

Chapter 2

AUDIT STRATEGY, AUDIT PLANNING AND AUDIT PROGRAMME

Q1. The auditor should obtain an understanding of the regulatory and other external factors of the client organization. Explain such factors.

Q2. What activities should the auditor undertake prior to the start of an initial audit while planning the audit of the financial statements?

Q3. State with reasons (in short) whether the following statements are correct or incorrect:

- a) The preparation of the financial statements is the responsibility of the management and while preparing the audit strategy and audit plan the management should involve the auditors.
- b) The engagement partner should involve the other key members of the engagement team while planning an audit of financial statements.
- c) The auditor should update and revise the audit strategy as and when required, however, the audit plan once established cannot be changed during the course of audit.

Q4. Multiple Choice Questions:

- 1) consists of series of verification procedures to be applied to the financial statements and accounts of a given company for the purpose of obtaining sufficient evidence to enable the auditor to express an informed opinion on such statements.
 - a. Benchmarks
 - b. Audit programme
 - c. Overall Audit Strategy
 - d. Audit Plan

- 2) Which of the following is not correct with respect to the audit programme?
 - a. The auditor should prepare a written audit programme.
 - b. The auditor may evolve one audit programme applicable to all businesses under all circumstances.
 - c. While constructing an audit programme auditor should consider all possibilities of error.
 - d. The auditor should stay within the scope and limitation of the assignment while constructing an audit programme.