

CA Final **Audit** SUPPLEMENTARY CASE STUDY BOOK

— **May 26** —



CA Final Audit

ICAI Additional Case Studies

INTEGRATED CASE SCENARIO 21

Case	Prakriti Limited is a listed company engaged in the manufacture of eco-friendly home appliances. During the financial year, the company significantly expanded its operations by setting up a new manufacturing facility in a semi-rural location. The expansion was aimed at increasing production capacity while benefiting from lower operational costs and proximity to raw material suppliers. During the statutory audit of Prakriti Limited, the auditor became aware of the undisclosed environmental violations and labour-related non-compliances. Management represented that the issues were operational in nature and assured corrective action. Relying on management representations, the auditor did not include any specific reference to these matters in the audit report. The company sources raw materials from a diverse supplier base and employs a large workforce, a substantial portion of which consists of contractual labour engaged through third-party contractors. Prakriti Limited sells its products through online platforms as well as a widespread network of distributors across India. Being a listed entity, Prakriti Limited is required to comply with the Business Responsibility and Sustainability Reporting (BRSR) framework. During the year, the following issues came to the attention of stakeholders and regulators: • Prakriti Limited has published its sustainability policies and environmental commitments on its official website. However, certain material environmental violations relating to emissions and waste management at the newly established plant were disclosed to the public only after these violations were highlighted in media reports. The company did not make timely or voluntary disclosures to its stakeholders when the violations first occurred. • Contractual workers employed at the new manufacturing facility raised complaints regarding delayed payment of wages by contractors and absence of adequate safety measures at the workplace. The workers alleged that despite being aware of these issues, the company did not take sufficient steps to ensure compliance by contractors. • Prakriti Limited collects customer data through its online sales platform for order processing and customer engagement. During the year, it was observed that the company shared customer data with third-party marketing agencies without obtaining explicit consent from customers. Statutory auditor CA. Manik, during the statutory audit of Prakriti Limited, became aware of the undisclosed environmental violations and labour-related non-compliances. Management represented that the issues were operational in nature and assured corrective action. Relying on management representations, the auditor did not include any specific reference to these matters in the audit report.
MCQs	Based upon above, answer the following questions: -
1.	The delayed disclosure of environmental violations at the new manufacturing plant is contrary to which BRSR principle? (a) Principle 2 – Safe and Sustainable Goods and Services (b) Principle 1 – Ethics, Transparency and Accountability (c) Principle 6 – Protection and Restoration of Environment (d) Principle 9 – Provide Value to the Consumers in a Responsible Manner

2. **Which clause of CARO, 2020 is most likely to require reporting in respect of delayed wages and labour-related statutory non-compliances at Prakriti Limited?**
 (a) Clause 3(vii) – Statutory Dues
 (b) Clause 3(i) – Property, Plant and Equipment;
 (c) Clause 3(xi) – Fraud by the company
 (d) Clause 3(xv) – Non-cash transactions with directors
3. **The grievances raised by contractual workers regarding delayed wages and unsafe working conditions primarily indicate non-compliance with which principle?**
 (a) Principle 4 – Respect for Stakeholders’ Interests and Responsiveness
 (b) Principle 2 – Safe and Sustainable Goods and Services
 (c) Principle 8 – Promote Inclusive Growth and Equitable Development
 (d) Principle 3 – Promote Well-Being of All Employees Including those in the Value Chain
4. **Which is the most appropriate response of the auditor upon becoming aware of environmental and labour law non-compliances as per relevant Standards on Auditing?**
 (a) Accept management representation as sufficient audit evidence
 (b) Ignore the matters since they relate to non-financial reporting
 (c) Evaluate implications under applicable laws and communicate with those charged with governance, and consider appropriate reporting
 (d) Immediately resign from the audit
5. **Sharing customer data with third-party marketing agencies without explicit consent amounts to a violation of:**
 (a) Principle 2 – Safe and Sustainable Goods and Services:
 (b) Principle 4 – Respect for Stakeholders’ Interests and Responsiveness
 (c) Principle 5 – Respect and Promote Human Rights
 (d) Principle 9 – Provide Value to the Consumers in a Responsible Manner

ANSWERS

1.	(b)	2.	(a)	3.	(d)	4.	(c)	5.	(d)
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INTEGRATED CASE SCENARIO 22

Case	Wire Ltd. is a listed company engaged in the manufacture of electrical equipment. The company operates multiple manufacturing units across India and consumes significant quantities of electricity, water, and natural resources such as copper and aluminium for its operations. The production process results in carbon emissions, water discharge, hazardous waste, and e-waste. To address environmental concerns, Wire Ltd. has installed solar power facilities at its plants and implemented water recycling systems. The company has also set measurable targets to reduce its carbon emissions by 30% over the next five years and periodically tracks its emission levels. Wire Ltd. employs a large workforce, including permanent and contract workers. The company has framed policies relating to employee health and safety, labour welfare, gender diversity, equal opportunity, and skill development. It also undertakes community development initiatives in the areas surrounding its manufacturing units. The Board of Wire Ltd. comprises executive and independent directors. The company has constituted various Board committees, including the Audit Committee, Nomination and Remuneration Committee, and Risk Management Committee. Wire Ltd. follows a code of conduct, has a whistle-blower mechanism, and ensures compliance with applicable laws and regulations.
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In response to increasing investor and regulatory expectations, Wire Ltd. Has initiated Environmental, Social and Governance (ESG) reporting, which includes both qualitative disclosures (such as policies and strategies) and quantitative disclosures (such as metrics and key performance indicators).

Wire Ltd. appoints a firm of Chartered Accountants APR & Associates to provide ESG assurance using advanced digital auditing tools such as data analytics and automated extraction of ESG data from its ERP systems.

Subsequently, CA. Ankur, Partner APR & Associates instruct his article assistant CA Mihir to publish a detailed post on its website and social media platforms highlighting its role in conducting “ESG and Digital Audits of a listed manufacturing company using AI-based tools” and to invites other corporates to approach the firm for similar assignments.

MCQs	Based upon above, answer the following questions: -
1.	Which of the following activities undertaken by Wire Ltd. falls under the Environmental (E) pillar of ESG? (a) Constitution of Board-level committees (b) Adoption of a whistle-blower mechanism (c) Installation of solar power facilities and water recycling systems (d) Community development initiatives
2.	Policies relating to labour welfare, gender diversity, and community development primarily relate to which pillar of ESG? (a) Environmental Pillar (b) Social Pillar (c) Governance Pillar (d) Financial Pillar
3.	Which is the most appropriate response of the auditor upon becoming aware of environmental and labour law non-compliances as per relevant Standards on Auditing? (a) Yes, since publication of information relating to professional expertise and use of digital audit tools is permitted under the provisions of the Chartered Accountants Act, 1949 and the Schedules thereto. (b) No, as the instruction results in indirect solicitation of professional work, thereby violating Clause 6 of Part I of the First Schedule to the Chartered Accountants Act, 1949. (c) No, as the instruction results in indirect solicitation of professional work, thereby violating Clause 6 of Part I of the Second Schedule to the Chartered Accountants Act, 1949. (d) Yes, since ESG assurance and digital auditing are emerging areas and are not restricted provisions of the Chartered Accountants Act, 1949 and the Schedules thereto.
4.	The presence of independent directors and constitution of Audit and Risk Management Committees indicate adherence to: (a) Environmental Pillar (b) Social Pillar (c) Governance Pillar (d) Financial Pillar

ANSWERS

1.	(c)	2.	(b)	3.	(b)	4.	(c)
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INTEGRATED CASE SCENARIO 23

Case	CA Kishan, a sole proprietor of M/s R K & Co., is a Chartered Accountant in practice. He employs CA Isha, a qualified Chartered Accountant, as a full-time paid assistant. CA Isha conducts audits, prepares reports and signs certificates under the name and supervision of CA Kishan. The firm also engages Mr. Varun, a non-Chartered Accountant, to assist in administrative coordination, client communication and liaison work. The firm pays him a portion of professional receipts described as “legal consultancy and office support charges”, although Mr. Varun does not possess any recognized professional qualification prescribed by the Council. With prior approval of the Council, CA Kishan purchases the goodwill from Ms. Vishakha, wife of a deceased Chartered Accountant. Following this acquisition, the firm witnesses a rapid expansion of its client base, including corporate and overseas clients. During this expansion phase AMC Ltd., one of the client of CA Kishan, had following cyber fraud attempts: • The CFO of a client company receives an urgent phone call from a person impersonating a bank official, requesting OTP details to reverse a supposedly failed transaction. • Around the same time, the Managing Director receives a “Highly Confidential” email appearing to originate from the Chairman, seeking immediate authorisation for an overseas wire transfer. • The attackers leveraged publicly available information and weak segregation of duties to make their communications appear authentic.
MCQs	Based upon above, answer the following questions: -
1.	Whether payment to Mr. Varun described as “legal consultancy and office support charges” is permissible under the provisions of the Chartered Accountants Act, 1949 and the Schedules thereto? (a) Permissible sharing of fees due to legal consultancy (b) Professional misconduct under Clause (2) of Part I of the First Schedule to the Chartered Accountants Act, 1949 (c) Professional misconduct under Clause (3) of Part I of the First Schedule to the Chartered Accountants Act, 1949 (d) Permissible if disclosed in the engagement letter
2.	The phone call received by the CFO requesting OTP details to reverse a failed transaction is known as: (a) Whaling (b) Spear phishing (c) Vishing (d) Smishing
3.	Whether purchase of goodwill form a non-CA in the given case will tantamount to Professional Misconduct under the provisions of the Chartered Accountants Act, 1949 and the Schedules thereto? (a) Purchase of goodwill from a non-CA is professional misconduct under Clause (4) of Part I of the First Schedule to the Chartered Accountants Act, 1949. (b) Purchase of goodwill from the legal heir of a deceased CA, with Council approval, is permissible. (c) Purchase of goodwill is permissible only if the seller is a practicing CA. (d) Purchase of goodwill from a non-CA amount to professional misconduct under Clause (1) of Part I of the First Schedule to the Chartered Accountants Act, 1949.
4.	The email sent to the Managing Director impersonating the Chairman and seeking urgent wire transfer authorisation is an example of: (a) Spear phishing (b) Phishing (c) Whaling (d) Smishing

ANSWERS

1.	(b)	2.	(c)	3.	(b)	4.	(c)
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INTEGRATED CASE SCENARIO 24

Case	M/s BAT & Co., a firm of Chartered Accountants, recently launched its official website “bat-ca.com”. The website featured bright neon colours, details of the partners, and listed some major clients with the fees charged. The website also used a “push” technology, where updates were automatically sent to subscribers without them requesting it. Around the same time, Mr. P, a partner in the firm, appeared on a business channel TV interview and handed over a bio-data of the firm to the interviewer. The bio-data contained details of: • The firm’s international affiliations. • Personal achievements and awards of Mr. P as a tax expert. • Notable clients handled by the firm. Later, another partner, Mr. Q, published a congratulatory advertisement in a leading newspaper with his photograph on the occasion of opening a new branch office. Further, M/s BAT & Co. was appointed as the statutory auditor of RST Ltd., a company covered under CARO 2020. While reporting under Paragraph 3 of CARO 2020 relating to property, plant and equipment, inventory, statutory dues, and borrowings, the audit team relied on system-generated MIS reports from the company’s ERP system, and management representations confirming the accuracy and completeness of such information. The audit team did not carry out independent verification of underlying records or evaluate the effectiveness of internal controls, on the assumption that consistency between MIS reports and management representations provides sufficient audit evidence.
MCQs	Based upon above, answer the following questions: -
1.	Regarding the website “bat-ca.com”, which of the following statements is correct under the Council General Guidelines, 2008? (a) The firm is fully compliant because there is no restriction on website colours. (b) The firm is in violation of guidelines because it uses “push” technology and discloses client names and fees without regulatory requirement. (c) The website is compliant because disclosure of clients and fees is allowed on the firm’s discretion. (d) The firm is only liable if the website is used to actively solicit new clients.
2.	In the given case, whether approach of audit team i.e., relying on written representation and MIS with respect to reporting under relevant Standards on Auditing and CARO 2020 is appropriate? (a) The auditor’s approach is appropriate since consistency between MIS reports and management representations is sufficient for compliance with SAs and CARO 2020 reporting. (b) The auditor’s approach is acceptable as reporting largely involves matters based on information and explanations provided by management during the audit. (c) The auditor’s approach is inappropriate because management representations and system-generated MIS cannot substitute independent audit procedures required for compliance with SAs and CARO 2020 reporting. (d) The auditor’s approach is justified unless there is a specific indication of fraud or material misstatement.
3.	Whether Mr. P will be held guilty for professional misconduct for handing over the firm’s bio-data during a TV interview under the Chartered Accountants Act, 1949 and Schedules thereto? (a) Yes, Mr. P will be held guilty of professional misconduct under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 because handing over bio-data promoting the firm and the partner’s achievements indirectly solicits professional work. (b) No, Mr. P will not be held guilty of professional misconduct as the partner did not personally read out the bio-data on TV. (c) No, Mr. P will not be held guilty of professional misconduct as long as the bio-data was factual.

- (d) Yes, Mr. P will be held guilty of professional misconduct under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 only if the TV channel ran advertisements alongside the bio-data.
4. **Whether the publishing of the photograph by Mr. Q is permissible under the Chartered Accountants Act, 1949 and the Schedules thereto?**
- (a) Yes, it is permissible as it merely conveys information about an event and does not amount to solicitation of professional work.
- (b) Yes, it is permissible since the publication highlights personal credentials of the partner and does not involve advertisement of professional services.
- (c) No, it is not permissible as it indirectly solicits professional work and promotes the partner and the firm and tantamount to professional misconduct.
- (d) Yes, it is permissible provided the publication does not contain any reference to services rendered or fees charged.

ANSWERS

1.	(b)	2.	(c)	3.	(a)	4.	(c)
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INTEGRATED CASE SCENARIO 25

Case Verma & Co. has been appointed as the central statutory auditor of Quick Trust Bank Ltd., a private sector bank registered with RBI, for F.Y. 2023-24. Mr. Verma, the engagement partner, while examining the computation of DTL (Demand and Time Liabilities), raised his suspicion regarding the inclusion and exclusion of the following items:

Sr. No.	Particulars of Item	Inclusion/Exclusion
1	Amounts received in INR for disposal of import bills shown under Sundry Deposits	Inclusion
2	Net credit balance of Branch Adjustment Account	Inclusion
3	Amount received from ECGC by invoking the guarantee	Exclusion
4	Margins held and kept in sundry deposits for funded facilities.	Inclusion
5	Unaccounted inward remittances received on behalf of customers	Inclusion

During the course of audit, Verma & Co. also observed that one large advance account of the bank had no recovery of principal or interest for the past 18 months. The bank has not applied the NPA norms as well as income recognition norms to this particular account. When queried the bank management replied that this account was guaranteed by the central government and hence these norms were not applicable. The bank has not invoked the guarantee.

Additionally, Verma & Co. was offered Stock audit of a sister concern of Quick Trust Bank Ltd. for F.Y. 2023-24, and Branch audit of its Andheri Branch for F.Y. 2023-24 and Bandra Branch for F.Y. 2024-25, respectively.

MCQs Based upon above, answer the following questions: -

1. Items at which serial number, as aforesaid, have been wrongly included or excluded for the computation of Demand and Time Liabilities?
- (a) Items at which Sr. No. 1 & 4, respectively.
- (b) Items at which Sr. No. 2, 3 & 5, respectively.

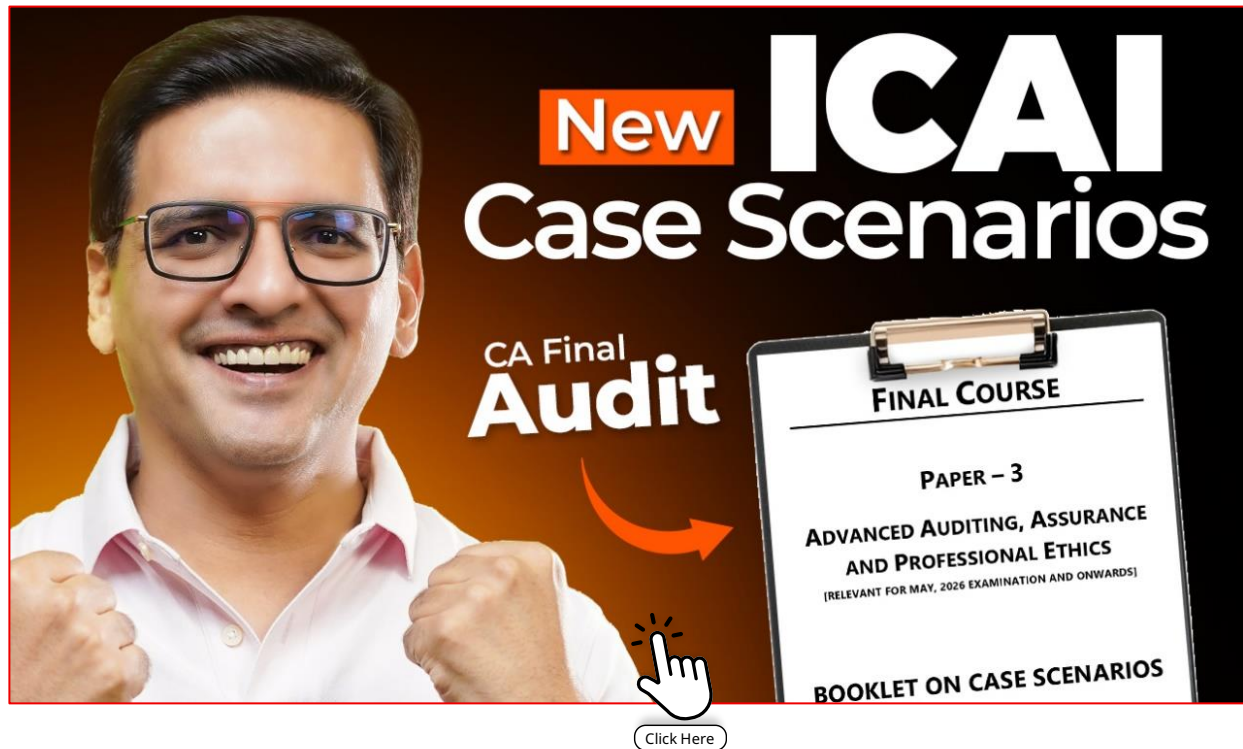
- (c) Items at which Sr. No. 1 & 3, respectively.
 (d) Items at which Sr. No. 3 & 5, respectively.
2. **Whether the classification of advance and income recognition by Quick Trust Bank Ltd. is correct?**
 (a) The bank is incorrect in not classifying the advance as NPA and in continuing to recognize interest income, since guarantees do not affect IRAC norms.
 (b) The bank is correct in not classifying the advance as NPA for provisioning purposes since the Central Government guarantee has not been repudiated, but interest income should not be recognized unless actually realized.
 (c) The bank is correct in both not classifying the advance as NPA and in recognizing interest income on accrual basis due to Central Government guarantee.
 (d) The bank should classify the advance as NPA only after 90 days of overdue irrespective of whether the guarantee is by Central or State Government.
3. **Would the auditor's conclusion change if the advance, which has remained overdue for more than 18 months, was guaranteed by a State Government instead of the Central Government?**
 (a) Yes, since the special exemption from NPA classification is not available for State Government guaranteed advances, and the account would be treated as NPA after 90 days of overdue.
 (b) Yes, but only income recognition norms would change, while asset classification would remain unaffected.
 (c) No, both Central and State Government guarantees are treated identically for asset classification and income recognition under RBI IRAC norms.
 (d) No, the account would be classified as NPA only on invocation and repudiation of the State Government guarantee.
4. **Whether Verma & Co. can accept the stock audit assignments, as aforesaid?**
 (a) It can only accept the stock audit assignment of its Bandra Branch and its Andheri Branch.
 (b) It can only accept the stock audit assignment of its Bandra Branch.
 (c) It can only accept the stock audit assignment of the sister concern of Quick Trust Bank Ltd., its Bandra Branch as well as its Andheri Branch. However, it will require NOC from Quick Trust Bank Ltd. For accepting the stock audit assignment of its sister concern.
 (d) It can only accept the stock audit assignment of the sister concern of Quick Trust Bank Ltd.

ANSWERS

1.	(a)	2.	(d)	3.	(a)	4.	(b)
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Want the Full Solution of This Case Scenario?

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New ICAI Case Scenarios

CA Final **Audit**

FINAL COURSE

PAPER - 3

ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(RELEVANT FOR MAY, 2026 EXAMINATION AND ONWARDS)

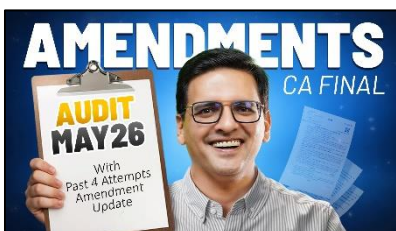
BOOKLET ON CASE SCENARIOS

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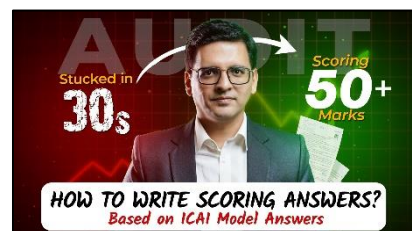
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All FR Amendments for
May 2026



CA Final Audit
Amendments May 2026



CA Final Audit | Know What
to Write and What Not

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CA Final Audit by CA Sarthak Jain

BRSR 9 Principles

No.	Principle	Relates To
1	<u>Ethics, Transparency & Accountability</u>	Policies for offices Disclosure of policies, <u>adverse matters</u> to Stakeholders
2	Safe & Sustainable Goods and Services	Sustainable Resource Utilisation Consumer Rights
3	Promote Well-being of All Employees including Those in the Value Chain	<u>Worker Related - Regulatory</u> <u>Wage</u> <u>Work conditions</u> etc
4	Respect for Stakeholders' Interest and Responsiveness	Transparent communication to Stakeholders about Operations Policy decisions Interested Parties
5	Respect and Promote Human Rights	Human Rights Constitution National / International laws on human rights
6	Protection & Restoration of Environment	Pollution Energy Waste Climate Industry practices
7	Influence on Public and Regulatory Policy	Policy Formation Collective Associations Fair Competition
8	Promote Inclusive Growth & Equitable Development	Society Displaced Groups Cooperation with Civil Associations Equitable Sharing
<u>9</u>	Provide Value to the Consumers in a Responsible Manner	Reduce products harmful effects on Consumer Society. Fair Competition <u>Customer Data</u> Advertisements misled Grievance