

Chapter 9

AUDIT OF ITEMS OF FINANCIAL STATEMENTS

Q1. CA Amar is the statutory auditor of XYZ Ltd for the FY 20-21. While verifying the purchases made by XYZ Ltd., CA Amar decided to perform analytical procedures to obtain audit evidence regarding the overall reasonableness of purchase quantity and price of purchases. What all analysis should CA Amar perform? (Refer Page 9.79)

Q2. MNO Ltd. is a company engaged in the business of manufacturing toys. CA Santosh, the statutory auditor of the company wants to verify the Power & fuel expenses of the company for the year under audit. How should CA Santosh verify such expenses? (Refer Page 9.87)

Q3. The auditor of TUV Ltd. wants to verify whether the company has a valid legal ownership right over the inventories recorded in the Balance sheet as on 31.03.2021. What audit procedures should the statutory auditor perform? (Refer Page 9.38)

Q4. State with reasons (in short) whether the following statements are correct or incorrect:

- a) While verifying the inventory, the auditor is required to examine only the financial information related to inventory. (Refer Page 9.37)

- b) The company's cashier should not be present while the cash is being counted by the auditor as the cashier may interfere with such verification process. (Refer Page 9.32)