

Jan 2026 & Onwards



CA FINAL

ADVANCED AUDITING, ASSURANCE, AND PROFESSIONAL ETHICS

- ▶ Questions placed right below concepts for seamless learning.
- ▶ Covers ICAI SM, MTPs, RTPs & past papers.
- ▶ Summarized in charts, tables, and key highlights.
- ▶ Includes memory tricks to remember the concepts.

**Concepts +
Question Bank**

TOGETHER (AUDIT ALL IN ONE)

CA Hemant Soman

Contents

OTHER THAN ICAI SM MCQ's SUMMARY & NUMERICAL LIMITS:	6
Chapter 1 to 11 (SQC/SA/SAE/SRE/SRS)	6
Chapter 3 - Other MCQ's (Planning/Strategy/Execution)	17
Chapter 4 Other MCQ's & Some Misc.MCQ's	18
Chapter 4: Points to Note (For MCQ's & Case scenerios)	21
AUDIT REPORT	21
CARO 2020	22
DIGITAL AUDIT (Chp 12)	23
Due Diligence, investigation & Forensic Audit	25
PSU AUDIT	26
GROUP AUDIT - CFS	27
INTERNAL AUDITOR	28
SDG & ESG	30
NBFC	30
BANK AUDIT	33
PROFESSIONAL ETHICS	38
COMPANY AUDIT	39
(Not in New Syllabus > But Once Read)	39
ICAI NEW MCQ BOOKLET - INTEGRATED MCQ's SUMMARY	42
Old ICAI MCQ Booklet INTEGRATED MCQ's SUMMARY	55
ICAI STUDY MATERIAL MCQ's:	61
CHAPTER 1- Quality Control	62
CHAPTER 2- General Auditing Principles & Auditor's Responsibilities	64
CHAPTER 3 - AUDIT PLANNING, STRATEGY & EXECUTION	66
CHAPTER 4 - MATERIALITY, RISK ASSESSMENT AND IC	68
CHAPTER 5 – AUDIT EVIDENCE	70
CHAPTER 6- COMPLETION & REVIEW	71
CHAPTER 7- REPORTING	75
CHAPTER 8- SPECIALIZED AREA	77
CHAPTER 9- AUDIT RELATED SERVICES	80
CHAPTER 10- Review of Interim Financial Information	82
CHAPTER 11 - Prospective Financial Information & Other Assurance services	84
CHAPTER 12: DIGITAL AUDITING	86
CHAPTER 13: Group Audit	88
CHAPTER 14.1: Audit of Banks	90
CHAPTER 14.2: Audit of NBFC's	92
CHAPTER 15: Overview of Public sector undertaking	94
CHAPTER 18: Sustainable Development Goals (SDG) & Environment, Social and Governance (ESG) Assurance:	96

OTHER THAN ICAI SM MCQ's SUMMARY & NUMERICAL LIMITS:

(ICAI SM MCQ's are given after that topic.....)

Chapter 1 to 11 (SQC/SA/SAE/SRE/SRS)

SQC 1 & SA 220 (Chapter 1)

SQC 1	<u>Time Limits for Docs:</u>				
Time limit Assembly	P&P	P&P for engmnt teams to complete the assembly of engmnt files on a timely basis <u>after the engagement reports</u> have been finalized.			
	Audit engmnt:	Files should be completed in not more than 60 days <u>after date of auditor's report</u>			
	Other:	Other engmnt files within the limits appropriate to engagements. (timely basis after engmnt report)			
	2 or more different report	<ul style="list-style-type: none"> • Where 2 or more different reports are issued i.r.t. same subject matter information of entity, the firm's P&P relating to time limits for assembly of final engmnt files should be considered for each report as if it were for separate engmnt. 			
Time limit for retention	<ul style="list-style-type: none"> • Audit Engagements: minimum 7 years from the <ul style="list-style-type: none"> ✓ date of the auditor's report, or, ✓ if later, the date of the group auditor's report 				
Chp-1	<u>NFRA: Sec 132(1) & Rule 3</u>				
Chp-1	<u>Quality review Board:</u> Select companies on the basis of Risk based Approach				
Chp-1	<u>QRB:</u> Set up by Central govt				
Chp-1	<u>Peer review board:</u> Set up by ICAI Council				
SQC 1	EQCR Should be C.A only, otherwise changes made in team is inappropriate				
SQC 1	Following points should be check for acceptance and continuance of client relationships and audit engagements are appropriate: <ul style="list-style-type: none"> (i) The integrity of the principal owners, (ii) Whether the engagement team is competent (iii) Whether the firm and the engagement team can comply with relevant ethical requirements; and (iv) Significant matters that have arisen during the current or previous audit engagement <p>(Do Not check Fees of consultant & Qualification of all employees of entity)</p>				

SQC 1	For listed entity's audit engagement partner should be rotated after a predefined period of not more than 7 years
SQC 1	Completion of assembly of final engagement files should be as per time limit or completed within 60 days after date of auditor's report
SQC 1	Engagement documentation should be retained for not less than 7 years
SQC 1	Engagement partner is required to deploy in all the engagement, only management is not sufficient.
SQC 1	Atleast 1 engagement of each partner (Over 3 years) must be reviewed .
SQC 1	Engagement team should consult previous yr E.T. (Other firm), During course of planning
SQC 1	SQC 1 (Not SA-220): Atleast annually audit firm should have obtained a written confirmation from all of its firm personnel.
SQC 1	SQC 1 & SA 220: In case of Difference of Opinion : Engagement team shall follow the firm's policies and procedures for dealing with and resolving differences of opinion.
SQC 1	SQC 1 & SA 220: Not to date audit report ... Unless EQCR completed its review
SQC 1	If firm 1 partner gone outside India, then another partner can sign A.report.
SQC 1	Difference of Opinion: In between Engmnt Teams & Partner .. Need to be resolve - Appropriate consultation occurs within the engagement team and, if necessary, with individuals at an appropriate level within or outside the firm .
SQC 1	Firm Definition: Firm Exclude Corporation . (But include other entity of professional accountants)
SQC 1	Engt partner itself selected EQCR → EQCR's objectivity could not be maintained since it was selected by the engagement partner and made decisions for the engagement team

SA 200 series:

SA 200	Professional skepticism is defined as an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence
SA 200	Professional Judgement: Application of relevant training, knowledge & experience > To make informed decision.
SA 200	Judgements about materiality are affected by both > the auditor's perception of the financial information needs of users of the financial statements, the size or nature of a misstatement
SA 200	" Poor corporate governance " is NOT an Inherent limitation of Audit
SA 200	Auditor issued Unmodified/Clean report.....but subsequently company received notice that it failed to conform to various rules relating to covered area and floors (lead to heavy fines)... Its an example of: Inherent limitations on auditor's ability to detect material misstatements (i.e., Auditor unable to detect MMS related to non-compliance with laws and regulations)
SA 210	Engagement letter should be sign before commencing audit work
SA 210	requires auditor to sign new engagement letter for each audit.
SA 210	Read case study carefully → "TCWG in the company are also involved in managing the entity" → Then in this case, if mgnt imposed the limitation on scope → determine whether it is possible to perform alternative procedures (No need to communicate to TCWG)
SA 220	Technical reviewer should not currently be a member of quality review board or ICAI Central Council/ regional Council /branch level Management Committee
SA 230	Meaning of EXPERIENCE AUDITOR: It is a term specifically defined under Standards on Auditing. It refers to a person who has practical audit experience and reasonable understanding of auditing processes, SAs, business environment of entity and auditing and financial reporting issues relevant to entity's industry.

SA 230	<p>Audit is near to completion stage... Auditor has already perform RAP, Substantive procedure, and other procedures Now auditor has started to prepare "Audit Documentation" so that "audit file" is complete before issue of audit report</p> <p>Right Answer: The approach followed by team is not proper as audit documentation is being prepared at the time of finalization of audit report (Because Audit documentation should prepare at the same time of performing procedures)</p> <p>Wrong answer: The approach followed by team is not proper as "audit documentation" can be prepared in 60 days from date of auditor's report. (It's wrong .. because "Audit file" shall be prepared in 60 days .. not audit documentation)</p>
SA 230	<p>Audit report was signed on 21.8.2022 ... So Audit file shall be assembled till 20.10.2022 ... and Modification in the audit file after 20.10.2022 was generally not permissible except in certain exceptional circumstances.</p>
SA 240	<p>Pre assumed High risk area: "Revenue recognition" & "mngt override control"</p>
SA 240	<p>Where the auditor has doubts about the integrity or honesty of management or those charged with governance, the auditor may consider it appropriate to Obtain legal advice</p> <p>(Do Not: Modify opinion, communicate to regulatory authorities, Withdraw ... Because it's just a Doubt)</p>
SA 240	<p>Even if the engmnt member have good relationship with mngt and not encountered fraud in previous audit > Still Discussion of Engmnt Team shall include > how and where the entity's FS's may be susceptible to material misstatement due to fraud (As it's require by SA 315)</p>
SA 240	<p>auditor suspects the possibility of MMS in the FS due to fraud Specific risk related to inappropriate journal entries ... (How to address ROMM in that case):</p> <p>auditor should perform a comprehensive review of the financial reporting process throughout the year, including the examination of journal entries, Consolidating adjustments, and Re-classification (Not only JV at year end)</p>
SA 240	<p>FS shows red flag (significant related part transaction, unusual adjustment, suspected Fraudulent Financial reporting .. etc.)</p> <p>The auditor should exercise professional skepticism and be alert to the potential for management override of controls to manipulate the financial statements.</p>
SA 240	<p>Auditor shall communicate identified fraud to appropriate level of Mngt on TIMELY BASIS.</p>
SA 240	<p>Company is holding significant bank accounts & having branches in Tax heaven Jurdicitions, as well as significant related party transaction is Fraud risk factor → Its "OPPORTUNITY" for Fraudulent Financial reporting (Not a "Rationalisation", and not a Misappropriation of Asset)</p>
SA 250	<p>Unusual cash payment, Fines → Its Non-compliance of laws</p>
SA 250	<p>Monitoring legal requirement and compliance with code of conduct and ensuring that operating procedures are designed to assist in the prevention of non-compliance with law and regulation and report according: It's a Management Responsibility (Not Auditor's)</p>
SA 260	<p>When All of TCWG Are Managing Entity: Eg. small business where a single owner manages, matters need not be communicated again with those same people(s) in their governance role</p>
SA 260	<p>Form of Communication: in Writing for : Significant findings & Auditor Independence</p>
SA 260	<p>It is auditors responsibility to communicate significant matters to TCWG (Not management's), Also, management has a responsibility to communicate matters of governance interest to those charged with governance.</p> <p>Communication by the auditor does not relieve management of its responsibility</p>
SA 260	<p>Factors that the auditor may consider in determining the appropriate level of detail for communication of significant deficiencies under SA 265 depends upon:</p> <ul style="list-style-type: none"> • Nature, size and complexity of the entity • Nature of the significant deficiencies identified

SA 260	The auditor is responsible for communicating matters required by SA 260 to those charged with governance. Also, management has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of its responsibility.
SA 260	Communication to TCWG, When Additional Info is included in Auditor's report → When there is NO KAM to be communicated in accordance with SA 701 → FALSE (Because when there is KAM, at that time we need to report additional info to TCWG)
SA 265	Communicating Deficiencies in IC to TCWG : <ul style="list-style-type: none"> • Communicate on Timely basis • In case of Significant deficiency : As soon as possible • For listed entities ,communicate ideally before approval date of financial statements • For unlisted entities , Before assembly of Audit file.
SA 265	when to communicate: <ul style="list-style-type: none"> • Listed Entities: Before date of approval of FS • Other entities: Before assembly of audit file (60 days from the date of A.Report)
SA 299	if one or more <u>joint auditor is not in agreement</u> over the opinion, each disagreed joint auditor may submit his report on the disagreed point separately. make reference to the audit report issued by other Joint Auditors under the heading <u>Other Matter Paragraph</u> as per SA 706.
SA 299	Joint Auditors are entitled to assume that other Join Auditor has actually performed work as per SA.
SA 299	<ul style="list-style-type: none"> • Joint auditor work area are different, they decided to obtain a separate management representation letter so as not to mix up the matters → <u>No</u>, take common W.R. • After work allocation between Joint auditor, They do not informed TCWG about allocation → <u>Wrong</u>, should inform • They decided to obtain a common engagement letter since their appointment was common → <u>Allow</u>
SA 299	<ul style="list-style-type: none"> • Mr K joint auditor failed to perform some of his devolved work (so only he is responsible & guilty, Not the other Joint auditor who is required to review his work)

SA 300 Series:	
SA 300	If you need to revise materiality, then first make strategy, then make plan
SA 315	<p>Risk Assessment Procedure (RAP) includes -</p> <ul style="list-style-type: none"> • Analytical Procedure: Performing trend analysis, going through company's internal control manuals and visiting company's plant • Inquiries within the entity (marketing personnel and with in-house legal counsel, IT team etc) • Inquiry to mgmt <p>(NOT INCLUDES: Communication with company's external legal counsel by sending a letter of inquiry)</p>
SA 315	An entity's system of internal control contains manual elements & often contains automated elements.

	<p>As per SA 315 characteristics of manual or automated elements are relevant to auditor's risk assessment & further audit procedures based thereon.</p> <p>Hence, view of audit team looks fine because without testing of internal control covering all types of control that is manual & automatic those controls can't be said to be operating effectively</p>
SA 315	Performing analytical procedure (SAP) is mandatory , as conclusion drawn from analytical procedures are corroborate conclusion formed during audit of individual component in F.S
SA 320	Performance materiality means the amount or amounts set by the auditor at <u>LESS</u> than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements <u>EXCEEDS</u> materiality for the financial statements as a whole.
SA 330	Auditor perform Risk assessment Then conduct the Audit procedure to gather evidence Then auditor shall again assess whether assessment of ROMM still remain appropriate ... Reason is to: To gain further insight into the ROMM due to fraud and decide if additional or different audit procedures are required

SA 400 Series:

SA 402	Service organization (Outsourced company) is ISO certified & Its controls are regularly audited : Still the Auditor should take the control audit report of S.O to review.

SA 500 Series:

SA 505	Rest of assertions may be conducted by auditor indirectly however to confirm existence , auditor is required to perform direct confirmation procedure & cannot rely on indirect confirmations.
SA 505	With the risk of material misstatement assessed to be low, the top 15 parties, comprising 5% of customers and 7% of vendors, were selected to obtain external confirmations → Sampling strategy is Inappropriate . Sample size appears to be insufficient. Method of sample selection does not allow each item in the population a chance of selection.
SA 510	Yes, new auditor is requiring to check opening balances (SA 510) as well as he may require subsequent data also (SA 560). Client can-not object
SA 530	A Evaluate the sample result: Consider both Qualitative & Quantitative factors while evaluating samples
SA 530	Increase in population will have negligible effect on sample size
SA 530	BLOCK SAMPLING : Means Selecting continuous Items <u>Example:</u> Select 50 consecutive cheque, rather than selecting 50 random cheque through out the year
SA 530	Sample selection is assessment of audit team, they can Increase no. of samples from past years samples, client cannot object
SA 530	Purchase reflected in P&L is Rs. 5 crore, CA has taken 50 samples of Rs. 10 lacs, ... it has detected 2 purchase invoice of Total Rs. 5000 has misstatement. Tolerable misstatement is Rs. 2 lacs. So, (5000rs/10 lacs)*5 Crore = Rs. 2.5 lacs ... means Projected misstatement is higher than Total misstatement, sample size should be increased for further testing.
SA 530	While testing controls in a sample of purchase orders for the acquisition of capital assets, he failed to notice a lack of adherence to certain established parameters for placing such orders ...it's a

	NON-SAMPLING RISK (Because Risk is not due to lower sampling number, it's due to Auditors has not checked samples correctly)
SA 540	Auditor conduct retrospective review of F.S. reg. mngt assumptions/Significant estimates of Last year reason is to determine whether there is a possible bias on the part of mngt in making significant a/cing estimate
SA 540	Judgments about the outcome of pending Litigation is considered as higher estimate uncertainty
SA 570 & 701	Matters relating to going concern may be determined to be key audit matters ,
SA 550	For RPT - Auditor can-not rely on Mngt representation only , Auditor has the responsibility to perform the audit procedures to identify, assess and respond to the risk of material misstatement arising from the entity's failure to appropriately account for related party relationships, transactions and balances
SA 550	<ul style="list-style-type: none"> • Receivables for which balance confirmation is not received ... Auditor have to perform Alternate procedure <p>For remaining Balance confirmations also... auditor should take Direct confirmation from Receivable (It's not allowed that management is receiving confirmation from debtor, than they are submitting to auditor)</p>
SA 550	<ul style="list-style-type: none"> • <u>If</u> There is <u>No requirements</u> of the applicable <u>FRF</u> for disclosing the related party transaction : Then Also Auditor need to <u>obtain an understanding</u> of the entity's <u>related party relationships and transaction</u>, to <u>conclude</u> whether the <u>financial statements</u> affected by those relationships and transactions achieve a <u>true and fair presentation and are not misleading</u>
SA 550	Divided the whole population of trade receivables balances to be tested in a few separate groups called 'strata': Stratified sampling .
SA 560	Mngt amends the FS, which were already issued , Auditors shall perform all of the following: <ul style="list-style-type: none"> ✓ Carry out the audit procedures necessary to gain SAAE over the event ✓ Extend the audit procedures to the date of the new auditors report. <p>Provide a new auditors report on the amended FS. The new auditors report shall not be dated earlier than the date of approval of the amended financial statements</p> <p>(Do not Modify the Audit report)</p>
SA 560	<ul style="list-style-type: none"> ✓ Fire After Year end date.... It cause loss of inventory ... it's a non-adjusting event (only disclosure require)
SA 560	When new FS is issued after audit report .. then Auditor audit report shall .. Original Date of audit report will remain unchanged and additional date will be included. Alternative available was to provide new or amended audit report by including an Emphasis of MaNer paragraph or Other MaNer(s) paragraph
SA 560	For subsequent event: Auditor shall NOT Perform additional procedures on matters which have already yielded satisfactory conclusions.
SA 570	AUDITOR SHALL REQUEST Mngt TO EXTEND GC ANALYSIS to ATLEAST 12 month)
SA 570	AUDITOR SHALL REQUEST MANAGEMENT TO EXTEND ITS GOING CONCERN ANALYSIS TO ATLEAST 12 months
SA 570	Blacklisted by Govt, Directors arrested by Police, auditor is not Convinced by forecast assumption used for preparing cash flow : Adverse opinion (Going concern issue)
SA 570	Non Declaration of dividend is Not a material uncertainty on Going concern
SA 570	When company sales or decreasing ... still in Cash Flow projection the Cash inflow has increased ... Auditor shall Check arithmetical accuracy of cash flow forecast, Make inquiry, Check whether any material payments left out in cash outflow ... (Do Not Accept increase in cash flow from sales)

SA 570	Sales of company has decreased, Old P&M, Litigations, loss: So Auditor shall NOT Check company's cash flow and profit of the previous years with the projected accounts. (Future cash Budget needs to be check)
SA 580	If WR are not reliable → <u>Disclaimer of opinion</u>
SA 580	<u>Date of W.R:</u> Shall be as near as practicable to the date of A.report, but not after , the date of the auditor's report on the FS
SA 580	<u>Period covered by W.R:</u> The WR shall be for all financial statements and period(s) referred to in the auditor's report
SA 580	Date of WR should be as near as to the date of auditor's report
SA 580	Case Study → Management gave a different Value of Machinery in W.R, however valuer Report showing a Different amount → so it will give doubt about management integrity: <ul style="list-style-type: none"> If auditor identified significant issue relating to mngr integrity/competence etc. → but auditor still concluded that W.R are reliable → in such case → this Significant matter will be documented as per SA 230 → TRUE <u>If inconsistency between W.R & Audit evidence</u> → Perform audit procedures to resolve the matter (consider whether RAP remain appropriate, if Not, revise risk assessment & NTE of FAP) → TRUE fact that mngr has provided reliable W.R. does affect the nature or extent of other audit evidence that the auditor obtains about the fulfillment of management's responsibilities, or about specific assertions. → FALSE (as it Does NOT affect)

SA 600 Series:

SA 610	The statutory auditors are not required to go to the extent of review of detailed working papers of internal auditors
SA 610	Prior to using internal auditors to provide direct assistance for purposes of audit, external auditor shall: <ol style="list-style-type: none"> Obtain written agreement that IA will be allowed to follow external auditor instructions Obtain written agreement from internal auditors that they will keep confidential
SA 610	Auditor is required to assess competence and professional care of work performed by Internal Auditor.
SA 610	<ul style="list-style-type: none"> If Inventory have high ROMM → Don't use Internal auditor Documentation of working paper responsibility of statutory auditor → Don't use Internal auditor evaluating significant accounting estimates → Not allow for IA assessing the ROMM → Not allow for IA assembling information necessary to resolve exceptions in confirmation responses → Allow Relate to work with which the internal auditors have been involved & which has already been, or will be, reported to mngr or TCWG by the internal audit function; → NOT ALLOW Relate to work with which the internal auditors have been involved & which has NOT reported to mngr or TCWG by the internal audit function → ALLOW
SA 620	auditor may involve his own expert for purpose of audit of fair valuation of forward contracts & property, plant & equipment . However as per SA 500 & SA 620 auditor cannot reduce his responsibility for audit opinion by referring to work of VALUER in his report
SA 620	If management appointed expert for machine valuation , so it is not mandatory that that expert should send the report to auditor independently, he can send it to management and then mngr can send it to auditor, In both the cases, Auditor is required to examine report of consultant
SA 620	A Prospective CA, soon to join auditors firm as a partner can-not be auditors internal expert

SA 700 Series:

SA 700	As per SA 700 para ,If auditor concludes that possible effects on financial statements of undetected misstatements, if any, could be both material & pervasive so that a qualification of opinion would be inadequate to communicate gravity of situation, auditor shall withdraw from audit, where practicable & possible under applicable law or regulation. If withdrawal from audit before issuing auditor's report is not practicable or possible, report matter to Registrar of Companies
SA 700	Its mandatory to insert Auditors responsibility & management responsibility in auditors report
SA 700	The auditor report should describe the management responsibility in a section with heading " responsibility of management for financial statements ". That Preparation of F.S is Management responsibility.
SA 701	Revenue can be KAM
SA 701	mandatory in case of audit of listed entities
SA 701	If adverse opinion is given > then report in KAM Para: No other KAM "except matters describe in basis of adverse opinion section, no other KAM to communicate in our report
SA 701	In Key Audit matter para, Following Matters need to cover: ✓ Reference to related disclosures, if any, in the financial statements ✓ How the matter was addressed in the audit. ✓ Why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter (Not require to cover : Explanation on the matter given by management)
SA 701	Unless required by law or regulation → Not include a Key Audit Matters as per SA 701 in case of <u>Disclaimer of Opinion</u>
SA 701	Not KAM : Areas of high risk as assessed and reported by management's expert (Because for KAM, risk shall be assessed by Auditor)
SA 701	KAM applies only to audit of complete set of general-purpose FS of a listed entity (Not on Quarterly Limited review Ind AS 34 SEBI)
SA 705	management has intentionally made material misstatements.. o deceive the users of the financial statements: Adverse Opinion: opinion statinng that FS 'do not give a true and fair view'. The auditor should also include a 'Basis for Adverse Opinion' paragraph below the opinion paragraph
SA 706	Prior period FS not audited > Other matter paragraph, Further The auditor will be responsible for obtaining SAAE that opening balance so not contain any material misstatement.
SA 706	EOM paragraph on a matter can be added if auditors opinion is neither qualified/ nor adverse in respect to that particular matter and the matter is fundamental to the user's understanding of financial statements
SA 710	<u>Auditor obtains audit evidence w.r.t. existence of material misstatement in prior period F.S. on which unmodified opinion was issued:</u> Express qualified/ adverse opinion on current F.S. w.r.t. Corresponding figures Only
SA 710	<u>Provision was not made last year (modified opinion was issued)</u> , In current year also <u>Provision was not made</u> → So in Current year → Will Have to / Shall Have to modify the report for BOTH current & previous year figures of financial statement. (Wrong Option → Can modify the report for current & previous year figures of financial statement)
SA 720	<u>In case of audits of listed entities, other information section</u> is required in auditor's report <u>when at the date of auditor's report:</u> Auditor has obtained or expects to obtain the other information
SA 720	<u>In case of audits of unlisted corporate entities</u> , other information section is required in auditor's report when at the date of auditor's report: Auditor has obtained some or all of the other information
SA 720	Board report was not provide to auditor till Audit report is issued → after then When it's issued → Then also The Board Report should be considered by Auditor , since auditors' responsibility in relation to Other Information is uniform <u>irrespective of the point of their availability</u>

Jan 2026 & Onwards



CA FINAL

ADVANCED AUDITING, ASSURANCE, AND PROFESSIONAL ETHICS

- ▶ All the relevant MCQ's of ICAI SM, RTP, MTP, PYP are given
- ▶ MCQ's are given in One Liner format (Crux), to save time
- ▶ Chapter Wise Important points are given for MCQ's, from which ICAI can ask MCQ's
- ▶ All time & Numerical limits are summarised chapterwise

**MCQ's
Summary Booklet**

(Including Time & Numerical Limits)

CA Hemant Soman

INDEX

CHAPTER 1: Quality Control (SQC-1 & SA 220).....	7
QUESTION SECTION – For Which Hint Covered in Main Book:	7
QUESTION SECTION – Not Covered in Main Book:.....	16
CONCEPT SECTION:	17
CHAPTER 2: General Auditing Principles & Auditor’s Responsibilities SA 200, 210, 230, 240, 250, 260, 299, 402	19
QUESTION SECTION – For Which Hint Covered in Main Book:	19
QUESTION SECTION – Not Covered in Main Book:.....	47
CONCEPT SECTION:	49
CHAPTER 3: Audit planning, Strategy, and execution SA 300, 450, 520, 540, 600, 610, 620	55
QUESTION SECTION –Covered in Main Book:	55
QUESTION SECTION – Not Covered in Main Book:.....	82
CONCEPT SECTION:	82
CHAPTER 4: Materiality, Risk assessment & Internal control SA 265, 315, 320, 330.....	90
QUESTION SECTION –Covered in Main Book:	90
QUESTION SECTION – Not Covered in Main Book:.....	111
CONCEPT SECTION:	111
CHAPTER 5: AUDIT EVIDENCE SA 500, 501, 505, 510, 530, 550	118
QUESTION SECTION –Covered in Main Book:	118
QUESTION SECTION – Not Covered in Main Book:.....	147
CONCEPT SECTION:	149
CHAPTER 6: COMPLETION & REVIEW SA 560, 570, 580	155
QUESTION SECTION –Covered in Main Book:	155
QUESTION SECTION – Not Covered in Main Book:.....	178
CONCEPT SECTION:	179
CHAPTER 7.1: REPORTING SA 700,701,705, 706, 710, 720	181
QUESTION SECTION – For Which Hint Covered in Main Book:	181
QUESTION SECTION – Not Covered in Main Book:.....	214
CONCEPT SECTION:	216
CHAPTER 7.2: CARO 2020	219
QUESTIONS COVERED IN MAIN BOOK:	219
QUESTIONS NOT COVERED IN MAIN BOOK:	240
CONCEPT SECTION:	242
CHAPTER 8: SPECIALISED AREA SA 800, 805, 810	244
QUESTION SECTION –Covered in Main Book:	244
QUESTION SECTION – Not Covered in Main Book:.....	249
CONCEPT SECTION:	250
CHAPTER 9: AUDIT RELATED SERVICE SRS 4400, 4410	252
QUESTION SECTION –Covered in Main Book:	252
QUESTION SECTION – Not Covered in Main Book:.....	258
CONCEPT SECTION:	259
CHAPTER 10: REVIEW OF INTRIM FINANCIAL INFORMATION SRE 2400, 2410	262
QUESTION SECTION –Covered in Main Book:	262

QUESTION SECTION – Not Covered in Main Book:.....	270
CONCEPT SECTION:	270
CHAPTER 11: Prospective Financial Info. & Other Assurance services SAE 3400, 3402, 3420	275
QUESTION SECTION –Covered in Main Book:	275
QUESTION SECTION – Not Covered in Main Book:.....	283
CONCEPT SECTION:	283
CHAPTER 12: DIGITAL AUDITING	288
QUESTION SECTION –Covered in Main Book:	288
QUESTION SECTION – Not Covered in Main Book:.....	302
CONCEPT SECTION:	305
CHAPTER 13: GROUP AUDIT	307
QUESTION SECTION –Covered in Main Book:	307
QUESTION SECTION – Not Covered in Main Book:.....	318
CONCEPT SECTION:	318
CHAPTER 14.1: AUDIT OF BANKS	320
QUESTION SECTION –Covered in Main Book:	320
QUESTION SECTION – Not Covered in Main Book:.....	338
CONCEPT SECTION:	338
CHAPTER 14.2: AUDIT OF NBFC:	347
QUESTION SECTION –Covered in Main Book:	347
QUESTION SECTION – Not Covered in Main Book:.....	360
CONCEPT SECTION:	361
CHAPTER 15: PSU:	364
QUESTION SECTION –Covered in Main Book:	364
QUESTION SECTION – Not Covered in Main Book:.....	373
CONCEPT SECTION:	373
CHAPTER 16: INTERNAL AUDIT:.....	376
QUESTION SECTION –Covered in Main Book:	376
QUESTION SECTION – Not Covered in Main Book:.....	386
CONCEPT SECTION:	387
CHAPTER 17.1: DUE DILIGENCE:	391
QUESTION SECTION –Covered in Main Book:	391
QUESTION SECTION – Not Covered in Main Book:.....	396
CONCEPT SECTION:	396
CHAPTER 17.2: INVESTIGATION:.....	398
QUESTION SECTION –Covered in Main Book:	398
QUESTION SECTION – Not Covered in Main Book:.....	406
CONCEPT SECTION:	406
CHAPTER 17.3: FORENSIC ACCOUNTANT:.....	411
QUESTION SECTION –Covered in Main Book:	411
QUESTION SECTION – Not Covered in Main Book:.....	415
CONCEPT SECTION:	415
CHAPTER 18: SDG & ESG ASSURANCE:.....	418
QUESTION SECTION –Covered in Main Book:	418
QUESTION SECTION – Not Covered in Main Book:.....	426

Jan 2026 & Onwards



CA FINAL

ADVANCED AUDITING, ASSURANCE, AND PROFESSIONAL ETHICS

- ▶ All the Questions of ICAI SM / RTP / MTP /PYP & Old course are covered
- ▶ Properly linked with the Question given in the Main book
- ▶ Keywords are highlighted & Bold
- ▶ Additional topics, which are Comparatively less important, Are also given here

Question Bank

(Including Additional Topics)

CA Hemant Somanı

INDEX

Ch.	Name	Pg From	Pg To:
1	Quality Control (SQC 1 & SA 220)	11	1.11
2	General auditing principles & auditor's responsibilities (SA 240, 250, 260, 299, 402) [SA 200, 210, 230]	27	2.27
3	Audit planning, Strategy, and execution (SA 300, 450, 520, 540, 600, 610, 620)	23	3.23
4	Materiality, Risk assessment & internal control (SA 265, 330) [SA 315, 320]	25	4.25
5	Audit Evidence [SA 500, 501, 505, 510, 530, 550]	22	5.22
6	Completion & Review [SA 570, 580]	13	6.13
7.1	Reporting (SA 700, 701, 705, 706, 710, 720)	25	7.1.25
7.2	CARO 2020	18	7.2.18
8	Specialized Area (SA 800, 805, 810)	11	8.11
9	Audit related services (SRS 4400, 4410)	6	9.6
10	Review of interim financial information (SRE 2400, SRE 2410)	14	10.14
11	Prospective Financial Information & Other Assurance services (SAE 3400, 3402, 3420)	13	11.13
12	Digital Auditing	19	12.19
13	Group Audit	12	13.12
14.1	Audit of Bank	21	14.1.21
14.2	Audit of NBFC's	16	14.2.16
15	Overview of Public sector undertaking	12	15.12
16	Internal Audit	10	16.10
17.1	Due Diligence	6	17.1.6
17.2	Investigation	12	17.2.12
17.3	Forensic Accounting	5	17.3.5
18	Emerging Areas: Sustainable development goals (SDG) & Environment, Social & Governance (ESG) Assurance Etc.	14	18.14
19	Professional Ethics	64	19.64
TOTAL NUMBER OF PAGES (ITS MAGIC)			388 Pages

It's completely as per ICAI Language & Coverage, you can do cross check from ICAI module to get Comfort

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	Name	ICAI Coverage
SQC-1	Quality control for firms that perform Audits & Review of Historical F.Info. & Other Assurance and related service engagements	Chapter 1

Standard's on Auditing (SA's)		
200	Overall objectives of an independent auditor and conduct of an audit in accordance with SA's	2-CS based only
210	Agreeing to terms of Audit engagement	2-CS based only
220	Quality control for an audit of FS	1
230	Audit documentation	2-CS based only
240	Auditor's responsibility relating to fraud in an audit of FS	2
250	Consideration of laws and regulations in an audit of FS	2
260	Communication with TCWG	2
265	Communicating deficiency in internal control to TCWG and management	4
299	Joint Audit of Financial Statements	2
300	Planning an audit of FS	3-CS based only
315	Identifying and Assessing ROMM by understanding Entity and its environment	4-CS based only
320	Materiality in planning and performing audit	4-CS based only
330	Response to assessed risks	4
402	Auditor considerations relating to an entity using Service Organization	2
450	Evaluation of Misstatements identified during audit	3
500	Audit Evidence	5-CS based only
501	Audit evidence Specific considerations for selected items	5-CS based only
505	External Confirmations	5-CS based only
510	Initial Audit Engagement -Opening Balances	5-CS based only
520	Analytical Procedures	3
530	Audit Sampling	5-CS based only
540	Auditing of Accounting Estimates including Fair value accounting estimates and Related Disclosures	3
550	Related Parties	5-CS based only
560	Subsequent Events	6-CS based only
570	Going Concern	6-CS based only
580	Written Representations	6-CS based only
600	Using work of Other Auditor	3
610	Using work of Internal Auditors	3
620	Using work of Auditor's Expert	3
700	Forming an Opinion and Report on FS	7
701	Communicating Key Audit Matters in the Independent Auditor's Report	7
705	Modifications to the Opinion in the Independent Auditor's Report	7
706	Emphasis of matter Paragraphs and Other Matter Paragraphs in the Independent Auditors Report	7
710	Comparative information Corresponding figures and Comparative FS	7
720	Auditor's Responsibility in Relation to Other Information in Documents containing Audited FS	7
800	Special consideration - Audits of FS prepared in accordance with Special purpose framework	8
805	Special Considerations-Audits of Single FS and Specific Elements, Accounts or Items of a FS	8
810	Engagements to Report on Summary Financial Statements	8
Standards on Review Engagement:		
SRE 2400	Engagements to Review FS	10
SRE 2410	Review of Interim Financial info. performed by independent auditor of entity	10

Standards on Assurance Engagement:		
SAE 3400	The examination of prospective financial information	11
SAE 3402	Assurance reports on control at a service organisation	11
SAE 3420	Assurance engagements to report on a compilation of Proforma Financial information included in Prospectus	11
Standards on Related Service:		
SRS 4400	Engagements to perform agreed upon procedures regarding financial info.	9
SRS 4410	Compilation Engagements	9

About Faculty

By- CA Hemant Somani | AIR 46

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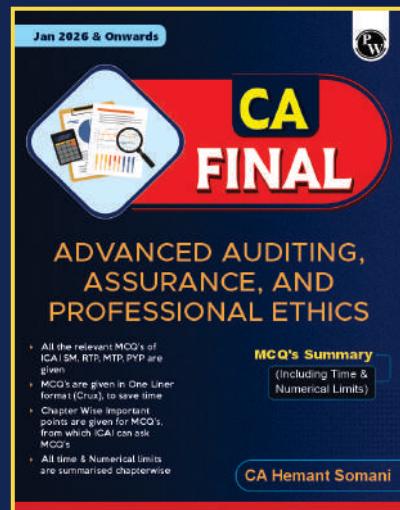
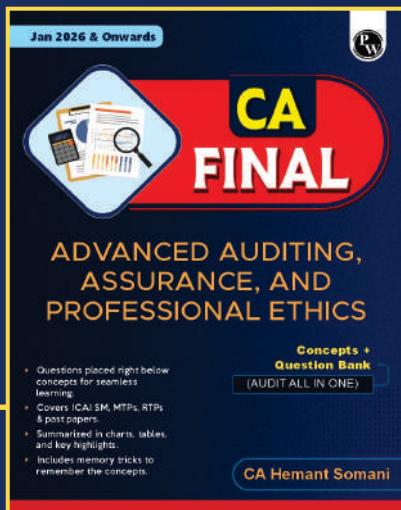
- Secured All India Rank (AIR)- 46 in CA Final Examination
- Top 15 rank in India in CPT
- Exemption in 7 Papers out of 8 Papers (Including Audit)
- All India Ranks in Many Exams (ICAI Wizard, IIT Guwanati talent search etc.)

Professional

- Worked in PwC in the Field of Statutory Audit for 3 Years
- Served at Many MNC's in the field of Finance & Audit
- Served in UAE & Africa in the field of Finance & Audit
- Having exposure of doing Audit in India, Dubai & Africa.

Some of My Students achievements are— AIR4, AIR 6, AIR 10, AIR 14, AIR 14 AIR 15, AIR 16, AIR 18, AIR 20, AIR 27, AIR 29, AIR 29, AIR 41, AIR 47, AIR 48, AIR 50

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