



CA Inter Audit Test-4 (Ch-3 & Ch-6 Materiality)

Time: 1 Hour

Marks: 30 Marks

Instructions:

- Reading time: 5 mins
- Do **underline key words** while presenting answer
- Leave **proper spacing** between 2 points/paras
- Do quote SA No. with Name only wherever applicable.

MCQs [10 Marks (5Q * 2 Marks each)]

1. A company has started its manufacturing operations from a newly constructed building. CA Z is statutory auditor of company. Which of following is not likely to be an example of audit documentation?

- E-mail correspondence with CFO of company concerning significant matters
- Audit programme
- Response to external confirmation requests
- Structural engineer's report on strength of building

2. CA P has completed audit of a company and final audit file has been assembled. After about two years, in connection with some regulatory proceedings, he is asked to produce copy of audit file. He again takes a fresh look at audit documentation and discards some papers. Which of following statements is correct in this regard?

- He can discard papers before end of retention period of file.
- He can discard papers before sharing copy with regulator.
- He can't discard papers before end of retention period of file.
- He can discard papers in certain circumstances according to his judgment.

3. Which of the following is correct:

- The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.
- The auditor shall assemble the audit documentation in an audit file and shall not complete the administrative process of assembling the final audit file.
- The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis before the date of the auditor's report.
- The auditor shall not assemble the audit documentation in an audit file.

4. Which of following is not a purpose of audit documentation?

- To enable the engagement partner to get rid of his responsibility
- To enable the engagement team to be accountable to its work
- To enable conduct of quality control reviews
- To enable conduct of external inspections in accordance with legal and regulatory requirements



5. CA Sumit, during the process of assembling the audit file after the completion of the audit, briefed his team on the changes to be made in the audit documentation. Which of the following changes can be made during the audit file assembly stage?

- A. Sorting, collating and cross referencing of working papers.
- B. Deleting or discarding superseded documents.
- C. Recalculation of depreciation.
- D. Recalculation of Interest on loans.
- E. Signing off of completion checklist relating to file assembly.
 - a) A, B and E
 - b) C and D
 - c) A, C and D
 - d) A, C, D and E

Descriptive Questions [20 Marks]

1. One of the factors affecting the form, content and extent of audit documentation relates to size and complexity of the entity. State six other factors in this respect.

[3M]

2. CA Y, statutory auditor of a company, is in process of determining materiality for financial statements while planning audit. Since materiality is a matter of professional judgment and is affected by auditor's perception of financial information needs of users of financial statements, he is reasonably making certain assumptions about users of financial statements. Which reasonable matters are likely to be assumed by him in respect of users?

[3M]

3. The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor to understand significant matters arising during the audit. Explain the above statement and also give examples of significant matters.

[4M]

4. CA Tanuj, the auditor of Kiran Ltd., completed the audit work and issued the auditor's report on 18th August 2024 for the financial year ended on 31st March 2024. During the final assembly of the audit file, he discarded some supporting schedules as same were outdated and corrected cross-referencing errors of working papers. No new audit conclusions were drawn, and the final audit file was assembled on 10th October 2024.

On the basis of Standards on Auditing regarding audit documentation, comment on the action taken by CA Tanuj.

[4M]

5. Give some examples of circumstances in which it is appropriate to prepare audit documentation relating to the use of professional judgment where the matters and judgments are significant.

[3M]



6. You are being appointed as the auditor of Track Ltd. for the first time. You want to determine the materiality level and for that you have applied percentage to choose benchmark as a starting point in determining materiality for the financial statements as a whole. What are the factors that may affect the identification of an appropriate benchmark?

[3M]