CA PADMATA JAIN AUDIT CHAPTER-2 (3)

BASIC CONCEPTS IN AUDITING

Q13 Accounting Policies

E - Inventories, F - Valuation of Fixed Assets
C - Construction Expenditure, G - Goodwill Treatment
C - Long Term Contracts Profits
F - Conversion of Foreign Currency Items
E - Valuation of Investments
R - Treatment of Retirement Benefits
C - "" Contingent Liabilities
D - Method of Depreciation

Q14 Factors influencing AIS judgment as to what is sufficient appropriate evidence

R - TIMBER
R - Degree of Firm's misstatement
T - Type indicated by Accounting Ratios
Type of Information available
M - Materiality E - Experience during previous audits
R - Results of Auditing Procedures

Factors affecting Degree of Risk of Misstatement

E, F, SEM
I - Nature of Items, F - Financial Position of the entity
S - Size and nature of businesses carried out by the IS
E - Adequacy of Internal Control
M - Situations that may exercise unusual Influence on Management
CA PADA M JAIN AUDIT CHAPTER 3
Preparation for an Audit

Q2. Features of Test checking
FIVE JSS
F - Full coverage over a period of time
L - Coverage of material items
V - Variation in method, E - Estimation process
J - Judgement based, S - Scientific
S - Surprise element.

Q4. Items not suitable for Test checking
BSNL BEECS
B - BRS, S - Transaction small in no.
N - Non-Recurring Transaction, L - Trans. recognised
B - B/s items, E - op. + closing balances
E - Matters involving estimation
S - Seasonal Industry
A - Limitations of Test checking
U - BUSH
U - Unreliable, B - Naive & Biased
U - Unscientific, S - Seasonal nature of business
H - Higher Risk.

Q7. Precautions while following Test checking
SENTI SAM
S - Stratification, E - Exceptions, N - No. of Sample Items
T - Test check plan, I - Internal Control
S - Sample selection, A - Audit in Depth
M - Materiality.
C A P A D M A T A I N

AUDIT CHAPTER -3

Preparation for an Audit

Q8 Examination in Depth

- OA - operational, accounting
- RA - Records, Authority
- Representative

Explain the functioning

next time, sample will be smaller

Q10 Advantages of statistical sampling

- OA NCD

O - objective sample, A - Amount of testing
M - estimate Minimum Sample Size
C - derive a Calculated Risk
D - Better Description of large mass of data

Q13 Matters considered to develop overall audit plan

- Self Assessment (available) Key (in)
- LSR, CP

- Conditions requiring Special Attention
  - Internal Auditors, R - nature & timing of
    - Reports, B - Branch Auditor, T - Joint Auditor
  - R - Attuning Policies, I - Terms of Audit engagement
  - R - Reliance on Auditing system and I.C.
  - E - Expects, E - NTE of evidence, L - Legal requirements
  - S - Staff requirements, R - Rotation of emphasis
  - C - Critical audit areas, P - Pronouncements on
    - Attuning & Auditing
Preparation for an Audit

Q.18 Advantages of Continuous Audit

M - Manual check, E - Errors, T - In Touch
with client's business, D - Detailed checking
P - Pressure at the end, U - Acc. up to date
F - Fraud, F- frauds, F - Final Acc

Avoidance of Disadvantages

N - ISBT
N - Nominal Acc, E - Irregular intervals
B - Balances, S - up to a definite stage
T - Ticks

Q.20 Working papers should provide for

CASE [OLTY.]

E - Controlling, T - Formation about the business
S - Evidence, E - Supporting for additional items

Importance of W. papers

DCE sends IQ (Result of) CPRS

D - Demonstrate the audit work
C - Conclusions, E - Evidence, S - SA followed,
E - Evidence, N - NTE of evidence
D - Delegation, S - Supervision & reviews of work
E - Inspection, Q - Quality control Review.
G - Guidance to audit staff, P - Planning &
performing, R - Responsibility, S - Standardize
the w. papers