The Institute of Chartered Accountants of India

Code: FN3AP294921 **Total Marks:** 70

Subject : 03 Advanced Auditing Assurance and Professional Ethics **Marks Obtained :** 52

GRAPH PAPER IS ON THE PENULTIMATE PAGE

Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

CA Final Examination

Group No. 1 Paper No. 3

Subject Advanced Auditing Assurance and Professional Ethics

Number of Answer Books used : Main + 2 additional sheets

Date Seal 0 8 SEP 2025

For use by ICAI only

294921

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SEPTEMBER, 2025

ICAI

Paper Code: U V W 1

MCQ Booklet Serial No.	Paper No.
7218029	3

Level of Exam: FINAL

Foundation ① Intermediate ② Final

MCQ Answers

1	A B C D	11	A B C D	21	A B C D
2	A B C D	12	A B C D	22	A B C D
3	A B C D	13	A B C D	23	A B C D
4	A B C D	14	A B C D	24	A B C D
5	A B C D	15	A B C D	25	A B C D
6	A B C D	16	A B C D	26	A B C D
7	A B C D	17	A B C D	27	A B C D
8	A B C D	18	A B C D	28	A B C D
9	A B C D	19	A B C D	29	A B C D
10	A B C D	20	A B C D	30	A B C D

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[redacted] lly completed in one page or in a consecutive set of pages,
[redacted] he space provided for the purpose or writing distinguishing mark,
[redacted], etc., will tantamount to adoption of "unfair means"
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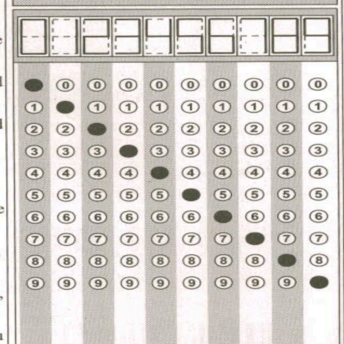
Illustration for Filling the MCQ Booklet Serial No.



[redacted] ONS TO THE CANDIDATE FOR FILLING THE **MCQ ANSWER FIELDS**

[redacted] **ncil to Darken the appropriate Circle.**
[redacted] en the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.
[redacted] candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.
[redacted] arken the complete circle.
[redacted] u want to change your Answer, erase the darkened circle completely and make a fresh mark.
[redacted] lease do NOT make any stray marks on the OMR cover page.
[redacted]. Rough work must NOT be done on the OMR cover page.
7. Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

CORRECT METHOD | WRONG METHOD

Q. No.	To be ticked ✓ by the candidate against the Questions answered (Descriptive Type)		
1	✓	8	
2	✓	9	
3		10	
4	✓	11	
5	✓	12	
6	✓	13	
7		14	
Total		Total	

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03

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Answer 2(a)

As per SA 250 – Auditor's Responsibility in case of non-compliance with Laws & Regulations :–

- Auditor is required to obtain sufficient and appropriate Audit evidence regarding laws and regulations having direct effect on the amounts and disclosures presented in financial statements.

- Auditor is required to perform specific audit procedures in respect of laws and regulations not having direct effect but having material effect on financial statements.

In the given case, AJ Private Limited is required to obtain NO Objection Certificate but it is not in possession of the certificate & is of the opinion that it is outside purview of financial statements

04

2aStep1 2

The contention of Those charged with governance is wrong.

2aStep2 2

Auditor is required to perform specific audit procedures in respect of the above non-compliance since it may have material effect ~~of~~ on financial statements.

2aStep3 0

Following specific procedures shall be performed by Auditor:-

- Inquiry of compliance with laws & regulations.
- Inspecting correspondences.

2a 4

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05

[Answer 2(b)]

As per the Revised Code of Ethics, Non-compliance with Laws & Regulations (NOCLAR) provisions are applicable in following cases:

2b 2

(1.) A chartered Accountant in service when ~~engaged in~~ employed at a senior level, such as executives, senior directors, CFO, etc.

2bStep1 0

(2.) A Chartered Accountant in Public Practice, when engaged in statutory audit of –

- Listed companies, &
- Unlisted companies with Net worth of ₹ 250 crores or more.

2bStep2 2

(i) In the given case, P & F chartered Accountants are appointed as statutory auditor of TQR Limited, which is an unlisted company with net worth exceeding ₹ 250 crores.

~~Charter~~

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Mr. F become aware of imminent breach of law that would cause substantial harm to investors, creditors & employees of company.

Hence Mr. F has to report in accordance with NOCLAR provisions.

Contention of Mr. X is WRONG.

(ii) Documentation required to be prepared by CA F regarding non-compliance over & above requirements of SA:-

- How they have satisfied that reporting is in accordance with public interest and standards of commonly accepted customs.
- How management have responded to the non-compliances.
- How auditor has satisfied with the responses of management

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07

2cStep1 1

Answer 2(c)

(i) Compliance Audit refers to independent ~~assesment~~ assessment of compliance of subject matter with appropriate criteria.

Compliance Audit are in respect of:- ~~are of Two types~~

- Regularity :- ~~Audit~~ :-
It involves adherence with criteria emanating from formal laws & regulations.

- Propriety :-
It involves adherence with general management policies and practices and code of ethics.

(ii) Compliance Audit may be conducted :-
- in combination of financial audit
- in context of performance audit, or
- individually as a separate engagement.

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(ii) Concern of auditor while undertaking compliance audit :-

• Regularity :-

It involves adherence to criterial emanating from formal laws and regulations.

• Propriety :-

It involves compliance with general management principles, guidelines and complying with code of ethics.

2c 4

2cStep2 1

2cStep3 2

2 10

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[Answer 4(a)]

(i) Where any account is restructured on request of borrower, auditor shall verify the terms of restructuring and check whether it is in accordance with Board policies.

- In case an account is restructured, it will not ~~remain in~~ ~~it~~ retain the classification of Standard Asset.

- It will be slipped into the category of Sub-standard asset as once account is restructured it comes under the category of problametic account and shall not be classified as standard.

- All the provisioning norms relating to Sub-standard asset shall become applicalle.

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In the given case, restructured account is classified as standard asset by management. However, CA T- the auditor insisted to classify the asset as sub-standard which is valid.

4aStep1 2

CA T's classification is Justified.

(ii) Provisioning requirements shall be applicable for advances classified as sub-standard as per the norms of IRAC and not as per Board of Bank.

Hence Rate applicable for provision shall be 15% in respect of secured portion.

4a 3

4aStep2 1

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Answer 4(b)

4b 4

Remote Audit refers to ~~auditing procedures~~ conducting the audit from the place away from the site by means of Information Technology systems.

4bStep1 4

In Remote Audit, prior agreement is being made by auditors & entity regarding timetable of meetings, meetings platforms and mode of sharing information.

~~However~~ Considerations in respect of Confidentiality, Security & Data protection aspects are as follows:-

- Platforms used for sharing confidential information shall be $ encrypted.
- Auditor shall not be allowed to take screenshots of information shared by client.
- Auditor shall use Virtual ~~P~~ Private Network (VPN) for viewing data of client.

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- Information shared over platforms shall be deleted as soon after it is verified by auditor.
- All the financial statement & reports have been adequately protected by passwords

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[Answer 4(c)]

Management is keen to assess ~~asaf~~ safety of products, its quality & labour relations.

~~This is related to ~~Princip~~ pillar of [Governance] in ESG performance.~~

ESG Reporting is based on pillars of
- Environmental
- Social
- Governance.

4cStep1 0

Above highlighted issue is related to [Social] pillar of ESG Reporting.

4cStep2 0

It includes :-
- Relationships with people, society, customers, employees & all other stake holders
- 4c 0 responsibility towards society in relation to its operations.
- Maintaining Quality & Safety of Products.

14

4 7

[Answer 5(a)]

As per SA 810 — Auditor's Responsibility in relation to summary Financial Information :-

Procedures to be performed by auditors to provide an opinion on abridged Financial Statements are as under:—

(1) Evaluating whether criteria applied is appropriate as per applicable financial reporting Framework.

(2) Whether financial statements are at appropriate degree of aggregation so as not to be misleading.

(3.) Whether ~~so~~ they are accompanied with audited financial statements of the entity unless law and regulation precludes from providing the same.

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~~(4.) In case they are not~~

(4.) In case audited financial statements are not provided along with summary financial statements, evaluate whether it includes a statement describing

- from where & whom audited financial statements can be obtained. , or
- Law & regulations precluding to provide audited financial statements.

5aStep1 5

(5.) Evaluating whether presentation & disclosure in summary financial statements are as per applicable financial Reporting framework.

5a 5

(6.) Evaluating whether summary financial statements adequately reflect their summarised nature.

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Answer 5(b)

As per SA 505 – External Confirmations,

5bStep1 1
External confirmation refers to seeking informations from third party outside the entity, regarding outstanding account balances.

- In case, auditor decides to send external confirmations, it shall be authorised by management

~~External confirmati~~

- Auditor shall evaluate the reliability of the external confirmations received.

5bStep2 2
- External confirmation shall be more reliable if it is obtained by auditor directly.

5b 3
In the given case, auditor sent positive confirmation to top 3 customers and vendors, which means parties have to respond whether it agrees or does not

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agree with the confirmation requested.

But response of external confirmation is not obtained by auditor directly, rather management has handed over the response to auditor.

This brings into question the reliability of External confirmations.

Hence external confirmations received ~~are~~ may not be reliable.

In case, auditor has doubt over the reliability of external confirmations he shall consider its impact on reliability of :-

- Audit Evidences obtained, and
- Written Representations obtained.

Hence M/S R & Associates shall ~~perform~~ design and perform further Audit procedures to obtain more persuasive Audit Evidences.

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18

[Answer 5(c)]

A Chartered Accountant in Practice is allowed to ~~perform~~ render certain management ~~custo~~ consultancy services as approved by council.

Management consultancy services includes—

- Advice in relation to selection of advertising agencies.
- Coordinating with bankers & Brokers to issue.

But it does not include services in relation to

- Portfolio Management
- Underwriting
- Brokerage.

In the given case, CA Neha, a chartered Accountant in practice provides services in relation to guidance of selection of advertising agency, co-ordinating with bankers and brokers, and also services related to underwriting. ~~CA Neha is not guilty of professional miscon~~ ~~in relation to above se~~

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CA Neha is not guilty in relation to guidance in selection of advertisement agencies, coordinating with bankers & brokers to issue.

However, since she has provided underwriting services, she shall be deemed to be guilty of Professional misconduct.

Hence, contention of CA Neha that provisions of code are not binding on such services is NOT VALID.

5cStep1 2

5cStep2 2

5c 4

5 12

[Answer 6(a)]

As per SA 265 – Communicating Material weakness in Internal Control systems,

When during the conduct of audit, auditor has identified significant ~~mitst~~ deficiencies in the internal control he shall communicate such deficiencies to those charged with Governance through a 'letter of weakness', on a timely basis

Letter of weakness :–

(i) It includes deficiencies identified by auditor along with recommendations for improvement.

(ii) It serves as a valuable reference for management and those charged with government while making necessary improvements.

(iii) It ~~protects~~ minimises the liability of auditor in the event of major defalcation.

(iv) It should include the fact that these are the deficiencies that ~~auditor~~ ~~to~~ has come to auditor's attention during course of audit & his procedures are not designed to evaluate deficiencies in internal control system.

Matters to be included in such communication :-

(1.) Description of the significant deficiencies identified during audit.

(2.) Sufficient information to enable ~~the~~ ~~TC~~ Those charged with governance' to understand the context of communication, which includes.

- Auditor's procedures are not designed to evaluate the operating effectiveness of internal control.
- Objective of the auditor is to express opinion on financial statements.

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- These deficiencies have ~~been~~ ~~identified~~ ~~by~~ ~~and~~ come to the knowledge of auditor during ~~performance~~ ~~of~~ ~~audit~~. conduct of audit
- Auditor is not required to express opinion on internal controls

6aStep1 2

6a 5

6aStep2 3

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Answer 6(b)

As per SRE 2410 - Review of interim financial information,

Practitioner is required to obtain written Representation on various areas ~~not just limited~~ from management during conduct of review. Such areas are as follows:-

(i) They have prepared the financial statements as per applicable financial reporting framework.

(ii) They acknowledge their responsibility ~~for~~ design, implementation & and maintenence of internal controls.

(iii) They have disclosed to the ~~auditors~~ Practitioner all the events and conditions that cast doubt on the entity's ability to continue as going concern.

(iv) They have disclosed all the related parties relationships and Transactions

(v) They have disclosed all the identified and suspected non-compliance of laws and regulations.

(vi) They have disclosed all the identified and suspected frauds and allegations of fraud.

(vii) They have disclosed ~~the~~ all the subsequent events occuring ~~between~~ after the date of balance sheet and before date of practitioner's report.

6b 5

6bStep1 5

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Answer 6(C)

As per Clause (6) of Part 1 of First Schedule of Chartered Accountants Act, 1949,

→ A chartered Accountant in Practice shall be deemed to be guilty of professional misconduct,

→ if he solicits any clients through circulars, public interviews, advertisements and conferences.

~~However, a chartered Accountant~~

6cStep1 1
A chartered Accountant shall not respond to any tenders which is exclusively for chartered Accountants unless minimum fees is prescribed by same.

6cStep2 1

6cStep3 1

In the given case, M/s VW & colleagues responded to bank to tender which is exclusively reserved for chartered Accountants and which prescribed maximum fees.

6cStep4 1

6c 4

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Hence ~~...~~ M/S VW & Colleagues shall be [GUILTY] of professional misconduct because banks have prescribed [maximum] fees, but chartered Accountant in practice may respond to tender exclusively reserved for chartered Accountants with minimum fees prescribed.

Therefore, M/S VW & colleagues are ~~...~~ [GUILTY] of professional misconduct as per clause (6) of Part 1 of First Schedule.

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6 14

Answer 1(a)

As per SQC 1, In case of Audit of listed entities, Engagement Quality Control Reviewer (EQCR) is mandatorily need to be appointed.

1aStep1 1

EQCR shall be a person having necessary capabilities, competencies and experience.

EQCR need to perform the following ~~procedures~~ evaluations:-

(1.) Evaluating engagement Team's evaluation of firm's independence

(2.) Whether appropriate consultations have been obtained on difficult & contentious matters.

(3.) Significant Risks that have arisen during audit.

(4.) Review of working papers ~~whether~~ and evaluating if they adequately reflect the work performed.

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Addl. Book 3294921-01

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ADDL. BOOK

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(5.) Significant Judgements made by engagement team.

In the given case, ~~Mr~~ CA appointed as EQCR only signed on working papers without performing the above procedures. Hence he has not complied with the Quality control procedures as per SQC 1 & SA 220.

1aStep2 3

Further, EQCR ~~has~~ also need to prepare following documentation:-

(i) Fact that Review procedures has been performed as per firm policy & procedures

(ii) He is not aware of any unresolved matter.

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(iii) Review has been completed before date of auditor's Report.

Therefore based on above facts, it can be concluded that CA A failed to maintain necessary Quality control Standards

1a 4

Answer 1(b)

Network is said to be formed when few ~~large~~ firms agreed to come together & with objective of sharing of various resources & aimed at larger corporation.

1bStep1 3

In case firms decided to constitute a network, they shall ~~within~~ file Form A with ICAI for ~~reservat~~ approval & reservation of name.

1bStep2 1

ICAI shall approve or reject the application within 30 days

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and reserve the name for 3 months. ~~for~~

Network's name shall be suffixed with '& Associates'.

Hence in the given case, name of network 'Subha & Affiliates' is appropriate.

It shall apply for registration of network in Form B within 3 months after approval of name.

In case, any firm signs a collaboration agreement with international accounting network, Declaration in Form D shall be filed within 15 days of such agreement.

1b 4

Hence M/s RS & Associate shall also file ~~draft~~ declaration in Form D on agreement with international firm in Singapore.

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1 9

[Answer 1(c)]

As per Para 3 of CARO, 2020

CA P shall report under Clause 3(i)(c) regarding the title deeds of immovable property not held in name of company.

1cStep1 0

It shall be reported as follows:

- Details of Immovable Property
- Value of property
- Title deed held in name of - Reason for not holding in name of company.

1cStep2 1

1c 1

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As regards to Adverse Remarks by auditors of Subsidiary & Joint Venture,

Reporting shall be made as per $\boxed{\text{Clause 3(xxi)}}$ of CARO 2020.

Auditor shall disclose ~~that~~ ~~that~~ the ~~CARO~~ qualifications in the reports of Subsidiary & Joint venture by giving the para Number of the CARO Reporting by auditors of Subsidiary & Joint venture, where such qualification is described.

2

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