

PART – I

30 Mar

(MCQ Portion)

- *Answers to MCQs are to be marked on the OMR answer sheet as given on the cover page of the descriptive answer book only. Answer to MCQs, if written inside the descriptive answer book shall not be evaluated.*
- *Please write and darken correct MCQ booklet number in the OMR answer sheet. The correct MCQ booklet number must also be written in the attendance register.*

Case Scenario – I :

Green Peak Ltd., a leading producer of sustainable packaging material manufactures a range of products including corrugated boxes and paper products.

For the financial year 2025-26, LMN & Co., Chartered Accountants, were appointed as the statutory auditors of the company. The audit was led by CA Aman Verma. The engagement partner CA Verma ensures that the audit team follows the firm's policies, supervises audit work, and ensures compliance with professional standards.

CA Verma obtained an understanding of the company's operations and documented audit plan activities including matters relevant to the overall audit strategy and audit programme.

During the audit, the audit team performed procedures relating to property, plant and equipment, including examination of accounting records, supporting documents, fixed asset register, and depreciation calculations in the financial statements.

Additionally the auditor carried out the following substantive analytical procedures to collect various other evidences-

- (i) The auditor compares the current year's administrative expenses with the expenses of the previous four years and analysed the fluctuations.

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- (ii) He noticed, that the company pays sales commission at 4% of total sales. Based on total sales recorded during the year, the auditor estimates the expected commission and compares it with the commission expense recorded in the books.
- (iii) He compared the inventory turnover ratio of the current year with that of previous years.
- (iv) Using historical data of production volume and power consumption, the auditor develops a statistical model to estimate expected electricity expenses for the current year.

Based on the above facts, answer the following : (1 to 4)

1. Suggest the audit team members of LMN & Co. to match the apt combination from the following information as per SA 300. 2

Description	Elements of Planning
(a) Evaluating compliance with ethical requirement, including independence	(i) Audit Programme
(b) Detailed plan of applying audit procedures	(ii) Preliminary engagement activity
(c) Determination of materiality	(iii) Audit Strategy
(d) Consideration of number and location of branches for audit	(iv) Audit Plan

(A) (a)-(iv), (b)-(iii), (c)-(ii), (d)-(i)

(B) (a)-(ii), (b)-(i), (c)-(iv), (d)-(iii)

(C) (a)-(iii), (b)-(iv), (c)-(ii), (d)-(i)

(D) (a)-(ii), (b)-(iv), (c)-(i), (d)-(iii)

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2. As per the understanding of CA Verma, which of the following options, falls outside the scope of audit of financial statements ?

- (I) Assessing the physical condition of industrial buildings and heavy & sophisticated machinery.
- (II) Examining the reliability and sufficiency of financial information for audit purposes.
- (III) Determining the suitability of buildings for continued use and estimating their remaining useful life.
- (IV) Ensuring proper disclosure of property, plant and equipment in the financial statements.

(A) (I) and (III)

(B) (II) and (IV)

(C) (I), (II) and (III)

(D) (I) and (II)

3. CA Verma performed various substantive analytical procedures in the above case study. Which type of procedure is being performed in each of the given four circumstances ?

Procedures

Type

(i)

(a) Ratio Analysis

(ii)

(b) Structural modelling

(iii)

(c) Reasonableness tests

(iv)

(d) Trend Analysis

(A) (i)-(c), (ii)-(d), (iii)-(a), (iv)-(b)

(B) (i)-(d), (ii)-(b), (iii)-(a), (iv)-(c)

(C) (i)-(a), (ii)-(c), (iii)-(b), (iv)-(d)

(D) (i)-(d), (ii)-(c), (iii)-(a), (iv)-(b)

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4. Which of the following statements relating to the firm's system of quality control is/are correct in accordance with SQC 1 ?
- (I) The firm's system of quality control consists of policies designed to be established separately for each audit engagement.
 - (II) It is designed to provide reasonable assurance that the firm and its personnel comply with professional standards and legal requirements.
 - (III) The responsibility for establishing the firm's system of quality control lies with the engagement partner of each audit engagement.
 - (IV) The firm's system of quality control consists of policies designed to achieve its objectives.
- (A) (I) and (II) only
 - (B) (I) and (III) only
 - (C) (II) only
 - (D) (II) and (IV) only

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Case Scenario – II :

XYZ bank, a scheduled commercial bank, is preparing its financial statements for the financial year ended on 31 March, 2026.

During the financial year, the bank undertook various lending and investment transactions in the ordinary course of its banking operations. These transactions involved secured advances and bill discounting activities, giving rise to income recognition considerations at the year-end.

In respect of its lending portfolio, the bank accounted for interest income amounting to ₹ 1.07 crores on advances secured by term deposits, National Savings Certificates (NSCs), and life insurance policies, even though the amounts had not been received as of the balance sheet date.

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Further, on 01/01/2026, the bank purchased six-month bills and earned a total discount of ₹ 2.4 crores. Since half of the bill period extended beyond 31st March 2026, part of the discount is related to the subsequent accounting period. Additionally, rediscounting charges of ₹ 0.5 crores were netted off against the discount income in the books of account. These transactions require examination to determine whether income has been recognised in accordance with accrual principles and applicable banking guidelines.

XYZ bank is also a co-lender in a consortium arrangement where several banks jointly advanced a term loan of ₹ 150 crore to a corporate borrower. ABC Bank Limited acts as the lead bank and is responsible for collecting and distributing borrower remittances among the consortium members.

At the year-end, it was observed that XYZ bank had not received its share of repayment from the lead bank, although the borrower had been remitting payments to the lead bank. The auditor must evaluate the correct asset classification and income recognition in respect of XYZ Bank's share of the consortium advance.

In addition, the bank monitors its loan portfolio in accordance with RBI prudential norms relating to asset classification. As of March 2026, certain borrowers had overdue instalments as follows :

Borrower A - 20 days, Borrower B - 30 days, Borrower C - 85 days. The bank follows Special Mention Account (SMA) framework to identify incipient stress before accounts become Non Performing Assets (NPAs).

Based on the above, answer the following : (5 to 7)

5. In the consortium lending arrangement where ABC Bank Ltd. is the lead bank, how should XYZ Bank classify its portion of the loan ?
- (A) Classify as standard, since the borrower has remitted payment to the lead bank.
- (B) Classify as standard, provided the overall consortium exposure is being serviced.

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- (C) Classify as NPA until XYZ Bank actually receives its share of repayment from the lead bank.
- (D) Recognize interest income on an accrual basis irrespective of receipt from the lead bank.

6. Based on RBI guidelines for Special Mention Accounts (SMA), how should the borrowers be classified ? 2

- (A) Borrower A-SMA 0, Borrower B-SMA 0, Borrower C-SMA 2
- (B) Borrower A-SMA 0, Borrower B-SMA 1, Borrower C-SMA 2
- (C) Borrower A-Standard Regular, Borrower B-SMA 1, Borrower C-SMA 2
- (D) Borrower A-SMA 0, Borrower B-SMA 2, Borrower C-SMA 2

7. Since, XYZ Bank recognised interest on advances secured by term deposits, NSCs, and life insurance policies and earned discount on Purchased bills where Rediscounting charges were netted off against the discount income.

Which of the following statements correctly reflects the appropriate accounting treatment ? 2

- (A) Interest on secured advances and the entire discount on bills purchased may both be recognised immediately, and rediscounting charges may be netted off under accrual principles.
- (B) Interest on secured advances may be recognised on an accrual basis where an adequate margin exists; however on bills purchased only the portion of discount earned up to 31st March should be recognised, and rediscounting charges should not be netted off from the discount earned.

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- (C) Interest on secured advances may be recognised on an accrual basis where an adequate margin exists; however on bills purchased only the portion of discount earned up to 31st March should be recognised, and rediscounting charges should be netted off from the discount earned.
- (D) Both interest and discount income should be deferred until actual receipt, and rediscounting charges must be adjusted against discount income.

8. The engagement partner CA B, while evaluating and reporting on the designs and efficiency of internal financial controls at GHB Ltd., also highlighted to the directors, independent directors and the audit committee the manner in which the Companies Act, 2013 places greater emphasis on the effective implementation and reporting on the internal control of a company.

With reference to reporting on the internal financial controls system under the Companies Act, 2013, which of the following statements does not fall within the nature of responsibility of GHB Ltd. ?

- (A) In accordance with the terms of reference specified in writing by the Board, act of every audit committee to include evaluation of internal financial controls and risk management systems.
- (B) Director's responsibility statement to state that the Director has laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (C) Board of Directors have to appoint an expert to state that the internal financial controls of the company are commensurate with the size and nature of its business.
- (D) In terms of code for Independent Directors, independent directors to get themselves satisfied that financial controls and systems of risk management are robust and defensible.

9. While auditing the financial statements of Triveni Manufacturing Ltd. for the year ended 31/03/2026, the auditor observed that the company had certain transactions with MNO Trading Pvt. Ltd. During the audit, it was noted that MNO Trading Pvt. Ltd. had been struck off by the Registrar of Companies (ROC) under Sec 248 of the Companies Act, 2013. The transactions between Triveni Manufacturing Ltd. & MNO Trading Pvt. Ltd. included :

- Purchases of IT hardware during the year amounted to ₹ 18.50 lakh
- As at 31 March 2026, ₹ 4.20 lakh remained outstanding and payable.
- One of the directors of Triveni Manufacturing Ltd. held 15% equity in MNO Trading Pvt. Ltd.

Which of the following details are required to be disclosed in the financial statements of Triveni Manufacturing Ltd. ?

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- I. Name of the struck-off company (MNO Trading Pvt. Ltd.)
 - II. Nature of transactions entered into with such company
 - III. Balance outstanding on reporting date (₹ 4.20 lakh)
 - IV. Total purchase amount from MNO Trading Pvt. Ltd. during the year (₹ 18.50 lakh)
 - V. Relationship with the Struck off company, if any
 - VI. Date on which MNO Trading Pvt. Ltd. was struck off by the ROC.
- (A) I, II, III and IV
(B) I, II, IV and V
(C) I, II and IV
(D) I, II, III and V

10. As part of a firm's system of quality control for audits of financial statements, a monitoring process is designed to provide reasonable assurance that the firm's policies and procedures are relevant, adequate, and operating effectively.

Which of the following matter, the engagement partner need not to document as part of the monitoring element of quality control ?

- (A) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
- (B) Conclusions on compliance with independence requirements that apply to the audit engagement.
- (C) Observations about the efficiency of audit procedures performed or suggestions for improving audit team productivity.
- (D) Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements.

Case Scenario – III :

Shree Foods Private Ltd., engaged in the production and distribution of packaged snacks. To increase sales, it introduced volume discounts and extended credit facilities to distributors.

The statutory audit of Shree Foods Private Ltd. was assigned to CA Vivek. While planning the audit programme, CA Vivek first obtained an understanding of the company's internal control system and evaluated whether such controls were actually operating effectively. He prepared a detailed audit plan specifying procedures such as :

- Testing a sample of 100 invoices out of 1200 revenue transactions.
- Reviewing discount approvals and credit notes.

During the audit, the following issues were noted :

- (i) Some invoices with incorrect revenue amounts were not included in the selected sample and hence misstatements remained undetected.
- (ii) One audit team member misunderstood the bulk discount policy and treated overstated revenue as valid.
- (iii) While testing invoices and trade receivables, CA Vivek identified misstatement in some transactions. He needs to project these misstatements to the population to assess their overall impact.
- (iv) Management refused to provide requested written representation required by CA Vivek relating to valuation of one of the major Trade Receivables.
- (v) Additionally, while verifying trade receivables, CA Vivek performed several other audit procedures such as –
 - (a) Selecting few invoices from the accounts receivables ageing report and compare them with supporting documentation to see if they billed with the correct amounts, to the correct customer and on the correct dates.
 - (b) Matching sales invoices issued around the reporting date with the related shipping/dispatch records to ensure receivables are recorded in the correct accounting period.
 - (c) Reviewing the ageing analysis of receivables to identify long-outstanding balances and evaluate adequacy of provision of doubtful debts.

- (d) Sending balance confirmation requests to selected distributors asking them to confirm the outstanding receivable balances as at the reporting date.

Based on the above facts, answer the following questions : (11 to 15)

11. During testing of 100 invoices out of 1200, some invoices with incorrect revenue amounts were not selected and the bulk discount policy was misinterpreted, and overstated revenue was treated as valid.

Which of the following combinations correctly identifies the type of risk represented in each of the respective situations ?

- (A) Detection Risk – Sampling Risk & Detection Risk – Non-Sampling Risk
 (B) Inherent Risk & Control risk
 (C) Detection Risk – Non-Sampling Risk & Detection Risk – Sampling Risk
 (D) Control Risk & Detection Risk – Non-Sampling Risk

12. CA Vivek identified misstatements in some transactions. Some misstatements were anomalies. He needs to project these misstatements to the population to assess their overall impact.

Which of the following statement best describes the correct approach in this scenario ?

- (A) The auditor is required to project misstatement for the population to obtain a broad view of the scale of misstatement, and this projection is sufficient to determine the amount to be recorded.

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- (B) When a misstatement has been established as an anomaly, it may be excluded when projecting misstatements to the population, however, the effect of any such misstatement, if uncorrected, still needs to be considered in addition to the projection of the non-anomalous misstatements.
- (C) For test of details, the auditor shall project misstatement found in the sample to the population, whereas for test of controls, explicit projection of deviation is always required.
- (D) When a misstatement has been established as an anomaly, it must always be included when projecting misstatements to the population.

13. CA Vivek requested management to furnish a written representation relating to valuation of Trade receivable. Management failed to provide the same. In the given situation, which of the following actions should not be taken by the auditor referring SA 580 ?

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- (A) Re-evaluate the integrity of management and assess the impact of non-availability of written representation on the reliability of audit evidence as a whole.
- (B) Take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with SA 705 having regard to the requirement of disclaimer of opinion.

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(C) Treat the absence of written representation as a disagreement with management and issue a qualified opinion.

(D) Discuss the matter with management.

14. Based on the other audit procedures performed by CA Vivek in relation to trade receivables in the above case study, match the audit procedures with the relevant audit assertions :

Audit Procedures	Assertions
a	i. Existence
b	ii. Completeness
c	iii. Cut-off
d	iv. Valuation

Options :

(A) a-ii, b-iii, c-i, d-iv

(B) a-iv, b-iii, c-i, d-ii

(C) a-i, b-ii, c-iv, d-iii

(D) a-ii, b-iii, c-iv, d-i

15. CA Vivek formulates his audit programme after obtaining a satisfactory understanding of the internal control system. Which of the following statement is correct in this respect ?

(A) A detailed evaluation of internal control by the auditor would unnecessarily expand the scope of the audit programme and his audit programme may become unwieldy and unnecessarily heavy.

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- (B) If the auditor does not care to study the internal control system, his audit programme may become unwieldy and unnecessarily heavy, and the object of the audit may be altogether lost in the mass of entries and vouchers.
 - (C) If the internal control is considered strong, the auditor should introduce additional audit procedures that otherwise might not be required to ensure absolute assurance.
 - (D) A proper understanding of the internal control system, its content and functioning, does not significantly influence the auditor's selection of audit procedure to be applied in the various areas covered in the audit programme.
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PART – II
(Descriptive Portion)

70 Marks

(Candidates are required to give descriptive answers for this part inside the answer book)

1. *Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.*
2. *Working notes should form part of the answer.*
3. *Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.*
4. *Candidates are required to write the question number legibly.*

1. (a) M/s XYZ & Co., Chartered Accountants, is conducting the statutory audit of ABC Ltd. During the audit, the engagement partner notices certain unusual year-end sales transactions that have significantly increased the company's profits. Management explains that these are genuine transactions and provide supporting invoices.

However, the engagement partner expresses concern that such unusual year-end transactions require deeper examination, notwithstanding the availability of documentation. He emphasizes that an auditor should remain alert to conditions that may indicate possible misstatements. He further remarks that although the firm generally follows a rule-based approach to ethics, auditors should not limit themselves to mere compliance with rules but also uphold the spirit of ethical principles while conducting an audit.

- (i) Determine the attitude that the engagement partner expects the audit team to maintain in the above situation. Which risks can be reduced while maintaining such an attitude throughout the audit? 3
- (ii) Distinguish briefly between the principles-based approach and the rules-based approach to ethics. 2

- (b) While auditing the trade receivables of Ocean Limited, CA R plans to select 100 customer balances from a population of 1000 receivables accounts appearing in the trade receivables ledger. For this purpose, he decides to select customer account number 5th as the starting point and thereafter select every 10th account from the ledger until the required sample size is obtained.

Based on the above :

- (i) Identify and briefly explain the sampling method being used by CA R in the above situation. 2
- (ii) State the important consideration that an auditor should keep in mind while using this method and how the risk arising from such sampling can be minimized? 2
- (iii) Further, the audit partner suggests that instead of this approach, CA R should verify the first 150 customer accounts appearing in the receivables ledger for the last month. State the sampling method suggested by the partner. 1
- (c) During the statutory audit of Orion Manufacturing Ltd., the auditor, CA Raghav Mehta, observed that the company's management had changed during the financial year. The earlier management resigned midway through the year, and a new management team assumed charge thereafter. 4
- While completing the audit, the auditor requested written representations from the management regarding their responsibilities for the preparation of financial statements and other audit-related matters. However, the new management stated that they could provide written representations only for the period from the date they assumed office and not for the earlier period when the previous management was in charge.
- Examine the above situation and explain with reference to SA 580, the appropriate date of the written representation and the period that should be covered by such representation.

2. (a) During the audit of Urban Build Constructions Ltd., the auditor reviewed the accounting information system used for recording and processing financial transactions in the company. Transactions relating to purchases, payroll and expenses are recorded through this system by different departments. 5

During discussion with employees, the auditor realized that there is limited documentation how financial information flows through the system.

What are the areas relating to the entity's information system and related business processes relevant to financial reporting that the auditor should obtain an understanding as a part of risk assessment procedures ?

- (b) PQR & Associates, a large firm of Chartered Accountants, have been appointed as the auditors of a listed company. CA P, an engagement partner, gathered his audit team to explain them the importance of audit programme. The audit team was impressed by the advantages of audit programme and decided to strictly follow the same. CA P, however, explained that an audit programme can have disadvantages also, if not used diligently.

(i) What are the Disadvantages of an Audit programme (Any 3) ? 3

(ii) How can these Disadvantages be minimized ? 2

- (c) You are appointed as the auditor of JK Apparels Ltd., a public limited company. The company entered into an arrangement during the financial year 2025-26 with one of its promoters Mr. K whose son is a director in JK Apparels Ltd. Under this arrangement, the company acquired an immovable property owned by the promoter. As consideration for the purchase, the company allotted 2% of its equity share capital to the promoter instead of making payment in cash. The title deed of the property has been duly transferred and held in the name of the company.

(i) Discuss the reporting requirements of the auditor under CARO, 2020. 2

(ii) Discuss the disclosure requirements of Shareholding of Promoters under Schedule III (Part I) of the Companies Act, 2013. 2

- (a) Alpha Manufacturing Ltd. and Beta Engineering Ltd. are audited for the year ended 31 March 2026. CA Y plans to perform tests of controls over purchase transactions in both companies.

The following information is available :

Particulars	Alpha Manufacturing Ltd.	Beta Engineering Ltd.
Population of purchase invoices	12,000	12,000
Tolerable deviation rate	5%	5%
Reliance the auditor places on the operating effectiveness of control	Same	Same
Expected deviation rate	2%	6%

- (i) Briefly explain factors to be considered by CA Y in determining the sample size for tests of controls. 4
- (ii) Based on the above information, which company will require a larger sample size and why? 1
- (b) During the statutory audit of Moon Ltd., the auditor finalized the auditor's report. While reviewing the draft, the audit team was unsure about where the "Basis for Opinion" section should be placed in the auditor's report and what it should contain as per auditing standards'. As a senior auditor explain :
- (i) Where should the "Basis for Opinion" section be included in the auditor's report? 1
- (ii) What are the key elements included in this section? 4
- (c) During the audit of a manufacturing company, the engagement team encountered several complex areas requiring careful evaluation. The audit senior reminded the team that matters involving higher judgement must be documented more thoroughly. 4
- An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of professional judgement exercised in performing the work and evaluating the results. Explain, stating clearly the examples of significant matters (referring SA 230).

4. (a) Bright Star Foods Limited processes a large volume of daily sales and purchases using automated accounting software. Most transactions are recorded automatically, and management claims that the system controls reduce the need for manual intervention. 5

During the audit of the company's financial statements, the auditor needs to ensure that transactions are recorded accurately and completely. The auditor also needs to decide which audit test to use, when, and in what combination.

Discuss the different ways in which testing is performed in an automated environment, and explain which combinations of audit tests are generally considered most effective and efficient.

- (b) While auditing the financial statements of Moon Ltd. for the year ended 31 March 2026, the auditor was verifying the disclosures relating to trade payables and other liabilities. During the course of the audit, it was noticed that the company has certain outstanding balance payable to Micro and Small Enterprises. 5

The auditor decided to ensure that the disclosures required under Schedule III of the Companies Act 2013, in respect of such enterprises have been appropriately made in the notes to accounts.

State the disclosures that the auditor should verify in respect of Micro and Small Enterprises while auditing trade payables and other liabilities.

- (c) Apex Infra Ltd. is a mid-sized infrastructure company engaged in construction of highways and bridges. 4

During the statutory audit, the auditor notices frequent disputes with contractors, pressure on site managers to meet targets, heavy reliance on automated data processing, and aggressive working capital management by the finance department. The auditor realises that mere verification of accounting records is insufficient to form an opinion.

With reference to the above case, explain why an auditor is expected to have working knowledge of disciplines other than auditing, specifically in relation to :

- (a) Statistics & Mathematics
- (b) Financial Management
- (c) Data Processing
- (d) Behavioural Science

5. (a) ZX Technologies Ltd., a listed company engaged in software development, decided to reward certain key employees and directors for their contribution towards development of proprietary technology and process improvements. Accordingly, the company decided to issue shares to selected employees at a concessional price in consideration of their technical know-how.
- (i) Identify and briefly explain the type of shares the company is planning to issue. 1
 - (ii) State the conditions that the auditor should verify which must be complied with for valid issue of such shares under the Companies Act, 2013. 4
- (b) STP Ltd. has entered into lease arrangements for two different categories of equipment from the same lessor. The key terms of the arrangements are summarised below :

Particulars	Manufacturing equipment	Specialised Manufacturing Equipment
Lease period	5 years	8 years
Estimated economic life	10 years	8 years
Transfer of ownership	NO	NO
Insurance and major maintenance	Borne by lessor	Borne by STP Ltd.
Alternative use after lease period	Available	Not Available

- (i) Analyse the above arrangements and determine the appropriate classification of lease in case of Manufacturing Equipment and Specialised Manufacturing Equipment. 1
- (ii) As a senior auditor of STP Ltd, suggest the accounting treatment and Tax benefits for : 4
- Manufacturing Equipment
 - Specialised Manufacturing Equipment.
- (c) ABC Ltd. is a listed company with an annual turnover of ₹ 1,000 crores. 4
The company has appointed three joint auditors, ST and Associates, TR and Associates and PQ and Associates, to conduct the statutory audit for the financial year 2025-26.
Since ABC Ltd. is a listed entity, the joint auditors are required to comply with ethical requirements relating to independence. Before commencing the audit, the audit firms held a meeting with the Audit Committee and submitted written communications regarding their independence. During the meeting, the Audit Committee asked the auditors to clarify the specific matters that must be included in such communication to ensure compliance with professional requirements.
With reference to SA 260, explain the matters that should be included in the communication regarding auditor's independence to those charged with governance in case of listed entities.
6. (a) M/s PJ Shrimali & Co., Chartered Accountants, were appointed as the statutory auditors of Pristine Limited. Before commencing the audit, the auditors issued an engagement letter to the Board of Directors confirming the terms of the audit engagement. 5
The letter described the objective of the audit, the scope of work to be performed, and certain matters relating to the conduct of the audit. It also contained a specific section explaining the responsibilities of the auditor while performing the audit of financial statements.
With reference to the above situation, illustrate the responsibilities of the auditor (Any 5) that are generally included in an engagement letter in accordance with SA 210.

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- (b) The financial statements of SUN Ltd. for the year ended 31st March, 2026 include corresponding figures for the year ended 31st March, 2025. The prior period financial statements were audited by a predecessor auditor. The current auditor is permitted by law and regulation to refer to the predecessor auditor's report on the corresponding figures and decides to do so.
- (i) State and briefly explain the type of paragraph that the auditor 2
should include in the auditor's report in the above circumstances.
- (ii) With reference to SA 710, list the information that should be 3
included in this paragraph regarding the prior period financial
statements.
- (c) SP Co-operative Ltd. is a large co-operative organisation engaged in 4
multiple activities. During audit, the auditor observed that although the
entity maintained few primary books of accounts such as the cash book
and general ledger, several subsidiary books and registers maintained
were either incomplete or not maintained.
The management contended that for co-operative organisation,
maintenance of the subsidiary books and registers is not necessary.
As an auditor, you are required to guide the management about the
important subsidiary books and registers that should normally be
maintained by a large co-operative organisation.

OR

- (c) Discuss examples of the factors that the auditor may consider significant 4
in directing the engagement team's efforts while establishing the overall
audit strategy.
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