

Nov 2025 & Onwards **2.0**



CA FINAL

ADVANCED AUDITING, ASSURANCE, AND PROFESSIONAL ETHICS

Concepts + Question Bank

(AUDIT ALL IN ONE)

- ▶ 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.



CA Hemant Somani

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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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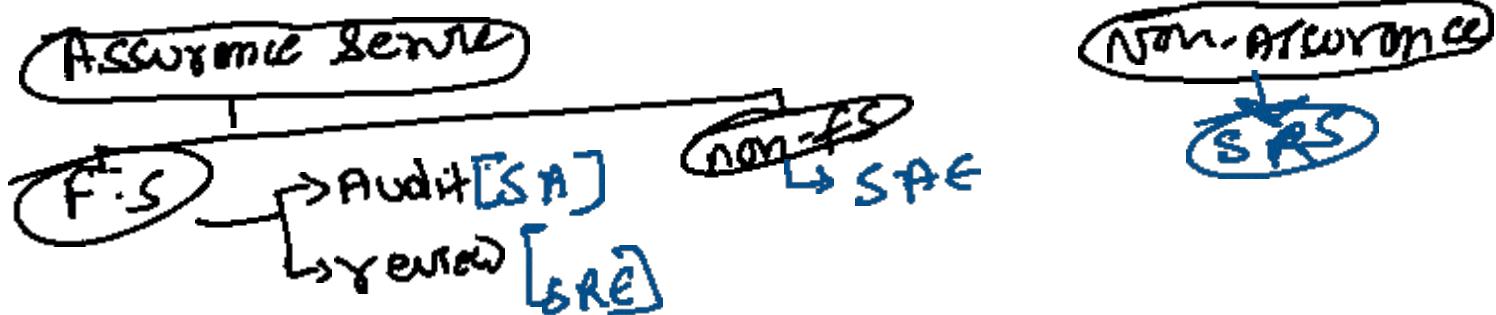
ABBREVIATIONS:

A.Report	Audit Report
AD	Audit Documentation
AE	Accounting Estimates
AUP	Agreed Upon Procedure
B/S	Balance Sheet
BOA	Books of A/c's
BOA	Books of A/C's
BOD	Board of Directors
CAip	CA In Practice
C/A/D/S	Class of transaction, account balance or disclosure
CFI	Consolidated Fund of India
CC	Cash Credit
CG	Central Govt.
CIA	Chief Internal Auditor
CL	Contingent Liability
COE	Code of Ethics
CR	Control Risk
Cr	Crcores
Co. Act	Companies Act
D.A	Direct Assistance
DP	Drawing Power
DR	Detection Risk
EA	External Auditor
Engmnt/Egmt	Engagement
EOM	Emphasis of Matter
EQCR	Engagement Quality control reviewer /review
ET	Engagement Team
FAP	Further audit procedure
FI	Financial Information
FR	Financial Reporting
FRF	Financial reporting framework
FS	Financial Statement
Fx	Function (i.e., Used for INTERNAL AUDIT Fx)
GC	Going Concern
G&S	Goods & Services
I.A.	Internal Auditor
I.auditor	Internal Auditor
IAF	Internal Audit Function
IC	Internal Control
ICFR	Internal Control over financial reporting
IR	Inherent Risk
JA	Joint Auditor's
JV	Journal Voucher / Journal Entries
KAM	Key Audit Matter
L&R	Law & Regulations
M.U	Material Uncertainty
MMS	Material Misstatement
Mngt	Management
MSCS	Multi-State Co-operative society
NFRA	National Financial Reporting Authority
NOC	No objection certificate
NTE	Nature, Timing & Extent of Audit procedure

O.A	Other Auditor
OM	Other Matter
PA	Principal Auditor
P&D	Presentation & Disclosure
P&P	Policies & Procedure
PAC	Public account committee
QC	Quality control
RAP	Risk assessment procedure
ROMM	Risk of material misstatement
RPR	Related Party Relationship
RPT	Related Party Transaction
RRB	Regional Rural Bank
S.E.	Subsequent event
SAAE	Sufficient & Appropriate Audit Evidence
SAP	Substantive analytical procedure
Sig. Deficiency	Significant Deficiency
SO	Service Organisation
SOD	Segregation of Duties
TOC	Test of controls
TOD	Test of Details
UE	User Entity
UN	United Nations
W.C	Working Capital
WR	Written Representation

BASICS OF QUALITY CONTROL & ENGAGEMENT STANDARDS:

Intro	Auditing Standards represent guidance & procedures for professionals to conduct audit.	
AASB	Auditing Standards in India are formulated by Auditing & assurance stand. Boards. (AASB)	
Engagement Standards	<i>Engagement based on the nature of services provided by a member:</i>	
	Standards on Auditing (SA's)	are applied in the audit of historical financial information.
	Standards on Review Engag. (SRE's)	are applied in the review of historical financial information.
	Standards on Assurance Engag. (SAE's)	are applied in assurance engagements, dealing with subject matters other than historical financial information.
	Standards on Related Services. (SRS's)	are applied to engagements involving application of agreed-upon procedures to information, compilation engagements , and other related services engagements , as may be specified by the ICAI.
	Standard on Quality Control (SQC)	contains extensive requirements in relation to establishment and maintenance of a system of quality control in the audit firms as well as even for sole practitioners.



➤ **Some Terms that we should understand before starting Audit:**

Management:	Management means the person(s) who have executive responsibility for the conduct of the entity's operations (<i>Managing day to day operation</i>)
Those charged with governance (TCWG):	TCWG means the person(s) responsible for the supervision, control and direction of an entity who are accountable for ensuring that the entity achieves its objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and reporting to interested parties. e.g., Audit Committee, where there is one; else BOD (<i>Responsible for making long term plans, strategy</i>)
Independence:	Judgement of a person is > not subordinate to the wishes or direction of another person > who might have engaged him, Includes: 1) Independence of mind (exist in facts) 2) Independence in appearance (also appear to so exist)

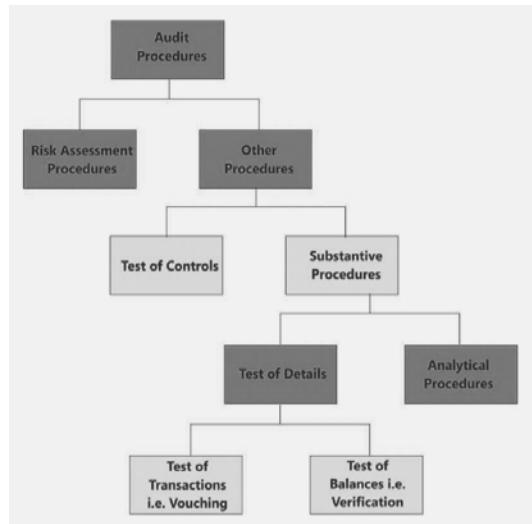
Types of Opinion:			
SA 700		SA 705: 3 Type of Modification	
Unmodified Opinion		Qualified Opinion (3 types)	
		Qualified Opinion	Adverse Opinion
			Disclaimer of Opinion

Types of modifications		Pervasive	Not Pervasive
		Material Misstatement	ADVERSE
		SAAE not obtained	DISCLAIMER

Financial Reporting Framework (FRF):	In easy language, its set of standards use to prepare FS (i.e., accounting standards or Ind-AS), i.e., Prescribe the manner to prepare & present F.Info. of an entity It can be of two types: <ul style="list-style-type: none">• In Compliance with Law & Regulation• True & Fair Financial reporting
fair presentation framework:	FRF that requires compliance with the requirements of the framework and: 1) Acknowledges explicitly or implicitly that, to achieve fair presentation of FS, it may be necessary for mgt to provide disclosures beyond those specifically required by the framework; or 2) Acknowledges explicitly that it may be necessary for mgt to depart from a requirement of the framework to achieve fair presentation of the FS. Such departures are expected to be necessary only in extremely rare circumstances .
Compliance framework:	Refer to a FRF that requires compliance with the requirements of the framework, but does not contain the acknowledgements above
Applicable FRF:	FRF: 1) Required by the L&R, OR, 2) Adopted by Mngt/TCWG & ACCEPTABLE as per nature of entity & FS objective
Misstatement: (SA 200/450)	Misstatement occurs when something has not been treated correctly in the financial statements as per FRF i.e., Difference between: 1) amount, classification, presentation, or disclosure (ACPD) reported in FS Vs.

	2) ACPD Required by FRF (Can be error or fraud)
Material Misstatement: (SA 320)	Material misstatement is information in the financial statements that is sufficiently incorrect that it may impact the economic decisions of someone relying on those statement

Reasonable Assurance:	High but not absolute (100%) level of assurance (Inherent limitation of Audit)
Absolute Assurance:	100% Assurance
Guilty ?	Auditor performed audit as per SA's, due diligence, Care → still after issuing clean audit report → some MMS left → Is auditor Guilty ? → Not guilty, provided he kept due diligence, Skill, care (As there are INHERENT LIMITATIONS of AUDIT... it's Not an GUARANTEE)
SAAE:	<p>Reasonable assurance kese milga ?? --? Sufficient & Appropriate Audit evidence leke ...</p> <ul style="list-style-type: none"> • Sufficient → Quantity, depends upon 2 factors, <ul style="list-style-type: none"> ✓ ROMM in F.S → if high risk... high SAAE needed ✓ Quality of A.E. → If good quality .. less SAAE needed • Appropriateness → Quality, Depends upon 2 factor: <ul style="list-style-type: none"> ✓ Relevance (eg., to test A/C payable → Assertion of "Completeness" also needs to be checked → to check completeness .. auditor is checking only Account payable RECORDED in Books .. is wrong Auditor can check Subsequent bank payments & other Correspondences) ✓ Reliable → (External generated, Internal generated ... etc...)
	Always Need Persuasive Audit Evidence



- **Risk assessment procedures** are the audit procedures performed to obtain an understanding of the entity and its environment to identify and assess the risks of material misstatement, at the financial statement and assertion levels.
- **Further audit procedures:** Further Audit Procedures comprise of:
 - (i) **Tests of controls:** Test of controls may be defined as an audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at **assertion level**.
 - (ii) **Substantive procedures:** Substantive procedures are designed to detect material misstatements at the **assertion level**. They comprise:
 - (a) Tests of details: (of classes of transactions, account balances, and disclosures),
 - (b) Substantive analytical procedures:

CHAPTER 1- Quality Control (SQC 1 & SA 220)

Audit Quality	<ul style="list-style-type: none"> • Why: It helps in creating trust in users of financial information. Industry, government and public at large who are the stakeholders who relies upon assurance given by auditors. So, necessary to ensure high audit quality throughout the audit process. • Meaning: Audit quality involves application of a rigorous audit process by auditors and quality control procedures that comply with L&R and applicable professional standards. • SQC 1 & SA-220: deal Quality control systems & responsibilities of auditors in this regard. Both the standards deal with audit quality. <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">SQC 1:</td><td>Quality Control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements (i.e., Deals with quality at level of firm, even for Non-audit engmnt also)</td></tr> <tr> <td>SA 220:</td><td>Quality Control for an audit of financial statements (i.e., Deals with audit quality at individual audit engagement level)</td></tr> </table> <ul style="list-style-type: none"> • Besides above two standards, other SA's, code of ethics by ICAI and certain provisions of Co. Act, 2013 facilitate quality control process. • There also exists mechanism for review of quality control through Peer review Board, Quality review Board and NFRA (National financial reporting authority). 	SQC 1:	Quality Control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements (i.e., Deals with quality at level of firm, even for Non-audit engmnt also)	SA 220:	Quality Control for an audit of financial statements (i.e., Deals with audit quality at individual audit engagement level)
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SA 220:	Quality Control for an audit of financial statements (i.e., Deals with audit quality at individual audit engagement level)				

❖ **SQC 1 - Quality Control For Firms That Perform Audits And Reviews Of Historical Financial Information, And Other Assurance And Related Services Engagements**

System of Quality Control	<p>Firm should establish System of Quality Control to provide Reasonable Assurance that: -</p> <ul style="list-style-type: none"> • Firm & personnel comply to Professional Standard, Regulatory & Legal Requirements • Reports issued by Firm or Engagement Partners are appropriate in circumstances. <p>This quality control standard applies to all firms irrespective of their constitution.</p>
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Q1. Assignment For Preparation of FS & issue compilation report → SQC 1 is applicable → → "Related Service"

Elements of System of Quality Control:

(i) Leadership responsibilities for quality within the firm (ii) Ethical requirements (iii) Human resources
(iv) Engagement performance (v) Monitoring (vi) Acceptance and continuance of client relationships & engmnt.

[Quality control policies should be documented and communicated to the firm's personnel → Feedback to encourage from personnel on Quality control system, to communicate their views on QC matters)

1) Leadership responsibility for quality of firm: "Qn"

- Policies and procedures to promote quality → firm's CEO or managing partners are responsible for firm's SQC
- Delegation of operational responsibility by CEO/MP for SQC should be assigned to experienced & able person
- Establish policies and procedures to promote good internal culture

Firm's business strategy is subject to the overriding requirement for the firm to achieve quality in all the engagements, It's non-negotiable, should be ensured that (i.e., QC policy will override Firm business strategy):

[Trick: client ko jaano .. fir "Fees" quote karo, uss hisaab se "Salary" wale person "devote" karo]

- 1) Firm before accepting an engagement should acquire vital information about the client. Such an info. should

help firm to decide about **integrity of Client, promoters and KMP, competence** (including capabilities, time and resources) to perform engagement and compliance with **ethical requirements (independence)**

- 2) Firm assigns its mgmt responsibilities so that **commercial considerations (Money)** do not override the **quality of work** performed.
- 3) Firm **polices & procedures** addressing performance **evaluation, compensation & promotion** (including incentive systems) w.r.t its personnel **are designed to demonstrate the firm's overriding commitment to quality**
- 4) Firm **devotes sufficient resources** for development, documentation and support of its QC policies & procedr.

Q2. Even after below issues, Mr. A want to accept the audit, → it reflects poor **Quality control**, SQC 1 requires that firm's **business strategy** is subject to overriding requirement of firm to achieve quality.
 → Partner of firm is close friend of Promoter (**issue of Independence**)
 → inquiries made from Promoters by Regulatory authorities & Last auditor resigned (**issue of Integrity of Client**)
 ("Now mention above 4 points of QC policy will override business strategy")

2) Ethical Requirements

Policies and procedures (**P&P**) → provide reasonable assurance → that the firm and its **personnel** comply with **relevant ethical requirements** contained in the **Code of ethics (COE)** issued by ICAI.

Fundamental Principles:	P&P to comply with: Integrity, Professional behavior, confidentiality, Objectivity, Professional competence& Due Care]						
Independence:	<p>Firm should establish P&P designed to provide it with reasonable assurance that the firm, its personnel & (including experts contracted by the firm and network firm personnel) maintain independence where required by the Code. Such P&P should enable the firm to:</p> <ol style="list-style-type: none"> a) Communicate its independence requirements to its personnel b) Identify circumstances and relationships that create threats to independence, and c) Take appropriate action to eliminate threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, withdraw from the engagement. <p>Engt. partner to notify the firm & its personnel → about client, its relationship that may cause threat → if any breach → notify to take appropriate action</p> <table border="1"> <tr> <td>Annual Confirmation:</td> <td>At least annually, the firm should obtain written confirmation of compliance with its P&P on independence from all firm personnel.</td> </tr> </table>	Annual Confirmation:	At least annually , the firm should obtain written confirmation of compliance with its P&P on independence from all firm personnel.				
Annual Confirmation:	At least annually , the firm should obtain written confirmation of compliance with its P&P on independence from all firm personnel.						
Familiarity threat:	<p>Using the same senior personnel on assurance engagements over a prolonged period may impair the quality of performance, need safeguard. For that Considers matters such as:</p> <ul style="list-style-type: none"> • Nature of the engagement (extent of involve of public interest) • length of service of senior personnel on engmnt. <table border="1"> <tr> <td colspan="2" style="text-align: center;">Safeguard for Above:</td> </tr> <tr> <td colspan="2"> <p>Example:</p> <ul style="list-style-type: none"> • rotating the senior personnel or • requiring an engagement quality control review. <table border="1"> <tr> <td>For Listed Entities:</td> <td>Engt. partner should be rotated atleast once in 7 yrs. (except, where audit is conducted by a sole practitioner), However Mandatory peer review of such firms</td> </tr> </table> </td> </tr> </table>	Safeguard for Above:		<p>Example:</p> <ul style="list-style-type: none"> • rotating the senior personnel or • requiring an engagement quality control review. <table border="1"> <tr> <td>For Listed Entities:</td> <td>Engt. partner should be rotated atleast once in 7 yrs. (except, where audit is conducted by a sole practitioner), However Mandatory peer review of such firms</td> </tr> </table>		For Listed Entities:	Engt. partner should be rotated atleast once in 7 yrs. (except , where audit is conducted by a sole practitioner), However Mandatory peer review of such firms
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➤ Review of Audit Work: (Qn)

As per SQC 1, an EQCR/Partner for audits of FS of listed entities includes considering following: (**R-SOCCER**)

- (i) **The work has been performed as per professional standards & Regulatory & legal requirements;**

Nov 2025 & Onwards **2.0**



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ADVANCED AUDITING, ASSURANCE, AND PROFESSIONAL ETHICS

Question Bank

(Inc. Additional Topics)

- ▶ 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



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ADVANCED AUDITING, ASSURANCE, AND PROFESSIONAL ETHICS

MCQ's Summary

(Including Time & Numerical Limits)

- ▶ 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



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- ▶ Extensive conceptual coverage
- ▶ ICAI study material references after each concept for practice.
- ▶ Step-by-Step Solutions and Common Mistakes Highlighted.
- ▶ Analysis and list of ICAI ambiguities in questions
- ▶ Last-Day Revision Aids (Important question list, formulas, and ABC analysis)



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- ▶ Solutions as per the latest ICAI format to align with exam expectations.
- ▶ Each question is accompanied by its source for reference.
- ▶ Memory techniques for theory questions to retain concepts for the exam.



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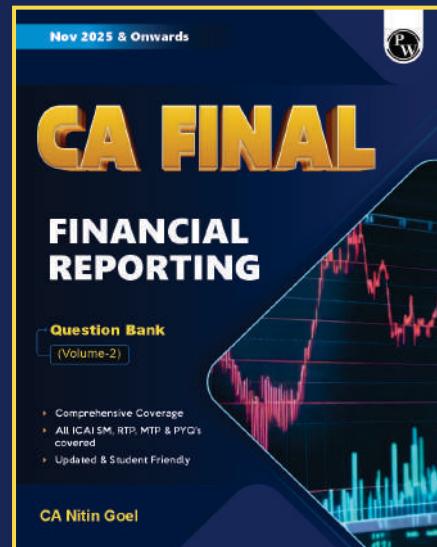
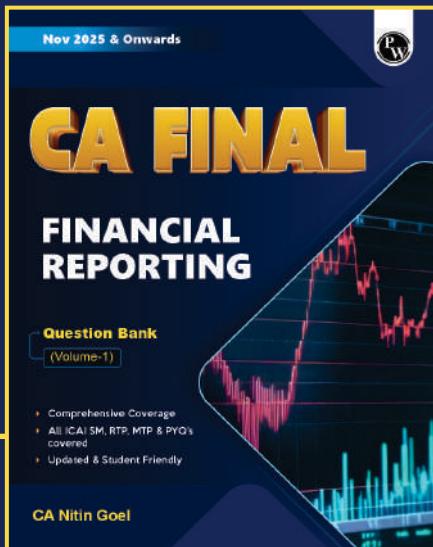
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About The Author

CA Nitin Goel is an All India Rank holder at all CA levels (AIR 9 in CPT, AIR 7 in Intermediate, AIR 9 in Final) and a Gold Medalist in B.Com. With 10+ years of teaching experience, he is a renowned Accounts, Advanced Accounts, and Financial Reporting faculty at PW. A former ITC professional, he blends industry insights with teaching. His students consistently score 90+ marks and have secured All India Ranks, including AIR 1, making him a trusted name in CA education.

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