

Jan 2026 & Onwards



CA **FINAL**

ADVANCED AUDITING, ASSURANCE, AND PROFESSIONAL ETHICS

**Concepts +
Question Bank**

TOGETHER (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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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	Time Limits for Docs:		
	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	NFRA: Sec 132(1) & Rule 3		
Chp-1	Quality review Board: Select companies on the basis of Risk based Approach		
Chp-1	QRB: Set up by Central govt		
Chp-1	Peer review board: 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): (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 (Do Not check Fees of consultant & Qualification of all employees of entity)		



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	<u>Engt partner itself selected EQCR</u> → 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 skepticisms 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 mngt 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 audi3ng and financial reporting issues relevant to emtity'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 Jurdictions, 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: <u>It's a Management Responsibility (Not Auditor's)</u></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 devided 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	Risk Assessment Procedure (RAP) includes - <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 mngt (NOT INCLDUES: Communication with company's external legal counsel by sending a letter of inquiry)
SA 315	An entity's system of internal control contains manual elements & often contains automated elements.

	As per SA 315 characteristics of manual or automated elements are relevant to auditor's risk assessment & further audit procedures based thereon. 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
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 LESS 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 EXCEEDS 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, $(5000rs/10 \text{ lacs}) * 5 \text{ Crore} = \text{Rs. } 2.5 \text{ lacs}$... 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. mgnt assumptions/Significant estimates of Last year reason is to determine whether there is a possible bias on the part of mgnt 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 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)
SA 550	<ul style="list-style-type: none"> If There is <u>No requirements</u> of the applicable <u>FRF</u> for disclosing the related party transaction : Then Also Auditor need to obtain an understanding of the entity's related party relationships and transaction, to conclude whether the financial statements affected by those relationships and transactions achieve a true and fair presentation and are not misleading
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. 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 (Do not Modify the Audit report)
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 MANAGEMNT 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)

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- ▶ 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)

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- ▶ 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)

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*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

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CONCEPT BOOK

- ▶ 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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QUESTION BANK

- ▶ Comprehensive Question Coverage
- ▶ Covers ICAI study materials, past year papers, RTPs, MTPs, and the BOS portal.
- ▶ 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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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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