedures to be performed at a date when Inventory Counting is done at a date other than date of FS:-

(1) Auditor should attend ~~to~~ the physical inventory count at ~~such other~~ date.

(2) Observe the ~~Inventory~~ count by management

(3) ensure management has laid down procedures for inventory count & these have been followed by ~~persons~~ appropriate

(4) Perform ~~procedures~~ to determine inventory at

Additional Audit Procedure:

- In addition to above, auditor shall also perform audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded.
- Relevant matters for consideration when designing audit procedures to obtain audit evidence about whether changes in inventory amounts between the count date, or dates, and the final inventory records are properly recorded include:
 - Whether the perpetual inventory records are properly adjusted.
 - Reliability of the entity's perpetual inventory records.
 - Reasons for significant differences between the information obtained during the physical count and the perpetual inventory records.

Examining ~~the balance sheet date~~ ^{transactions during} period between date of ~~Balance financial statements~~ ^{Balance financial statements} & ~~the~~ date of physical count.

(5) Auditor might ~~see~~ another auditor to attend physical inventory if he is unable to do so.

Q.3 (c) Chapter VII Tax audit assignments under sec 44AB of the Income tax Act, 1961 of the Central Council general Guidelines, 2008 CA in practice shall not accept more than 60 Tax Audits ~~in a year~~ this limit is for partnerwise.

~~If a~~ for the purpose of the purposes audit under 44AB, 44ADA & 44AE of the Income tax ~~should not be~~ considered.

In the given case PPR having 3 Partners

P	60
Q	60
R	60
	180

each is allowed to sign 60 Audit Reports Individually when taken as a firm; firm can accept 180 Tax Audit assignments & these may be ~~distributed~~ in any no.

among part of this, there
Q-4 (A)
Shareholders
is
Defined

among partners Ex: Mr. P may sign all reports on behalf of firm or sign 170 and to other partners. Thus, though Mr. R signs 100 reports there is no professional misconduct.

Q.4 (A) Difference b/w NOCLAR & SA 250

	SA 250	NOCLAR
Stakeholders	SA 250 does not define stakeholders	stakeholders may be creditors, shareholders, government etc
Defines	<p>Identifies 2 types of non-compliance:</p> <p>(i) determination of amount</p> <p>(ii) laws & regulations having direct effect on the determination of ^{material} amounts & disclosures in fs.</p> <p>(iii) those that do not have a direct bearing on the determination of material amounts & disclosures in fs.</p>	<p>It establishes auditor's general duty ensuring compliance of laws & regulations in entity's environment.</p>

SA 250

NoCLAR

Deals with It applies only to audit engagements

It applies to audit & as well as non-audit engagements

Areas where should not be Q.6 (A) CHX 2008 permit a be to engaged consultant CA Act, for H

Q.4 (B) As per SA 610⁶ Using the work of Internal Auditor

When using the work of Internal auditor to provide direct assistance, statutory auditor shall ensure:

- (i) Whether using direct assistance of the internal auditor would be useful
- (ii) Obtaining knowledge of the work performed by Internal auditor [Evaluating his Experience]
- (iii) Evaluating his competence & capabilities
- (iv) Extent to which Internal has knowledge of the components, entity & industry in which it operates
- (v) Evaluating results of his previous work

(i) (ii) Hence, As regul grant He is genera part-

Proportion of work of to the total carried by statutory auditor

In the above case, engagement partner had designed certain substantive procedures on some selected assertions in response to assessed risk of material misstatements in year under audit. Such assertions were not tested by him in the previous years due to materiality or risk considerations. It is being done now for incorporating an element of unpredictability in audit procedures to be performed as individuals within the company who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting.

Therefore, in such matters, using an internal auditor to provide direct assistance could prove to be counter-productive and defeat the very purpose of designing such substantive procedures. Hence, decision of senior engagement team member to use Mr. X to provide direct assistance on above said matters is not in accordance with SA 610 and is not proper.

Prior to using internal auditors to provide direct assistance for purposes of the audit, the external auditor shall:-
(a) Obtain written agreement from an authorized representative of the entity that the internal auditors will be allowed to follow the external auditor's instructions, and that the entity will not intervene in the work the internal auditor performs for the external auditor; and
(b) Obtain written agreement from the internal auditors that they will keep confidential specific matters as instructed by the external auditor and inform the external auditor of any threat to their objectivity

Areas where ~~significant~~ judgements are required, TA should not be used.

Q.6 (A) CHXVII Guidelines for corporate form of practice of the Council General guidelines, 2008

Permit a member of the Institute in practice to be the MD/WTD/Manager of the company engaged solely in providing management consultancy services under sec 2(2)(v) of the CA Act, 1949. He can engage in practice for the limited purpose of

- (i) Performing attest functions &
- (ii) Training article assistants

Hence, there is no misconduct on part of CA Suraj. As regulation 190 & 190A & 191 grant general or specific permissions by council he is not required to obtain permission as it is generally granted. Hence not guilty of clause (1) part I of Sch I of CA Act, 1949.

Q.6 (C) Clause (1) of part I of schedule II A CA in practice shall be deemed to be guilty of professional misconduct if he disclose information acquired in course of his professional engagement to any person other than the client engaging him or without the authority of client so

engaging him to any person other than client so engaging him or otherwise than required by law or regulation.

Mr. Mohan disclosed ^{vital} information of client during a presentation to ^{an} audience in understanding. Thus, he is guilty of professional misconduct under clause 1 part I of schedule II of CA Act, 1949.

(i) As per SA 220, "Quality Control for an Audit of Financial Statements" Quality control in an audit of financial statements

• The engagement partner shall take responsibility for reviews being performed in accordance with the firm's review policies and procedures.

• For audits of financial statements of listed entities, the engagement partner shall:

(a) Determine that an engagement quality control reviewer has been appointed;

(b) Discuss significant matters arising during the audit engagement including those identified during the engagement quality control review with the engagement quality control reviewer; and

(c) Not date the auditor's report until the completion of the engagement quality control review.

(ii) SA 700, "Forming an Opinion and Reporting on Financial Statements", requires:

□ The auditor's report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the auditor's opinion on the financial statements.

(i) In the present case: OP & Associates are the statutory auditors of a listed company which started its operations 5 years back. The field work during the audit of the financial statements of the company for the year ended March 31, 2025 got completed on May 1, 2025. The auditor's report was dated May 12, 2025. During the documentation review of the engagement, it was observed that the engagement quality control review was completed on May 15, 2025.

(ii) Difficult or contentious matters over which there is disagreement among them should be resolved.

Engagement partner shall not date his report earlier than the quality control review has been performed. In the given case quality control review has been completed on May 15, 2025 while engagement partner has signed audit report on May 12, 2025.

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completing work on May 10, 2025.
Quality control is essential is an audit and
Reviewer is appointed with intention to ensure
compliance with highest standards.

Q.1 (B) As per SA 705 Modifications to the opinion
in an Independent Auditors Report.

Disclaimer of Opinion

We were engaged to audit the accompanying consolidated financial statements of Chai Ltd., FMCG Company (hereinafter referred to as the "Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 20XX, the consolidated statement of Profit and Loss, (consolidated statement of changes in equity) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "Consolidated Financial Statements").

We do not express an opinion on the economic consequences of possible effects of matters described in the Basis for Disclaimer of Opinion section of our report. We have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.
Due to the significance of possible effects of matters described in the Basis for Disclaimer of Opinion, we do not express an opinion auditor is unable to form an express an financial statements.

Basis for Disclaimer of opinion :

Due to inability to obtain sufficient and appropriate audit evidence of single element in Kalki Ltd. representing 90% of group's net assets having both material & pervasive possible effects amounting to ₹ 100 crores we do not express an opinion on financial statements of Chai Ltd. for the year ended 2024-25.

Basis for Disclaimer of Opinion
The Group's investment in its joint venture Kalki Ltd. Company is carried at ₹ 100 crores on the Group's consolidated balance sheet, which represents over 90% of the Group's net assets as at March 31, 2024. We were not allowed access to the management and the auditors of XYZ Company, including XYZ Company's auditors' audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of the Group's proportional share of Kalki Ltd.'s assets that it controls jointly, its proportional share of Kalki Ltd.'s liabilities for which it is jointly responsible, its proportional share of Kalki Ltd.'s income and expenses for the year, (and the elements making up the consolidated statement of changes in equity) and the consolidated cash flow statement.

Q. 1 (A) As per SA 570 Going concern following points about entity ~~the~~ GPF Private limited indicate uncertainty relating to going concern as they are unable to service their debts & financial ratios including other indicators suggest a need to review entity's ability to continue. as ~~Going concern~~ CAM (Auditor) shall:

i) Discuss with Management & Those charged with governance ~~their~~ assessment regarding entity's ability to continue as going concern.

ii) Auditor should ask management to ~~review~~ its assessment if it concludes that

iii) Auditor should ask management ~~to~~ of its plans for future courses of action if they conclude that entity is still a Going concern Auditor should obtain sufficient & appropriate evidence in this regard.

iii) Auditor shall ask management to disclose properly in financial statements that there exist a material ~~is~~ Uncertainty

iv) If management does not disclose auditor shall

Consider
Opinion

II Aud

concl
but
- etc

Qo

DATE _____
PAGE _____
Consider implications for Audit Report and on the opinion.

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Auditor shall describe the matter in ~~the~~ emphasis of matter para as per SA 706 if concludes that material uncertainty exists ~~but~~ but use of going concern is adequate & appropriate disclosure has also been made in this regard.

Q. 4 (C) CA Ketan shall ensure effectiveness of remote audit by :-

(1) There is proper network during the conference

(2) ensure security of the meetings (protected by firewalls)

(3) ensure users are properly trained to use online platforms

(4) ensure documents & data are encrypted & only the client and auditor can decrypt with necessary key

(5) ensure proper segregation of duties & access responsibilities

(6) only higher level authority can access

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confident data, rights to amend, edit, view
appropriately designated pdfjs.express

(7) ensure confidentiality

Reporting of observations by the AKB Associates

(i) Observation-1

Q. 2 (b) As per SA 706: "Emphasis of Matter Paragraph & Other Matter Paragraph in the Independent Auditor's Report", an Emphasis of Matter Paragraph refers to matter appropriately disclosed in the financials, that in the auditor's judgement is of such importance that it is fundamental to users' understanding of the financials.

Q In the given case, the management has disclosed in the financials that, during the year, one of the warehouses of the Company was affected due to a major flood. As a result of the same, the Company had incurred some losses. But the management view of the new trade was not material.

Q Conclusion: Hence, in this case, the auditor shall report about the consequences of the flood which affected the Company's warehouse under Emphasis of Matter Paragraph.

(ii) Observation 2

Q As per SA 705: "Modification to Opinion in the Independent Auditor's Report", where the auditor is unable to obtain sufficient and appropriate audit evidence and where such

AKB Associates should report a qualified opinion
in the Independent Auditor's Report Observation 2

Emphasis of matter para describes those matters which are presented & disclosed in Financial statements but are significant to the user's understanding.

Observation 2 shall be reported under

Qualified opinion is given when effects of the matters are material but not pervasive to financial statements [Auditor obtained sufficient & appropriate audit evidence].

matter is material but not pervasive, the auditor shall issue a qualified opinion.

Q In the given case:-Due to flood, few records maintained by the Company with respect to a particular transaction was completely destroyed and there was no duplicate record maintained by the Company. However, those details were not pervasive, but material.

Q Conclusion:-Thus, in the given situation, on account of flood few records pertaining to particular transactions was completely destroyed and in the absence of duplicate records, the auditor was unable to obtain sufficient and appropriate audit evidence and those details were material but not pervasive. Therefore, in accordance with SA 705, the auditor is required to issue qualified opinion.

Q.2(B) As per section 129(3) of companies Act, 2013
A company having control over another company
by way of :-

(i) holding more than ~~or eq~~ 50% of the
voting power. control of
(ii) having majority of board of directors
shall consolidate with such other entity
unless exempted.

Since it is not exempted to consolidate
H Ltd. shall consolidate with S3 Ltd. and
account S1 Ltd & S2 Ltd. using equity method

