

Paper 6 Auditing & Assurance (New Course)

1. If the auditor concludes that there is reasonable justification to change the engagement and if the audit work performed complied with the SAs applicable to the changed engagement, the report issued would be appropriate for the revised terms of engagement. In order to avoid confusion, the report would not include reference to:

- (a) the original engagement; or any procedures that may have been performed in the original engagement.
- (b) the original engagement ;
- (c) any procedures that may have been performed in the original engagement
- (d) the original engagement and any procedures that may have been performed in the original engagement.

2 If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall:

- (a) Withdraw from the audit engagement where possible under applicable law or regulation;
- (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
- (c) Withdraw from the audit engagement where possible under applicable law or regulation and determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
- (d) Withdraw from the audit engagement where possible under applicable law or regulation or determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.

3. A request from the client for the auditor to change the engagement may result from-

- 1. a change in circumstances affecting the need for the service,
 - 2. a misunderstanding as to the nature of an audit or related service originally requested
 - 3. a restriction on the scope of the engagement, whether imposed by management or caused by circumstances.
- (a) (1) only
 - (b) (1) and (2)
 - (c) (1), (2) and (3)
 - (d) (1) or (2) or (3)

4. SA 320 on “Materiality in Planning and Performing an Audit” requires that an auditor

- (a) should not consider materiality and its relationship with audit risk while conducting an audit.
- (b) should consider materiality and its relationship with audit risk while conducting an audit.
- (c) should not consider materiality but should consider its relationship with audit risk while conducting an audit.
- (d) should consider materiality but need not consider its relationship with audit risk while conducting an audit.

5. When planning the audit,

- (a) the auditor considers what would make the financial information materially misstated.
- (b) the auditor need not consider what would make the financial information materially misstated.
- (c) the auditor need not consider what would make the financial information materially misstated at planning stage
- (d) the auditor needs to consider what would make the financial information materially misstated while conducting audit only

6. Audit documentation provides:

- (a) evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; or evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.
- (b) evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.
- (c) evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor
- (d) evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

7 Which of the following is not an example of audit documentation:

- (a) Audit programmes
- (b) Summaries of significant matters
- (c) Audit file
- (d) Checklists.

8. Which of the following is correct :

- (a) The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.
- (b) The auditor shall assemble the audit documentation in an audit file and shall not complete the administrative process of assembling the final audit file.
- (c) The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis before the date of the auditor's report.
- (d) The auditor shall not assemble the audit documentation in an audit file.

9. Standard on Quality Control (SQC) 1 provides that,

- (a) unless otherwise specified by law or regulation, audit documentation is the property of the management.
- (b) unless otherwise specified by law or regulation, audit documentation is the property of those charged with governance.

(c) unless otherwise specified by law or regulation, audit documentation is the property of the management or those charged with governance.

(d) Standard on Quality Control (SQC) 1 provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor.

10. Audit evidence includes

- (a) information contained in the accounting records underlying the financial statements
- (b) both information contained in the accounting records underlying the financial statements and other information.
- (c) other information.
- (d) information contained in the accounting records underlying the financial statements or other information.

11. Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence.

- (a) obtaining audit evidence.
- (b) evaluating audit evidence.
- (c) obtaining or evaluating audit evidence.
- (d) obtaining and evaluating audit evidence.

12. Audit procedures to obtain audit evidence can include

- (a) inspection, observation, confirmation, recalculation, re-performance and analytical procedures
- (b) inspection, observation, confirmation, recalculation and re-performance
- (c) inspection, observation, confirmation and analytical procedures
- (d) inspection, observation, recalculation, re-performance and analytical procedures

13. As explained in SA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing", _____ is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.

- (a) absolute assurance
- (b) limited assurance
- (c) reasonable assurance
- (d) reasonable or absolute assurance

14. Auditor's judgment as to sufficiency may be affected by the factors such as:

- (a) Materiality
- (b) Risk of material misstatement
- (c) Size and characteristics of the population.

(d) All of the above

15. Audit risk is a function of the

- (a) risks of material misstatement and detection risk.
- (b) audit risk and detection risk.
- (c) control risk and detection risk.
- (d) inherent risk and detection risk.

16. Risk of material misstatement may be defined as the risk

- (a) that the financial statements are materially misstated after audit.
- (b) that the financial statements are materially misstated during audit.
- (c) that the financial statements are materially misstated prior to audit.
- (d) All of the above

17. The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls is-

- (a) Control Risk
- (b) Inherent Risk
- (c) Detection Risk
- (d) Audit Risk

18. _____ refers to a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.

- (a) Misstatement
- (b) Error
- (c) fraud
- (d) Any of the above

19. The assessment of risks is a

- (a) matter capable of precise measurement rather than matter of professional judgment
- (b) matter of professional judgment, rather than a matter capable of precise measurement.
- (c) matter of professional judgement as well as capable of precise measurement sometimes.
- (d) None of the above

20. The assessment of the risks of material misstatement may be expressed in
- (a) quantitative terms, such as in percentages, or in non-quantitative terms.
 - (b) quantitative terms, such as in percentages,
 - (c) non-quantitative terms.
 - (d) None of the above

Solution

1	A	6	B	11	D	16	C
2	C	7	C	12	A	17	B
3	D	8	A	13	C	18	A
4	B	9	D	14	D	19	B
5	A	10	B	15	A	20	A