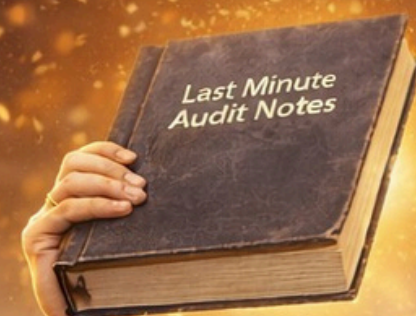


AUDIT EXAM PLAYBOOK

These Notes Can Save Your Exam & Time Too



By CA Harshad Jaju



www.hjclasses.com |



@hjclasses |



@caharshad |



harshadjajuguidance

FOREWORD

These Notes Are Not Created To Increase The Quantity Of Material A Student Reads. They Are Created To Improve The Quality Of Answers A Student Writes In The Examination.

Over The Years Of Teaching Audit, One Reality Has Become Very Clear —
Most Students Do Study.
Most Students Do Understand Concepts.
Yet, Many Still Lose Marks.

The Reason Is Simple.
CA Examinations Do Not Reward Effort Or Memory.
They Reward Structured Thinking, Proper Presentation, And Examiner Alignment.

ICAI Does Not Test Whether You Know Audit.
ICAI Tests How You Apply, Present, And Communicate Audit Concepts Under Exam Conditions.

These Notes Are Designed With That Exact Objective.
Each Chapter In This Book Is Prepared By Carefully Studying:

- The ICAI Study Material
- Past Examination Questions
- RTPs, MTPs, And Examiner Trends

And Then Translating Them Into A Clear, Practical, Exam-Usable Framework.
That Is Why Every Topic Is Presented In A Disciplined Structure:

- What The Concept Is
- How ICAI Frames Questions On That Concept
- What Type Of Question Is Asked
- And How A Scoring Answer Should Be Written

This Approach Removes Guesswork From Preparation.
When You Study From These Notes, You Are Not Just Reading Content —
You Are Training Your Mind To Think Like An Examiner And Write Like A Rank Holder.

These Notes Are Not Meant To Replace The ICAI Module.
They Are Meant To Help You Use The ICAI Module More Intelligently And Effectively.

If Used Sincerely, They Will:

- Save You Valuable Revision Time
- Improve Your Answer Writing Confidence
- And Ensure That You Do Not Lose Marks Due To Poor Structure Or Incomplete Presentation

Remember One Thing Always —

In CA Exams, Marks Are Rarely Lost Because Of Lack Of Knowledge.
Marks Are Lost Because Of Lack Of Exam Orientation.

It Is My Sincere Hope That These Notes Help You Bridge That Gap
And Approach The Audit Examination With Clarity, Confidence, And Control.

Wishing You Focused Preparation And The Very Best For Your Examination.

CA Harshad Jaju

CA Inter Audit – Chapter 1

Nature, Objective & Scope of Audit

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Uniform Depth)
Meaning & Definition of Auditing	Descriptive / Analytical	<ul style="list-style-type: none"> • “An audit is an independent examination of financial information of an entity.” Explain. • Explain how the person conducting an audit should ensure that financial statements do not mislead anybody. • Explain the significance of independence in auditing. 	<ul style="list-style-type: none"> • Auditing is an independent examination of financial information with a view to expressing an opinion. • Independence ensures objectivity and unbiased judgment. • Auditor ensures FS do not mislead by: <ol style="list-style-type: none"> (a) obtaining sufficient appropriate audit evidence; (b) ensuring completeness and proper classification; (c) verifying compliance with accounting standards; (d) ensuring consistency of accounting policies; (e) ensuring clear, unambiguous presentation and adequate disclosure. • Opinion must be evidence-based; reckless examination may attract legal liability.
Overall Objectives of Audit (SA 200)	Theory / Correct–Incorrect	<ul style="list-style-type: none"> • State the overall objectives of an audit as per SA 200. • “The purpose of audit is to enhance the degree of confidence of intended users in the financial statements.” Examine. • CA issues an audit opinion without ascertaining whether financial statements are free from material misstatement. Comment. 	<ul style="list-style-type: none"> • Objectives as per SA 200: <ol style="list-style-type: none"> (1) To obtain reasonable assurance that FS as a whole are free from material misstatement due to fraud or error. (2) To report on FS and communicate as required by SAs. • Audit enhances confidence by providing reasonable (not absolute) assurance. • Issuing opinion without obtaining assurance violates SA 200 and may amount to professional misconduct.
Reasonable vs Absolute Assurance	Correct / Incorrect	<ul style="list-style-type: none"> • “The auditor provides absolute assurance on the financial statements.” Examine. • “Audit risk can be reduced to zero.” State whether correct or incorrect with reasons. 	<ul style="list-style-type: none"> • Auditor provides reasonable assurance only. • Absolute assurance is not attainable due to inherent limitations such as judgment, sampling, and nature of evidence. • Audit risk can be reduced to an acceptably low level but cannot be eliminated.
Inherent Limitations of Audit	Descriptive / Case Study	<ul style="list-style-type: none"> • Explain the inherent limitations of an audit. • In which situations are the inherent limitations of audit particularly significant? • An investor believes that audit guarantees safety of investment and future viability. Comment. 	<ul style="list-style-type: none"> • Limitations arise from: <ol style="list-style-type: none"> (a) Nature of financial reporting (use of estimates and judgment); (b) Nature of audit procedures (sampling, persuasive evidence); (c) Fraud involving collusion or management override. • Audit does not guarantee future viability or safety of investment. • Collusive fraud may not be detected despite due care.
Scope of Audit	Theory / Correct–Incorrect	<ul style="list-style-type: none"> • “No distinction is required to be made between capital and revenue expenditure.” Examine. • “The auditor’s opinion helps in determining the true and correct view of the financial statements.” Comment. 	<ul style="list-style-type: none"> • Auditor reports on true and fair view, not true and correct. • Proper distinction between capital and revenue expenditure is essential as it affects profit and asset values. • Audit scope includes examination of books, verification of assets and liabilities, and evaluation of disclosures.
Advantages of Audit	Theory / Case Study	<ul style="list-style-type: none"> • State the advantages of audit even where it is not compulsory. • A proprietor remains away from business for long periods and is worried about weaknesses in accounts. Advise. 	<ul style="list-style-type: none"> • Audit safeguards financial interests of owners. • Acts as moral check on employees. • Facilitates loans, tax assessments and settlements. • Helps in resolving disputes and enhances credibility of FS.

Audit vs Investigation vs Review	Comparative / Scenario	<ul style="list-style-type: none"> • “An audit is an official investigation into alleged wrongdoing.” Examine. • Distinguish between audit and review. • A CA is appointed to verify loss due to fire in a factory. State the nature of engagement. 	<ul style="list-style-type: none"> • Audit provides reasonable assurance on historical FS. • Investigation is a specific-purpose examination. • Review provides limited assurance with fewer procedures. • Verification of fire loss is an investigation, not audit.
Assurance Engagements & Standards	Theory / MCQ / Case	<ul style="list-style-type: none"> • What is an assurance engagement? • Explain the three-party relationship in an assurance engagement. • A banker requests a report on projected financial statements. State the applicable standard. • State the applicability of SQC 1. 	<ul style="list-style-type: none"> • Assurance engagement enhances confidence of intended users. • Three parties: practitioner, responsible party, intended users. • SAEs apply to assurance on prospective financial information. • SQC 1 applies to all assurance and related services engagements.



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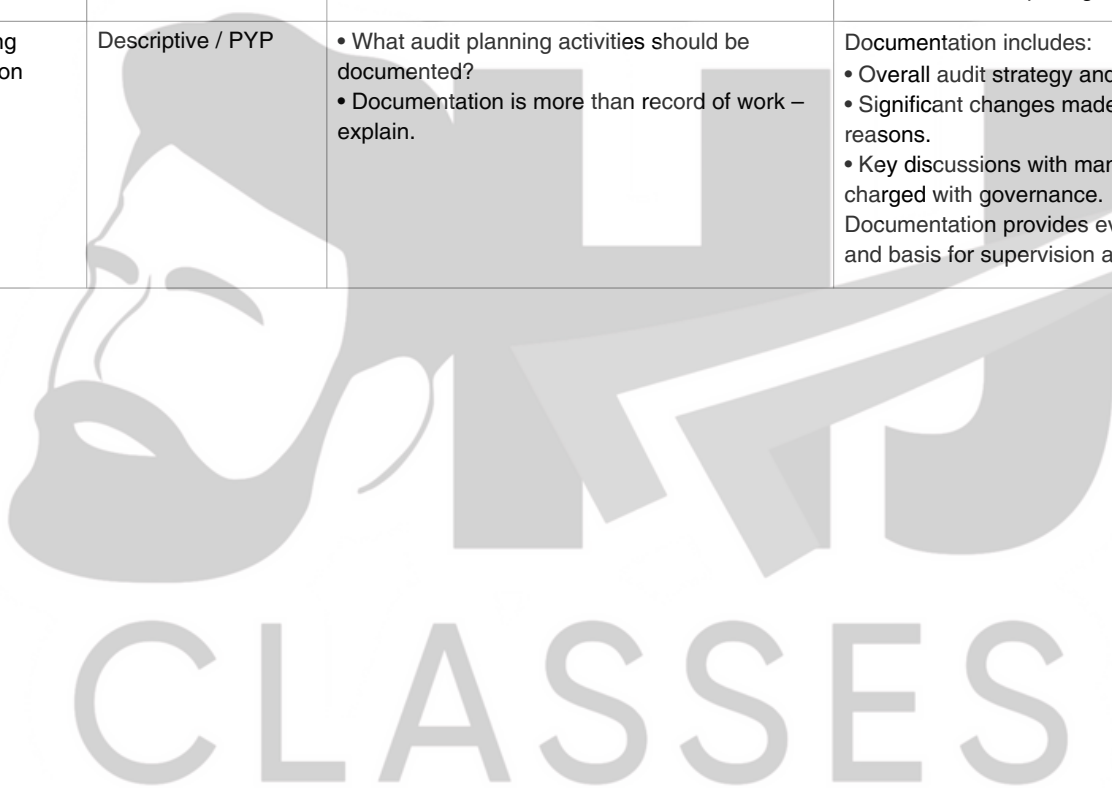
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CA Inter Audit – Chapter 2

Audit Planning

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Highly Elaborated)
Benefits of Audit Planning	Descriptive / 4–5 Marks	<ul style="list-style-type: none"> • “An adequate planning benefits the audit of financial statements.” Discuss. • State the benefits of audit planning. 	<p>Audit planning benefits the audit by:</p> <ul style="list-style-type: none"> • Directing auditor’s attention to important areas. • Identifying and resolving potential problems on a timely basis. • Proper organisation and management of audit engagement. • Assisting in selection of engagement team with appropriate competence. • Facilitating direction, supervision and review of audit work. • Coordinating work done by experts, internal auditors and component auditors.
Preliminary Engagement Activities	Theory / Ethics Based	<ul style="list-style-type: none"> • Explain the preliminary engagement activities performed by an auditor. • How does the engagement partner ensure compliance with ethical requirements including independence? 	<p>Preliminary engagement activities assist the auditor in identifying circumstances that may affect ability to plan and perform the audit.</p> <p>Auditor shall:</p> <ol style="list-style-type: none"> (a) Perform procedures regarding continuance of client relationship. (b) Evaluate compliance with ethical requirements including independence. (c) Establish terms of engagement. <p>Engagement partner remains alert for breaches of independence and takes appropriate action to eliminate threats.</p>
Overall Audit Strategy – Reporting Objectives	Descriptive / Factor Based	<ul style="list-style-type: none"> • In establishing the overall audit strategy, the auditor shall ascertain the reporting objectives of the engagement. Explain. 	<p>Auditor ascertains reporting objectives to plan timing and nature of communications.</p> <p>Considerations include:</p> <ul style="list-style-type: none"> • Entity’s reporting timetable (interim / final). • Organisation of meetings with management and those charged with governance. • Expected type and timing of reports to be issued. • Expected communications regarding audit status and findings.
Overall Audit Strategy – Scope of Audit	Descriptive / Example Based	<ul style="list-style-type: none"> • In establishing the overall audit strategy, how does the auditor identify characteristics that define the scope of audit? 	<p>Auditor identifies characteristics that define scope by considering:</p> <ul style="list-style-type: none"> • Expected audit coverage including number and location of components. • Nature of business segments requiring specialised knowledge. • Expected use of audit evidence obtained in previous audits. • Nature of reporting framework and regulatory requirements.
Audit Plan	Direct Theory / RTP	<ul style="list-style-type: none"> • Explain what matters are to be included in an audit plan. • Distinguish between overall audit strategy and audit plan. 	<p>Audit plan describes:</p> <ol style="list-style-type: none"> (a) Nature, timing and extent of planned risk assessment procedures. (b) Nature, timing and extent of planned further audit procedures at assertion level. (c) Other audit procedures required to comply with SAs. <p>Overall audit strategy sets direction; audit plan converts strategy into detailed procedures.</p>

Revision of Audit Strategy and Plan	Correct / Incorrect	<ul style="list-style-type: none"> • “Once established, the overall audit strategy cannot be changed.” Examine. 	<p>The statement is incorrect.</p> <p>Auditor shall update and revise overall audit strategy and audit plan as necessary due to:</p> <ul style="list-style-type: none"> • Unexpected events. • Changes in conditions. • Audit evidence obtained differing significantly from expectations.
Audit Programme and Internal Control	Correct / Incorrect / Case	<ul style="list-style-type: none"> • “An auditor can frame audit programme only after obtaining satisfactory understanding of internal control.” Examine. 	<p>The statement is correct.</p> <p>Understanding internal control helps auditor determine degree of reliance and nature, timing and extent of audit procedures.</p> <p>Without such understanding, audit programme may become unnecessarily heavy and misdirected.</p>
Periodic Review of Audit Programme	RTP / Negligence Based	<ul style="list-style-type: none"> • Explain the need for periodic review of audit programme. • Consequences of using an obsolete audit programme. 	<p>Audit programme must be periodically reviewed to ensure it remains relevant to current business policies and operations.</p> <p>Using an obsolete programme may result in misdirected audit and failure to detect material misstatements, exposing auditor to negligence.</p>
Audit Planning Documentation	Descriptive / PYP	<ul style="list-style-type: none"> • What audit planning activities should be documented? • Documentation is more than record of work – explain. 	<p>Documentation includes:</p> <ul style="list-style-type: none"> • Overall audit strategy and audit plan. • Significant changes made during audit with reasons. • Key discussions with management and those charged with governance. <p>Documentation provides evidence of proper planning and basis for supervision and review.</p>



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CA Inter Audit – Chapter 3 - Risk Assessment & Internal Control

Common Topic	Type Of Question	Exam-Style Questions (ICAI)	Super-Elaborated Answer / Key Points
Risk Of Material Misstatement (ROMM)	Descriptive / Case (6–8 Marks)	<ul style="list-style-type: none"> • Explain ROMM at FS level and assertion level. • Distinguish FS-level risk and assertion-level risk. 	<p>ROMM is the risk that FS are materially misstated before audit.</p> <p>FS-level risks affect the FS as a whole (weak ethics, going concern).</p> <p>Assertion-level risks relate to transactions, balances, disclosures.</p> <p>Auditor designs overall responses for FS risks and specific procedures for assertion risks.</p>
Audit Risk Model	Theory / MCQ / C-I	<ul style="list-style-type: none"> • Explain audit risk model. • Audit risk = IR × CR × DR – examine. 	<p>Audit risk is the risk of inappropriate audit opinion.</p> <p>Audit Risk = Inherent Risk × Control Risk × Detection Risk.</p> <p>Auditor manages detection risk through audit procedures.</p> <p>Inherent risk is susceptibility of assertion to misstatement assuming no controls.</p>
Inherent Risk	Examine With Reasons	<ul style="list-style-type: none"> • Explain inherent risk with examples. 	<p>High IR areas: estimates, complex transactions, related parties, inventory, revenue.</p>
Control Risk	Case Study / Conceptual	<ul style="list-style-type: none"> • What is control risk? Can auditor reduce it? 	<p>Control risk is risk that controls fail to prevent/detect misstatement.</p> <p>Auditor cannot reduce CR, only assess it through understanding and testing.</p>
Detection Risk	Conceptual	<ul style="list-style-type: none"> • Explain detection risk and auditor response. 	<p>Detection risk is risk that procedures fail to detect misstatement.</p> <p>Auditor controls it via nature, timing and extent of procedures.</p>
Assertions	Descriptive / Short Note	<ul style="list-style-type: none"> • Explain management assertions. 	<p>Assertions are representations by management about recognition, measurement, presentation and disclosure.</p> <p>Include assertions on transactions, balances and disclosures.</p>
Internal Control – Meaning	Descriptive (4 Marks)	<ul style="list-style-type: none"> • Define internal control. 	<p>Internal control is the process designed by management to provide reasonable assurance regarding objectives of operations, reporting and compliance.</p> <p>Five components: Control environment, Risk assessment process, Information system & communication, Control activities, Monitoring.</p>
Components Of Internal Control (COSO)	High Weightage (6 Marks)	<ul style="list-style-type: none"> • Explain components of internal control. 	<p>Includes integrity and ethical values, competence, governance participation, management philosophy, organization structure, HR policies.</p>
Control Environment	RTP / Case Study	<ul style="list-style-type: none"> • Explain elements of control environment. 	<p>Limitations arise due to human error, collusion, management override, cost constraints.</p>
Limitations Of Internal Control	Examine With Reasons	<ul style="list-style-type: none"> • Explain limitations of internal control. 	<p>Hence internal control gives reasonable assurance only.</p>

Common Topic	Type Of Question	Exam-Style Questions (ICAI)	Super-Elaborated Answer / Key Points
Understanding IC (SA 315)	Descriptive	<ul style="list-style-type: none"> How does auditor obtain understanding of internal control? 	Through inquiries, observation, inspection, walkthroughs and documentation.
Tests Of Controls Vs Substantive Procedures	Differentiate / Case	<ul style="list-style-type: none"> Distinguish tests of controls and substantive procedures. 	Tests of controls assess operating effectiveness. Substantive procedures detect misstatements. Reliance on controls requires testing.
Significant Risks	Analytical / Case	<ul style="list-style-type: none"> What are significant risks? 	Risks requiring special audit consideration due to complexity, fraud, unusual transactions.
Automated Environment – Ch 3 Link	Case Study	<ul style="list-style-type: none"> Impact of automated environment on risk assessment. 	Auditor assesses IT general and application controls as part of risk assessment.
Revision Of Risk Assessment	Scenario	<ul style="list-style-type: none"> When does auditor revise risk assessment? 	When evidence differs from expectations or new information arises.



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CA Inter Audit – Chapter 4

Audit Evidence

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Highly Elaborated)
Meaning and Objective of Audit Evidence	Descriptive / Conceptual	<ul style="list-style-type: none"> Define audit evidence. State the objective of audit evidence as per SA 500. 	Audit evidence refers to information used by the auditor in arriving at conclusions on which the audit opinion is based. The objective is to design and perform audit procedures to obtain sufficient appropriate audit evidence so as to reduce audit risk to an acceptably low level and enable the auditor to draw reasonable conclusions.
Sufficiency and Appropriateness of Audit Evidence	Correct / Incorrect	<ul style="list-style-type: none"> Distinguish between sufficiency and appropriateness of audit evidence. "Sufficiency of audit evidence refers to its quantity." State whether correct or incorrect with reasons. 	<p>Sufficiency refers to the quantity of audit evidence and is affected by risk of misstatement and quality of evidence.</p> <p>Appropriateness refers to the quality of audit evidence, i.e., its relevance and reliability.</p> <p>The statement is incorrect because sufficiency relates to quantity, not quality.</p>
Reliability of Audit Evidence	Descriptive / Factors	<ul style="list-style-type: none"> State the factors affecting reliability of audit evidence. Which audit evidence is more reliable – internal or external? 	<p>Reliability depends on source and nature of evidence.</p> <p>Audit evidence is more reliable when obtained from independent external sources, generated internally under effective controls, obtained directly by the auditor, exists in documentary form and is original. External evidence is generally more reliable than internal evidence.</p>
Audit Procedures to Obtain Audit Evidence	Direct Theory	<ul style="list-style-type: none"> Explain the audit procedures used to obtain audit evidence. 	Audit evidence is obtained by performing inspection, observation, inquiry, confirmation, recalculation, reperformance and analytical procedures, either individually or in combination depending on circumstances.
Automated Environment – Audit Evidence	Correct / Incorrect / Descriptive	<ul style="list-style-type: none"> Explain automated environment in auditing. "Automated environment eliminates audit risk." Examine. 	<p>Automated environment refers to the use of IT systems to initiate, record, process and report transactions.</p> <p>Although automation reduces manual intervention, it introduces specific IT-related risks.</p> <p>Therefore, automated environment does not eliminate audit risk; it changes the nature of audit risk.</p>
Risks in Automated Environment	Descriptive / 5 Marks	<ul style="list-style-type: none"> Explain the risks arising from use of automated systems. 	<p>Risks include:</p> <ul style="list-style-type: none"> Unauthorized access to programs and data. Unauthorized changes to programs or master data. Inadequate segregation of duties due to system access. Processing inaccuracies affecting large volumes of transactions. Over-reliance on system-generated information.
Obtaining Audit Evidence in Automated Environment	Practical / Application	<ul style="list-style-type: none"> How does an auditor obtain audit evidence in an automated environment? 	<p>Auditor obtains evidence through:</p> <ul style="list-style-type: none"> Walkthroughs of transactions through IT systems. Inspection of system configurations and access controls. Reperformance using audit software. Use of test data and system-generated reports. Combination of automated and manual audit procedures.

CAATs / Data Analytics	Descriptive / Practical	<ul style="list-style-type: none"> • What are Computer Assisted Audit Techniques (CAATs)? • Explain the uses of data analytics in audit. 	<p>CAATs are audit tools that use computers to analyse electronic data.</p> <p>They are used for testing entire populations, journal entry testing, fraud detection, recalculation, reperformance, and identifying unusual trends, thereby increasing audit efficiency and coverage.</p>
Inquiry as Audit Evidence	Theory / Limitation	<ul style="list-style-type: none"> • Explain inquiry as an audit procedure. • Can inquiry alone be considered sufficient audit evidence? 	<p>Inquiry involves seeking information from knowledgeable persons.</p> <p>Inquiry alone is not sufficient audit evidence and must be corroborated with other audit procedures.</p>
External Confirmation (SA 505)	Descriptive / Case	<ul style="list-style-type: none"> • What is external confirmation? • Distinguish between positive and negative confirmations. 	<p>External confirmation is audit evidence obtained as a direct written response to the auditor from a third party.</p> <p>Positive confirmation requires response in all cases, whereas negative confirmation requires response only in case of disagreement.</p> <p>Positive confirmations provide more reliable audit evidence.</p>
Analytical Procedures (SA 520)	Theory / Application	<ul style="list-style-type: none"> • Define analytical procedures. • State the uses of analytical procedures in audit. 	<p>Analytical procedures involve evaluation of financial information through analysis of plausible relationships among data.</p> <p>They are used at planning stage, as substantive procedures, and at overall review stage.</p>
Written Representations (SA 580)	Theory / Correct–Incorrect	<ul style="list-style-type: none"> • What are written representations? • “Written representations alone constitute sufficient audit evidence.” Examine. 	<p>Written representations are written statements by management confirming certain matters.</p> <p>They complement but do not replace other audit evidence and are not sufficient on their own.</p>

CLASSES

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Highly Elaborated)
Inventory – Attendance at Physical Stock Taking (SA 501)	Descriptive / Case Study	<ul style="list-style-type: none"> • Explain the duties of an auditor while attending physical inventory counting. • What audit procedures are performed at the time of physical stock verification? • What should the auditor do if he is unable to attend the physical inventory count? 	<p>Auditor shall attend physical inventory counting unless impracticable. While attending, auditor:</p> <ul style="list-style-type: none"> • Observes management's instructions and control procedures. • Performs test counts and traces to inventory records. • Inspects inventory for condition, obsolescence or damage. • Performs cut-off procedures. If unable to attend, auditor performs alternative procedures; if evidence remains insufficient, modified opinion may be required.
Inventory Held by Third Parties (SA 501)	Theory / Practical	<ul style="list-style-type: none"> • Explain the audit procedures for inventory held by third parties. 	<p>Auditor obtains sufficient appropriate audit evidence by:</p> <ul style="list-style-type: none"> • Obtaining confirmations from third parties. • Inspecting third-party inventory reports. • Attending physical verification at third-party location where practicable. • Evaluating reliability of confirmations and ensuring proper disclosure.
Litigation and Claims (SA 501)	Case Study / Disclosure	<ul style="list-style-type: none"> • Explain auditor's responsibility in relation to litigation and claims. • How does auditor obtain evidence regarding pending legal cases? 	<p>Auditor shall inquire of management and review correspondence with legal counsel. He examines legal expense accounts, minutes of meetings, and obtains written representations. Auditor evaluates whether provisions or disclosures are required and considers impact on audit opinion.</p>
External Confirmations (SA 505)	Descriptive / Case	<ul style="list-style-type: none"> • What is external confirmation? • Distinguish between positive and negative confirmations. 	<p>External confirmation is audit evidence obtained directly from a third party. Positive confirmation requires response in all cases; negative confirmation requires response only if disagreement exists. Positive confirmations provide more reliable audit evidence.</p>
Non-response / Management Refusal (SA 505)	Case Study	<ul style="list-style-type: none"> • How should an auditor deal with non-response to confirmation requests? • What if management refuses to allow external confirmations? 	<p>Auditor performs alternative audit procedures in case of non-response. If management refuses, auditor evaluates reasons, assesses impact on risk, performs alternative procedures and considers modification of opinion if sufficient evidence cannot be obtained.</p>
Opening Balances (SA 510)	RTP / Scenario	<ul style="list-style-type: none"> • Explain auditor's responsibility regarding opening balances in an initial audit engagement. • What if prior period financial statements were unaudited? 	<p>Auditor shall obtain sufficient appropriate audit evidence that opening balances do not contain misstatements materially affecting current period financial statements. If prior period financial statements were unaudited, auditor performs additional procedures; inability to obtain evidence may lead to modified opinion.</p>

Analytical Procedures (SA 520)	Theory / Application	<ul style="list-style-type: none"> Define analytical procedures. State the use of analytical procedures at various stages of audit. 	Analytical procedures involve evaluation of financial information through analysis of relationships. They are used at planning stage, as substantive procedures and at overall review stage. Unexpected relationships must be investigated and corroborated.
Audit Sampling (SA 530)	Descriptive / Correct-Incorrect	<ul style="list-style-type: none"> Define audit sampling. Distinguish between sampling risk and non-sampling risk. 	Audit sampling involves applying audit procedures to less than 100% of items. Sampling risk arises due to testing less than entire population; non-sampling risk arises due to auditor's error in execution or interpretation.
Related Parties (SA 550)	High-Weightage / Case Study	<ul style="list-style-type: none"> Explain auditor's responsibility in relation to related party transactions. Why are related party transactions considered risky? 	Related party transactions are risky due to lack of arm's length pricing and possibility of concealment. Auditor identifies related parties, examines transactions, evaluates authorization, and ensures proper accounting and disclosure as per applicable framework.



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CA Inter Audit – Chapter 5

Audit of Items of Financial Statements

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Very Elaborated)
Revenue / Sales	Descriptive / Case Study	<ul style="list-style-type: none"> • Explain the audit procedures relating to revenue. • How does the auditor verify revenue recognition? • What are the risks associated with revenue recognition? 	<p>Assertions involved: Occurrence, Completeness, Cut-off, Accuracy, Disclosure. Audit procedures:</p> <ul style="list-style-type: none"> • Examine sales invoices, contracts and dispatch documents. • Test cut-off around year end to detect premature or deferred revenue. • Verify pricing, discounts, returns and credit notes. • Perform analytical procedures (trend, GP ratio). • Confirm receivable balances where relevant (SA 505). Risks: fictitious sales, early revenue recognition, side agreements.
Purchases	Descriptive / RTP	<ul style="list-style-type: none"> • Explain the audit procedures relating to purchases. • How does the auditor ensure completeness of purchases? 	<p>Assertions: Occurrence, Completeness, Accuracy, Cut-off.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Vouch purchases with invoices, GRNs and purchase orders. • Test cut-off to ensure purchases recorded in correct period. • Reconcile supplier statements and check payments after year end. • Verify authorization and classification of capital vs revenue expenditure.
Wages & Salaries	Theory / Practical	<ul style="list-style-type: none"> • Explain audit procedure for wages and salaries. • What risks are associated with payroll? 	<p>Assertions: Occurrence, Accuracy, Completeness.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Examine wage sheets, payroll records and attendance records. • Check authorization of wage rates and increments. • Verify deductions (PF, ESI, TDS) and statutory compliance. <p>Risks include dummy employees, incorrect rates and misappropriation.</p>
Expenses (Manufacturing / Administrative / Selling)	Descriptive	<ul style="list-style-type: none"> • Explain audit procedures relating to expenses. • How does auditor distinguish capital and revenue expenditure? 	<p>Assertions: Occurrence, Accuracy, Classification.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Vouch expenses with supporting documents. • Ensure correct classification between capital and revenue. • Perform analytical review to identify unusual fluctuations. • Verify provisions for outstanding expenses.
Property, Plant and Equipment (PPE)	High-Weightage / Case Study	<ul style="list-style-type: none"> • Explain audit procedures relating to PPE. • How does auditor verify existence, ownership and valuation of PPE? 	<p>Assertions: Existence, Rights & Obligations, Valuation, Disclosure.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Physically verify assets or rely on management verification. • Examine purchase invoices, title deeds and capitalization policy. • Verify depreciation as per applicable law and accounting standards. • Assess impairment indicators and ensure proper disclosure (AS/Ind AS).

Intangible Assets	Theory / Case Study	<ul style="list-style-type: none"> • Explain audit procedures relating to intangible assets. • What challenges are involved in auditing intangible assets? 	<p>Assertions: Existence, Valuation, Rights.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Verify legal rights (patents, licenses, trademarks). • Evaluate recognition criteria and cost capitalization. • Test amortisation and impairment. <p>Challenges: valuation subjectivity and future economic benefits.</p>
Investments	Descriptive / Practical	<ul style="list-style-type: none"> • Explain audit procedures for investments. • How does auditor verify valuation and disclosure of investments? 	<p>Assertions: Existence, Valuation, Rights.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Inspect investment certificates or demat statements. • Verify valuation as per accounting standards. • Confirm investments with third parties where applicable. • Check classification (current / non-current) and disclosure.
Trade Receivables	High-Weightage / Case Study	<ul style="list-style-type: none"> • Explain audit procedures relating to trade receivables. • How does auditor evaluate provision for doubtful debts? 	<p>Assertions: Existence, Valuation, Completeness.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Obtain external confirmations (SA 505). • Examine subsequent receipts. • Review ageing analysis and assess recoverability. • Evaluate adequacy of provision for doubtful debts.
Trade Payables	Theory / RTP	<ul style="list-style-type: none"> • Explain audit procedures relating to trade payables. • How does auditor ensure completeness of liabilities? 	<p>Assertions: Completeness, Valuation.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Reconcile supplier statements. • Examine payments after balance sheet date. • Review unrecorded liabilities. • Ensure proper classification and disclosure.
Provisions & Contingent Liabilities	High-Weightage / Case Study	<ul style="list-style-type: none"> • Distinguish between provision and contingent liability. • Explain auditor's responsibility regarding provisions and contingencies. 	<p>Assertions: Completeness, Valuation, Disclosure.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Review management estimates and assumptions. • Examine legal correspondence and contracts. • Apply criteria for recognition vs disclosure. • Obtain written representations (SA 580).
Cash and Bank Balances	Practical / High-Weightage	<ul style="list-style-type: none"> • Explain audit procedures for cash and bank balances. • How does auditor verify bank balances? 	<p>Assertions: Existence, Rights, Valuation.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Physical verification of cash. • Obtain bank confirmations and verify bank reconciliation statements. • Check restrictions, liens and proper disclosure.

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CA Inter Audit – Chapter 6

Audit Documentation (SA 230)

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Very Elaborated)
Meaning, Nature & Purpose of Audit Documentation	Descriptive / RTP / PYP	<ul style="list-style-type: none"> Define audit documentation. Explain the nature and purposes of audit documentation as per SA 230. Audit documentation serves various purposes. Explain. 	<p>Audit documentation refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions reached. Nature:</p> <ul style="list-style-type: none"> Provides evidence of auditor's basis for conclusion. Provides evidence that audit was planned and performed in accordance with SAs. <p>Purpose:</p> <ul style="list-style-type: none"> Assists in planning and performing audit. Assists supervision, direction and review. Enables accountability of engagement team. Retains record of matters of continuing significance. Enables internal and external quality control reviews.
Form, Content and Extent of Audit Documentation	Descriptive	<ul style="list-style-type: none"> Explain factors affecting form, content and extent of audit documentation. On what factors does the nature and extent of audit documentation depend? 	<p>Audit documentation should record audit plan, procedures performed, evidence obtained and conclusions drawn.</p> <p>Factors affecting form, content and extent include:</p> <ul style="list-style-type: none"> Size and complexity of the entity. Nature of audit procedures. Identified risks of material misstatement. Significance of audit evidence. Nature and extent of exceptions. Audit methodology and tools used.
Documentation of Significant Matters & Professional Judgment	Descriptive / Case Study	<ul style="list-style-type: none"> Explain documentation of significant matters and professional judgments. Give examples of circumstances requiring documentation of professional judgment. 	<p>Significant matters are those that require special auditor attention.</p> <p>Documentation is required where significant professional judgment is exercised.</p> <p>Examples include:</p> <ul style="list-style-type: none"> Matters giving rise to significant risks. Results indicating possible material misstatement. Significant difficulty in applying audit procedures. Matters leading to modification of audit opinion. <p>Proper documentation reinforces quality of audit judgment.</p>
Completion Memorandum / Audit Documentation Summary	Descriptive / RTP	<ul style="list-style-type: none"> What is a completion memorandum? How does it help in audit documentation? 	<p>Completion memorandum is a summary of significant matters identified during audit and how they were addressed.</p> <p>It facilitates effective review and inspection of audit documentation, especially in large and complex audits.</p> <p>It also helps auditor evaluate whether overall audit objectives have been achieved.</p>
Timeliness of Audit Documentation	Correct / Incorrect	<ul style="list-style-type: none"> The auditor shall prepare audit documentation on a timely basis. Examine. 	<p>Correct.</p> <p>Preparing audit documentation on a timely basis enhances audit quality and facilitates effective review. Documentation prepared after audit completion is likely to be less accurate.</p>
Assembly and Retention of Audit File	Descriptive / Case Study	<ul style="list-style-type: none"> Explain the requirements relating to assembly of audit file. State the time limit for completion and retention of audit file. 	<p>Auditor shall assemble audit documentation in an audit file on a timely basis after date of audit report.</p> <p>As per SQC 1, assembly should be completed ordinarily within 60 days from audit report date.</p> <p>After assembly, audit documentation shall not be deleted or discarded.</p> <p>Retention period is ordinarily not less than 7 years.</p>

Ownership and Confidentiality of Working Papers	Correct / Incorrect / Case Study	<ul style="list-style-type: none"> • Working papers are property of the auditor. Explain. • Can management or principal auditor demand access to working papers? 	<p>Working papers are property of the auditor. Auditor may, at his discretion, allow access to extracts, unless restricted by law. Management or principal auditor has no automatic right of access to working papers. Auditor must ensure confidentiality and safe custody.</p>
Documentation After Date of Auditor's Report	Case Study	<ul style="list-style-type: none"> • What should the auditor document if additional audit procedures are performed after audit report date? 	<p>In exceptional circumstances, auditor shall document:</p> <ul style="list-style-type: none"> • Circumstances encountered. • Additional procedures performed, evidence obtained and conclusions reached. • Effect on audit report. • When and by whom changes were made and reviewed.



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CA Inter Audit – Chapter 7 Completion and Review

SA 560 | SA 570 | SA 580 | SA 260 | SA 450

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Very Elaborated)
Subsequent Events – Meaning & Types (SA 560)	Descriptive / RTP / PYP	<ul style="list-style-type: none"> Define subsequent events. Explain types of subsequent events as per SA 560. 	Subsequent events are events occurring between the date of financial statements and the date of auditor's report, and facts that become known after the date of auditor's report. Types: (i) Adjusting events – provide evidence of conditions existing at balance sheet date. (ii) Non-adjusting events – indicative of conditions arising after balance sheet date. Auditor must ensure appropriate adjustment or disclosure.
Audit Procedures for Subsequent Events	Descriptive / Case Study	<ul style="list-style-type: none"> Explain audit procedures for identifying subsequent events. 	<p>Auditor shall perform procedures up to the date of auditor's report such as:</p> <ul style="list-style-type: none"> Inquiry of management and TCWG. Reading minutes of meetings. Reading interim financial statements. Reviewing budgets, forecasts and legal correspondence. <p>Written representations may also be obtained.</p>
Facts Discovered After Date of Auditor's Report	Case Study	<ul style="list-style-type: none"> Explain auditor's responsibility when facts are discovered after date of auditor's report but before issue of financial statements. 	<p>Auditor shall:</p> <ul style="list-style-type: none"> Discuss matter with management and TCWG. Determine whether financial statements need amendment. Inquire how management intends to address matter. Amend auditor's report if necessary.
Going Concern – Concept & Auditor's Objectives (SA 570)	Descriptive / RTP	<ul style="list-style-type: none"> Explain going concern assumption and auditor's objectives. 	<p>Financial statements are prepared on going concern assumption unless liquidation is intended.</p> <p>Auditor's objectives:</p> <ul style="list-style-type: none"> Conclude on appropriateness of going concern basis. Identify material uncertainty. Report appropriately.
Events or Conditions Casting Doubt on Going Concern	Descriptive / MCQ	<ul style="list-style-type: none"> Give examples of events or conditions that may cast significant doubt on going concern. 	<p>Examples include:</p> <ul style="list-style-type: none"> Financial: net losses, adverse ratios. Operating: loss of key management, labour shortages. Other: legal proceedings, withdrawal of financial support.
Effect on Auditor's Report – Going Concern	Case Study / High-Weightage	<ul style="list-style-type: none"> Explain impact on audit report where material uncertainty exists regarding going concern. 	<p>If adequate disclosure is made – unmodified opinion with separate section 'Material Uncertainty Related to Going Concern'.</p> <p>If disclosure is inadequate – qualified or adverse opinion as per SA 705.</p> <p>If going concern basis inappropriate – adverse opinion.</p>
Written Representations – Meaning & Objectives (SA 580)	Descriptive / C-I	<ul style="list-style-type: none"> Explain objectives of auditor regarding written representations. 	<p>Objectives:</p> <ul style="list-style-type: none"> To obtain written representations from management. To support other audit evidence. To respond appropriately if representations are not provided. <p>Written representations are necessary but not sufficient audit evidence.</p>

Non-availability / Qualifying Language in Written Representations	Case Study	<ul style="list-style-type: none"> What should auditor do if management refuses or qualifies written representations? 	Auditor shall: <ul style="list-style-type: none"> Discuss matter with management. Re-evaluate integrity of management. Consider effect on audit opinion. May lead to disclaimer of opinion in extreme cases.
Communication with Those Charged with Governance (SA 260)	Descriptive / Case Study	<ul style="list-style-type: none"> Explain matters to be communicated to those charged with governance. 	Auditor communicates: <ul style="list-style-type: none"> Planned scope and timing of audit. Significant findings and deficiencies. Significant difficulties encountered. Uncorrected misstatements.
Misstatements Identified During Audit (SA 450)	Descriptive / RTP	<ul style="list-style-type: none"> Explain auditor's documentation and communication responsibilities regarding misstatements. 	Auditor shall: <ul style="list-style-type: none"> Accumulate misstatements. Communicate to management and TCWG. Evaluate whether uncorrected misstatements are material individually or in aggregate. Document conclusions.



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CA Inter Audit – Chapter 8 Audit Report

SA 700 | SA 705 | SA 706 | SA 701 | Companies Act, 2013

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Answer Writing Points (Very Elaborated)
Forming an Opinion & Audit Report (SA 700)	Descriptive / RTP / PYP	<ul style="list-style-type: none"> • Explain the elements of an audit report as per SA 700. • What is meant by unmodified opinion? 	<p>SA 700 deals with forming an opinion and reporting on financial statements. Elements of audit report include:</p> <ul style="list-style-type: none"> • Title and addressee • Opinion paragraph • Basis for opinion • Going concern section (where applicable) • Key audit matters (for listed entities) • Responsibilities of management • Auditor's responsibilities • Signature, place and date <p>Unmodified opinion is expressed when financial statements give a true and fair view.</p>
Modified Opinions (SA 705)	High-Weightage / Case Study	<ul style="list-style-type: none"> • Distinguish between qualified, adverse and disclaimer of opinion. • Explain circumstances leading to modified opinions. 	<p>Modified opinions arise due to material misstatements or inability to obtain sufficient appropriate audit evidence.</p> <ul style="list-style-type: none"> • Qualified opinion – material but not pervasive misstatement. • Adverse opinion – material and pervasive misstatement. • Disclaimer – auditor unable to obtain evidence and possible effects are pervasive. <p>Basis for modification must precede opinion paragraph.</p>
Emphasis of Matter & Other Matter Paragraphs (SA 706)	Descriptive / Case Study	<ul style="list-style-type: none"> • Distinguish between Emphasis of Matter and Other Matter paragraph. • When is Emphasis of Matter used? 	<p>Emphasis of Matter paragraph draws users' attention to matters already disclosed in financial statements. Other Matter paragraph refers to matters not presented or disclosed in financial statements but relevant to users' understanding. These paragraphs do not modify the auditor's opinion.</p>
Key Audit Matters (SA 701)	Descriptive / Conceptual	<ul style="list-style-type: none"> • What are Key Audit Matters? • Explain purpose of communicating KAM. 	<p>Key Audit Matters are matters that, in auditor's professional judgment, were of most significance in the audit.</p> <p>Purpose is to enhance communicative value of auditor's report.</p> <p>KAM are not a substitute for modified opinion or separate opinion.</p>
Reporting under Companies Act, 2013 – Section 143	High-Weightage / Theory	<ul style="list-style-type: none"> • Explain auditor's reporting responsibilities under Section 143 of Companies Act, 2013. • What matters are reported under Section 143(3)? 	<p>Section 143(3) requires auditor to report, inter alia, on:</p> <ul style="list-style-type: none"> • Whether proper books of account have been kept. • Agreement of financial statements with books. • Compliance with accounting standards. • Directors' disqualification under Section 164(2). • Adequacy and operating effectiveness of internal financial controls. • Any adverse remarks on maintenance of accounts.
CARO Reporting (Overview)	Descriptive / RTP	<ul style="list-style-type: none"> • What is CARO? • When is CARO applicable? 	<p>CARO (Companies Auditor's Report Order) requires additional reporting on specified matters. It applies to specified classes of companies as notified.</p> <p>CARO reporting is in addition to reporting under Section 143 and SAs.</p>



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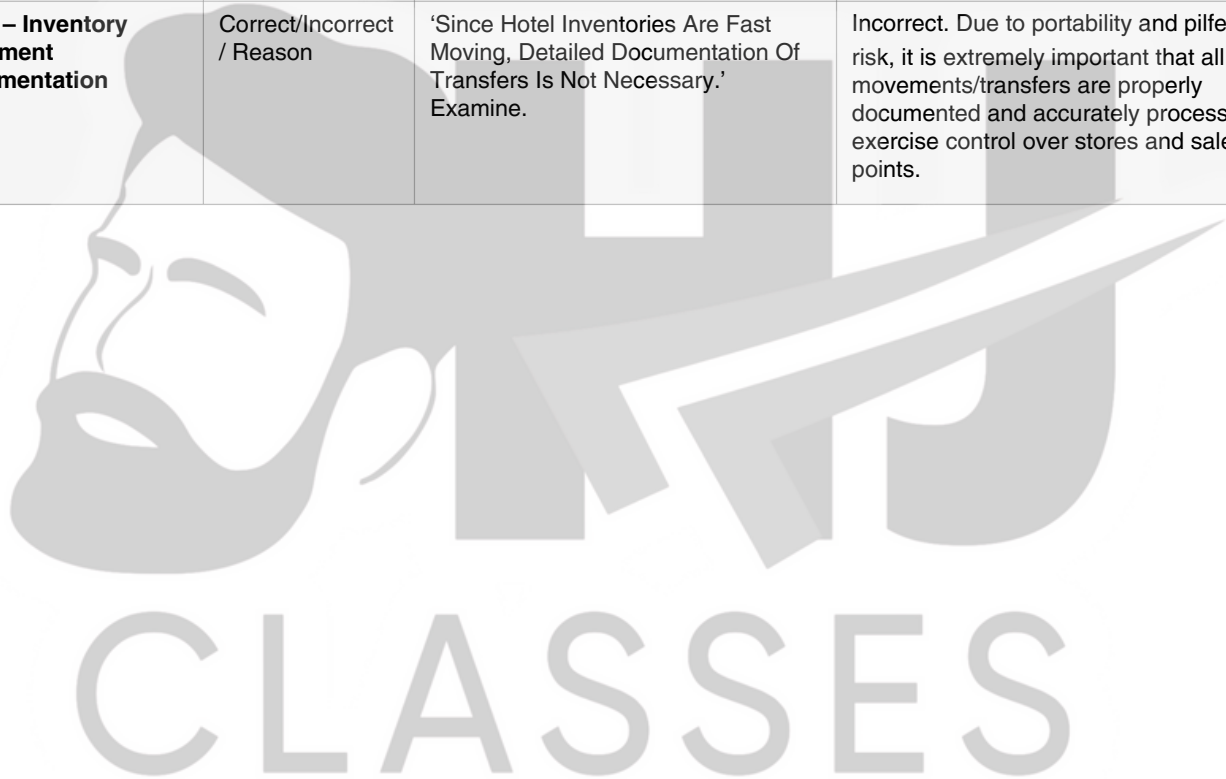
CA Inter Audit – Chapter 9

(Audit Of Different Types Of Entities)

Common Topic	Type Of Question	Question Asked In Exam (Framing)	Summary Answer / Key Concept (Super Elaborate)
Government Audit – Meaning & Definition	Descriptive (4 Marks)	Explain The Meaning Of Government Audit As Per U.N. Handbook. Also State The Essence Of Such Audit In One Proper Definition.	Meaning: Objective, Systematic, Professional, And Independent Examination Of Financial/Administrative/Other Operations Of A Public Entity, Done Subsequently To Execution , To Evaluate And Verify, Report Findings With Comments/Conclusions/Recommendations, And (For Financial Statements) Express Opinion On Fairness Of Presentation.
Government Audit – Objectives	Descriptive / List Based (4 Marks)	Discuss The Objectives Of Government Audit. (Any Four Points With Explanation).	Objectives Include: (1) Accounting For Public Funds (public accounting mechanism), (2) Appraisal Of Government Policies (operational/management/program me/policy accountability), (3) Corrective Actions (highlight lapses to enable supervisory correction), (4) Administrative Accountability (accountability to legislature and aid to administration).
School / Educational Institution – Other Receipts, Grants & Donations	Descriptive (3 Marks)	In Audit Of A School, Explain The Auditor's Role For (A) Other Receipts And (B) Grants & Donations.	Key Procedures: (1) Verify rental income from property with rent rolls, (2) Vouch endowments/legacies + interest/dividend; inspect securities for investments, (3) Verify government/local grants with grant memo; if any expense disallowed for grant, ascertain reasons. Ensure proper disclosure and restricted fund usage.
Hotel Audit – Inventories (Food & Beverages) – Concept & Risks	Descriptive / Practical (4 Marks)	As Auditor Of A Hotel, What Special Points Will You Consider For Verification Of Inventories Like Food & Beverages?	Core Risk: Inventories Are Portable + Saleable → High Pilferage Risk. Auditor Must Focus On Movement Control And Documentation. Ensure each transfer to stores/sales points is properly recorded and processed accurately. Strong control is essential for reliable gross margin.
Hotel Audit – Inventories (Food & Beverages) – Key Controls	Descriptive / Points (4 Marks)	Write The Audit Checklist For Internal Control Over Food & Beverage Stores (Any 6 Points).	Controls: (1) All movement/transfer documented, (2) Stores areas locked; keys with department manager, (3) Key released only to trusted personnel; no unauthorized access, (4) Goods in/out of stores checked, (5) Continuous counting/valuation may be done by professional valuers; auditor evaluates reasonableness, (6) Auditor may attend physical count and perform pricing/calculation tests (extent may be limited if valuers are independent).
Hotel Audit – Travel Agents & Booking Agencies	Descriptive / Scenario (3–4 Marks)	Explain The Auditor's Role For Hotel Ledgers Coming Through Travel Agents/Booking Agencies. How Will You Verify Recovery And Commission?	Ensure bills are raised on travel agents/booking agencies as per practice; verify credit terms and ensure recoverability as per allowed credit. Verify commission paid with reference to agreement; check authorization, computation, and proper accounting.

Common Topic	Type Of Question	Question Asked In Exam (Framing)	Summary Answer / Key Concept (Super Elaborate)
Hotel Audit – Gift Shop Inside Hotel (Common Amenities)	Case Study (3–4 Marks)	A Gift Shop Operates Inside Hotel Premises. Stock Belongs To Shop Owner. Hotel Gets Rent. How Will Auditor Verify Payment For Common Amenities Used By Shop Owner?	Understand contract/lease terms: rent + charges for electricity/water/AC/security/housekeeping. Verify basis of allocation (metering/area basis), check invoices raised by hotel to shop owner, verify receipts/adjustments, ensure proper recognition of income and no leakage of utility cost to hotel.
Hotel Audit – Weak Internal Control & Impact On Audit Report	Analytical / Examiner Style	If Internal Control In A Hotel Is Weak (Because Records Are Transient), What Is The Audit Implication? How Can It Affect Reporting?	When controls are weak, auditor must rely more on gross margin analysis; scope of tests increases. Auditor should ensure taxes collected are paid. If material margin discrepancy remains unexplained, auditor should consider qualifying the audit report .
Local Bodies Audit – Audit Programme (Pre-Commencement)	RTP/MTP (4 Marks)	Before Commencing Audit Of Local Bodies, Draft An Audit Programme / Guidance Points (Any 6).	Ensure proper appointment; understand whether local fund audit wing/independent auditor applies. Auditor should report on fairness of FS, strengths/weaknesses of financial control, compliance with legal/administrative requirements, and value for money. Verify expenditure conforms to law and rules; check sanctions; ensure funds provision; assess scheme/project economy and outcomes.
Club Audit – Member Charging (Pricing) Controls	Descriptive (3–4 Marks)	In Audit Of A Club, What Checks Will You Perform To Ensure Members Are Properly Charged For Food/Drinks And Services?	Verify internal check for charging members & guests correctly for food/drinks and special services (billiards/tennis etc.). Check tariff lists, member accounts, billing systems, and ensure proper authorization for concessions/complimentary services.
Club Audit – Purchases & Inventories	Descriptive / Practical	In Club Audit, How Will You Vouch Purchases And Verify Inventories (Sports Items, Furniture, Stores)?	Vouch purchases of sports items, furniture, crockery etc.; trace entries to inventory registers. Physically verify inventory of furniture/sports material/other assets with registers or year-end inventories. Ensure valuation and existence; verify obsolescence/damage provisions where relevant.
Club Audit – Gross Profit / Margins	Analytical / Descriptive	Explain How Auditor Can Check Whether Normal Gross Profit Margin Is Earned On Sale Of Provisions (Foodstuffs, Cigars, Wines).	Vouch purchases of provisions and test sale prices; compare gross margin with normal/expected margins; investigate unusual variances. Physically verify unsold provisions and check valuation at year end to ensure margin is not distorted by stock errors.
LLP – Statutory Returns (Compliance)	Direct Theory / Case (3–4 Marks)	An LLP Approaches You For Statutory Compliance. Discuss The Returns To Be Filed With ROC (Forms, Timelines).	Advise: (1) Annual Return in Form 11 within 60 days of close of financial year. (2) Statement of Account & Solvency in Form 8 within 30 days from end of six months of the financial year to which it relates. Mention public inspection availability and timely filing discipline.

Common Topic	Type Of Question	Question Asked In Exam (Framing)	Summary Answer / Key Concept (Super Elaborate)
Multi-State Co-Operative Society – Special Audit Direction	Case Study / Law Based (4 Marks)	Central Government Holds Majority Shares In A Multi-State Co-Operative Society And Its Financial Position Endangers Solvency. Can Central Government Direct Special Audit? Explain.	Yes, special audit can be directed when society is managed in a manner causing serious injury/damage to relevant trade/industry/business or when financial position endangers solvency. In given case (Central Govt 55% holding + solvency danger), direction for special audit is justified.
Hotel – Verification Of Inventories (Professional Valuer Situation)	Conceptual / SA Style	Hotels Use Independent Professional Valuers For Continuous Inventory Valuation. What Should Auditor Do Before Relying On Such Valuation?	Even if valuers are independent of client, auditor must satisfy reasonableness of amounts. Consider attending physical inventory taking and performing limited pricing and calculation tests. Evaluate competence/objectivity of valuer and whether valuation basis is consistent and properly documented.
Hotel – Inventory Movement Documentation	Correct/Incorrect / Reason	'Since Hotel Inventories Are Fast Moving, Detailed Documentation Of Transfers Is Not Necessary.' Examine.	Incorrect. Due to portability and pilferage risk, it is extremely important that all movements/transfers are properly documented and accurately processed to exercise control over stores and sales points.



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CA Inter Audit – Chapter 10

AUDIT OF BANKS

Common Topic	Type of Question	Questions Asked in Exam (ICAI Style)	Summary Answer / Key Audit Focus (Elaborated)
Engagement Team Discussion – Banks	Descriptive / Case Study / RTP	<ul style="list-style-type: none"> Explain engagement team discussion in audit of banks. What matters are discussed at planning stage in bank audit? 	<p>Engagement team discussion is held to gain understanding of bank, its environment and internal control. Matters include:</p> <ul style="list-style-type: none"> Errors likely to occur and prior year errors. Fraud risk areas specific to banking operations. Susceptibility of financial statements to material misstatement. Audit responses to engagement, pervasive and specific risks. Need to maintain professional skepticism. Such discussions are documented and guide audit strategy.
Types of Banks in India	Descriptive / Short Notes	<ul style="list-style-type: none"> Explain different types of banks prevailing in India with examples. 	<p>Types include:</p> <ul style="list-style-type: none"> Commercial Banks – accept deposits and grant advances. Regional Rural Banks – cater to rural needs. Co-operative Banks – registered under Co-operative Societies Act. Payment Banks – restricted deposits, no lending. Small Finance Banks – financial inclusion. Development Banks – long-term infrastructure financing.
Audit of Advances – Core Focus Area	High-Weightage / RTP / Case Study	<ul style="list-style-type: none"> Explain audit approach for advances in bank audit. How does auditor obtain evidence for advances? 	<p>Advances form major asset of banks.</p> <p>Auditor ensures:</p> <ul style="list-style-type: none"> Advances are outstanding at balance sheet date. Advances represent amounts due to bank. Proper loan documentation exists. No unrecorded advances. Correct valuation, classification and disclosure. Compliance with RBI norms on IRAC and provisioning. <p>Both internal control evaluation and substantive procedures are applied.</p>
Income Recognition, Asset Classification & Provisioning (IRAC)	Very High Weightage / Numerical / Case Study	<ul style="list-style-type: none"> Explain NPA classification and provisioning norms. Distinguish between sub-standard, doubtful and loss assets. 	<p>NPA classification is based on record of recovery, not security.</p> <ul style="list-style-type: none"> Sub-standard: NPA ≤ 12 months – 15% provision. Doubtful: >12 months as sub-standard – provisioning depends on secured/unsecured portion. Loss assets: Identified loss – 100% provision. <p>Provisioning must comply strictly with RBI guidelines.</p>
Modes of Creation of Security	Descriptive / Case Study	<ul style="list-style-type: none"> Explain mortgage, pledge, hypothecation, assignment, lien and set-off. 	<p>Banks accept various securities:</p> <ul style="list-style-type: none"> Mortgage – registered or equitable. Pledge – bailment of goods. Hypothecation – charge without possession. Assignment – transfer of actionable claims. Lien and Set-off – banker's statutory rights. <p>Auditor verifies enforceability and valuation of securities.</p>

Drawing Power (DP) & Stock Audit	Numerical / Case Study / RTP	<ul style="list-style-type: none"> • Explain computation of drawing power. • What is auditor's concern regarding DP? 	<p>Drawing power represents maximum permissible borrowing based on current assets.</p> <p>Auditor examines:</p> <ul style="list-style-type: none"> • Stock statements (not older than 3 months). • Deduction of sundry creditors. • Application of margins. • Compliance with board-approved policy. <p>Stock audit reports are reviewed for large exposures.</p>
Audit of Interest Income & Interest Expense	Descriptive / Analytical	<ul style="list-style-type: none"> • Explain audit approach for interest income and expense in banks. 	<p>Interest computation is system-driven (CBS).</p> <p>Auditor performs:</p> <ul style="list-style-type: none"> • Analytical procedures on yield/cost. • Verification of interest rates. • Re-computation on sample basis. • Verification of reversal of unrealised interest on NPAs.
Auditor's Reports in Bank Audit	Descriptive / Theory	<ul style="list-style-type: none"> • Explain various reports issued by bank auditors. 	<p>In addition to main audit report, auditor issues:</p> <ul style="list-style-type: none"> • LFAR (Long Form Audit Report). • Report on SLR compliance. • Report on IRAC compliance. • Report on treasury operations. • IFC report (where applicable). <p>These reports are mandated by RBI / Companies Act.</p>



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CA Inter Audit – Chapter 11

(Ethics And Terms Of Audit Engagements)

Common Topic	Type Of Question	Exam Questions (ICAI Style)	Super Elaborated Answer / Examiner Expectation
Preconditions For An Audit (SA 210)	Very High Weightage Descriptive / Case Study	<ul style="list-style-type: none"> • Explain the preconditions for an audit as per SA 210. • When should an auditor refuse to accept an audit engagement? • Management refuses to acknowledge responsibility for internal control – advise auditor. 	<p>SA 210 lays down mandatory preconditions which must be satisfied before accepting an audit engagement. The auditor shall accept an engagement only when: 1) Acceptability of Financial Reporting Framework (FRF): The auditor must determine whether the financial reporting framework adopted by management is acceptable, having regard to the nature of the entity, purpose of financial statements and applicable law. 2) Management Acknowledgement of Responsibilities: Management must acknowledge and understand its responsibility for: (a) Preparation of financial statements in accordance with applicable FRF; (b) Design, implementation and maintenance of internal control to ensure FS are free from material misstatement; (c) Providing the auditor with access to all information, additional explanations and unrestricted access to persons. If these preconditions are not present, the auditor shall not accept the engagement, unless required by law or regulation. If acceptance is legally required, the auditor shall consider the effect on the audit and report and communicate with TCWG.</p>
Engagement Letter – Purpose & Contents (SA 210)	Very High Weightage RTP / Descriptive	<ul style="list-style-type: none"> • Why is an engagement letter issued? • State the contents of an engagement letter. • Is engagement letter mandatory in recurring audits? 	<p>Purpose: Engagement letter documents the agreed terms of the audit engagement and helps avoid misunderstanding.</p> <p>Importance:</p> <ul style="list-style-type: none"> • Establishes clear understanding of scope, timing and responsibilities; • Forms contractual evidence of agreed terms; • Assists in audit planning and compliance with SAs. <p>Contents:</p> <ol style="list-style-type: none"> 1) Objective and scope of audit; 2) Responsibilities of auditor (reasonable assurance, inherent limitations); 3) Responsibilities of management (FS preparation, internal control, access); 4) Identification of applicable FRF; 5) Reference to expected form and content of auditor's report; 6) Applicable law, regulations and additional reporting responsibilities. <p>Recurring Audits: Fresh letter not required if terms unchanged; however, auditor should consider issuing a reminder letter.</p>

Common Topic	Type Of Question	Exam Questions (ICAI Style)	Super Elaborated Answer / Examiner Expectation
Quality Control For Audit Engagements (SA 220)	High Weightage Descriptive / Case Study	<ul style="list-style-type: none"> • Explain responsibilities of engagement partner as per SA 220. • How does SA 220 ensure audit quality? 	<p>SA 220 deals with quality control at the engagement level. The engagement partner shall:</p> <ul style="list-style-type: none"> • Take responsibility for overall quality of audit engagement; • Ensure compliance with ethical requirements, including independence; • Be satisfied that acceptance and continuance procedures have been followed; • Ensure engagement team has appropriate competence and capabilities; • Direct, supervise and review work performed; • Take responsibility for appropriate consultation on difficult matters. Failure to comply with SA 220 may lead to sub-standard audit and disciplinary action.
Firm-Level Quality Control (SQC 1)	High Weightage Conceptual / Case Study	<ul style="list-style-type: none"> • Explain the objective of SQC 1. • Distinguish between SQC 1 and SA 220. 	<p>SQC 1 applies at firm level and establishes system of quality control. Objective is to provide reasonable assurance that:</p> <ul style="list-style-type: none"> • Firm and its personnel comply with professional standards and ethical requirements; • Reports issued are appropriate in the circumstances. <p>Elements of SQC 1:</p> <ul style="list-style-type: none"> • Leadership responsibilities for quality; • Ethical requirements; • Acceptance and continuance of client relationships; • Human resources; • Engagement performance; • Monitoring. <p>Difference: SQC 1 applies to the firm as a whole, whereas SA 220 applies to individual audit engagements.</p>
Ethical Requirements & Independence	Very High Weightage Case Study	<ul style="list-style-type: none"> • Explain ethical requirements relating to audit. • Discuss threats to independence and safeguards. 	<p>Auditor shall comply with fundamental principles of ethics: integrity, objectivity, professional competence and due care, confidentiality and professional behavior.</p> <p>Independence comprises independence of mind and independence in appearance.</p> <p>Threats: Self-interest, self-review, advocacy, familiarity and intimidation.</p> <p>Safeguards: Firm-level safeguards (policies, rotation, reviews) and engagement-level safeguards. If threats cannot be reduced to acceptable level, auditor shall decline or withdraw from engagement.</p>



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