

For Amendments - [Click Here](#)

Old Course / Irrelevant Ques in QB

Part 1

Ch 1 - 6, 11, 43, 55 & Next 3 Ques, 74, 75, 96

Ch 5 - 15, 87, 100, 103

Part 2

Ch 1 - 7, 9, 19, 20, 23, 25, 30, 31, 35, 38, 39, 41, 42, 48, 54, 60, 61, 63, 64, 75, 87

Ch 2 - 8

Important Ques not in Concept Book

Part 1

Ch 1 - 17, 39, 42, 70, 81, 94

Ch 6 - 14

Ch 14 - 5

Part 2 Ques to be referred/solved

Ch 1 - 18 (Shift to Risk Assessment & Internal Control)

Ch 11 - 7

Question Bank Changes

Part 1

Ch 1 - 24 (Refer correct answer from ICAI Module TYK), 59 (Shift to SA 580), 62 (last para replaced as "Mr Raj has properly adhered to his responsibilities"), 103 (Qualified Opinion it is)

MCQ Booklet Changes

Page 16 - MCQ 2 - Ans is B not A

Page 36 - MCQ 1 - Ans is A not D

Page 81 - MCQ 34 - Ans is A not B

Page 162 - MCQ 1 - Ans is B not A

Page 229 - MCQ 1 - Option D should be "Other Matter Para" instead of "Emphasis of Matter Para"

ICAI Module Questions Changed

SA 800

Question (Similar as Q. No. 124 in Part 1 of My Question Bank)

CA Lalita is auditor of a company. She is also offered professional work of audit of financial statements prepared specifically for meeting requirements of a loan agreement for the same period. She chooses to accept work and has made up her mind to disclose this fact in ~~"Other matter Paragraph"~~ **"Emphasis of Matter Paragraph"** in audit report to be issued by her for this specific engagement. Is her approach proper? (ICAI Module TYU)

Answer

In the given situation, the **approach of CA Lalita is proper**. There is **no bar upon accepting such an engagement** even though she is the auditor of the company. Besides, she has intended to disclose this fact in ~~"Other Matter Paragraph"~~ **"Emphasis of Matter Paragraph"** of the audit report to be issued by her for such specific engagement.

Professional Ethics

Question (Similar as Q. No. 32 in Part 1 of My Question Bank)

Mr. Avi, a newly qualified Chartered Accountant, started his practice and sought clients through telephone calls from his family and friends, almost all of them employed in one or the other retail trade business. One of his friends Mr. Ravi gave him an idea to start online services and give stock certifications to traders with Cash Credit Limits in Banks. Mr. Avi started a website with colourful catchy designs and shared the website address on his all-social media posts and stories and tagged 40 traders of his local community with the caption "Simple Online Stock Certification Services". ~~Besides, Mr. Avi entered into an agreement with a Digital Marketer to give him 8% commission on each service procured through him.~~ Discuss if the actions of Mr. Avi are valid in the light of the Professional Ethics and various pronouncements and guidelines issued by ICAI. (RTP May'22, MTP Sep'23, ICAI Module TYK)

Answer

As per **Clause (6) of Part I of the First Schedule** of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct **if he solicits clients or professional work either directly or indirectly** by circular, advertisement, personal communication or interview or by any other means.

Mr. Avi is **wrong in seeking clients through family and friends**. Creating a website is not a non-compliance provided it is in line with the guidelines issued by the Institute in this regard. One of the guidelines is that the website should not be in push mode. Further, mentioning of clients' names is also prohibited as per the guidelines.

In the given situation, Mr. Avi shared the website address on his all-social media posts and stories and tagged 40 traders of his local community with the caption "Simple Online Stock Certification Services" mentioning his current clients as well. This is in **complete contravention of the guidelines on the website** issued by the ICAI.

Thus, **CA, Avi would be held guilty of professional misconduct under clause 6** of Part 1 of First Schedule of the Chartered Accountants Act, 1949.

Newly Added ICAI Module Questions (not in QB)

Standards on Review Engagements

Question

A review of financial statements includes consideration of the entity's ability to continue as a going concern. If, during the performance of the review, the practitioner becomes aware of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern. Enumerate the steps to be taken by the practitioner for the same.

Answer

A review of financial statements includes consideration of the entity's ability to continue as a going concern. If, during the performance of the review, the practitioner becomes aware of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern, the practitioner shall:

- (a) **Inquire of management about plans for future actions** affecting the entity's ability to continue as a going concern and about the feasibility of those plans, and also whether management believes that the outcome of those plans will improve the situation regarding the entity's ability to continue as a going concern.
- (b) **Evaluate the results of those inquiries**, to consider whether management's responses provide a sufficient basis to: -
 - **Continue to present the financial statements on the going concern basis** if the applicable financial reporting framework includes the assumption of an entity's continuance as a going concern; or
 - **Conclude whether the financial statements are materially misstated**, or are otherwise misleading regarding the entity's ability to continue as a going concern; and
- (c) **Consider management's responses in light of all relevant information** of which the practitioner is aware as a result of the review.

Standards on Related Services

Question

The practitioner shall not accept the compilation engagement unless the practitioner has agreed to the terms of engagement with management, and the engaging party if different. In view of the above, mention the responsibilities of the management to be agreed on for the compilation engagement in accordance with SRS 4410.

Answer

The practitioner shall not accept the compilation engagement unless the practitioner has agreed to the terms of engagement with management, and the engaging party if different. In accordance with SRS 4410, "Compilation Engagement", the responsibilities of the management to be agreed on for the compilation engagement are that:

- (i) The **financial information**, and for the preparation and presentation thereof, in accordance with a financial reporting framework **that is acceptable in view of the intended use** of the financial information and the intended users;
- (ii) Design, implementation and maintenance of **such internal control as management determines is necessary** to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (iii) The **accuracy and completeness of the records**, documents, explanations and other information provided by management for the compilation engagement; and
- (iv) **Judgments needed in the preparation and presentation of the financial information**, including those for which the practitioner may provide assistance in the course of the compilation engagement.

Duties of Auditor

Question

During the course of audit of PEC Limited, CA Guru has reason to believe that a fraud involving 75 lakhs has been committed in the company by its employees. Is CA Guru under statutory obligation to report the above matter to Central government by filing prescribed form on MCA Portal? How should he proceed to report above said matter?

Answer

As per **section 143(12)** of the Companies Act, 2013 read with Rule 13 of the Companies (Audit and Auditors) Rules, 2014, if an auditor of a company in the course of the performance of his duties as auditor, has **reason to believe that an offence of fraud**, which involves or is expected to involve individually an **amount of 1 crore or above**, is being or has been committed in the company by its officers or employees, the auditor shall **report the matter to the Central Government** within such time and in such manner as prescribed.

In the given case, CA Guru has reason to believe that a **fraud involving 75 lakhs** has been committed in the company by its employees. Therefore, he is under **no statutory obligation to report this matter to Central Government** by filing prescribed Form (ADT- 4) on MCA portal.

In case of a fraud involving lesser than the specified amount [i.e. less than 1 crore], the auditor shall **report the matter to the audit committee** constituted under section 177 **or to the Board** in other cases within such time and in such manner as prescribed. Besides, auditor has obligation to **report matters pertaining to fraud under clause (xi) of paragraph 3 of CARO, 2020**.

Digital Audit

Question

Mr. Karan is a consultant tasked with helping a mid-sized manufacturing company modernize its operations by integrating Internet of Things (IoT) technology. The company wants to connect various devices such as manufacturing equipment, smart home security systems for their facility, and inventory management systems. They aim to leverage IoT to improve operational efficiency, predict equipment maintenance needs, and enhance overall security. However, they are concerned about the potential risks and the impact on their audit processes. Describe the key components and benefits of IoT, the risks associated with IoT

implementation, and the implications for the company's audit processes. How should the company address these concerns to ensure a smooth transition?

Answer

IoT is the concept of connecting any device (cell phones, coffee makers, washing machines, and so on) to the internet. Key components of IoT are data collection, analytics, connectivity, and people and process. IoT not only changes the business model, but also affects the strategic objectives of the organization. The risk profile of the entity changes with exposure to new laws and regulations.

Audit Implications

A shift to connected devices and systems may result in auditors not being able to rely only on manual controls. Instead, auditors may need to scope new systems into their audit. Audit firms may need to train and upskill auditors to evaluate the design and operating effectiveness of automated controls.

Consumer-facing tools that connect to business environments in new ways can impact the flow of transactions and introduce new risks for management and auditors to consider. Consider payment processing tools that allow users to pay via credit card at a retail location through a mobile device. This could create a new path for incoming payments that may rely, in part, on a new service provider supplying and routing information correctly. Auditors would need to consider the volume of those transactions and the processes and controls related to it.

Common risks of IoT:

The key risks associated with IoT, including, device hijacking, data siphoning, denial of service attacks, data breaches and device theft.

Due Diligence, Investigation & Forensic Accounting

Question

Quality Ltd. is engaged in the business of manufacturing and distribution of various Ready to cook products like vegetables, Noodles etc. The government made certain changes in rules and regulations relating to this sector, consequently management decided to go for expansion. Management was looking for some financial investor who can fund some part of the proposed expansion. Mr. Aman is interested in the venture and appoints you to act as an advisor to the proposed investment in the business of Quality Ltd. You have to investigate the audited financial statements and ensure that the valuation of shares of the company on the basis of audited financial statements is appropriate. What process will be used for checking and can reliance be placed on the already audited statement of accounts?

Answer

In the instant case, Quality Ltd. is engaged in the business of manufacturing and distribution of various ready-to-cook products like vegetables, noodles etc. Further, management was looking for some financial investor to fund some part of the proposed expansion. Aman is interested in funding; therefore, he initiated investigation of audited financial statements to ensure the appropriateness of the valuation of the shares. For initiating the same it may be considered that if the investigation has been launched because of some doubt in the audited statement of account, **no question of reliance on the audited statement of account arises**. However, if the investigator has been requested to establish value of a business or a share or the amount of goodwill payable by an incoming partner, ordinarily the investigator would be entitled to put reliance on audited materials made available to him unless, in the course of his

test verification, he finds the audit to have been carried on very casually or unless his terms of appointment clearly require to test everything afresh.

- If the statements of account produced before the investigator were **not audited by a qualified accountant**, then of course there arises a natural duty to **get the figures in the accounts properly checked and verified**.
- However, when the accounts produced to the investigator have been **specially prepared by a professional accountant**, who knows or ought to have known that these were prepared for purposes of the investigation, he could **accept them as correct relying on the principle of liability to third parties**.
- It would be prudent to see first that **such accounts were prepared with objectivity and that no bias has crept in** to give advantage to the person on whose behalf these were prepared.