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CA EXAM FEEDBACK

Ayush Jhavar

Advance Auditing

29.75 / 60 **49.6%**

13 questions evaluated

6 not attempted

Examiner's actual mark: 25

This score is an **AI estimate**, built by reading your handwriting and comparing it to the official model answer — it's for self-study, not an official grade. Each question below shows what you actually wrote, and the examiner's real mark is shown wherever it's known.

Question-by-question

Question 1a

4.5 / 5

Nest & Co., Chartered Accountants, while conducting an internal review of its system of quality control, identified certain deficiencies...

90.0%

Examiner: 5 / 5

Show full question

Nest & Co., Chartered Accountants, while conducting an internal review of its system of quality control, identified certain deficiencies in its monitoring process. The firm had not carried out any periodic inspection of completed audit engagements for the past two years, as the managing partner considered such inspections unnecessary in the absence of any major audit failure. Further, despite several amendments to professional standards and regulatory requirements during the year, the firm had not evaluated whether its quality control policies and procedures required modification.

The responsibility for monitoring the system had been assigned to an inexperienced staff member who lacked sufficient authority to initiate corrective action. In addition, two complaints alleging non-compliance with professional standards were received during the year but were not formally investigated. In another engagement, a deficiency identified during a review was merely communicated to the personnel concerned, without taking remedial action or performing any follow-up.

With reference to SQC 1, examine whether the firm's monitoring process is appropriate. Discuss the relevant requirements that the firm should consider.

What you wrote

Question 1(a)

As per SQC 1, 'Quality controls for firms providing audit, assurance, Review and Related service engagements', firm quality control policies and procedures ensures that firm monitoring system is Relevant, adequate and operating effectively. Monitoring involves ongoing evaluation of quality control system and Periodic inspection of engagements performed.

A Monitoring system shall consider the following:-

- (i) Whether the QCS is designed and implemented effectively.
- (ii) Whether new developments in the professional standards and regulatory requirement incorporated in the system.
- (iii) Whether remedial actions has been taken against the personnel not complying with the firm QCS.
- (iv) Whether complaints and allegation received for non compliance by firm or its employees has been addressed.

(v) Conducting review of QCS by a partner or any other person having experience and sufficient authority.

In the present case, it was find out during the internal review of Next & Co. chartered accountant that the firm Monitoring process in Quality control system does not consider the above points.

Hence, the firm Monitoring process as per SQC 1 is not appropriate.

How to improve

- Do not use shortcuts like "the firm does not consider the above points" when applying the standard to the case. You must explicitly restate the specific failures from the case facts (e.g., the lack of inspections for 2 years, assigning an inexperienced staff member, failing to investigate complaints, and ignoring amendments) to earn the application marks.
- Expand your conclusion to not only state that the firm's process is inappropriate, but also recommend that the firm needs to strengthen its monitoring process to ensure deficiencies are properly identified, investigated, and addressed.

Covered

State the requirement under SQC 1 for ongoing consideration and evaluation of the firm's system of quality control, including periodic inspection of completed engagements. (1)

The student accurately states that monitoring involves ongoing evaluation of the quality control system and periodic inspection of engagements performed.

Covered

State the requirement to monitor whether the system is appropriately designed/implemented and if new developments in standards and regulations are reflected. (0.5)

The student lists checking if QCS is designed and implemented effectively, and if new developments in standards and regulations are incorporated.

Covered

State the requirement to entrust monitoring responsibility to a partner or person with sufficient experience and authority. (0.5)

The student mentions reviewing QCS by a partner or person with experience and sufficient authority.

Covered

State the requirement to properly deal with complaints and allegations regarding non-compliance. (0.5)

The student mentions checking whether complaints and allegations for non-compliance have been addressed.

Covered

State the requirement to take appropriate remedial actions against personnel and when deficiencies in the system are identified. (0.5)

The student includes the point on whether remedial actions have been taken against personnel not complying with the firm QCS.

Partial

Apply the requirements to the case facts: highlight the firm's failures to conduct periodic inspections, update policies, investigate complaints, assign experienced personnel, and take remedial actions. (1)

The student gestures at the case facts by stating the firm "does not consider the above points," but fails to explicitly highlight the specific failures mentioned in the case (e.g., inexperienced staff, 2 years without inspection, ignored complaints).

Covered

Conclude that Nest & Co. has not complied with the monitoring requirements of SQC 1 and state that the firm needs to strengthen its monitoring process to properly address deficiencies. (1)

The student concludes that the firm's monitoring process as per SQC 1 is not appropriate, which directly answers the prompt, though it omits the secondary point about needing to strengthen the process.

Question 1b

2.5 / 5

Suryodaya Industries Ltd., a listed company, is engaged in manufacturing and distribution of consumer products. During the audit of its...

50.0%

Examiner: 4 / 5

Show full question

Suryodaya Industries Ltd., a listed company, is engaged in manufacturing and distribution of consumer products. During the audit of its financial statements for the year ended 31 March 2026, the auditor, M/s Mehta & Co., Chartered Accountants, identified the following two matters:

(i) The company has significant goodwill arising from an earlier acquisition. During the year, management performed an impairment assessment of the goodwill involving significant assumptions relating to projected cash flows, growth rates and discount rates. The assessment involved a high degree of management judgment and was considered by the auditor to involve a higher risk of material misstatement. The audit team devoted considerable time to evaluate the assumptions and methodology used by management and also involved an auditor's expert to assist in evaluating the valuation methodology and certain significant assumptions. The matter was extensively discussed with those charged with governance.

(ii) On 15th April 2026, a major fire occurred at one of the company's warehouses, resulting in substantial damage to inventory and property. Since the fire occurred after the reporting date, no adjustment was required to the financial statements for the year ended 31st March 2026. The company has, however, appropriately disclosed the nature and estimated financial effect of the event in the notes to the financial statements. The auditor has no disagreement with management regarding the accounting or disclosure of the event and there is no material uncertainty concerning the matter. Nevertheless, considering the magnitude of the fire and its potential impact on the company, the auditor believes that the matter is fundamental to users' understanding of the financial statements.

Distinguish, with reasons, how each matter should be addressed in the auditor's report.

What you wrote

As per SA-701, 'Key Audit Matter', Key audit Matters are those Matters that in the auditors professional judgement are relevant to the user understanding of financial statements. Matters included in the key audit Matters are included from the Matters communicated with Those charged with Governance (i.e. TCWG). It shall be presented in a seperated section in the audit report with heading 'Key Audit Matters'.

And As per SA-706, 'Emphasis of Matter Paragraph and Other Matter

Paragraph'. Emphasis of Matter are those Matters that have been appropriately presented or disclosed in the financial statement by management but in the auditor judgement are relevant to the user. It shall be presented in a separate section in the audit report with heading 'Emphasis of Matter Paragraph'. It shall include a reference to the note disclosed in the financial statement.

So, in the present case,

- (i) An Key audit Matter section shall be inserted for the impairment assessment of the goodwill involving significant assumption, high degree of Management judgement and having high risk of Material misstatement and was extensively discussed with TCWG.
- (ii) An Emphasis of Matter Paragraph shall be inserted in the audit report as a fire occurred in the premises after the reporting date which is a non-adjusting event and has been appropriately disclosed in the financial statement. Also appropriately disclosed considering the users' understanding of the financial statements.

How to improve

- Correct the definition of KAMs. The answer incorrectly defines KAMs using the definition for EOMs ('relevant to user understanding'). Define KAMs as matters of 'most significance' in the audit of the current period, selected from matters communicated with TCWG that required significant auditor attention.
- When concluding that a matter should be included in the KAM section, explicitly state that the auditor's report must explain *why* it was considered a KAM and *how* it was addressed in the audit.
- Explicitly mention that the inclusion of an Emphasis of Matter (EOM) paragraph does not modify the auditor's opinion.
- Explicitly contrast the two matters in a concluding paragraph to directly answer the 'Distinguish' prompt (KAM is based on significant auditor attention/most significance, while EOM is based on the matter being fundamental to users' understanding). Additionally, clarify that an EOM does not automatically make a matter a KAM.

Partial

Define Key Audit Matters (KAMs) as per SA 701, mentioning they are matters of most significance selected from those communicated with TCWG and involving significant auditor attention, judgment, or higher risk. (1)

The student defines KAM incorrectly by using the EOM definition ('relevant to the user understanding') and misses 'most significance' and 'significant auditor

attention'. However, they correctly state that KAMs are selected from matters communicated with TCWG.

Partial

Analyze matter (i) by stating that the goodwill impairment required significant auditor/management judgment, audit effort, and expert involvement, concluding it required significant auditor attention and may constitute a Key Audit Matter. (1)

The student mentions significant assumptions, high degree of management judgment, and high risk of material misstatement, but misses the significant audit effort and the use of an auditor's expert.

Partial

State that for matter (i), it should be communicated in the KAM section of the auditor's report with an explanation of why it was considered a KAM and how it was addressed in the audit. (0.5)

The student states a KAM section shall be inserted, but misses the requirement to explain why it was considered a KAM and how it was addressed in the audit.

Covered

Analyze matter (ii) by identifying the fire as a non-adjusting subsequent event that is appropriately disclosed and fundamental to users' understanding, concluding the auditor may include an Emphasis of Matter (EOM) paragraph under SA 706. (1)

The student correctly identifies the fire as a non-adjusting event, appropriately disclosed, fundamental to users' understanding, and concludes an EOM paragraph is required.

Missing

State that the inclusion of an Emphasis of Matter paragraph does not modify the auditor's opinion. (0.5)

The student does not state that the EOM paragraph does not modify the auditor's opinion.

Partial

Provide a clear distinction: Goodwill impairment is a KAM (due to significant auditor attention/most significance) whereas the fire is an EOM (due to being fundamental to understanding and properly disclosed). (0.5)

The student treats the two matters separately and applies the facts, providing an implicit distinction, but lacks a clear conceptual contrast addressing exactly why one falls under SA 701 and the other under SA 706.

Missing

Clarify that inclusion of an EOM paragraph does not by itself make a matter a KAM, and a matter can only be both if it independently satisfies the requirements of both SA 701 and SA 706. (0.5)

The student does not mention the interaction between EOM and KAM or state that an EOM does not by itself make a matter a KAM.

Question 1c

0.5 / 4

M/s RST & Co. are the statutory auditors of LMN Ltd., a listed entity. The auditor's report on the financial statements for the year...

12.5%

Examiner: 1 / 4

Show full question

M/s RST & Co. are the statutory auditors of LMN Ltd., a listed entity. The auditor's report on the financial statements for the year ended 31st March 2026 was dated 20th May 2026. CA Rituraj, the auditor, had read all the other information that was expected to be included in the annual report and had not identified any material misstatement therein as at that date.

The annual report was subsequently finalised and published on 30th June, 2026. On 5th July, 2026, the auditor became aware that the published annual report contained a statement that the company had successfully commissioned a new manufacturing plant in April, 2026 and that the plant had contributed significantly to the company's revenue for the year ended 31st March 2026.

The auditor notes that the statement is factually incorrect. The plant was actually commissioned only in April 2026, and therefore it could not have contributed to revenue for the year ended 31st March 2026. With reference to SA 720 (Revised), explain the responsibilities of M/s RST & Co. in this situation.

What you wrote

Question 1(c)

As per SA-720 'Auditor Responsibility w.r.t. other information' if a auditor becomes aware that whether Misstatement exist in other information to be published with the financial statement. The shall verify the information from the financial statement and communicate the same to the Management for correction before the issuance of audit report, and the information. However, if auditor becomes aware of Misstatement in other information after the reporting date and after the finalisation and publication of annual report he shall issue a seperate statement describing the Misstatement and request the Management to circulate the same to the stakeholders to whom the annual report has been previously circulated and if the Management fails to circulate the same in that case auditor shall withdraw from the future engagement, if permitted by law, immediately. If not the auditor shall excercise his legal rights and seek legal advice.

Hence, M/s RST & Co. is required to fulfill the above responsibilities with reference to SA 720.

How to improve

- Apply the theory to the case facts. You provided a generic summary of SA 720 but did not mention the specific incorrect statement regarding the new plant's revenue or how the auditor should discuss this specific issue with management.
- State the exact steps required by SA 720 when a misstatement in other information is found after the report date: (1) if corrected, perform necessary procedures; (2) if not corrected, communicate with TCWG; and (3) take appropriate action to bring it to the users' attention.
- Avoid inventing procedures not prescribed by the Standard. SA 720 does not require the auditor to 'issue a separate statement' or 'withdraw from the future engagement'; it requires taking appropriate action considering the auditor's legal rights and obligations to bring the misstatement to users' attention.

Partial

Reference SA 720 "The Auditor's Responsibilities Relating to Other Information" and mention the general responsibility to read and consider other information for material inconsistencies. (0.5)

The student references SA 720 and its title but does not clearly state the general responsibility to read and consider other information for material inconsistencies, instead giving a vague description of verifying misstatements.

Missing

State the requirement that if a material misstatement is found in other information obtained after the auditor's report date and is corrected, the auditor must perform necessary procedures. (0.5)

The student does not mention the requirement to perform necessary procedures if the other information is corrected.

Partial

State the requirement that if the misstatement is not corrected, the auditor must take appropriate action (after communicating with TCWG) to bring it to the attention of the users. (0.5)

The student mentions taking legal advice and exercising legal rights if management fails to act, but misses the crucial step of communicating with those charged with governance (TCWG) and the objective of bringing the misstatement to the users' attention.

Missing

Apply to the facts: Identify that the statement regarding the plant's revenue contribution is factually incorrect and should be evaluated as a material misstatement in Other Information. (0.5)

The student completely fails to apply the standard to the case facts regarding the factually incorrect statement about the plant's revenue contribution.

Missing

Apply to the facts: State that the auditor should discuss the matter with management and request them to correct the material misstatement. (1)

The student provides a generic conclusion but does not state that the auditor should discuss this specific matter with management and request correction.

Missing

Apply to the facts: Conclude that if management refuses to correct the information, the auditor should communicate the matter to those charged with governance (TCWG) and take appropriate further action. (1)

The student misses the application step of communicating with TCWG if management refuses to correct the information in this specific scenario.

Question 2a

4.75 / 5

M/s Aarav & Associates, a firm of Chartered Accountants, has three partners, CA Aarav, CA Bhavna and CA Chirag. During the year 2026-27,...

95.0%

Examiner: 4 / 5

Show full question

M/s Aarav & Associates, a firm of Chartered Accountants, has three partners, CA Aarav, CA Bhavna and CA Chirag. During the year 2026-27, the partners accepted and signed the following tax audit assignments:

Particulars | CA Aarav | CA Bhavna | CA Chirag

--- | --- | --- | ---

Tax audit assignments signed in individual capacity under section 44AB(a)/(b) | 20 | 22 | 12

Tax audit assignments signed as partner of M/s Aarav & Associates under section 44AB(a)/(b) | 42 | 30 | 45

Tax audits relating to persons covered under section 44AE | 4 | 3 | 5

Tax audits relating to persons covered under section 44AD | 3 | 2 | 4

Revised tax audit reports issued during the year | 2 | 3 | 1

CA Aarav contends that since the firm has three partners, the limit of 60 tax audits can be shared among the partners and, therefore, he can accept additional tax audit assignments. CA Bhavna, on the other hand, argues that the tax audits under sections 44AE and 44AD should also be included while determining the limit of 60.

With reference to Chapter VI of the Council General Guidelines, 2008, examine the above contentions and determine whether CA Aarav, CA Bhavna and CA Chirag have complied with the prescribed limit of tax

What you wrote

Question 2(a)

As per council guidelines issued on limits of Tax Audits to be accepted along with signing is restricted to 60 tax audits for each partner of the firm. Also as per recent clarification/ circular it was provided that the limit of 60 audits cannot be shared with other partners in the firm and shall be signed by the partner accepting the same.

For the purpose of calculation of limit following shall be excluded:

- (i) Tax Audit relating to person covered under section 44AF
- (ii) Tax Audit relating to person covered under section 44AD
- (iii) Revised Tax Audit reports issued during the year as these have been counted in the limit while submitting / signing the original report.

In the Present case, the no. of tax audit accepted after considering the above guidelines are:-

I Particulars	I CA Aarav	I CA Bhavna	I CA Chirag
I :---	I :---	I :---	I :---
I In individual capacity	I 20	I 22	I 12
I In capacity as Partner	I 42	I 30	I 45
I Total	I 62	I 52	I 57
I Maximum Permissible limit	I 60	I 60	I 60

Hence, the contention of CA Aarav is incorrect about the tax audit limits can be shared among the partners, but it is also he is incorrect and cannot accept additional tax audit as he has exceeded the Maximum Permissible limit and cannot accept 2 audit exceeding the permissible limit.

Also, CA Bhavna is incorrect about include tax audits u/s 44AF + 44AD in the limits.

Therefore, CA Aarav have not complied with the prescribed limit whereas CA Bhavna & CA Chirag has complied & can accept 8 and 3 More tax audit respectively.

No Revised tax audit reports cannot be considered for this purpose as these have already considered in the limits as a original reports.

How to improve

- Explicitly state the provision that the limit of 60 audits applies to the aggregate of all audits accepted by a member in both their individual capacity and as a partner of a firm(s), rather than only implying it through your calculations.
- Ensure the sections referenced are written clearly (e.g., Section 44AE was read as 44AF, likely due to handwriting ambiguity).

Covered

States the limit is 60 tax audit assignments per member per financial year. (0.5)

The student states that the limit is restricted to 60 tax audits for each partner.

Partial

States the limit aggregates all audits signed by a member in their individual capacity and as a partner of a firm. (0.5)

The student calculates the aggregate of individual and partnership audits in the table, but does not explicitly state the rule in the legal provision section.

Covered

States the limit cannot be distributed or shared between partners in a firm. (0.5)

The student explicitly states that the limit of 60 audits cannot be shared with other partners in the firm.

Covered

States that tax audits under sections 44AE, 44ADA, and 44AD are excluded from the 60-audit limit. (0.5)

The student states that tax audits under section 44AF (likely an OCR/handwriting error for 44AE) and 44AD are excluded.

Covered

States that revised tax audit reports are not taken into account for determining the limit. (0.5)

The student clearly states that revised tax audit reports are excluded.

Covered

Calculates CA Aarav's total as 62 (20 + 42) and concludes he is in non-compliance. (0.5)

The student calculates CA Aarav's total as 62 and concludes he has not complied with the limit.

Covered

Calculates CA Bhavna's total as 52 (22 + 30) and concludes she has complied. (0.5)

The student calculates CA Bhavna's total as 52 and concludes she has complied.

Covered

Calculates CA Chirag's total as 57 (12 + 45) and concludes he has complied. (0.5)

The student calculates CA Chirag's total as 57 and concludes he has complied.

Covered

Concludes that CA Aarav's contention that the limit can be shared among partners is incorrect. (0.5)

The student concludes that CA Aarav's contention about sharing limits is incorrect.

Covered

Concludes that CA Bhavna's contention that audits under sections 44AE and 44AD should be included is incorrect. (0.5)

The student concludes that CA Bhavna's contention to include 44AE (written as 44AF) and 44AD is incorrect.

Question 2b

3.25 / 5

Estage Logistics Ltd. has experienced a significant decline in freight volumes during the year. The company is also in breach of a debt...

65.0%

Examiner: 2 / 5

Show full question

Estage Logistics Ltd. has experienced a significant decline in freight volumes during the year. The company is also in breach of a debt covenant requiring it to maintain a minimum debt-service coverage ratio. In response, the bankers have given a notice to the company stating that they reserve the right to recall the loan facility, although no formal recall notice has been issued so far.

Management has prepared a plan to address the situation, which includes the proposed sale of a non-core division and renegotiation of the existing loan terms. However, the sale has not yet been contracted and discussions with the bankers regarding revised loan terms are still at a preliminary stage.

Based on the above circumstances, explain how the auditor should evaluate management's assessment of going concern, including management's plan to mitigate the identified conditions and discuss the implications for the auditor's report under SA 570.

What you wrote

Question 2(b)

As per SA-570 "Going concern" it is the responsibility of the auditor to assess and evaluate Management assessment of going concern so as to identify whether there exist condition that cast significant doubt on the entity ability to continue as going concern. And if exist, how has Management planned to Mitigate the situation and if not mitigable when it has been appropriately disclosed in the financial statement and whether the financial statement has been prepared accordingly. Also if the auditor finds that the Management assessment of going concern is not appropriate he may request the Management to reconsider/reassess the same, and if the Management does take required action audit shall express Qualified Opinion in his Report.

In the present case, Estage logistics Ltd has experienced

significant decline in volumes during the year and also has breached a debt covenant by not Maintaining Minimum debt-service coverage ratio, which may be demandable at the discretion of bank. Also the Management has planned to sale a non-core division and enter in renegotiation of loan terms, but both of the them are yet at early stage. So, the above circumstances cast a significant doubt on the entity ability to continue as going concern but can be Mitigated by Management Proposed action. Therefore, auditor is only required to include in his report a seperate section with heading "Material Uncertainty Relating to going concern" Mentioning therein the current circumstances and Proposed action plan of Management

How to improve

- Explicitly state that the auditor must critically assess the feasibility, timing, and likely effectiveness of management's mitigation plans. Do not blindly conclude that the conditions 'can be mitigated' without this evaluation.
- When describing the 'Material Uncertainty Related to Going Concern' paragraph, clarify that it should draw attention to the relevant disclosures in the financial statements, rather than the auditor detailing the circumstances and action plans directly in the report.
- Elaborate on why the identified conditions cast doubt on the going concern assumption. For example, explain that the decline in freight volumes indicates deteriorating operating performance and affects future cash flows.
- Improve the clarity of your phrasing around disclosures. Clearly state that if a material uncertainty exists, the auditor must determine whether the financial statements adequately disclose the nature of the uncertainty.

Covered

Reference SA 570 'Going Concern' and state the requirement to evaluate whether management's use of the going concern basis is appropriate and whether a material uncertainty exists. (1)

The student references SA 570 and correctly states the auditor's responsibility to evaluate management's assessment of going concern and identify conditions casting doubt.

Partial

Identify the first condition casting doubt: the sharp decline in freight volumes indicating deteriorating operating performance and affecting future cash flows. (0.5)

The student identifies the decline in freight volumes but does not explain its implications (deteriorating operating performance and impact on future cash flows).

Covered

Identify the second condition casting doubt: the breach of the debt covenant and the bankers' right to recall the facility, causing potential immediate liquidity pressure. (0.5)

The student successfully identifies the breach of the debt covenant and the bank's discretion to demand payment.

Partial

State that the auditor must evaluate management's mitigation plans (sale of division and loan renegotiation) and critically assess their feasibility, timing, and likely effectiveness, rather than merely relying on them, since they are uncontracted and preliminary. (1.5)

The student mentions management's plans and notes they are at an early stage, but fails to explicitly state that the auditor must critically assess the feasibility, timing, and likely effectiveness of these uncontracted plans. Instead, the student assumes they 'can be mitigated'.

Partial

Mention that if a material uncertainty is found to exist, the auditor must determine whether the financial statements adequately disclose the nature of the uncertainty and the relevant conditions. (0.5)

The student mentions checking if the situation has been 'appropriately disclosed in the financial statement', which captures the essence of the step, though the phrasing is slightly confused.

Partial

Explain the reporting implication: if adequate disclosure is made, the auditor should include a separate section in the audit report under the heading 'Material Uncertainty Related to Going Concern', drawing attention to the financial statement disclosures. (1)

The student correctly identifies the heading 'Material Uncertainty Relating to going concern', but incorrectly states that the section should mention the current circumstances and proposed action plan, rather than drawing attention to the financial statement disclosures.

Question 2c

0.0 / 4

Moby Manufacturing Ltd. has substantially automated its accounting and production processes. During the audit of the financial year...

0.0%

Examiner: 0 / 4

Show full question

Moby Manufacturing Ltd. has substantially automated its accounting and production processes. During the audit of the financial year 2026–27, CA Neha observed the following:

- The company's IT team made certain changes to the payroll application directly in the live environment without following the prescribed approval and testing procedures.
- The company has recently upgraded its inventory software, but certain branches continue to use the older version, resulting in errors while transferring inventory data between systems.
- In certain situations where the automated system could not process transactions, employees were permitted to override system-generated entries manually without independent review or proper documentation.
- The company experienced a ransomware incident in which certain financial and customer data became inaccessible and some files were found to be corrupted. The backup arrangements were also found to be inadequate.

Based on the above observations, identify and briefly explain the four risks arising from the use of IT that CA Neha should consider while planning the audit of Moby Manufacturing Ltd.

What you wrote

Question 2(c)

How to improve

- The answer is completely blank except for the question number. You must attempt the question and provide the four risks arising from the use of IT (unauthorised changes, system integration, inappropriate manual intervention, and data loss/corruption) based on the case facts.

Missing

Identify and explain the 'Risk of unauthorised changes to IT applications/ environment', connecting it to the payroll application changes made directly to the live environment without approval/testing. (1)

The student did not write any answer.

Missing

Identify and explain the 'System integration and compatibility risk', connecting it to the different versions of inventory software resulting in incompatibility or errors. (1)

The student did not write any answer.

Missing

Identify and explain the 'Risk of inappropriate manual intervention', connecting it to the manual overrides of system-generated entries without independent review or documentation. (1)

The student did not write any answer.

Missing

Identify and explain the 'Risk of data loss or data corruption', connecting it to the ransomware incident and the inadequate backup arrangements. (1)

The student did not write any answer.

Question 4a

3.0 / 5

Star Textiles Ltd. has adopted an ESG framework for its operations. The Company has recently appointed a new contractor for its...

60.0%

Examiner: 2 / 5

Show full question

Star Textiles Ltd. has adopted an ESG framework for its operations. The Company has recently appointed a new contractor for its manufacturing facility. The contractor offered significantly lower costs than the existing contractor. During the due diligence process, the Company became aware that the contractor had previously faced allegations relating to unsafe working conditions and non-payment of statutory benefits to workers.

The management nevertheless decided to appoint the contractor, stating that the contractor was an independent entity and that the lower cost would improve the Company's profitability. The Company did not undertake any further assessment of the contractor's labour practices or require the contractor to comply with its ESG requirements.

Subsequently, the Company learnt that the contractor had engaged a number of workers through informal arrangements without adequate documentation of their employment terms. The management continued to maintain that such matters were the contractor's responsibility and need not be considered by the Company for its ESG reporting.

- (i) Identify the ESG Pillar primarily involved in the above situation.
- (ii) Explain the relevance of the identified Pillar to the Company's decision.

What you wrote

Question 4(a)

- (i) The ESG pillar primarily involved in the above situation is Social Responsibility.
- (ii) A company is required to be socially responsible while taking any decision as it might have a negative impact on people. In considering its relevance the company is not only required to see that he complies, but it also responsible to see that his suppliers, person in the supply chain and dealers also consider the social responsibility. A company while make decision shall ensure that the work condition is safe, hygienic for its employees (as labour working for the contractors are indirectly employees of the company).
- (iii) The two ESG-Related concerns arising from the company's approach are:
 - (i) As contract has faced allegation previously related to unsafe working the same might be imposed on the company as he is also engaging such practices and not considering ESG Requirements.
 - (ii) While preparing BRSR a company may not in compliance with the principles of Human Capital & its elements.

How to improve

- State the exact name of the pillar as the 'Social Pillar' (rather than just Social Responsibility) and briefly mention its focus on labour practices and human rights when identifying it in part (i).
- When explaining the relevance to the company's decision, explicitly state the requirement for the company to conduct adequate due diligence and establish monitoring mechanisms for its contractors, rather than just stating they are indirectly employees.
- Clearly articulate the specific ESG concerns using standard terminology: 1) Labour and human-rights risk (specifically note the prioritization of cost over risk assessment) and 2) Supply-chain and reputational risk (potential for misleading disclosures).

Partial

Identify the ESG Pillar primarily involved as the Social (S) Pillar, noting its relation to labour practices and human rights in the supply chain. (1)

The student identifies the pillar as 'Social Responsibility' rather than strictly the 'Social' Pillar and does not explicitly note its relation to labour practices and human rights in the answer to part (i).

Covered

Explain the conceptual relevance of the Social Pillar by stating that ESG considerations extend beyond direct employees to include contractors, suppliers, and other business relationships. (1)

The student correctly explains that ESG considerations extend beyond direct employees to include suppliers and persons in the supply chain.

Partial

Apply the relevance to the Company's decision: Conclude that the contractor's independent status does not make its labour practices irrelevant, and that the Company should have conducted appropriate due diligence and monitoring. (1)

The student attempts to refute the 'independent entity' argument by stating the contractor's labourers are indirectly employees, but fails to mention the required action: conducting appropriate due diligence and establishing monitoring mechanisms.

Partial

State the first ESG-related concern (Labour and human-rights risk), highlighting the prioritization of cost over risk assessment and potential violations like unsafe conditions and non-payment of benefits. (1)

The student mentions the allegation of 'unsafe working' but fails to identify the concern as a 'Labour and human-rights risk' or mention the company's prioritization of cost over risk assessment and due diligence.

Partial

State the second ESG-related concern (Supply-chain and reputational risk), explaining that ignoring adverse allegations exposes the company to reputational risks and potentially misleading disclosures, concluding that the company's approach is inconsistent with a comprehensive ESG assessment. (1)

The student mentions that allegations might be imposed on the company (reputational risk) and notes issues with BRSR compliance (disclosure risk), but does not clearly articulate the 'Supply-chain and reputational risk' with the depth expected in the rubric.

Question 4b

2.75 / 5

CA Sameer, a Chartered Accountant in practice, has been appointed as the statutory auditor of XYZ Ltd. for the financial year 2025-26....

55.0%

Examiner: 2 / 5

Show full question

CA Sameer, a Chartered Accountant in practice, has been appointed as the statutory auditor of XYZ Ltd. for the financial year 2025-26. While finalising the terms of his professional engagement, he proposes to charge a fixed statutory audit fee of ₹ 8 lakh. In addition, he proposes to charge a further fee equivalent to 2% of the amount by which the profit of XYZ Ltd. increases as a result of audit adjustments made during the course of the audit.

The management of XYZ Ltd. agrees to the proposal, stating that the additional amount would become payable only if the audit results in an increase in the reported profit.

Separately, CA Sameer is engaged by ABC Ltd., which is not his audit client, to provide litigation-support services in connection with a commercial dispute. For this assignment, he proposes to charge a fee which would become payable only upon the successful outcome of the litigation.

With reference to the Chartered Accountants Act, 1949 and the Chartered Accountants Regulations, 1988, examine the permissibility of the above fee arrangements.

What you wrote

Question 4(b)

As per clause (10) of Part I of the First Schedule of the Chartered Accountant Act, 1949 and the relevant regulation "A CA, in practice shall be deemed to be guilty of professional Misconduct if he :-

Accepts or agree to accepts any fees with respect to his professional employment if such :-

- fee is based on a percentage of profit or
- fee is conditional upon the finding or result of such employment.

Except required by law as applicable in the circumstances."

In the present case, (a) CA Sameer appointed as statutory auditor of XYZ Ltd. proposed to charge a fixed statutory fee of ₹ 8 lakh along with 2% of amount by which profit increases as a result of audit performed.

So Accepting of fees being 2% of profit increase is in violation of the above clause.

Hence, CA Sameer is held guilty.

In the second case, CA Sameer engaged in providing litigation support services in connection with commercial dispute by ABC Ltd proposed to charge fee payable upon successful outcome of litigation is violative of clause (10) above as it is contingent upon result.
Hence, CA Sameer is held guilty.

How to improve

- Learn the specific exceptions under Regulation 192. Contingent fees are permitted for certain non-assurance services, such as litigation-support assignments for non-audit clients. Your conclusion for ABC Ltd. was incorrect because you missed this exception.
- Explicitly cite 'Regulation 192 of the Chartered Accountants Regulations, 1988' instead of vaguely referring to 'the relevant regulation'.

Covered

Cite Clause (10) of Part I of the First Schedule to the Chartered Accountants Act, 1949. (0.5)

The student correctly cited Clause (10) of Part I of the First Schedule to the Chartered Accountants Act, 1949.

Covered

State the rule that a CA is guilty of professional misconduct if they charge or accept fees based on a percentage of profits or contingent upon the findings or results of their professional work. (0.5)

The student accurately stated the rule regarding fees based on a percentage of profits or contingent upon the findings or results.

Partial

Reference Regulation 192 of the Chartered Accountants Regulations, 1988, noting that it restricts such fees subject to prescribed exceptions. (0.5)

The student mentioned 'the relevant regulation' and an exception but failed to explicitly cite Regulation 192 of the Chartered Accountants Regulations, 1988.

Covered

Analyze the XYZ Ltd. scenario by identifying that the 2% additional fee is directly linked to the findings/results of the statutory audit and depends on the extent of audit adjustments. (1)

The student correctly analyzed that the 2% fee in XYZ Ltd.'s case is based on a profit increase resulting from the audit and violates the clause.

Covered

Conclude that the fee arrangement for XYZ Ltd. is not permissible / constitutes professional misconduct. (0.5)

The student correctly concluded that CA Sameer is guilty for the arrangement with XYZ Ltd.

Incorrect

Analyze the ABC Ltd. scenario by explaining that litigation-support for a non-audit client is a non-assurance service and is covered by the exception permitted under Regulation 192. (1)

The student incorrectly analyzed the ABC Ltd. scenario, stating that it violates Clause (10) because it is contingent, completely missing the exception for non-assurance/litigation-support services.

Incorrect

Conclude that the contingent fee arrangement for ABC Ltd. is permissible and does not constitute professional misconduct. (1)

The student incorrectly concluded that CA Sameer is guilty in the ABC Ltd. scenario, missing that such arrangements are permissible under the exceptions.

Question 4c

0.5 / 4

Sky Infrastructure Pvt. Ltd. is bidding for a long-term government project involving construction of smart highways. As part of the...

12.5%

Examiner: 0 / 4

Show full question

Sky Infrastructure Pvt. Ltd. is bidding for a long-term government project involving construction of smart highways. As part of the bidding documents, the company is required to present Prospective Financial Information (PFI) for the next five years to demonstrate its financial viability. CA Jigar has been engaged to examine the Prospective Financial Information. While examining the PFI, CA Jigar observes that the Management has assumed zero increase in construction material costs over five years, even though industry reports predict a steady 6-8% annual increase due to inflation. Further, the company has based its revenue projections on the assumption that it will win two additional large contracts, even though bids are yet to be submitted. Elaborate on the duties of CA Jigar while examining the Prospective Financial Information.

What you wrote

Question 4(c)

While examining prospective financial information which involves an estimate or forecast of profit, a CA shall be maintain independence in such engagement. As per regulations a CA is allowed to engage in make financial forecast or review them but he shall take care that does end up vouching the accuracy of forecast. As if he vouches for such prospective financial information it may create a belief among the users that details provided are true and correct, which may misguide the users. Also, while examining financial information (prospective) CA (i.e. CA Jigar) should check whether the forecast or estimate are

true and reasonable, by considering the industry trend, competitors position, market share, economic trend & geopolitics. Preparing prospective financial information (FI) not considering these might not be true.

Also, a CA shall express any opinion with respect to the forecast he is only required to test the trueness, reasonableness and only certify its particulars are true.

So, in the present case while examining the PFI, CA Jigar observes that management has not correctly assumed the construction material cost as per industry trend and has unreasonably made an assumption about securing two additional contract with any previous conditions or evidence.

So, CA Jigar shall request Management to make the necessary adjustment / consideration before certifying such PFI.

How to improve

- The answer focuses on professional ethics (not vouching for the accuracy of forecasts) rather than the specific auditing standard required here. You must structure your answer around the requirements of SAE 3400 'The Examination of Prospective Financial Information'.
- Explicitly state the auditor's duty to obtain sufficient appropriate evidence regarding whether management's 'best-estimate assumptions' are not unreasonable, and whether 'hypothetical assumptions' are consistent with the purpose of the information. Use this exact terminology.
- Include the specific duties from SAE 3400: verifying that the PFI is properly prepared based on the assumptions, properly presented with adequate disclosures, and prepared on a consistent basis with historical financial statements.
- Always reference the relevant Standard on Auditing (here, SAE 3400) by its name and number at the beginning of your answer to secure technical marks.

Missing

Reference SAE 3400 'The Examination of Prospective Financial Information' and state the auditor's general duty to obtain sufficient appropriate evidence.
(0.5)

The student did not reference SAE 3400 or the general duty to obtain sufficient appropriate evidence.

Partial

State the duty to obtain evidence regarding whether management's best-estimate assumptions are not unreasonable, and whether hypothetical assumptions are consistent with the purpose of the information. (1)

The student mentions checking whether the forecast/estimate is "true and reasonable" and notes the unreasonable assumptions in the case facts, but completely misses the technical terminology of "best-estimate assumptions" and "hypothetical assumptions" required by SAE 3400.

Missing

State the duty to obtain evidence regarding whether the prospective financial information is properly prepared on the basis of the assumptions. (0.5)

The student did not mention the duty to obtain evidence regarding whether the PFI is properly prepared on the basis of the assumptions.

Missing

State the duty to obtain evidence regarding whether the prospective financial information is properly presented and all material assumptions are adequately disclosed (including indicating if they are best-estimate or hypothetical). (1)

The student did not mention the duty regarding proper presentation and adequate disclosure of material assumptions.

Missing

State the duty to obtain evidence regarding whether the prospective financial information is prepared on a consistent basis with historical financial statements, using appropriate accounting principles. (0.5)

The student did not mention consistency with historical financial statements or appropriate accounting principles.

Missing

Mention that principles laid down in other Standards on Auditing should be applied to the extent practicable. (0.5)

The student did not mention applying principles of other Standards on Auditing.

Question 5c

1.5 / 4

CA Rudra, a Chartered Accountant in practice, was approached by Jin Ltd. to assist the company in improving its internal operations. The...

37.5%

Examiner: 2 / 4

Show full question

CA Rudra, a Chartered Accountant in practice, was approached by Jin Ltd. to assist the company in improving its internal operations. The company requested him to review its existing organisational structure, prepare job descriptions for various positions, evaluate the workload of employees and design an appropriate employee incentive scheme. CA Rudra agreed to provide these services for a professional fee. He was not appointed as the statutory auditor or internal auditor of Jin Ltd.

Examine whether acceptance of such assignment by CA Rudra amounts to professional misconduct.

What you wrote

Question 5(c)

As per clause (11) of the part I of the first schedule,
'A CA in practice shall be deemed to be guilty of professional misconduct if he accepts other business or occupation other than those of professional accountant unless permitted by the council to engage in the same.

Council has permitted a CA in practice to engage in Management Consultancy Services if he is not appointed as an statutory auditor or internal auditor of Jin Ltd.

Hence, CA Rudra is not guilty of professional misconduct if he accept such assignment.

How to improve

- Cite the correct statutory provision: Section 2(2)(iv) of the Chartered Accountants Act, 1949, which empowers the Council to permit Management Consultancy and Other Services. While Clause (11) is relevant context, the primary enabler is Section 2(2)(iv).
- Explicitly define the scope of 'Management Consultancy and Other Services' as per the Council's resolution, confirming that it includes organization structure, job description, workload evaluation, and incentive schemes.
- Apply the law to the facts by explicitly stating that the services requested by Jin Ltd. fall under the permissible scope of Management Consultancy and Other Services before concluding.

Partial

Reference to Section 2(2)(iv) and the Council resolution permitting a Chartered Accountant in practice to render "Management Consultancy and other Services" (1)

The student mentioned the Council permitting Management Consultancy Services but incorrectly cited Clause (11) of Part I of the First Schedule instead of Section 2(2)(iv) of the Act as the primary enabler for providing such services.

Missing

State that the scope of "Management Consultancy and Other Services" includes organization structure, job-description, evaluation of workloads, and setting up incentive plans (1)

The student failed to state the scope of 'Management Consultancy and Other Services' or mention that it includes the specific services requested by the company.

Missing

Apply the rules to the case: State that the proposed services by CA Rudra fall within the permissible scope of Management Consultancy and Other Services, hence he is permitted to undertake them (1)

The student did not explicitly state that the proposed services by CA Rudra fall within the permissible scope of Management Consultancy and Other Services.

Covered

Conclusion: CA Rudra is not guilty of professional misconduct (1)

The student correctly concluded that CA Rudra is not guilty of professional misconduct.

Question 6a

1.25 / 5

CA Rig, a recently qualified practicing Chartered Accountant, got his first audit assignment of KaM (P) Ltd. for the financial year...

25.0%

Examiner: 0 / 5

Show full question

CA Rig, a recently qualified practicing Chartered Accountant, got his first audit assignment of KaM (P) Ltd. for the financial year 2025-26. He obtained all the relevant appropriate audit evidence for the items related to Statement of Profit and Loss. However, while auditing the Balance Sheet items, CA. Rig failed to obtain sufficient audit evidence, such as confirmations, for the outstanding Accounts Receivable amounting to ` 230 lakhs, continued as it is from the last year, on the affirmation of the management that there is no receipts and further credits during the year.

Relying merely on the management's affirmation that there were no receipts or further credits during the year, CA Rig excluded the audit of accounts receivable from his audit program, assuming that the amount pertained to the prior year, which had already been audited by the predecessor auditor. Comment on the appropriateness of CA Rig's approach.

What you wrote

Question 6(a)

As per SA 505, external confirmations a auditor is required to send confirmation letters to the trade receivable of the company (being material) it may be positive confirmation, negative confirmation or blank confirmation.

If the auditor is not able to obtain confirmation with respect to the outstanding balance of trade receivable he shall perform alternative procedures such as realisation made during the year and reconciling them with opening balances, which may be a audit procedure to obtain evidence about the opening balances where in the audit of previous year was done by another auditor. For closing balance such procedure may not be appropriate.

However, he may ask the management to facilitate confirmation from the parties. If still he is unable to obtain evidence for forming his opinion he shall express disclaimer of opinion in his audit report.

In the present case, CA Raj relied only on the affirmation made by management with respect to opening balance and had not performed any additional audit procedure to obtain SAAE regarding outstanding balance of trade receivables and relied only on preceador auditor observation.

Hence, the approach of CA Raj is not appropriate.

How to improve

- Base your answer on SA 510 (Initial Audit Engagements) and state the auditor's objectives for opening balances, rather than focusing on SA 505 (External Confirmations).
- Cite SA 580 (Written Representations) and explicitly state the principle that management representations do not provide sufficient appropriate audit evidence on their own.
- Conclude by stating that the auditor is guilty of professional misconduct for gross negligence and failing to exercise due diligence under the Code of Ethics, rather than just concluding the approach is inappropriate.
- Explicitly state the correct course of action the auditor should have taken: requesting a formal written representation AND performing audit procedures on the closing balances.

Missing

Cites SA 510 'Initial Audit Engagements – Opening Balances' and states the auditor's objective regarding opening balances (checking for material misstatements and consistent application of accounting policies). (1)

The student focuses on SA 505 and does not cite SA 510 or state the objectives regarding opening balances.

Partial

Explains that while reliance can be placed on the predecessor auditor's closing balances, audit evidence about opening balances of current assets and liabilities is often obtained as part of current period audit procedures. (0.5)

The student mentions checking current year realizations to obtain evidence for opening balances, which gestures at the concept, but does not clearly state the general rule about relying on predecessor auditors versus current period procedures for current assets.

Missing

Cites SA 580 'Written Representations' and states the principle that written representations do not provide sufficient appropriate audit evidence on their own. (1)

The student does not cite SA 580 or state that written representations alone are not sufficient appropriate audit evidence.

Covered

Applies the facts to the case: CA Rig wrongly excluded verification of Accounts Receivable by relying solely on management's affirmation and the predecessor auditor's work. (0.5)

The student correctly notes that the auditor inappropriately relied only on management's affirmation and the predecessor auditor's observation without performing additional procedures.

Partial

States the specific actions CA Rig should have taken: requested a written representation from management AND performed audit procedures for the Accounts Receivable closing balances. (1)

The student identifies that the auditor should have performed audit procedures, but fails to mention that the auditor should have also requested a formal written representation from management.

Missing

Concludes that CA Rig is guilty of professional misconduct for failing to exercise due diligence or for gross negligence in his professional duties. (1)

The student concludes that the approach is not appropriate but misses the conclusion that the auditor is guilty of professional misconduct.

Question 6b**2.75 / 5**

Comet Logistics Ltd. outsources its entire payroll processing function to an external service organisation, ProPay Solutions, which...

55.0%

Examiner: 1 / 5

Show full question

Comet Logistics Ltd. outsources its entire payroll processing function to an external service organisation, ProPay Solutions, which maintains payroll records, computes salaries and processes statutory deductions on behalf of Comet Logistics Ltd. The auditor of Comet Logistics Ltd. needs to evaluate the design and operating effectiveness of controls at ProPay Solutions relevant to payroll processing.

Discuss the auditor's considerations under SA 402, including the relevance of a Type 1 and Type 2 report obtained from the auditor of service organisation.

What you wrote

Question 6(b)

As per SA 402, where in a user entity has outsourced some of its operation to service organisation so that the user entity can focus only on its business. User auditor performing audit of the user entity while evaluating the controls of the

user entity is required to evaluate the controls of the service organisation. In order to evaluate the controls of service organisation a service auditor is appointed who will either Type 1 or Type 2 report on the service organisation control.

User auditor can rely on the report of service organisation. In order to evaluate the design and operating effectiveness of controls at Pro pay solutions Type 2 report prepared by service auditor will be required. as it contain in addition to the Type 1 report, about operating effectiveness of controls at the service organisation.

Question 6(b)

As per SA-701, 'Key Audit Matters', key audit matters are those matters that in the auditors professional judgement are relevant to the user understanding of financial statements. Matters included in the key audit matters are included from the matters communicated with Those charged with Governance (i.e. TCWG). It shall be presented in a seperated section in the audit report with heading 'Key Audit Matters'.

And As per SA-706, 'Emphasis of Matter Paragraph and Other Matter Paragraph'. Emphasis of Matter are those Matters that have been appropriately Presented or disclosed in the financial statement by management but in the auditor judgement are relevant to the user. It shall be presented in a seperate section in the audit report with heading 'Emphasis of Matter Paragraph'. It shall include a reference to the note disclosed in the financial statement.

So, in the present case,

- (i) An key audit matter section shall be inserted for the impairment assessment of the goodwill involving significant assumptions, high degree of management judgement and having high risk of Material misstatement and was extensively discussed with TCWG.
- (ii) An Emphasis of Matter Paragraph shall be inserted in the audit report as a fire occurred in the premises after the reporting date which is a non-adjusting event and has been appropriately disclosed in the financial statement. Also for this Matter as there is does not exist Material uncertainty relating to going concern assumption "Material uncertainty relating to going concern Assumption" would not be appropriate.

How to improve

- Explicitly state the exact requirement of SA 402: the user auditor must obtain an understanding of the nature and significance of the outsourced services and their effect on the entity's internal controls.
- Provide clear, distinct definitions for Type 1 and Type 2 reports. Explicitly mention that a Type 1 report covers the design of controls at a *specified date*, while a Type 2 report covers operating effectiveness over a *specified period*.
- Include the additional mandatory considerations when relying on a service auditor's report, such as evaluating the competence and independence of the service auditor, and the adequacy of the period covered by the report.
- When applying the standard to the case, explicitly mention the specific outsourced activity (i.e., payroll processing) to thoroughly link the facts to the standard.

Partial

State the requirement under SA 402 for the user auditor to obtain an understanding of the nature and significance of the services provided and their effect on the entity's internal controls. (0.5)

The student states a general need to evaluate controls of the service organisation but misses the specific requirement to obtain an understanding of the nature and significance of the services provided and their effect on internal control.

Partial

Apply the standard to the specific case by noting that the auditor of Comet Logistics Ltd. must consider the controls at ProPay Solutions relevant to the outsourced payroll processing activities. (1)

The student mentions evaluating controls at ProPay Solutions, which applies to the case, but fails to explicitly mention the payroll processing activities.

Partial

Explain that a Type 1 Report provides information on the design of controls at a specified date, but does not provide evidence regarding their operating effectiveness. (1)

The student implies that a Type 1 report does not cover operating effectiveness but fails to define it properly as a report on the description and design of controls at a specified date.

Partial

Explain that a Type 2 Report provides both a description/design of controls and the service auditor's opinion on the operating effectiveness of those controls over a specified period. (1)

The student notes that a Type 2 report covers operating effectiveness in addition to what a Type 1 report covers, but omits that it is the service auditor's opinion over a specified period.

Missing

Mention additional auditor evaluations needed: the competence and independence of the service auditor, the adequacy of the period covered, and whether any subsequent changes to controls occurred. (0.5)

The student completely omits the need to evaluate the service auditor's competence, independence, and the adequacy of the period covered.

Covered

Conclude that a Type 2 report is appropriate for Comet Logistics Ltd. because the auditor must consider both design and operating effectiveness, making a Type 1 report insufficient on its own. (1)

The student correctly concludes that a Type 2 report is required for ProPay Solutions because evaluating both design and operating effectiveness is necessary, which a Type 1 report lacks.

Question 6c**2.5 / 4**

Mr. Chetan qualified as a Chartered Accountant on 18 July 2026 and commenced practice on 15 August 2026. On 16 August 2026, a candidate...

62.5%

Examiner: 2 / 4

Show full question

Mr. Chetan qualified as a Chartered Accountant on 18 July 2026 and commenced practice on 15 August 2026. On 16 August 2026, a candidate approached him for engagement as an articled assistant. While agreeing to pay the stipend prescribed by the ICAI, Mr. Chetan also offered the candidate 1% of the profits of his CA firm as an additional payment. The candidate accepted both the prescribed stipend and the 1% share of profits. Subsequently, the ICAI objected to the payment of 1% of the firm's profits. Mr. Chetan replied that the additional payment was being made only to financially support the articled assistant, whose financial position was weak.

Is Mr. Chetan liable to professional misconduct?

What you wrote

Question 6(c)

As per clause (2) of part 1 of the First schedule, 'A CA in practice shall be deemed to be guilty of professional Misconduct if he pays or allows or agrees to pay any share, commission or brokerage, in any fees or profit of his professional business to any person other than

- a chartered accountant in practice, or
- a partner, retired partner or legal representative of retired partner, or
- a Member of prescribed professional body or such person with such qualification as may be prescribed.

Also, the council has prescribed that no share of profits shall be shared with the article assistant working under the Member.

Hence, in the present case Mr. Chetan is liable for professional Misconduct as he is held guilty under clause (2) of part 1 of First schedule.

How to improve

- Always include the name of the Act ('Chartered Accountants Act, 1949') when citing the schedule and clause.
- Explicitly apply the provision to the specific facts of the case by addressing the auditor's defense (in this case, that the payment was for financial support) and stating why it is not tenable before jumping to the conclusion.

Partial

Identifies and cites the relevant clause: Clause (2) of Part I of First Schedule to the Chartered Accountants Act, 1949. (1)

The student cited the clause, part, and schedule, but failed to mention the 'Chartered Accountants Act, 1949'.

Covered

Explains the provision that a CA in practice is guilty of professional misconduct if they pay or agree to pay a share of their professional profits to anyone other than permitted individuals (such as a member, partner, etc.). (1)

The student correctly explained the provision regarding the sharing of profits with non-permitted individuals.

Missing

Applies the provision to the case, stating that ICAI's objections are correct and Mr. Chetan's justification of providing financial support to the articulated clerk is not tenable. (1)

The student did not address the specific facts of the case regarding Mr. Chetan's defense (financial support) or explicitly state that his justification is untenable.

Covered

Concludes that Mr. Chetan is guilty of professional misconduct. (1)

The student correctly concluded that Mr. Chetan is guilty of professional misconduct under the relevant clause.

Topics to revise

Ranked by estimated marks lost across this script — start at the top.

Question 2c

–4.0

- Identify and explain the 'Risk of unauthorised changes to IT applications/ environment',...

Identify and explain the 'Risk of unauthorised changes to IT applications/ environment', connecting it to the payroll application changes made directly to the live environment without approval/testing.

- Identify and explain the 'System integration and compatibility risk', connecting it to...

Identify and explain the 'System integration and compatibility risk', connecting it to the different versions of inventory software resulting in incompatibility or errors.

- Identify and explain the 'Risk of inappropriate manual intervention', connecting it to...

Identify and explain the 'Risk of inappropriate manual intervention', connecting it to the manual overrides of system-generated entries without independent review or documentation.

- Identify and explain the 'Risk of data loss or data corruption', connecting it to the...

Identify and explain the 'Risk of data loss or data corruption', connecting it to the ransomware incident and the inadequate backup arrangements.

Question 4c

–2.5

- State the duty to obtain evidence regarding whether the prospective financial information...

State the duty to obtain evidence regarding whether the prospective financial information is properly prepared on the basis of the assumptions.

- State the duty to obtain evidence regarding whether the prospective financial information...

State the duty to obtain evidence regarding whether the prospective financial information is properly presented and all material assumptions are adequately disclosed (including indicating if they are best-estimate or hypothetical).

- State the duty to obtain evidence regarding whether the prospective financial information...

State the duty to obtain evidence regarding whether the prospective financial information is prepared on a consistent basis with historical financial statements, using appropriate accounting principles.

- Mention that principles laid down in other Standards on Auditing should be applied to the...

Mention that principles laid down in other Standards on Auditing should be applied to the extent practicable.

Question 1c

-2.0

- State the requirement that if a material misstatement is found in other information...
State the requirement that if a material misstatement is found in other information obtained after the auditor's report date and is corrected, the auditor must perform necessary procedures.
- Apply to the facts: Identify that the statement regarding the plant's revenue...
Apply to the facts: Identify that the statement regarding the plant's revenue contribution is factually incorrect and should be evaluated as a material misstatement in Other Information.
- Apply to the facts: State that the auditor should discuss the matter with management and...
Apply to the facts: State that the auditor should discuss the matter with management and request them to correct the material misstatement.

Question 5c

-2.0

- State that the scope of "Management Consultancy and Other Services" includes organization...
State that the scope of "Management Consultancy and Other Services" includes organization structure, job-description, evaluation of workloads, and setting up incentive plans
- Apply the rules to the case
Apply the rules to the case: State that the proposed services by CA Rudra fall within the permissible scope of Management Consultancy and Other Services, hence he is permitted to undertake them

SA 720

-1.0

- Apply to the facts: Conclude that if management refuses to correct the information, the...
Apply to the facts: Conclude that if management refuses to correct the information, the auditor should communicate the matter to those charged with governance (TCWG) and take appropriate further action.

Regulation 192

-1.0

- Analyze the ABC Ltd. scenario by explaining that litigation-support for a non-audit...
Analyze the ABC Ltd. scenario by explaining that litigation-support for a non-audit client is a non-assurance service and is covered by the exception permitted under Regulation 192.

Clause (10)

–1.0

- Conclude that the contingent fee arrangement for ABC Ltd
- Conclude that the contingent fee arrangement for ABC Ltd. is permissible and does not constitute professional misconduct.

SA 510

–1.0

- Cites SA 510 'Initial Audit Engagements – Opening Balances' and states the auditor's...
- Cites SA 510 'Initial Audit Engagements – Opening Balances' and states the auditor's objective regarding opening balances (checking for material misstatements and consistent application of accounting policies).

SA 580

–1.0

- Cites SA 580 'Written Representations' and states the principle that written...
- Cites SA 580 'Written Representations' and states the principle that written representations do not provide sufficient appropriate audit evidence on their own.

Question 6a

–1.0

- Concludes that CA Rig is guilty of professional misconduct for failing to exercise due...
- Concludes that CA Rig is guilty of professional misconduct for failing to exercise due diligence or for gross negligence in his professional duties.

Question 6c

–1.0

- Applies the provision to the case, stating that ICAI's objections are correct and Mr
- Applies the provision to the case, stating that ICAI's objections are correct and Mr. Chetan's justification of providing financial support to the articled clerk is not tenable.

Question 1b

–0.5

- State that the inclusion of an Emphasis of Matter paragraph does not modify the auditor's...
- State that the inclusion of an Emphasis of Matter paragraph does not modify the auditor's opinion.

SA 701

-0.5

- Clarify that inclusion of an EOM paragraph does not by itself make a matter a KAM, and a...

Clarify that inclusion of an EOM paragraph does not by itself make a matter a KAM, and a matter can only be both if it independently satisfies the requirements of both SA 701 and SA 706.

SAE 3400

-0.5

- Reference SAE 3400 'The Examination of Prospective Financial Information' and state the...

Reference SAE 3400 'The Examination of Prospective Financial Information' and state the auditor's general duty to obtain sufficient appropriate evidence.

Question 6b

-0.5

- Mention additional auditor evaluations needed

Mention additional auditor evaluations needed: the competence and independence of the service auditor, the adequacy of the period covered, and whether any subsequent changes to controls occurred.

Not attempted

Questions 3a, 3b, 3c, 5a, 5b, 6c_or were not attempted and are excluded from the score above.

"What you wrote" is read from your handwritten script by AI and may contain misreadings. Marks shown per point are an AI estimate split across the question's official total — where your examiner's actual mark is also shown, that one is correct.