

Mock Test Paper - Series I: March 2026

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FINAL COURSE: GROUP I

**PAPER-3: ADVANCED AUDITING, ASSURANCE AND
PROFESSIONAL ETHICS**

1. (c)
2. (c)
3. (d)
4. (c)
5. (b)
6. (d)
7. (a)
8. (d)
9. (d)
10. (a)
11. (c)
12. (b)
13. (c)
14. (d)
15. (a)

PART – II: DESCRIPTIVE QUESTIONS

1. (a) As per SA 320, determining materiality involves the exercise of professional judgment. A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole.

Factors that may affect the identification of an appropriate benchmark include the following:

- The elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses);
- Whether there are items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue or net assets);
- The nature of the entity, where the entity is at in its life cycle, and the industry and economic environment in which the entity operates;
- The entity's ownership structure and the way it is financed (for example, if an entity is financed solely by debt rather than equity, users may put more emphasis on assets, and claims on them, than on the entity's earnings); and
- The relative volatility of the benchmark.

Determining a percentage to be applied to a chosen benchmark involves the exercise of professional judgment. There is a relationship between the percentage and the chosen benchmark, such that a percentage applied to profit before tax from continuing operations will normally be higher than a percentage applied to total revenue.

In the case of RST TechBuild Ltd.:

- (i) **Home Appliances Division:** Since Hone Appliances division generates consistent and regular profits, CA Ananya may consider using profit before tax (PBT) or earnings as the benchmark.
- (ii) **Infrastructure Division (Loss-making):** The Infrastructure Division has reported losses due to external factors (delays, overruns). In such cases, profit-related benchmarks may not be appropriate. Instead revenue or gross profit may be used as benchmarks.

Alternatively, considering its public utility nature, benchmarks like total cost or net cost (expenses less revenues) may be suitable. Where significant assets are involved, total assets may also be relevant.

- (b) A liability is a present obligation of the entity to transfer an economic resource as a result of past events. Instead of fulfilling an obligation to transfer an economic resource to the party that has a right to receive that resource, entities sometimes decide to, for example: -

- (i) settle the obligation by negotiating a release from the obligation;
- (ii) transfer the obligation to a third party; or
- (iii) replace that obligation to transfer an economic resource with another obligation by entering into a new transaction.

In the above situations, an entity has the obligation to transfer an economic resource until it has settled, transferred or replaced that obligation.

In the given situation, the company has written back outstanding liabilities. The company has not settled the obligation by negotiating a release from the obligation from respective vendors. Such an accounting treatment by management is questionable and against the conceptual framework for financial reporting under Ind AS.

CA. Deepa wanted to send external confirmations in accordance with SA 505, "External Confirmations" but management informed her that sending such requests may be used by vendors as proof of existence of liability. In fact, she should display professional skepticism and be alert to the possibility of misstatements in financial statements, if restrained by management from obtaining external confirmations. The reasons advanced by management do not appear to be valid and reasonable. In accordance with SA 505, she should reassess risks and perform alternative audit procedures to mitigate such risks. Besides, she should consider implications of same for her audit opinion.

Further, SA 705, "Modifications to the Opinion in the Independent Auditor's Report" requires that the auditor shall modify the opinion in the auditor's report when: -

- (a) The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
- (b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

SA 705 also states that misstatements in financial statements arise when selected accounting policies are not in accordance with an applicable financial reporting framework. It also states that examples of an inability to obtain sufficient appropriate audit evidence arise from a limitation on the scope of audit imposed by management when management prevents the auditor from requesting external confirmation of specific account balances. Therefore, she needs to issue a modified opinion.

Keeping in view above, her contemplation of including above matters under “Key audit matters” is not proper and is not in accordance with SA 701, “Communicating Key Audit Matters in the Independent Auditor’s Report”. It states that the auditor shall not communicate a matter in the Key Audit Matters section of the auditor’s report when the auditor would be required to modify the opinion in accordance with SA 705 as a result of the matter. Communicating key audit matters in the auditor’s report is not a substitute for the auditor expressing a modified opinion when required by the circumstances of a specific audit engagement in accordance with SA 705.

- (c) As per SQC 1 “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”, a firm should establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements and that reports issued by the firm or engagement partners are appropriate in the circumstances.

In the given situation, the following specific elements of quality control are affected:

- (i) Acceptance and continuance of client relationships and specific engagements: A firm before accepting an engagement should acquire vital information about the client. Such an information should help firm to decide about:
- ◆ Integrity of Client, promoters and key managerial personnel.
 - ◆ Competence (including capabilities, time and resources) to perform engagement.
 - ◆ Compliance with ethical requirements.

In the present case, Loyal & Co. often accepts new engagements based solely on referrals without proper evaluation, which is a clear deficiency in this element.

- (ii) Monitoring: The firm should ensure that policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice. Such policies and procedures should include an ongoing consideration and evaluation of the firm’s system of quality control, including a periodic inspection of a selection of completed engagements. In this case, the firm has been following the same quality

control policies for several years without updating them for changes in professional standards and regulatory requirements, indicating a lapse in monitoring.

Therefore, accepting engagements without properly assessing client integrity and continuing with outdated quality control policies by Loyal & Co. highlights deficiencies in the acceptance and continuance of client relationships and monitoring elements of SQC 1. These elements are crucial to ensure that the firm undertakes only appropriate engagements and its quality control framework remains updated, effective, and compliant with professional and regulatory standards. Strengthening these areas will help the firm in maintaining consistent audit quality, especially in view of its recent growth and engagement with large corporate clients.

2. (a) In the given scenario, CA. Yash, as the statutory auditor of SKY Hospital, is concerned about the effectiveness of controls at the service organization, specifically the system managed by CT Contractors. To address this concern, CT Contractors should provide a Type 2 assurance report from a practicing chartered accountant as per SA 402, "Audit Considerations Relating to an Entity Using a Service Organisation". This report will offer an opinion on the description of the system in use at SKY Hospital, as well as evaluate the effectiveness of the controls implemented by CT Contractors.

Using a Type 2 report as audit evidence that controls at the service organisation are operating effectively: If, the user auditor plans to use a Type 2 report as audit evidence that controls at the service organisation are operating effectively, the user auditor shall determine whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the user auditor's risk assessment by:

- (a) Evaluating whether the description, design, and operating effectiveness of controls at the service organisation is at a date or for a period that is appropriate for the user auditor's purposes;
- (b) Determining whether complementary user entity controls identified by the service organisation are relevant to the user entity and, if so, obtaining an understanding of whether the user entity has designed and implemented such controls and, if so, testing their operating effectiveness;
- (c) Evaluating the adequacy of the time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; and
- (d) Evaluating whether the tests of controls performed by the service auditor and the results thereof, as described in the service auditor's report, are

relevant to the assertions in the user entity's financial statements and provide sufficient appropriate audit evidence to support the user auditor's risk assessment.

- (b) In a case where the parent's auditor is not the auditor of all the components included in the consolidated financial statements, then as prescribed in SA 706, if the auditor considers it necessary to make reference to the audit of the other auditors, the auditor's report on the consolidated financial statements should disclose clearly the magnitude of the portion of the financial statements audited by the other auditors. This may be done by stating aggregate rupee amounts or percentages of total assets, revenues and cash flows of components included in the consolidated financial statements not audited by the parent's auditor.

In the given situation, CA Ritu, the statutory auditor of the consolidated financial statements, is not the auditor of all components included in the consolidation and intends to refer to the work of other auditors, such reference must be made through an Other Matter paragraph in the auditor's report. The draft "Other Matter Paragraph" is as under:

Other Matter Paragraph

We did not audit the financial statements and other financial information, in respect of eight (8) subsidiaries, whose financial statements include total assets of ₹ 1,900 crores as at March 31, 2025, and total revenues of ₹ 1,300 crores and net cash outflow of ₹ 35 crores for the year ended on that date. These financial statements and other financial information have been audited by other auditors and such financial statements, other financial information and auditor's reports have been furnished to us by the management of the Holding Company.

Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of such other auditors.

Four of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India.

We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us. Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

(c) **Impact of cyber risk:** Cyber-attack can impact one, two or more types of risks. The impact of the attack would vary from organization to organization and most importantly from attack to attack. Some of the indicative areas can be:

- Regulatory costs.
- Business interruptions causing an operational challenge for an organization.
- Data loss, reputational loss and litigation.
- Ransomware - more common these days where entire systems are encrypted.
- Intellectual property theft which may not only take the competitive advantage, but we may also result in any impairment/impediment charge because of the loss of IP.
- Incident response cost which could be for investigations & remediations.
- Breach of Privacy, if personal data of a consumer is hacked it could have a significant impact on the organization.
- Fines and penalties.

3. (a) As per SA 570 "Going Concern", if the auditor concludes that the management's use of going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditors shall determine whether the financial statements:

- (A) Adequately disclose the principal events or conditions that make a significant doubt on the entity's ability to continue as a going concern and management's plan to deal with these events or conditions, and
- (B) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on entity's ability to continue as

a going concern and therefore, that it may be unable to realize its assets, and discharge its liabilities in the normal course of business.

- (C) The disclosures may include:
- i. Management's evaluation of the significance of the events or conditions relating to the entity's ability to meet its obligations; or
 - ii. Significant judgements made by management as a part of its assessment of the entity's ability to continue as a going concern
 - iii. Disclosures about the magnitude of the potential impact of the principal events or conditions, and the likelihood and timing of the occurrence.
 - iv. The auditor shall express an unmodified opinion and the auditor's reports shall include a separate section under the heading "Material Uncertainty Related to Going Concern" to:
 - Draw attention to the note in the financial statement that discloses the events or conditions and
 - State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and the auditor's opinion is not modified in respect of the matter and how the matter was addressed in the audit.

In the given case, it was observed that KIN Ltd. has incurred recurring losses and is facing negative operating cash flows, indicating financial difficulty. However, the management has prepared the financial statements on a going concern basis and has adequately disclosed the relevant events and conditions, along with its plans to improve liquidity, clearly stating regarding material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. Further, the auditor is also satisfied that the use of the going concern assumption is appropriate and the disclosures are adequate based on the audit evidence. Accordingly, the auditor shall express an unmodified opinion and include a separate paragraph under the heading "Material Uncertainty Related to Going Concern" in the auditor's report, drawing attention to the relevant disclosures without modifying the opinion in line with SA 570 (Revised) "Going Concern".

(b) Given situation can be visualised in following parts:

(I) Mr. Amit is involved in paper-setting for the Accountancy subject in the school where he studied. He also owns agricultural land and does agriculture activities: As per Clause 11 of Part I of First Schedule of the Chartered Accountants Act and regulation 190A of Chartered Accountants Regulations, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of chartered accountant unless permitted by the Council so to engage.

Further, Regulation 190A mentions the 'Permissions granted Generally' to engage in a certain category of occupations, for which no specific permission of Council is required. Those cases include:

- Valuation of papers, acting as paper-setter, head examiner or a moderator, for any examination.
- Owning agricultural land and carrying out agricultural activities.

Therefore, in the given case, the activities of Mr. Amit as a paper-setter and involvement in agricultural activities do not make him guilty of professional misconduct.

(II) **Mr. Amit was discharged insolvent: Disabilities for the Purpose of Membership** : Section 8 of the Chartered Accountants Act, 1949 enumerates the circumstances under which a person is debarred from having his name entered in or borne on the Register of Members, If he, being a discharged insolvent, has not obtained from the court a certificate stating that his insolvency was caused by misfortune without any misconduct on his part. Here it may be noted that a person who has been removed from membership for a specified period shall not be entitled to have his name entered in the Register until the expiry of such period.

In addition, failure on the part of a person to disclose the fact that he suffers from any one of the aforementioned disabilities would constitute professional misconduct. The name of the person, who is found to have been subject at any time to any of the disabilities discussed in section 8, can be removed from the Register of Members by the Council.

In the given case, it is clearly stated that Mr. Amit was discharged insolvent, and he has also obtained from the court a certificate stating that his insolvency was caused by misfortune without any misconduct on his part. Hence, Mr. Amit has not violated the provisions of Section 8, and he is not debarred from having his name entered in the Register of Members.

- (c) **Intellectual Capital:** Key element in an organization's future earning potential, with a tight link and contingency between investment in R&D, innovation, human resources, and external relationships, which can determine the organization's competitive advantage.

Social Capital:

- Institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being.
- Includes:
 - o Common values and behaviour.
 - o key relationships, the trust and loyalty that an organization has developed and strives to build and protect with customers, suppliers, and business partners.
 - o an organization's social license to operate.

In the given case, the initiatives undertaken by Omega Technologies Ltd. primarily contribute to Intellectual Capital in (i) and (ii), while Social Capital is relevant in (iii) and (iv).

4. (a) As per Clause (1) of Part III of First Schedule to the Chartered Accountants Act, 1949 a member shall be deemed to be guilty of professional misconduct, if a Chartered Accountant, in practice or not, not being a fellow of the Institute, acts as a fellow of the Institute.

Further, as per Clause (2) of Part III of First Schedule to the Chartered Accountants Act, 1949 a member shall be deemed to be guilty of professional misconduct if he, in practice or not, does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority.

In the given case, Mr. Rohan being an Associate member of the Institute of Chartered Accountants of India, incorrectly used the designation "FCA" on his visiting cards and professional correspondence. He also failed to respond to the Institute's letters regarding his involvement in activities unrelated to his practice despite multiple reminders.

Further, Mr. Arjun, another partner of the firm, continued to train an articled clerk though his name was removed from the Register of Members of the Institute. Also, he had failed to send any reply to the Institute asking him to send his explanation

as to how he was training as his articled clerk when he was not a member of the Institute.

In view of above, Mr. Rohan will be held guilty of professional misconduct under Clause (1) & Clause (2) of Part III of First Schedule of the Chartered Accountants Act, 1949. Whereas Mr. Arjun is guilty of professional misconduct under Clause (2) of Part III of the First Schedule of the Chartered Accountants Act, 1949.

- (b)** In the given case, it is a “Compliance Audit” performed by Office of Comptroller & Auditor General of India.

Compliance audit is an independent assessment of whether a given subject matter is in compliance with the applicable criteria.

This audit is carried out by assessing whether activities, financial transactions and information comply in all material respects with the regulatory and other rules which govern the audited entity. Compliance auditing is concerned with: -

- (i) Regularity- adherence of the subject matter to the formal criteria emanating from relevant laws, regulations, and agreements applicable to the entity.
- (ii) Propriety- observance of the general principles governing sound financial management and the ethical conduct of public officials.

While regularity is emphasized in compliance auditing, propriety is equally pertinent in the public sector context, in which there are certain expectations concerning financial management and the conduct of officials.

Under Article 151, audit reports of the C&AG relating to the accounts of the Central/ State Government should be submitted to the President/Governor of the State who shall cause them to be laid before Parliament/State Legislative Assemblies.

In the given situation, the report relates to the State Department. Therefore, report was likely to have been submitted to Governor of state to be laid before State legislative assembly.

- (c)** The auditors, Evan & Co. wanted to ensure and obtain sufficient appropriate audit evidence regarding the presentation and disclosure of segment information in accordance with the applicable financial reporting framework by obtaining an understanding of the methods used by management in determining segment information. SA 501 guides in this regard. As per SA 501- “Audit Evidence— Specific Considerations for Selected Items”, example of matters that may be relevant when obtaining an understanding of the methods used by management

in determining segment information and whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework include:

- (i) Sales, transfers and charges between segments, and elimination of inter-segment amounts.
- (ii) Comparisons with budgets and other expected results, for example, operating profits as a percentage of sales.
- (iii) The allocation of assets and costs among segments.
- (iv) Consistency with prior periods, and the adequacy of the disclosures with respect to inconsistencies.

5. (a) **Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists:** As per SA 720, "The Auditor's Responsibility in Relation to Other Information", descriptions of trends in market prices of key commodities or raw materials is an example of amounts or other items that may be included in the other information.

The auditor's discussion with management about a material inconsistency (or other information that appears to be materially misstated) may include requesting management to provide support for the basis of management's statements in the other information. Based on management's further information or explanations, the auditor may be satisfied that the other information is not materially misstated. For example, management explanations may indicate reasonable and sufficient grounds for valid differences of judgment.

Auditor's duties with regard to reporting in the given case are given hereunder:

As per SA 720, "The Auditor's Responsibility in Relation to Other Information", if the auditor concludes that a material misstatement of the other information exists, the auditor shall request management to correct the other information. If management:

- (i) Agrees to make the correction, the auditor shall determine that the correction has been made; or

- (ii) Refuses to make the correction, the auditor shall communicate the matter with those charged with governance and request that the correction be made.

Contention of the Engagement Partner of the firm that auditors are not concerned with such disclosures made by the management in its annual report, is not correct.

- (b) In the given case of Rishabh Ltd., several developments during the year may give rise to risks affecting the preparation and reliability of financial statements. As part of the entity's risk assessment process, management identifies and evaluates such risks that may affect financial reporting.

The circumstances and their impact are as follows:

- (i) **Changes in operating environment:** Changes in the regulatory or operating environment can result in changes in competitive pressures and significantly different risks.
- (ii) **New personnel:** New personnel may have a different focus on or understanding of internal control.
- (iii) **New or revamped information systems:** Significant and rapid changes in information systems can change the risk relating to internal control.
- (iv) **Rapid growth:** Significant and rapid expansion of operations can strain controls and increase the risk of a breakdown in controls.
- (v) **New technology:** Incorporating new technologies into production processes or information systems may change the risk associated with internal control.
- (vi) **New business models, products or activities:** Entering into business areas or transactions with which an entity has little experience may introduce new risks associated with internal control.
- (vii) **Corporate restructurings:** Restructurings may be accompanied by staff reductions and changes in supervision and segregation of duties that may change the risk associated with internal control.
- (viii) **Expanded foreign operations:** The expansion or acquisition of foreign operations carries new and often unique risks that may affect internal control, for example, additional or changed risks from foreign currency transactions.

(ix) **New accounting pronouncements:** Adoption of new accounting principles or changing accounting principles may affect risks in preparing financial statements.

(c) **Sharing Fees with an Articled Clerk:** As per Clause (2) of Part I of First Schedule to the Chartered Accountants Act 1949, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualification as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

In view of the above, the objections of the Institute of Chartered Accountants of India, as given in the case, are correct and reply of Mr. Venkat, stating that he is paying 0.5 % profits of his firm over and above the stipend to help the articled clerk as the position of the articled clerk is weak is not tenable.

Hence, Mr. Venkat is guilty of professional misconduct in terms of Clause (2) of Part I of First Schedule to the Chartered Accountants Act 1949.

6. (a) As per SAE 3400 "The Examination of Prospective Financial Information", Prospective financial information can be in the form of a forecast, a projection, or a combination of both.

"Forecast" means prospective financial information prepared on the basis of:

- Assumptions as to future events which management expects to take place and
- The actions management expects to take as of the date the information is prepared (best-estimate assumptions- an assumption that reflects anticipated experience with no provision for risk of adverse deviation).

Example- In present market conditions, supply availability, historical buying patterns and seasonal trends, the CFO of X Ltd. expects sales to increase by 5% over the next quarter. Therefore, a 5% sales increase is his financial forecast for the period.

“**Projection**” means prospective financial information prepared on the basis of:

- Hypothetical assumptions about future events and management actions which are not necessarily expected to take place, such as when some entities are in a start-up phase or are considering a major change in the nature of operations; or
- A mixture of best-estimate and hypothetical assumptions (imagined or suggested)

Example - X Ltd. may project a course of action to take when one or more hypothetical situations arise, such as creating a new product to meet the demand of expected market growth. As a result of assuming the possibility of different events occurring, financial projections typically serve as an outline for evaluating the desired outcomes X Ltd. expects to see, including its financial, cash flow and operational outcomes.

Prospective financial information relates to events and actions that have not yet occurred and might not occur. While evidence may be available to support the assumptions on which the prospective financial information is based, such evidence is itself generally future- oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in the examination of historical financial information. Therefore, an opinion as to whether the results shown in the prospective financial information will be achieved cannot be expressed.

- (b) (i) **Loan granted without proper appraisal and sanction:** In the given case, the cash credit facility granted to Bright Metals Pvt. Ltd. was based mainly on the recommendation of the branch credit officer and the credit file did not contain adequate evidence regarding appraisal of the borrower’s creditworthiness or approval by the competent sanctioning authority. As per the control requirements relating to loans and advances in banks, advances should be granted only after the bank satisfies itself regarding the creditworthiness of the borrower and after obtaining sanction from the proper authorities. Hence, granting the advance without proper appraisal and sanction constitutes a lapse.
- (ii) **Disbursement of loan before execution of necessary documents:** The auditor observed that in borrower account of Rajul Enterprises the loan amount was disbursed before execution of loan documents such as the demand promissory note and letter of hypothecation. However, all

necessary documents such as agreements, demand promissory notes and letters of hypothecation should be executed before advances are made. Therefore, disbursement of funds before execution of documents represents a procedural lapse.

- (iii) **Securities not registered in the name of the bank:** It was observed that certain pledged securities requiring registration were not registered in the name of the bank and supporting title documents were not available. As per prescribed procedures, all securities requiring registration should be registered in the name of the bank or otherwise accompanied by documents sufficient to establish the bank's title. Hence, failure to ensure proper registration of securities constitutes a lapse.
 - (iv) **Improper custody of securities:** The auditor noticed that certain pledged securities were kept in the custody of a single officer instead of being maintained under joint custody. As per control requirements, all securities should be received and returned by responsible officers and kept in the joint custody of two such officers. Therefore, keeping securities under the custody of a single officer indicates weakness in internal control over safeguarding of securities.
 - (v) **Failure to maintain prescribed margin against securities:** In certain cash credit accounts secured by inventory, the branch had not maintained the prescribed margin against securities in accordance with the directives of the Reserve Bank of India. Banks are required to keep sufficient margin against securities to cover any decline in their value and to comply with RBI directives. Hence, failure to maintain the required margin indicates non-compliance with lending norms.
- (c) As per Clause (6) of Part I of the First Schedule of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means.

Mr. Arpit is wrong in seeking clients through family and friends. Creating a website does not constitute a non-compliance provided it is in line with the Guidelines issued by the Institute in this regard. One such guideline specifies that the website

should not be in push mode. Furthermore, mentioning the names of clients is also prohibited under these Guidelines.

In the given situation, Mr. Arpit shared the website address on all his social media posts and stories and tagged 30 traders of his local community with the caption “Easy Online Stock Certification Services” mentioning his current clients as well. This is in complete contravention of the Guidelines on the website issued by the ICAI.

Thus, CA Arpit would be held guilty of professional misconduct under clause 6 of Part I of First Schedule of the Chartered Accountants Act, 1949.

OR

- (c) As per SA 810 “Engagements to Report on Summary Financial Statements”, the auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor’s opinion on the summary financial statements:
- (i) Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial statements.
 - (ii) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
 - (A) From whom or where the audited financial statements are available;
or
 - (B) The law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
 - (iii) Evaluate whether the summary financial statements adequately disclose the applied criteria.
 - (iv) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be re-calculated from the related information in the audited financial statements.

- (v) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
- (vi) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- (vii) Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements.