

**AUDITING AND ASSURANCE**

**Scheme of Revision:**

ALL IMPORTANT CONCEPTS OF ALL TOPICS WILL BE REVISED IN THE LECTURE and AFTER the REVISION IS DONE STUDENT SHOULD ATLEAST READ THIS QUESTION ANSWERS WHICH ARE A SUMMARISED VERSION OF WHAT IS GIVEN IN THE MODULE.

(READ THESE NOTES ONLY AFTER VIEWING THE LECTURE ON [jkshahclasses.com/revision](http://jkshahclasses.com/revision) or YOUTUBE SUBSCRIBE JK SHAH CLASSES CHANNEL)

**(Compiler of Theory questions from module)**

**CHAPTER 1 NATURE SCOPE AND OBJECTIVES OF AUDIT**

Q.no	Reference	Question	Answer
1	ICAI Module Question Bank	Explain clearly meaning of Auditing. How would you as an auditor perform the audit	<p>“An audit is independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon.”</p> <p>We need to verify:</p> <ul style="list-style-type: none"> <li>(i) the accounts have been drawn up with reference to entries in the books of account;</li> <li>(ii) the entries in the books of account are adequately supported by sufficient and appropriate evidence;</li> </ul>
2	ICAI Module Question bank	“The independent audit of an entity’s financial statements is a vital service to investors, trade payables, and other participants in economic exchange.” Explain	<p>Advantages:</p> <ul style="list-style-type: none"> <li>(a) It safeguards the financial interest of persons who are not associated</li> <li>(b) It acts as a moral check on the employees</li> <li>(c) helpful in settling liability for taxes</li> <li>(d) also useful for settling trade disputes</li> </ul>
3	ICAI Module Question Bank	State the objectives of Audit according to SA 200	<p>As per SA-200 “Overall Objectives of the Independent Auditor”, in conducting an audit of financial statements, the overall objectives of the auditor are:</p> <ul style="list-style-type: none"> <li>(a) To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement ; and</li> <li>(b) To report on the financial statements, and communicate as required by the SAs, in accordance with the auditor’s findings.</li> </ul>
4	ICAI Module Question Bank	“The Code of Ethics for Professional Accountants, prepared by the International Federation of Accountants (IFAC) identifies five types of threats.” Explain	<ul style="list-style-type: none"> <li>a) Self-interest threats:</li> <li>b) Self-review threats:</li> <li>c) Advocacy threats:</li> <li>d) Familiarity threats:</li> <li>e) Intimidation threats:</li> </ul>
5	ICAI Module	Inherent Limitations of Auditing	<p>It means unavoidable limitation which makes audit a reasonable assurance and not absolute assurance.</p> <p>Limitations arise from:</p> <ul style="list-style-type: none"> <li>1) Nature of financial reporting</li> <li>2) Nature of Audit procedures</li> <li>3) Timelines</li> <li>4) Cost benefit analysis</li> </ul>

6	ICAI Module	Scope of audit and Principal Aspects to be covered	Scope means coverage and it depends upon a) Applicable Laws b) The ICAI pronouncements c) Terms of engagement Principal aspects to be covered: Examine accounting system, internal control, books of accounts, balance sheet, profit and loss, accounting standards, regulatory requirements and forming opinion through audit report.
7	ICAI Module SA 210	Contents of letter of engagement (LOE)	LOE is written by auditor and addressed to the management. Contents are: a) Objective and Scope of audit b) Management's Responsibility c) Auditor's Responsibility d) AFRF e) Form and content of audit report
8	ICAI Module & SA 210	Changes in the terms of engagement	Accept only if there are valid reasons to do so.
9	ICAI Module & SA 220	Elements of Quality control	Engagement partner has to take the leadership responsibility for quality of audit engagement.