

**MODEL TEST PAPER 3**  
**FINAL COURSE: GROUP I**  
**PAPER-3: ADVANCED AUDITING, ASSURANCE AND**  
**PROFESSIONAL ETHICS**

**Time Allowed- 3 hours**

**Maximum Marks-100**

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

**PART I - Case Scenario based MCQs (30 Marks)**

***Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All MCQs are compulsory and carries 2 Marks each.***

1. Pack Ltd. is a company engaged in the manufacture of iron and steel bars. TN & Associates are the statutory auditors of Pack Ltd. for the FY 2023-24. During the course of audit, CA. Ashish, the engagement partner, found that the Company's financing arrangements have expired, and the amount outstanding was payable on March 31, 2023. The Company has been unable to re-negotiate or obtain replacement financing and is considering filing for bankruptcy. These events indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not disclose this fact. What opinion should CA. Ashish express in the case of Pack Ltd.?
  - (a) Unmodified opinion.
  - (b) Qualified opinion.
  - (c) Adverse opinion.
  - (d) Disclaimer of opinion.
2. M/s Jojo & Associates have been appointed as statutory auditors of ZuZu Ltd. for FY 2023-24. During the year, the company has entered into some related party transactions. CA. Sukrit, the engagement

partner has taken a management representation letter regarding the proper accounting, presentation and disclosure of such related party transactions. Is there any further responsibility of CA. Sukrit with respect to the other procedures to be performed for related party transactions?

- (a) Yes, the audit firm has the responsibility to perform the audit procedures to identify, assess and respond to the risk of material misstatement arising from the entity's failure to appropriately account for related party relationships, transactions and balances.
  - (b) No, there is no further responsibility of CA. Sukrit as the audit firm is responsible for verifying the balances and disclosure of related party transactions. The identification of related party transactions is the responsibility of the management of ZuZu Ltd.
  - (c) No, there is no further responsibility of CA. Sukrit as the best audit evidence for the related party transaction is the management representation letter.
  - (d) Yes, the auditor has the responsibility to detect fraud and error with respect to the related party transactions.
3. Joy, an aspiring student of ICAI, approached Mr. Paul, a practicing Chartered Accountant, for the purpose of articleship. Mr. Paul, the principal, offered him stipend at the rate of ₹ 3,000 per month to be paid every sixth month along with interest at the rate of 10% per annum compounded monthly to compensate such late payment on the plea that cycle of professional receipts from clients is six months. Joe agreed to such late payment in the hope of getting extra stipend in the form of interest. Mr. Paul, however, used to disburse salaries to all his employees on time. As per the Chartered Accountants Act, 1949, under which clause Mr. Paul is liable for misconduct.
- (a) Clause (10) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
  - (b) Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
  - (c) Mr. Paul is paying interest thus he is not liable for misconduct.
  - (d) Clause (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949.

### Case Scenario I [MCQ 4-6]

M/s IRIS & Associates, Chartered Accountants were acting as the statutory auditors of M/s DMN Bank Limited. During the statutory audit for the relevant financial year, the following observations were made:

- Interest income included the following:
  - ₹ 8 lakh relating to a short-term crop loan where instalment was overdue for one crop season.
  - ₹ 10 lakh relating to an advance (guaranteed equally by Government of India & Government of Tamil Nadu) where the instalment was due for more than six months.
- A 25 month old NPA account worth ₹ 43 lakh (net book value) was sold to an asset reconstruction company for ₹ 45 lakh. The profit from the above transaction was taken to the P&L account. The above NPA was sold 'without recourse' and on a cash basis. The auditors noticed a discrepancy in this transaction and hence decided to report the same.

After completing the bank audit, IRIS & Associates agreed to take up the following management consultancy and other services for one of the start-up companies based in Noida:

- (i) Setting up executive incentive plan and wage incentive plan.
- (ii) Price-fixation and other management decision making.
- (iii) Conduct a periodical audit and advisor for tax matters.

Mr. Kartik, one of the partners of the firm felt that providing the above services could result in professional misconduct. Hence, he resigned from the partnership and became a sole practitioner. One of the clients of IRIS & associates came to know about the issue and they approached Mr. Kartik to conduct the statutory audit for the financial year. Mr. Kartik took up the assignment without informing the previous firm. Annoyed by this, Mr. Jack filed a complaint to ICAI regarding the act of Mr. Kartik. After inquiry, it was decided that Mr. Kartik was guilty of professional misconduct.

After this incident, Mr. Kartik also decided to file a complaint against Mr. Jack. When he was thinking about a reason for the same, he remembered that Mr. Jack had entered into an agreement with two of his articulated clerks to pay stipend on an annual basis, while others were paid on monthly basis. Realising that this act is in violation of Regulation 48 of the Act, he filed a complaint to ICAI. After enquiry, it was found that Mr. Jack was guilty of professional misconduct.

Based on the above facts, answer the following: -

4. From the above facts and details, what is the correct amount of interest which the bank should account for in its financial statements?
  - (a) Nil.
  - (b) ₹ 8 lakh.
  - (c) ₹ 13 lakh.
  - (d) ₹ 5 lakh.
5. What could be the possible amount classified as NPA relating to the accounts with respect to observation regarding the inclusion of interest income given below:
  - ₹ 8 lakh relating to a short-term crop loan where instalment was overdue for one crop season.
  - ₹ 10 lakh relating to an advance (guaranteed equally by Government of India & Government of Tamil Nadu) where the instalment was due for more than six months.
  - (a) ₹ 5 lakh.
  - (b) ₹ 13 lakh.
  - (c) ₹ 10 lakh.
  - (d) ₹ 18 lakh.
6. In NPA, sale to asset reconstruction company, what discrepancy auditor might have noticed:
  - (a) The NPA had not completed 30 months.
  - (b) Sale was made 'without recourse'.
  - (c) Sale was made for cash basis.
  - (d) The profit of ₹ 2 lakh was taken to Profit & Loss account.
7. Being guilty of professional misconduct, which among the following punishment Mr. Jack will be subject to?
  - (a) Impose a penalty up-to ₹ 1 lakh.
  - (b) Remove his name from members register permanently.
  - (c) Impose a penalty up to ₹ 3 lakh.

- (d) Impose a penalty of ₹ 6 lakh.
8. After inquiry, it was decided that Mr. Kartik was guilty of professional misconduct. Why Mr. Kartik was guilty of professional misconduct?
- (a) He is guilty of professional misconduct as per Clause 7 of Part I of Second Schedule for being grossly negligent in conduct of his professional duty.
- (b) He is guilty of professional misconduct as per Clause 8 of Part I of First Schedule due to non-communication to previous auditor.
- (c) He is guilty of professional misconduct as per Clause 8 of Part I of Second Schedule due to non-communication to previous auditor.
- (d) He is guilty of professional misconduct as per Clause 7 of Part I of First Schedule for being grossly negligent in conduct of his professional duty.

**Case Scenario II [MCQ 9-12]**

Honey & Co; a reputed Chartered Accountants firm is appointed as a statutory auditor of Copperbox Limited. The Company is into manufacturing of copper products. The company has advanced in all its endeavours by supplying million Copper units. The company has incorporated another company "Coppertile Private Limited" by investing 45% in the share capital of the company and at the same time having 100% control over the Board of Directors as per the agreement with the majority shareholder. The company is listed in the US Stock Exchange but in the process of listing in the Indian Stock Exchanges, having a net worth of ₹ 245 crore. The product is promoted by Ali Baba, as its product Brand Ambassador. You are the audit manager and your 1st year trainee asks you the following questions listed down. He has also noted down some of the questions for you to answer to discuss the impact on the planning stage after understanding the entity and its environment:

- The company is required to appoint the Internal Auditor in accordance with the provisions of the Companies Act, 2013 and the company complied with the same by delegating the duties to an employee, who joined the company as first year Architect. The audit team is planning to use the work performed by the Internal Auditor as the reports given by him are designed in a marvelous fashion. Even the Board of Directors are astonished by the design of the Internal Audit report.

- The company is planning to use the working papers of the previous auditor by demanding the audit working papers from him citing the confidentiality clause. The auditor also plans to use the same for testing the opening balances during the year. The previous year auditor having been appointed as the auditor of subsidiary; the company plans to use his work for verifying the investment balance during the year.

Based on the above facts, answer the following:-

9. The engagement partner has requested you to comment upon the usage of work of Internal auditor by the engagement team in accordance with relevant Standard on Auditing:
  - (a) As the work done by the internal auditor is marvelously designed and presented the same can be considered to the extent the statutory auditor can use it. As the work is highly appreciated even by the Board of Directors, the same should be definitely used by Honey & Co.
  - (b) The work done by the Internal Auditor need to be assessed for the sufficiency and should be used to avoid the double work. The audit team of Honey & Co. need to reduce the unnecessary work as the same has been performed by the other auditor.
  - (c) The auditor is required to assess the competence and professional care of the work performed by the Internal Auditor. Thus, the auditor Honey & Co. needs to reconsider the audit strategy and cannot use the work of the Internal Auditor.
  - (d) The work performed by the internal auditor can be used by the External Auditor in this case if the architect is not an employee of the company but is in private practice.
10. The Trainee asked whether the audit team is required to perform any procedures for the investment in Coppertile Private Limited:
  - (a) The company need to prepare the consolidated financial statements and the same need to be audited by the auditor and the auditor needs to consider the financial information and also assess regarding the need to use of the work of the component auditor.
  - (b) The auditor needs to perform audit procedures on the investment balances and transactions with related parties.

- (c) The auditor need not perform any procedures as the investment in Coppertile Private Limited was already made in the previous year.
  - (d) Both (a) & (b).
11. The Trainee asked about role of auditor in case the investment in Coppertile Private Limited is increased to 60% in the next year:
- (a) The auditor need not do any additional procedures compared to this year except for audit procedures over the increase in Investment value and its disclosures in the Financial Statements.
  - (b) The auditor should also audit the group consolidated financial statements as the consolidation becomes applicable for the company being the investment is raised from 45% to 60%.
  - (c) The auditor needs to audit the subsidiary's books of accounts to get comfort over the balances in the material subsidiary. Thus, the audit strategy will change for verifying the investment.
  - (d) The auditor can either on its own, audit the subsidiary or use the work of another auditor to get comfort over the balances in the subsidiary from the next year.
12. The company has requested its previous auditor to give back its audit documentation ("working papers") and warned the previous auditor with legal notice to submit them back to the company showing the confidentiality clause:
- (a) The previous auditor is bound to return the workpapers as the company has raised the confidentiality clause over the audit firm. Thus, SA 230 is not applicable in such a scenario as the original owner itself requests you to return the working papers.
  - (b) The auditor has a right over its working paper, and he is the owner of the workpapers, but he cannot give the workpapers to any person even at the request of the company.
  - (c) The auditor has a right over its working paper, and he is the owner of the workpapers and he may give at his discretion make available the workpapers to the company.
  - (d) The auditor has a right over its working papers but the owner of them is the company. He should make available the workpapers to

the company at its request and SQC 1 mandates the auditor to make copies made available to its clients.

**Case Scenario III [MCQ 13-15]**

FinAp Deposit Limited, a NBFC registered with RBI under section 45-IA of the RBI Act and listed on National Stock Exchange, appointed GRN & Co. Chartered Accountants as their statutory auditor for the financial year ending on 31 March 2023. Mr. Ankush the audit partner of GRN & Co. extracted the monthly net owned fund position from the books of FinAp Deposit Limited.

Month Net Owned Funds (as calculated based on monthly position)

Month	Net Owned Funds (as calculated based on monthly position)
April 2022	₹ 350 Lakh
May 2022	₹ 350 Lakh
June 2022	₹ 320 Lakh
July 2022	₹ 310 Lakh
August 2022	₹ 290 Lakh
September 2022	₹ 250 Lakh
October 2022	₹ 240 Lakh
November 2022	₹ 190 Lakh
December 2022	₹ 180 Lakh
January 2023	₹ 240 Lakh
February 2023	₹ 270 Lakh
March 2023	₹ 310 Lakh

During the year, Mr. Ankush recommended to the Board and Audit Committee the appointment of internal auditors. However, the Board rejected this recommendation due to budget constraints. They assured that they would consider establishing an internal audit department within the Company next year.

Based on the above facts, answer the following:-

13. Mr. Ankush reported, under Clause 3(A)(III) of Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank)



Directions, 2016, that Good Deposit Limited is not eligible to hold its Certificate of Registration under section 45-IA of the RBI Act, as during the year the Net Owned Funds went below the minimum required limit. Management of the NBFC had a different opinion that a certificate pertaining to the Net Owned Funds from the statutory auditor is required with reference to the position of the Company as at the end of the financial year ended 31 March and not based on each month's position. Kindly guide Mr. Ankush with respect to the requirement under Master Direction.

- (a) Every NBFC shall submit a certificate from its statutory auditor that it is eligible to hold a Certificate of Registration under Section 45-IA of the RBI Act. Such a certificate should be with reference to the position of the company as of the end of the financial year ended 31 March.
  - (b) Every NBFC shall submit a Certificate from its statutory auditor that it is eligible to hold a Certificate of Registration under Section 45-IA of the RBI Act. Such a certificate should be with reference to the position of the company as of the end of each month.
  - (c) Every NBFC shall submit a Certificate from its statutory auditor that it is eligible to hold a Certificate of Registration under Section 45-IA of the RBI Act. Such a certificate should be with reference to the position of the company throughout the financial year.
  - (d) Only NBFC-MFI shall submit a Certificate from its statutory auditor that it is eligible to hold a Certificate of Registration under Section 45-IA of the RBI Act. Such a certificate should be with reference to the position of the company throughout the financial year.
14. Mr. Ankush wants to highlight the matter with respect to the absence of internal audit function in his audit report under the Emphasis of Matter paragraph. However, management was of the view that the audit partner was not right by disclosing the said matter in his audit report as it was an internal matter, and the audit team had not identified any material evidence which could impact the opinion of the auditor. Kindly guide Mr Ankush whether proposed reporting under Emphasis of Matter (EOM) para in the Audit Report is correct.
- (a) EOM paragraph included in auditor's report refers to a matter appropriately presented or disclosed in the financial statements

that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. Hence reporting under EOM is correct.

- (b) EOM paragraph included in auditor's report refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, auditor's responsibilities or auditor's report. Hence reporting under EOM is incorrect.
  - (c) EOM paragraph included in auditor's report refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. Hence reporting under EOM is incorrect.
  - (d) EOM paragraph included in auditor's report refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, auditor's responsibilities or auditor's report. Hence reporting under EOM is correct.
15. Kindly guide Mr. Ankush regarding areas where he may need to report the absence of internal audit function in the company in Audit Report.
- (a) The auditor is required to report the matter in the Basis of Qualification paragraph of his audit report as the Auditor was unable to place reliance on the internal audit function of the Company.
  - (b) The auditor is required to report the same under Para 3(xiii) of the CARO (Companies Auditor's Report Order), 2020.
  - (c) The auditor is required to report the same under Para 3(xiv) of the CARO (Companies Auditor's Report Order), 2020.
  - (d) The auditor is required to report the said matter in Key Audit Matters as per SA 701, which requires significant professional judgement and user attention.

## **PART II – Descriptive Question (70 Marks)**

*Question No.1 is compulsory.*

*Attempt any **four** questions from the rest.*

1. (a) Whilst the Audit team has identified few matters, they need your advice to conclude on the same. Engagement Partner have asked them to review the Board minutes and other secretarial/ regulatory records based on which the following additional matters were brought to the attention of the Partner: -
- (i) An amount of ₹4.75 Lakhs per month is paid to M/s. MNJ Associates, a partnership firm, which is a 'related party' in accordance with the provisions of the Companies Act, 2013 for the marketing services rendered by them. Based on an independent assessment, the consideration paid is higher than the arm's length pricing by ₹ 0.18 Lakh per month. Whilst the transaction was accounted in the financial statements based on the amounts' paid, no separate disclosure of this related party transaction has been made in the notes to accounts forming part of the financial statements highlighting the same as a 'related party' transaction.
  - (ii) The long-term borrowings from the parent company has no written terms and neither the interest nor the principal has been repaid so far.
  - (iii) Certain computers were received from the parent company free of cost, the value of which is ₹ 0.75 lakh and no accounting or disclosure of the same has been made in the notes to accounts.

Audit Manager has reported that she had asked certain information relating to another 'related party' transaction (amounting to approx. ₹ 35 lakh) but the CFO refused to provide the same since the same is perceived to be confidential and cannot be shared with the auditors.

You are required to advise about items to be reported to those charged with governance, where applicable, based on your audit findings in the given situation. **(5 Marks)**

- (b) It was observed from the modified audit report of the financial statements of Param Limited for the year ended 31st March 2024 that depreciation of ₹ 3.75 crore for the year 2023-24 had been charged off to the Statement of Profit and Loss instead of including it in "carrying value of asset under construction". State in relation to the audit for the year ended 31st March 2024, whether such modification in the previous year's audit report would have any audit implication for the current year and if yes, how would you deal with it in your audit report? **(5 Marks)**
- (c) While conducting the audit of Tex Limited, Mr. Dhanush observed that a substantial amount is recognized in respect of obsolescence of inventory and warranty obligation in the financial statements. Mr. Dhanush wants to obtain written representation from the management to determine whether the assumptions and estimates used are reasonable. Guide Mr. Dhanush with reference to the relevant Standard on Auditing. **(4 Marks)**
2. (a) JPG & Associates, Chartered Accountants, are statutory auditors of VS Limited for the last three years. VS Limited is engaged in the manufacturing and marketing of pharmaceutical goods in India. During 2023-24, the Company has diversified and commenced providing software solutions in "e-commerce" in India as well as in certain European countries. JPG & Associates, while carrying out the audit for the current financial year, came to know that the company has expanded its operations into a new segment as well as a new geography. JPG & Associates does not possess necessary expertise and infrastructure to carry out the audit of this diversified business activities and accordingly wishes to withdraw from the engagement and client relationship. Discuss the issues that need to be addressed before deciding to withdraw. **(5 Marks)**
- (b) Mr. Sanket has been appointed as an auditor of XYZ Limited, a rapidly growing tech company, has recently adopted a range of new digital technologies to enhance its operations. These include robotics, artificial intelligence and blockchain. He seeks guidance on how to effectively conduct an audit in this technologically advanced environment. Explain what are the key steps for auditors in a changing technology environment? **(4 Marks)**

- (c) CA. T, the statutory auditor of Race Limited, a PSU, for the year 2023-24. During the audit, CA. T did not detect any fraud having been committed during that year. However, the C & AG audit staffs, during their routine inspection, found that chief cashier of the company committed fraud in debtor's ledger and absconded with the amount. The investigation made in the fraud revealed that the auditor did not exercise proper skill and care and performed his work improperly.

Comment with reference to the provisions of the Chartered Accountants Act, 1949. **(5 Marks)**

3. (a) Kavyanjali Limited appoints Ridhi & Sidhi as statutory auditors for the financial year 2023-24. Ridhi & Sidhi seems to have different opinions on audit approach to be adopted for audit of Kavyanjali Limited. Sidhi is of the opinion that 100% checking is not required and they can rely on audit sampling techniques in order to provide them a reasonable basis on which they can draw conclusions about the entire population.

Ridhi is concerned whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested.

You are required to guide Ridhi about his role if audit sampling has not provided a reasonable basis for conclusions about the population that has been tested in accordance with SA 530.

**(4 Marks)**

- (b) CA. Ankit is conducting concurrent audit of branch of a public sector bank. It is a large branch having advances of about ₹ 525 crores including export advances of ₹ 450 crores. Some borrowers also get Letter of Credits issued from branch for importing gold from Dubai. He wants to be sure that there is no revenue leakage in branch. For the time being, he is focusing on advances. Discuss any five areas pertaining to advances of the branch. **(5 Marks)**
- (c) NIS Limited, a company registered under the Companies Act, 2013 has created a separate Trust "NIS Employees Gratuity Fund Trust". Both the Company and Trust are under the same management. Mr. Anuj is the auditor of both the entities. Mr. Anuj has observed that some part of the expenditure was not applied

towards the objects of the trust. He informed the matter to the Board of Trustees through a separate report but did not qualify the audit report of the Trust. Comment with reference to the Chartered Accountants Act, 1949, and Schedules thereto. **(5 Marks)**

4. (a) Mr. Ashish was appointed as the engagement partner on behalf of Legacy & Co., a Chartered Accountant Firm, to conduct statutory audit assignment of Capital Limited, unlisted public company.

Mr. Sodi, one of the senior engagement team members, was given the responsibility to audit the matters as per the requirements of CARO, 2020 and in that connection, he made the following observations, that may be relevant for reporting as per the said order:-

Sr. No.	Observations
(i)	One of the Plant and Equipment taken on a lease ('right of use' asset) by Capital Limited was revalued based on the valuation by a registered valuer and the net carrying value of Plant and Equipment in aggregate was changed from ₹ 3 crore to ₹ 3.35 crore.
(ii)	During the year under consideration, the cash credit limit of ₹ 5.10 crore was sanctioned to Capital Limited by BDD Bank based on the security of current assets which was reduced to ₹ 4.75 crore after 6 months. In this connection, quarterly returns have been filed by the company with the BDD bank which are in agreement with Books of Accounts.

You are required to examine the contention of Mr. Sodi regarding reporting of the above observations in accordance with CARO 2020. **(5 Marks)**

- (b) The nine principles in BRSR are categorized into the ESG components of Environment, Social and Governance with two of the nine in Environment, three in social and four in Governance. One of the principle relates to all the initiatives an entity has to take for the benefit of its employees from the point of view of their dignity, health, well-being. Elucidate the essence of core elements associated with the aforesaid principle. **(4 Marks)**

- (c) CA. Suchi is the statutory auditor of RJ Limited for the financial year 2023-24. The company is engaged in the production of electronic products. During the audit, CA. Suchi obtained certain audit evidence of incorrect disclosure of related party transactions and structured finance deals which was not considered with the affirmation leading to misstatement in the financial statements. Discuss how CA. Suchi should deal with the situation in the auditor's report and the different options which can be considered?

**(5 Marks)**

5. (a) Compute the overall Audit Risk if looking to the nature of business there are chances that 40% bills of services provided would be defalcated, inquiring on the same matter management has assured that internal control can prevent such defalcation to 75%. On his part the auditor assesses that the procedure he could apply in the remaining time to complete audit gives him satisfaction level of detection of frauds & error to an extent of 60%. Analyse the Risk of Material Misstatement and find out the overall Audit Risk.

**(5 Marks)**

- (b) One of the independent directors sought information regarding the appointment of internal auditors for following Group Companies in accordance with the Companies Act, 2013 of which certain Financial Information are given below:

Figures are in ₹ crore and correspond to the previous year.

Name	Nature	Equity Share Capital	Turnover	Loan from Bank and PFI	Public Deposits
IDI Limited	Listed	100	190	50	24
TIJ Limited	Unlisted Public	60	190	50	24
MIN Limited	Unlisted Private	60	190	50	-

You are required to evaluate the requirements of the Companies Act, 2013 regarding the appointment of internal Auditors for the Group Companies. Discuss.

**(5 Marks)**

- (c) CA. Rishi is a newly qualified Chartered Accountant in practice and in order to increase his professional practice and client base, entered into an agreement with Mr. Krish, a qualified and experienced registered valuer, to share 18% professional fees for all cases of valuation referred to him by CA. Rishi. Based on this, CA. Rishi received ₹ 1,15,000 during the year 2023-24 from Mr. Krish. Is CA. Rishi guilty of misconduct under the Chartered Accountants' Act, 1949? **(4 Marks)**
6. (a) You are engaged by M/s Anchor Limited to examine and report on prospective financial information which the management of the company has prepared for presentation at an Investor meet program organized by a State Government to attract investment in their state.

The company in its vision document described various plans and proposals of the company with projected financial goals and means to achieve the same and various benefits accruing to the economic development of the State. What important matters will be considered by you while determining the nature, timing, and extent of examination procedure to be applied in the review of the same? **(4 Marks)**

**Or**

CA. Tripti is conducting review of the quarterly financial information of a company of which she is also auditor. She believes that it is necessary to make a material adjustment to the quarterly financial information for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. She has communicated the matter to the CFO and audit committee. However, no response was received even after waiting for a reasonable time. What are the options available to her? **(4 Marks)**

- (b) The Director (Discipline) of the ICAI received information of alleged misconduct against Mr. Nandkishore, the proprietor of NK & Associates, where an event relating to Corporate Social Responsibility was sponsored by NK & Associates, whereby in the sponsorship banner, name of Mr. Nandkishore as 'CA Nandkishore, Proprietor, NK & Associates' was mentioned.



On the basis of above information and along with certain evidence against Mr. Nandkishore, he was found guilty and so he was reprimanded and a fine of ₹ 1 lakh was imposed by an order passed against him dated 21st May, 2023.

Against the said order, Mr. Nandkishore preferred an appeal with the Appellate Authority on 04th June, 2023 by submitting a statement of appeal along with the application form of appeal. During such appellate proceedings, it was discovered that the said statement of appeal contained some facts which were false to which Mr. Nandkishore admitted it to be false and apologized for it.

Mr. Nandkishore has violated which of the provisions of the Chartered Accountants Act, 1949? Comment. **(5 Marks)**

- (c) KBC nationalized bank received an application from a Limited company seeking sanction of a term loan to expand its existing business. In this connection, the Loan Manager of the Bank approaches you to conduct a thorough investigation of the items of the balance sheet of this Limited company and submit a confidential report based on which he will decide whether to sanction this loan or not. List out the major steps an investigating accountant would keep in mind while verifying assets and liabilities included in the balance sheet of the borrower company which has been furnished to the Bank. **(5 Marks)**