

Other SAs

Question Bank

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SA 250

Q1.	<p>P& Q Co. wants to be alert on the possibility of non-compliance with Laws and Regulations during the course of audit of Sunshine Ltd. P& Q Co. seeks your guidance for identifying the indications of non-compliance with Laws and Regulations.</p> <p>(SELF)</p>
	<p>As per SA 250, “Consideration of Laws and Regulations in an audit of financial statements”, the auditor shall perform the audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements by inquiring of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations; and Inspecting correspondence, if any, with the relevant licensing or regulatory authorities.</p> <p>However, when the auditor becomes aware of the existence of, or information about, the following matters, it may also be an indication of non-compliance with laws and regulations:</p> <ul style="list-style-type: none"> • Investigations by regulatory organisations and government departments or payment of fines or penalties. • Payments for unspecified services or loans to consultants, related parties, employees or government employees. • Sales commissions or agent’s fees that appear excessive in relation to those ordinarily paid by the entity or in its industry or to the services actually received. • Purchasing at prices significantly above or below market price. • Unusual payments in cash, purchases in the form of cashiers’ cheques payable to bearer or transfers to numbered bank accounts. • Unusual payments towards legal and retainership fees. • Unusual transactions with companies registered in tax havens. • Payments for goods or services made other than to the country from which the goods or services originated. • Payments without proper exchange control documentation. • Existence of an information system which fails, whether by design or by accident, to provide an adequate audit trail or sufficient evidence. • Unauthorised transactions or improperly recorded transactions. • Adverse media comment.
Q2.	<p>Statutory Auditors of TRB Ltd. observed various instances when either the TDS required to be deducted has not been deducted or deducted at lower than prescribed rates resulting in non-compliance of Income Tax provisions. Besides this, non-compliance under other acts like Labour Laws was also noticed by the auditor. What type of policies and procedures will you implement to assist in prevention and detection of non-compliance with laws and regulations?</p> <p>(SA, Dec 2021, 4 marks)</p>

Types of policies and procedures to assist prevention and detection of noncompliance with laws & regulation:

The following are examples of the types of policies and procedures, TRB Ltd may implement to assist in the prevention and detection of non-compliance with laws and regulations:

- i) Monitoring legal requirements and ensuring that operating procedures are designed to meet these requirements.
- ii) Instituting and operating appropriate systems of internal control.
- iii) Developing, publicizing and following a code of conduct.
- iv) Ensuring employees are properly trained and understand the code of conduct.
- v) Monitoring compliance with the code of conduct and acting appropriately to discipline employees who fail to comply with it.
- vi) Engaging legal advisors to assist in monitoring legal requirements.
- vii) Maintaining a register of significant laws and regulations with which the entity has to comply within its particular industry and a record of complaints.

SA 260

Q1. State the significant difficulties encountered during audit with reference to SA-260 (communication with those charged with governance).

(RTP, May 2018, NA)

Significant Difficulties Encountered During the Audit: As per SA 260 "Communication with Those Charged with Governance", significant difficulties encountered during the audit may include such matters as:

- Significant delays in management providing required information.
- An unnecessarily brief time within which to complete the audit.
- Extensive unexpected effort required to obtain sufficient appropriate audit evidence.
- The unavailability of expected information.
- Restrictions imposed on the auditor by management.
- Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.

SA 299

Q1. Correct/Incorrect

Joint auditor is always bound by the views of majority of the joint auditors regarding matters to be covered in report.

(SA, May 2019, 2 marks)

Incorrect:

Where the joint auditors are in disagreement with regard to the opinion or any matters to be covered by the audit report, they shall express their opinion in a separate audit report. In such circumstances, the audit report(s) issued by the joint auditor(s) shall make a reference to each other's audit report(s). Therefore, joint auditor is not bound by the views of the majority of the joint auditors regarding the matters to be covered in the audit report.

Q2. The practice of appointing Chartered Accountants as joint auditors is quite widespread in big companies and corporations. Explain stating the advantages of the joint audit.

(RTP, Nov 2019, NA)

Joint Audit: The practice of appointing Chartered Accountants as joint auditors is quite widespread in big

	<p>companies and corporations. Joint audit basically implies pooling together the resources and expertise of more than one firm of auditors to render an expert job in a given time period which may be difficult to accomplish acting individually. It essentially involves sharing of the total work. This is by itself a great advantage.</p> <p>In specific terms the advantages that flow may be the following:</p> <ol style="list-style-type: none"> i) Sharing of expertise. ii) Advantage of mutual consultation. iii) Lower workload. iv) Better quality of performance. v) Improved service to the client. vi) Displacement of the auditor of the company taken over in a takeover often obviated. vii) In respect of multinational companies, the work can be spread using the expertise of the local firms which are in a better position to deal with detailed work and the local laws and regulations. viii) Lower staff development costs. ix) Lower costs to carry out the work. x) A sense of healthy competition towards a better performance
Q3.	<p>Which of the following is not an advantage of Joint Audit :</p> <ol style="list-style-type: none"> (a) Sharing of expertise. (b) General superiority complexes of some auditors. (c) Lower workload. (d) Displacement of the auditor of the company taken over in a take - over often obviated. <p>(MTP1, Nov 2019, 1 mark)</p> <p>Correct answer: (b) General superiority complexes of some auditors.</p>
Q4.	<p>"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.</p> <p>(SA, Nov 2019, 4 marks)</p> <p>OR</p> <p>Before the commencement of the audit, the joint auditors should discuss and develop a joint audit plan. In developing the joint audit plan, the joint auditors should identify division of audit areas and common audit areas. Explain stating the other relevant considerations in this regard.</p> <p>(RTP, May 2020, NA)</p> <p>Before the commencement of the audit, the joint auditors should discuss and develop a joint audit plan. In developing the joint audit plan, the joint auditors should:</p> <ol style="list-style-type: none"> a) identify division of audit areas and common audit areas; b) ascertain the reporting objectives of the engagement; c) consider and communicate among all joint auditors the factors that are significant in directing the engagement team's efforts; d) consider the results of preliminary engagement activities, or similar engagements performed earlier. e) ascertain the nature, timing and extent of resources necessary to accomplish the engagement.
Q5.	<p>Which of the following is correct, in case of joint audit, where there is disagreement with regard to the opinion or any matters to be covered by the audit report.</p> <ol style="list-style-type: none"> (a) The auditors shall express their opinion in separate audit report. (b) The audit report(s) issued by the joint auditor(s) shall make a reference to each other's audit report(s). (c) Both (a) and (b) are correct (d) The auditor who is having a separate opinion is bound by the opinion of the majority of the auditors and needs to issue a common audit report.

	(MTP1, May 2021, 1 mark)
	Correct answer: (c) Both (a) and (b) are correct
Q6.	<p>To jointly audit books of accounts of WZ Limited for the financial year 2020-21 two different firms of Chartered Accountants namely MH and Associates and NR and Associates were appointed. MH and Associates and NR and Associates can together be called as:</p> <p>(a) Principal Auditors of WZ Limited. (b) Branch Auditors of WZ Limited. (c) Individual Auditors of WZ Limited (d) Joint Auditors of WZ Limited.</p> (RTP, Nov 2021, NA)
	Correct answer: (d) Joint Auditors of WZ Limited.