Mock Test Paper - Series II: April, 2026

Date of Paper: 10th April, 2026

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE GROUP – II

PAPER – 5: AUDITING AND ETHICS

Time Allowed – 3 Hours **Maximum Marks – 100**

PART I - Case Scenario based MCQs (30 Marks)

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All MCQs are compulsory and carry 2 Marks each.

Case Scenario 1 [MCQs 1–3]

RS & Co., Chartered Accountants, were appointed as auditors of X Ltd., a telecom company regulated by the Telecom Regulatory Authority of India and Y Bank Ltd., a banking company regulated by the Reserve Bank of India.

At the planning stage, the engagement partner emphasised that the audit team should obtain an understanding of the distinct legal and regulatory frameworks applicable to both entities. The team was also instructed to identify significant matters, determine materiality and consider the involvement of experts, particularly in areas involving complex estimates such as provisioning in Y Bank Ltd. Further, risk assessment procedures were initiated to identify and assess risks of material misstatement.

During discussions, the audit team noted that certain areas—such as revenue recognition in X Ltd. and loan loss provisioning in Y Bank Ltd.—were inherently complex and involved significant judgment. The engagement partner clarified that such areas are susceptible to material misstatement even before considering internal controls.

Subsequently, discrepancies were identified in both entities. However, the audit team was unable to immediately conclude whether these misstatements arose due to fraud or error. The engagement partner explained that the auditor’s objective is to obtain reasonable assurance that the financial statements as a whole are free from material misstatements, whether caused by fraud or error and to evaluate their impact in totality while forming an opinion on compliance with the applicable financial reporting framework.

On the basis of above, answer the following MCQs (1–3):

1. In the planning stage described in the case scenario, the engagement partner emphasised understanding regulatory frameworks, identifying significant matters, determining materiality, and considering involvement of experts.

   In the context of the situation described above, the primary rationale for such an approach is to:

   (a) Restrict planning to scheduling audit procedures and allocation of audit staff

   (b) Consider regulatory framework and experts only after detection of misstatements

   (c) Ensure that planning includes understanding legal and regulatory requirements, identifying significant matters, determining materiality, considering use of experts and performing risk assessment procedures

   (d) Limit regulatory understanding only to compliance audits and not financial statement audits

2. In the case scenario, the audit team identified that revenue recognition in X Ltd. and loan loss provisioning in Y Bank Ltd. involve significant judgment and are susceptible to misstatement even before considering internal controls.

   Based on the facts described above, such risks are most appropriately classified as:

   (a) Risks that can be ignored until effectiveness of internal controls is tested

   (b) Inherent risks requiring greater auditor attention during planning and risk assessment

   (c) Risks arising only due to failure of internal controls

   (d) Detection risks arising from audit procedures

3. In the case scenario, the audit team identified misstatements but was unable to determine whether they arose due to fraud or error.

   In light of the engagement partner's explanation, which of the following best reflects the auditor's responsibility in such a situation?

   (a) Auditor must first conclusively establish fraud before evaluating materiality

   (b) Only misstatements arising from fraud affect the audit opinion

   (c) Misstatements arising from error can be ignored if individually immaterial

(d) Auditor should obtain reasonable assurance that financial statements as a whole are free from material misstatements, whether due to fraud or error, and evaluate their impact in aggregate

Case Scenario 2 [MCQs 4-7]

During the audit of MNO Hospitality Ltd., a large chain of luxury hotels, for the financial year 2024–25, the statutory auditor examined revenue streams from restaurants, rooms and banquet operations.

While reviewing restaurant operations, it was noted that the entity prepares weekly trading accounts, however, significant fluctuations in gross profit margins were observed in two outlets. Management attributed these variations to "seasonal factors," but no supporting evidence was provided. Further, Kitchen Order Tickets (KOTs) were not consistently preserved and only selective bills could be traced to supporting records.

In respect of room revenue, the auditor observed that discounted room rates were frequently applied without documented approval. Additionally, housekeeping occupancy reports were not retained and reconciliation between guest register and bills could be performed only for limited dates.

Due to the absence of primary records such as Kitchen Order Tickets (KOTs), housekeeping occupancy reports and complete guest-wise billing trails, the audit team was unable to obtain sufficient appropriate audit evidence through direct verification. Consequently, the auditor was compelled to place significant reliance on management-generated reports, including system-based occupancy summaries, revenue analytics and consolidated outlet-wise performance statements.

However, it was observed that these reports were internally generated and not supported by effective underlying controls over their preparation and maintenance. Further, many of the explanations regarding fluctuations in revenue, occupancy levels, and discounting practices were obtained through oral representations from hotel staff and management personnel, without adequate documentary corroboration.

In several instances, only photocopies or system extracts of records were made available in place of original documents and no alternative audit procedures could fully compensate for the lack of reliable primary evidence. This situation significantly impacted the reliability and sufficiency of audit evidence, thereby increasing audit risk and requiring the auditor to exercise heightened professional skepticism.

In the banquet segment, it was observed that several events were conducted before the year-end, but the related invoices were raised only after the year-end due to delays in finalising settlements. The auditor noted inconsistency in accounting treatment, as in some cases revenue for such events was recognised in the current year without raising invoices, raising concerns regarding the existence of trade receivables. In other cases, invoices raised after year-end were included in receivables as at the reporting date without adequate supporting documentation. Further, proper cut-off procedures were not followed, as there was no reconciliation between event records and invoicing data around year-end. This created ambiguity regarding completeness of revenue and existence of receivables, indicating a potential cut-off error and risk of material misstatement in the financial statements.

On the basis of above, answer the following MCQs (4–7):

4. Considering the absence of KOTs, unexplained GP fluctuations and weak internal controls in restaurant operations, what is the most appropriate audit implication?

    (a) Increase substantive procedures and consider modification if discrepancies remain unexplained

    (b) Rely on management explanations since periodic trading accounts are prepared

    (c) Ignore fluctuations as hotel industry margins are inherently volatile

    (d) Restrict audit scope to test checks due to practical limitations

5. Given that discounted room rates lacked approval and occupancy records were not retained, what is the most critical audit concern?

    (a) Risk of overstatement of room revenue due to duplicate billing

    (b) Risk of revenue leakage due to unauthorised discounts and inability to verify completeness and accuracy

    (c) Risk of minor timing differences in recording room revenue due to delayed reconciliation

    (d) Risk of misclassification between room revenue and other operating income

6. Where the auditor relied on internally generated reports and oral explanations due to missing primary records, how is the reliability of audit evidence best evaluated?

    (a) Oral explanations are sufficient when supported by internal summaries

    (b) Internally generated reports are always reliable

    (c) Evidence is less reliable due to weak controls and reliance on oral representations

    (d) Copies and summaries are equivalent to original records

7. Considering facts of the case and that banquet invoices for pre year-end events were raised after year-end but included in receivables, what is the most appropriate audit conclusion?

   (a) Receivables are understated due to delayed invoicing

   (b) There is a cut-off error affecting revenue recognition for the period

   (c) There is a cut-off error leading to potential misstatement of trade receivables

   (d) There is a cut-off error leading to potential misstatement of revenue and receivables

Case Scenario 3 [MCQs 8-12]

DEF InfraTech Ltd. is a capital-intensive infrastructure company engaged in construction and leasing of transport assets. The company has recently faced liquidity stress due to delayed government payments and cost overruns in ongoing projects.

CA R has been appointed as the statutory auditor for the financial year 2024–25, which is also the first year of audit engagement.

During the course of audit, the auditor observed that the company has incurred continuous losses for the last two years and has also breached major loan covenants. The management has prepared the financial statements on going concern basis supported by projected cash flows and expected restructuring of loans. However, these projections are based on assumptions of future government contracts which are yet to be finalised.

During discussions with management regarding the financial statements, the audit team raised concerns about the adequacy of disclosures relating to the company's ability to continue as a going concern, particularly in light of recurring losses, breach of loan covenants, and dependence on uncertain future cash inflows. However, the management strongly asserted that preparation of financial statements on a going concern basis was appropriate and that no additional disclosures were necessary. They argued that since the company had not initiated any formal insolvency proceedings, nor had any lender formally recalled loans or initiated recovery actions, there was no explicit requirement under the applicable financial reporting framework to disclose uncertainties relating to going concern.

Management further supported its position by referring to internally prepared cash flow projections and ongoing negotiations with lenders for restructuring of borrowings, expressing confidence that the company would be able to meet its obligations in the normal course of business. They also indicated that making such disclosures in the financial statements could adversely affect stakeholder confidence, lender relationships and future business prospects. Accordingly, management advised the audit team to rely on their assessment and avoid insisting on additional disclosures, emphasising that the absence of a specific rule mandating disclosure in such circumstances justified their position.

Being the first year of audit, the auditor noted that opening balances include capitalised project costs from prior years. No prior period auditor's working papers were available. Further, certain accounting policies relating to capitalisation of borrowing costs appeared to have been changed during the current year without adequate disclosure.

The engagement team assessed inherent risk as high considering financial stress and complexity of estimates. However, management representations appeared overly optimistic, leading to internal debate within the audit team regarding reliance on measurable indicators versus professional judgment.

Further examination revealed that the company owns aircraft used for leasing, which are depreciated as a single unit instead of separating significant components such as engines and airframe. Residual values have not been deducted while computing depreciation. Additionally, the method of depreciation was changed during the year without proper disclosure.

On the basis of the above, answer the following MCQs (8–12):

8. Considering the auditor's responsibilities in relation to going concern as described in the facts, which of the following should be the auditor's primary focus?

   (a) To obtain sufficient appropriate audit evidence regarding appropriateness of going concern basis and assess material uncertainty based on assumptions used

   (b) To conclude only on the existence of losses and loan defaults

   (c) To verify only whether management has prepared projections supporting going concern

   (d) To report only if liquidation is certain

9. In the context of management's assertion that no disclosure is required unless insolvency is certain, which of the following approaches should the auditor adopt?

   (a) Follow rules strictly and avoid disclosure

   (b) Rely only on legal opinion

   (c) Accept management's view to maintain client relationship

   (d) Apply principles-based approach and exercise professional judgment considering substance over form

10. Considering that this is the first year of audit and prior period auditor's working papers are not available, along with change in accounting policy, what should the auditor primarily ensure?

    (a) Opening balances need not be verified

    (b) Only current year transactions should be verified

    (c) Obtain sufficient appropriate audit evidence regarding opening balances and consistency of accounting policies

    (d) Rely completely on management representations

11. Given the presence of optimistic management assumptions and high inherent risk, how should the auditor approach risk assessment?

    (a) Base risk assessment only on quantifiable metrics

    (b) Apply professional judgment based on audit evidence and auditor expertise

    (c) Treat risk assessment as a precise calculation ignoring subjective factors

    (d) Rely solely on management representations

12. Based on the depreciation issues identified in the case, which of the following is the most appropriate audit conclusion?

    (a) Multiple issues exist including non-component depreciation, ignoring residual value and lack of disclosure of change in method

    (b) Only change in method requires verification

    (c) Depreciation is acceptable if total expense appears reasonable

    (d) Depreciation errors are immaterial due to long-term nature of assets

13. GHI Ltd. is engaged in investment and manufacturing activities. During audit, the auditor performed inspection procedures in the following areas:

    - Examined share certificates held by the company as evidence of investments.
    - Inspected executed sales contracts to evaluate revenue recognition policies.
    - Physically verified plant and machinery at the factory.
    - Reviewed internally generated invoices to verify sales transactions.

Based on above, which of the following is the most appropriate audit conclusion regarding inspection as an audit procedure?

(a) Inspection of share certificates conclusively establishes existence, ownership, and valuation of investments.

(b) Inspection of executed contracts provides sufficient appropriate audit evidence regarding revenue recognition without need for further procedures.

(c) Physical inspection of plant and machinery provides evidence of existence, but additional procedures may be required for ownership and valuation.

(d) Inspection of internally generated invoices provides more reliable audit evidence than external confirmations.

14. PQR Ltd. is a manufacturing entity. During the audit, the auditor evaluated internal controls relating to safeguarding of assets and noted the following:

    1. Password-protected access to systems handling cash disbursements.
    2. CCTV surveillance in warehouses to prevent theft of inventory.
    3. Controls to restrict excessive consumption of raw materials in production.
    4. Maker-checker authorization for bank payments.

    The auditor intends to rely only on those controls relevant to the financial statement audit.

    Which of the following is the most appropriate set of controls relevant to the auditor's consideration?

    (a) Controls 1, 2, 3, and 4, since all relate to safeguarding of assets

    (b) Controls 1 and 4 only, since they directly impact financial reporting reliability

    (c) Controls 1, 2, and 4, since all relate to safeguarding and hence are relevant

    (d) Controls 2 and 3 only, since they prevent physical misuse of assets

15. STU Ltd., a listed company, issued Sweat Equity Shares to certain senior employees during the financial year. While verifying compliance with legal requirements, the auditor noted the following:

    1. The issue was approved by an ordinary resolution passed at the AGM.
    2. The resolution mentioned the number of shares and class of employees but did not specify the current market price.
    3. The shares issued belonged to a new class of equity shares created specifically for employees.

4. The company complied with regulations issued by Securities and Exchange Board of India for such issuance.

Based on the above, which of the following is the most appropriate audit conclusion under Section 54 of the Companies Act, 2013?

(a) The issue is valid since SEBI regulations have been complied with for a listed company

(b) The issue is partially valid since only disclosure of market price is not mandatory

(c) The issue is valid as long as employees have received shares and consideration is properly recorded

(d) The issue is invalid as it is not approved by a special resolution and does not comply with specified disclosure requirements

PART II - Descriptive Questions (70 Marks)

Question No. 1 is compulsory.

Attempt any four questions from the Rest.

1. (a) DEF Ltd. is a profit-oriented company engaged in the FMCG sector. During the audit for the financial year ended 31st March 2025, the auditor observed that the company's profit before tax from continuing operations has been highly volatile over the past few years due to fluctuations in input costs and competitive pricing strategies. However, the company's total revenue and gross profit have remained relatively stable.

Further, the company is financed through a mix of equity and borrowings, and its financial statements are used by both investors and lenders for decision-making purposes.

The auditor is in the process of determining materiality for the financial statements as a whole in accordance with relevant Standard on Auditing.

With reference to above, explain the factors that may affect the identification of an appropriate benchmark while determining materiality for the financial statements as a whole. Also, state examples of benchmarks that may be appropriate in such circumstances. **(5 Marks)**

(b) OPQ Ltd. is a widely held company engaged in manufacturing activities. The management of the company is responsible for preparation of financial statements. The shareholders of the company are not involved in day-to-day operations.

Recently, during a board meeting, one of the directors questioned the necessity of conducting a statutory audit, stating that it only increases cost and does not add significant value. However, the CFO of the company argued that audit plays a crucial role in enhancing the reliability of financial information and safeguarding stakeholder interests.

In the given context, explain the benefits of audit to various stakeholders.

(5 Marks)

(c) CA A is the statutory auditor of AB Ltd., a company engaged in manufacturing high-precision industrial components used in the automobile sector. The company has experienced significant fluctuations in its gross profit ratio and raw material consumption during the current year as compared to previous years.

During the course of audit, CA A decides to apply substantive analytical procedures to evaluate the reasonableness of purchase prices, consumption levels and revenue trends. For this purpose, he plans to rely on various data sources such as internally prepared budgets, cost sheets, management reports and external industry statistics.

However, upon preliminary review, CA A observes that:

- Budgets appear to be prepared aggressively to achieve performance targets,
- Industry data relates to general manufacturing and not specifically to specialized components,
- Certain reports are generated from the entity's IT system, but adequacy of controls over such data is unclear.

Considering the above, CA A is concerned about whether such data can be relied upon for designing substantive analytical procedures.

In the given context, explain the relevant points that CA A should consider while determining the reliability of data for the purpose of designing substantive analytical procedures. **(4 Marks)**

2. (a) Zetta Manufacturing Ltd. is engaged in the production of textile machinery components. During the course of audit, the auditor observed fluctuations in the purchase quantity and prices of raw materials as compared to previous years. The management has provided data relating to consumption, stock composition, and turnover ratios.

The auditor intends to apply analytical procedures to evaluate the overall reasonableness of purchase quantity and price.

Discuss the audit procedures to be performed by the auditor in this regard.

(5 Marks)

(b) N Ltd., a manufacturing company, has availed a Cash Credit Facility of ₹ 1 crore from XY Bank Ltd. As per the latest stock statements submitted for the quarter ended 31st March 2025, the Drawing Power (DP) is ₹ 80 lakh. The outstanding balance in the cash credit account as on the balance sheet date is ₹ 75 lakh.

During the last two quarters, the bank has debited interest amounting to ₹ 7 lakh to the account. However, the total credits deposited by the company in the same period amount to only ₹ 5 lakh. The account has otherwise remained within the sanctioned limit and drawing power throughout the period.

The statutory auditor, while reviewing the loan account, is required to classify the asset as per prudential norms.

As an auditor, how will you report/classify this account? Give reasons with reference to applicable norms. **(5 Marks)**

(c) QRS & Associates, a firm of Chartered Accountants, is handling multiple audit engagements across diverse industries. One of its clients, Nova Manufacturing Ltd., is engaged in heavy engineering, whereas another client, Sparkle Retail Ltd., operates a chain of consumer retail outlets with a high volume of transactions and decentralized operations.

CA A, the engagement partner for Nova Manufacturing Ltd., has designed a detailed audit programme considering the nature of its operations. He proposes that the same audit programme be standardised and applied to the audit of Sparkle Retail Ltd. as well, to ensure uniformity and save time.

However, CA B, the engagement partner for Sparkle Retail Ltd., disagrees and believes that adopting the same audit programme may not be appropriate in the given circumstances.

In the context of the above, state the matters that should generally be considered while preparing an audit programme. Also, examine whether the view taken by CA B is justified. **(4 Marks)**

3. (a) Raghav Mehra & Co., Chartered Accountants, were appointed as the statutory auditors of Jeep Manufacturing Limited for the financial year 2024–25. The company is engaged in large-scale production of automobile components and

maintains significant opening balances relating to inventory, trade receivables, and fixed assets.

The financial statements for the previous year (2023–24) were audited by another firm, S.K. Verma & Associates, who had issued an unmodified audit opinion.

During the audit, CA Raghav Mehra decided not to perform any audit procedures on opening balances. He was of the view that since the previous year's financial statements had already been audited by a qualified auditor, reliance could be placed on the same and no further verification was necessary.

The audit manager expressed concern that such an approach may not be in accordance with the Standards on Auditing.

In the light of the above facts:

(i) Examine whether the approach of CA Raghav Mehra is correct.

(ii) State the audit procedures that should be performed regarding opening balances in such cases. **(5 Marks)**

(b) Arvind & Associates, Chartered Accountants, were appointed as auditors of Stellar Appliances Ltd. for the financial year ended 31st March 2025. During the course of audit in June 2025, the auditor observed that the company operates in a rapidly changing market environment and there were frequent post year-end developments.

Further examination revealed the following:

- The company renegotiated a major long-term supply contract in April 2025, significantly reducing future purchase commitments.
- A legal case pending as at year-end was settled in May, 2025 with a substantial out-of-court settlement.
- Internal audit reports for April and May 2025 highlighted certain irregularities in revenue recognition practices.
- The company had circulated draft financial results for the first quarter to key lenders before finalisation.

The auditor is concerned about whether all relevant subsequent events have been properly identified and considered in the financial statements.

With reference to relevant Standard on Auditing, explain the audit procedures the auditor should perform as part of risk assessment to identify subsequent events. **(5 Marks)**

(c) Nature Charitable Trust runs a multi-specialty hospital in Noida. The hospital earns revenue from patients, donations, subscriptions, government grants and income from investments.

During the audit for the year ended 31st March 2025, the auditor, CA A, observed the following:

- The hospital maintains a patient register, billing system, and cash collection records.
- Donations and legacies are received, some of which are earmarked for specific purposes like construction of wards.
- The hospital owns investments and rental properties.
- There are inventory items such as medicines, surgical instruments, linen, etc.
- Budgetary controls exist but significant variations were noticed in certain expense heads.
- Internal controls over issue of medicines and stores appear weak.
- Capital expenditures were incurred during the year.

As an auditor, explain the important audit procedures you would perform while auditing such a hospital. **(4 Marks)**

4. (a) FGH & Co., Chartered Accountants, have been appointed as the statutory auditors of Alpha Ltd., a company engaged in manufacturing electrical equipment. The company follows a strict reporting schedule and requires continuous interaction with auditors during the audit process.

During audit planning, the engagement partner emphasised the need to properly determine reporting objectives of the engagement to ensure timely completion of audit procedures and effective communication with management and the audit team.

Based on the above, state the instances that the auditor should consider while ascertaining the reporting objectives of the engagement for establishing the overall audit strategy. **(5 Marks)**

(b) RS & Co., Chartered Accountants, were appointed as statutory auditors of Zifi Infra Ltd., a listed company engaged in infrastructure development. During the course of audit, it was observed that:

- The audit partner, CA R, had a close personal relationship with the CFO of the company.
- The firm had also provided consultancy services for designing internal financial controls of Zifi Infra Ltd. during the same financial year.
- Additionally, a substantial portion of the firm's total revenue was dependent on fees received from Zifi Infra Ltd.

A minority shareholder raised concerns that although the auditor may be acting objectively, the circumstances create doubt regarding the auditor's independence.

In the light of the above, explain whether the independence of the auditor is compromised. Also, discuss the concept of independence of mind and independence in appearance. **(5 Marks)**

(c) "Before the commencement of audit, the joint auditors should discuss and develop a joint audit plan". Discuss the points to be considered in developing the joint audit plan by the joint auditors. **(4 Marks)**

5. (a) Explain the objective of the auditor to express an appropriately modified opinion as per SA 705 – Modifications to the Opinion in the Independent Auditor's Report. Also, discuss the circumstances under which the auditor is required to issue a qualified opinion. **(5 Marks)**

(b) CD Manufacturing Ltd., engaged in the production and trading of consumer goods, has significant inventories comprising finished goods and goods held for resale. During the course of audit for the financial year ended 31st March 2025, the auditor observed that inventory includes certain slow-moving and obsolete items. Further, there were variations noted in cost allocation and selling prices in recent months.

The auditor is required to ensure that inventories are valued appropriately in accordance with applicable accounting standards.

Discuss the audit procedures to be performed by the auditor for verifying valuation of finished goods and goods for resale. **(5 Marks)**

(c) YZ Limited is engaged in the business of manufacturing electrical equipment. During the course of audit for the financial year 2024–25, CA R, the auditor, observed that while certain expenses like rent, power and fuel were subjected to monthly trend analysis, a large number of other expenses such as travelling, insurance, repairs, and miscellaneous expenses were not analysed trend-wise.

The management contended that such expenses are irregular in nature and hence trend analysis may not be meaningful. The auditor decided to verify these expenses through vouching and examination of supporting documents to ensure their correctness and appropriateness.

In the light of the above, mention the attributes that the auditor should verify while vouching such expenses. **(4 Marks)**

6\. (a) YZ & Co., Chartered Accountants, were appointed as auditors of Shree Ltd. for the financial year 2024–25. The auditor proposed to sign the audit report on 30th June 2025.

Management provided written representations dated 10th June 2025 and refused to update them closer to the date of the auditor's report, stating that no material changes had occurred.

Further, the present management took charge from 1st October 2024 and declined to give written representations for the period April to September 2024 on the ground that they were not in position during that period.

In the above context, explain the requirements relating to the date of written representations in relation to the auditor's report and the period(s) to be covered by such representations. Also, comment on the validity of management's stand.

(5 Marks)

(b) "Familiarity threats are a significant concern affecting the independence of auditors."

Explain the meaning of familiarity threats and discuss the circumstances in which such threats may arise. Also, briefly state how the provisions of the Companies Act, 2013 help in addressing such threats. **(5 Marks)**

(c) FRN Ltd. is a technology-driven company where most transactions such as sales, purchases, and inventory movements are processed through an automated ERP system. The auditor observed that the company relies heavily on system-based processing, with minimal manual intervention.

During the audit, it was noted that certain General IT Controls (GITCs), particularly relating to access controls and change management, are either not in place or are ineffective. The auditor is required to evaluate the effectiveness of controls and decide on appropriate audit procedures in such an automated environment.

Explain the testing methods to be used by the auditor in an automated environment and the course of action where GITCs are ineffective. **(4 Marks)**

OR

CA B, an auditor, after the completion of busy audit season, was occupied in assembling of final audit files of one of his client. First of all, he started preparing various documents of that client and then kept those documents in various folders. He was preparing documents as well as audit file in paper form because he believed that it is mandatory. He could complete documentation as well as assembling of final audit file of that client after three months from the date of audit report. Generally, he retains audit file of the clients for 4 years from the date of audit report. Check the validity of the action of CA B. **(4 Marks)**