



## Continuing Professional Development Programme

### A Refresher Course on Current Auditing Standards (HKICPA Programme Code: WSHP18012601)

Programme Dates: 26 January, 3, 6, 8 and 11 February 2018  
Facilitators: Ms Winnie Chan & Ms Grace Lau  
Examination Date: 12 February 2017  
Examination Time: 3:30 pm – 4:30 pm

Time Allowed	<b>1 hour</b>
No. of questions	16 MC Questions

Do not open this question paper until instructed by the facilitator.

You are required to use the appropriate answer sheet to answer all questions in the examination paper. Failure to do so may render your examination script invalid.

This question paper must not be taken out of the examination hall.

Candidate Name: \_\_\_\_\_

Membership No.: \_\_\_\_\_

**Question 1**

Which of the following statements about responses to assessed risks are CORRECT under HKSA 330 The auditor's responses to assessed risks?

- 1 The auditor must design "overall responses" to address the financial statement level risks
- 2 When the approach to a significant risk consists only of substantive procedures, those procedures must include tests of details
- 3 If controls are extremely strong, the auditor need not perform any substantive procedures for any classes of transactions, account balances and disclosures
- 4 If the auditor plans to use audit evidence from a previous audit about the operating effectiveness of specific controls, the auditor does not need to test the controls again in the subsequent years until the controls change

- A (1) and (2) only
- B (2) and (3) only
- C (3) and (4) only
- D (1), (2) and (3) only
- E (2), (3) and (4) only

**Answer 1            A**

- 1 is CORRECT. HKSA 330.5 states that the auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level.
- 2 is CORRECT. HKSA 330.21 states that when the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details.
- 3 is INCORRECT. HKSA 330.18 states that irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.
- 4 INCORRECT. HKSA 330.14(b) states that if there have not been such changes, the auditor shall test the controls at least once in every third audit, and shall test

some controls each audit to avoid the possibility of testing all the controls on which the auditor intends to rely in a single audit period with no testing of controls in the subsequent two audit periods.

**Question 2**

Which of the following audit procedure is mandatory under the current auditing standards (HKSAAs)?

- A Arrange external confirmation over cash and bank balance.
- B Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments
- C Test internal controls on areas of significant risk
- D Perform substantive analytical procedure on large volumes of transactions that tend to be predictable over time and relationships among data exist
- E Attend physical inventory observation arranged by audit client

**Answer 2            B**

- A is not mandatory. The auditor should send bank confirmation requests when the entity's banking activities, including treasury operations, are significant to the audit.
- B is mandatory under HKSA 240.32 irrespective of the auditor's assessment of the risks of management override of controls.
- C is not mandatory. According to HKSA 330.8, the auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls if: (a) The auditor's assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively; or (b) substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.
- D is not mandatory. There are no requirements under HKSA 330 and HKSA 520 that substantive analytical procedures must be performed in every audit.
- E is not mandatory. According to HKSA 501.4, attendance at physical inventory counting is required only if inventory is material to the financial statements.

**Question 3**

Which of the following statements about materiality are INCORRECT?

- 1 Performance materiality provides allowance for detection risk
- 2 Non-compliance of debt covenant is unlikely to be considered as a material misstatement
- 3 There are only two types of materiality levels that need to be determined for each annual audit
- 4 "Clearly trivial" is another expression for "not material"

- A (1) and (3) only
- B (2) and (4) only
- C (1), (2) and (3) only
- D (2), (3) and (4) only
- E All of the above are incorrect

**Answer 3            D**

- 1 is CORRECT. According to HKSA 320.A13, planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.
- 2 is INCORRECT. HKSA 450.11 states that when evaluating the effect of uncorrected misstatements, both the size and nature of the misstatements must be considered. Non-compliance of debt covenant may affect the classification of borrowings and have impact on going-concern etc.
- 3 is INCORRECT. For each audit, the auditor needs to determine at least three types of materiality levels, including materiality for the financial statements as a whole, performance materiality and clearly trivial.
- 4 is INCORRECT. According to HKSA 450.A2, "clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial will be of a

wholly different (smaller) order of magnitude, or of a wholly different nature than those that would be determined to be material, and will be misstatements that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the misstatement is considered not to be clearly trivial.

**Question 4**

For a company incorporated in Hong Kong, which of the following statement is INCORRECT?

- A A separate company secretarial company, owned by a sole proprietor practicing member who is the auditor of Company A, can hold the post of secretary to Company A as long as other criteria including relevant legal and independence requirements are fulfilled
- B Providing advice in relation to company secretarial administration matters does not generally create threats to independence, as long as client management makes all relevant decisions
- C An individual can hold the posts of auditor and secretary to a company
- D Preparation of minutes is an example of routine administrative service to support a company secretarial function
- E Provision of accounting and bookkeeping services to audit clients who are not public interest entities is not prohibited subject to the application of safeguards

**Answer 4            C**

- A is CORRECT. Such structure is not disallowed under the Hong Kong Companies Ordinance, which only disallows an individual to concurrently hold the posts of auditor and secretary to a company.
- B is CORRECT under Paragraphs 290.147 and 291.136 of the Institute's Code of Ethics for Professional Accountants, which clarifies that performing routine administrative services to support a company secretarial function or providing advice in relation to company secretarial administration matters does not generally create threats to independence, as long as client management makes all relevant decisions.
- C is INCORRECT. Please refer to the Institute's Statement 1.303 *General Guidance Restrictions on Appointments as Secretaries and Directors of Audit Clients*:  
[http://app1.hkicpa.org.hk/ebook/HKSA\\_Members\\_Handbook\\_Master/volumel/1\\_303.pdf](http://app1.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volumel/1_303.pdf)

- D is CORRECT. According to 290.146 of the Institute's Code of Ethics for Professional Accountants, if a partner or employee of the firm or a network firm serves as Company Secretary for a financial statement audit client the self-review and advocacy threats created would generally be so significant that no safeguards could reduce the threat to an acceptable level unless the duties and functions undertaken are limited to those of a routine and formal administrative nature such as the preparation of minutes and maintenance of statutory returns, and are permitted by law.
- E is CORRECT. According to 290.168 of the Institute's Code of Ethics for Professional Accountants, the firm may provide services related to the preparation of accounting records and financial statements to an audit client that is not a public interest entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an acceptable level.



**Question 5**

Which of the following statement(s) is/are CORRECT about going concern assumption under HKSA 570?

- 1 Inability to pay creditors on due dates is an example of a condition that could cast doubt about the use of the going concern assumption
  - 2 Reliance on long term borrowings to finance long term assets is an example of a condition that cast doubt about the use of the going concern assumption
  - 3 If management has prepared an assessment of the entity's ability to continue as a going concern then the auditor must check that it covers a period of at least 12 months from the date of financial statements
  - 4 If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, one of the additional audit procedures that the auditor must perform is requesting written representations from management, regarding their plans for future action and the feasibility of these plans
- 
- A (1) only
  - B (1) and (2) only
  - C (1) and (3) only
  - D (1), (3) and (4) only
  - E (2), (3) and (4) only

**Answer 5            D**

- 1 is CORRECT. Inability to pay creditors on due dates is an example of a condition that could cast doubt about the use of the going concern assumption.
- 2 is INCORRECT. Excessive reliance on short term borrowings to finance long term assets would be cause for concern, but using long term funding to finance long term assets does not in itself cast doubt.

- 3 is CORRECT. If management has prepared an assessment of the entity's ability to continue a going concern then the auditor will check that it covers a period of at least 12 months from the date of the financial statements.
- 4 is CORRECT. Refer to HKSA 570.16(e).

**Question 6**

Which of the following statements about fraud in an audit of financial statements under HKSA 240 are CORRECT?

1. There are mainly two types of fraud that cause material misstatements in financial statements. They include manipulation of financial statements and misappropriation of assets
2. High turnover of senior management and inadequate internal controls are examples of fraud risk factors
3. There are two presumed significant risks as required under HKSA 240
4. Testing journal entries is one of the audit procedures to address management override of controls

- A (1) and (2) only  
B (2) and (3) only  
C (1), (2) and (4) only  
D (1), (3) and (4) only  
E All of the above are correct

**Answer 6 E**

- 1 is CORRECT. Refer to HKSA 240.3
- 2 is CORRECT. Refer to Appendix 1 of HKSA 240
- 3 is CORRECT. Refer to HKSA 240.26 and 31.
- 4 is CORRECT. Refer to HKSA 240.32 (a)

**Question 7**

Which of the following statements are CORRECT under HKSA 580 Written representations and HKSA 450 Evaluation of misstatements identified during the audit?

- 1 Written representations from management is required for every annual audit
  - 2 The written representation letter must be dated as near as practicable to, but not after, the financial year end date
  - 3 The auditors request management to represent that they have fulfilled their responsibility for the preparation of the financial statements
  - 4 A list of uncorrected misstatements is included in or attached to the written representation letter
- 
- A (1) and (2) only
  - B (2) and (3) only
  - C (2) and (4) only
  - D (1), (3) and (4) only
  - E All of the above are correct

**Answer 7            D**

- 1 is CORRECT. According to HKSA 580.3, audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Written representations are necessary information that the auditor requires in connection with the audit of the entity's financial statements. Accordingly, similar to responses to inquiries, written representations are audit evidence.
- 2 Is INCORRECT. According to HKSA 580.14, the date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements. The written representations shall be for all financial statements and period(s) referred to in the auditor's report.
- 3 Is CORRECT. According to HKSA 580.10, the auditor shall request management to provide a written representation that it has fulfilled its responsibility for the

preparation of the financial statements in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation, as set out in the terms of the audit engagement

- 4 Is CORRECT. According to Appendix 2 of HKSA 580 and HKSA 450.14, a list of uncorrected misstatement is attached to the written representation letter.

**Question 8**

Which of the following statements about using the work of an auditor's expert are CORRECT under HKSA 620?

- 1 An auditor's expert refers to an individual or organization possessing expertise other than accounting or auditing field
  - 2 The auditor must evaluate the competence, capability and objectivity of the auditor's expert
  - 3 The auditor's report must not refer to the work of an auditor's expert unless required by law and regulations
  - 4 An auditor's expert may be either an internal expert or an external expert
- 
- A (1) and (2) only
  - B (2) and (4) only
  - C (1), (2) and (3) only
  - D (2), (3) and (4) only
  - E All of the above are correct

**Answer 8            E**

- 1 is CORRECT. HKSA 620.6(a) mentions that Auditor's expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence.
- 2 is CORRECT. HKSA 620.9 mentions that the auditor shall evaluate whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity.
- 3 is CORRECT. The engagement partner is solely responsible for the audit opinion of the financial statements and cannot refer to the work of others in the audit opinion unless required by law and regulations.
- 4 is CORRECT. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.

**Question 9**

Which of the following statements about internal control component and control risk are CORRECT?

- 1 Monitoring of controls are the processes to assess the effectiveness of internal control performance over time
  - 2 Control environment sets the tone of an organization influencing the control awareness of its people
  - 3 A company that is based in a highly competitive industry where products have to be developed and launched quickly in order to keep up is more exposed to control risk
  - 4 A company which has suffered from the loss of several senior members of the finance team is more exposed to inherent risk
- 
- A (1) and (2) only
  - B (3) and (4) only
  - C (1), (2) and (3) only
  - D (1), (2) and (4) only
  - E (2), (3) and (4) only

**Answer 9            A**

- 1 is CORRECT. HKSA 315.22 mentions that monitoring of controls refers to activities that the entity uses to monitor internal control over financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates remedial actions to deficiencies in its controls.
- 2 is CORRECT. HKSA 315.A77 mentions that the control environment sets the tone of an organization, influencing the control consciousness of its people.
- 3 is INCORRECT. The risk involved is inherent risk rather than control risk.
- 4 is INCORRECT. The loss of several senior members of the finance team may pose risk to the implementation of internal controls relevant to financial reporting and hence, exposed to control risk.

**Question 10**

Which of the following statement(s) on 'subsequent events' is/are CORRECT under HKSA 560?

- 1 Between the date of the financial statements and the date of the auditor's report, the auditor must perform audit procedures designed to obtain sufficient appropriate evidence that all events that require adjustment or disclosure have been identified
  - 2 After the date the financial statements have been issued, the auditor has no obligations to perform further audit procedures or respond to facts which become known
  - 3 Dividends declared after the year-end is an example of non-adjusting event
  - 4 One of the audit procedures to test subsequent events is to review the latest subsequent interim financial statements, budgets, cash flow forecasts and other management reports.
- 
- A (1) only
  - B (1) and (2) only
  - C (1) and (4) only
  - D (1), (3) and (4) only
  - E (2), (3) and (4) only

**Answer 10            D**

- 1 Is CORRECT. HKSA 560.6 states that the auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. The auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions.
- 2 is INCORRECT. HKSA 560.14 states that after the financial statements have been issued, the auditor has no obligation to perform any audit procedures



regarding such financial statements. However, if, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall: (a) Discuss the matter with management and, where appropriate, those charged with governance; (b) Determine whether the financial statements need amendment; and, if so, (c) Inquire how management intends to address the matter in the financial statements.

- 3 is CORRECT. Dividend declared after the year end are events that provide evidence of conditions that arose after the date of the financial statements.
- 4 is CORRECT. Refer to HKSA 560.7 (d) and HKSA 560.A8.

**Question 11**

Which of the following circumstances will an auditor need to modify the audit opinion?

- 1 If the auditor is unable to obtain sufficient appropriate evidence to form a conclusion due to limitation imposed by management
  - 2 If the auditor agrees that there is material uncertainty in relation to the ability of the entity to continue as a going concern which has been disclosed properly in the financial statements
  - 3 If the auditor concludes that the financial statements are materially misstated due to the selection of an inappropriate accounting policy
  - 4 If the opening balances contain a misstatement that materially affect the current year's financial statements and the effect of the misstatement is not appropriately accounted for, or not adequately presented or disclosed
- 
- A (1) and (2) only
  - B (1) and (3) only
  - C (1), (3) and (4) only
  - D (2), (3) and (4) only
  - E All of the above

**Answer 11            C**

- 1 Is CORRECT. HKSA 700.17 states that If the auditor: (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor shall modify the opinion in the auditor's report in accordance with HKSA 705.
- 2 is INCORRECT. If there is a material uncertainty in relation to going concern which has been disclosed properly, a modification of the audit opinion will not be required. Instead an emphasis of matter paragraph is used to highlight the matter.

- 3 Is CORRECT. HKSA 700.17 states that If the auditor: (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor shall modify the opinion in the auditor's report in accordance with HKSA 705.
- 4 is CORRECT. See HKSA 510.11

**Question 12**

Which of the following statements about using substantive analytical procedures are CORRECT?

- 1 Substantive analytical procedure is a mandatory audit procedure for every audit
  - 2 The higher the auditor's assessment of risk, the higher the amount of difference considered acceptable without investigation
  - 3 The auditor's determination of the amount of difference from expectation that can be accepted without further investigation is influenced by materiality
  - 4 The maximum acceptable difference may be defined as a numerical value or as a percentage.
- 
- A (1) and (2) only
  - B (3) and (4) only
  - C (2), (3) and (4) only
  - D (1), (3) and (4) only
  - E All of the above are correct

**Answer 12        B**

- 1 Is INCORRECT. There are no requirements under HKSA 330 and HKSA 520 that substantive analytical procedures must be performed in every audit.
- 2 Is INCORRECT. HKSA 330 requires the auditor to obtain more persuasive audit evidence the higher the auditor's assessment of risk. Accordingly, as the assessed risk increases, the amount of difference considered acceptable without investigation decreases in order to achieve the desired level of persuasive evidence.
- 3 Is CORRECT. HKSA 520.A16 that the auditor's determination of the amount of difference from the expectation that can be accepted without further investigation is influenced by materiality and the consistency with the desired level of assurance, taking account of the possibility that a misstatement, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated.

- 4 Is CORRECT. The maximum acceptable difference may be defined as a numerical value or as a percentage.

**Question 13**

Which of the following statements about group audits are CORRECT under HKSA 600 Special considerations – audits of group financial statements (including the work of component auditors)?

- 1 If a component has a risk which is likely to be included as a significant risk of material misstatement of the group financial statements, that component is a significant component to the group
  - 2 The determination of the components depends on the financial reporting structure of the group. A component can be a function, process, product, service or even a subgroup
  - 3 The group engagement team needs to determine the component materiality for all the components that are under audit or review by the component auditors
  - 4 For all significant components, a full audit using component materiality must be performed by the component auditors
- 
- A (1) and (2) only
  - B (2) and (3) only
  - C (1), (2) and (3) only
  - D (2), (3) and (4) only
  - E All of the above are correct

**Answer 13            C**

- 1 is CORRECT. HKSA 600.9 (m) definition of significant components.
- 2 is CORRECT. HKSA 600.A2 and A4 mentions that some groups, however, may organize their financial reporting system by function, process, product or service (or by groups of products or services), or geographic locations. In these cases, the entity or business activity for which group or component management prepares financial information that is included in the group financial statements may be a function, process, product or service (or group of products or services), or geographic location.

- 3 is CORRECT. HKSA 600.21(c) states that component materiality is determined for those components where component auditors will perform an audit or a review for purposes of the group audit.
- 4 is INCORRECT. HKSA 600. 27 states that for a significant component due to the significant risks of material misstatements can perform one of more of the following:
  - (a) An audit of the financial information of the component using component materiality
  - (b) An audit of one or more account balances, classes of transactions or disclosures relating to the likely significant risks of material misstatement of the group financial statements
  - (c) Specified audit procedures relating to the likely significant risks of material misstatement of the group financial statements

**Question 14**

Which of the following statements about comparative information are CORRECT under HKSA 710?

- 1 Corresponding figures are amounts and other disclosures included as an integral part of the current period financial statements
  - 2 When corresponding figures are included, the auditor's report refers to each period (current and prior) separately
  - 3 If corresponding figures have not been audited, the auditor must state that the corresponding figures are unaudited in an 'other matter' paragraph and the auditor must obtain sufficient appropriate audit evidence that the opening figures do not contain material misstatements that affect the current period
  - 4 If comparative financial statements have been audited by another auditor and the other auditor's report has not been included with the current period auditor's report, the auditor must state that the comparative financial statements were audited by a different firm in an 'emphasis of matter paragraph'.
- 
- A (1) and (2) only
  - B (1) and (3) only
  - C (2) and (4) only
  - D (1), (2) and (3) only
  - E (1), (3) and (4) only

**Answer 14        B**

- 1 is CORRECT. Corresponding figures are defined as comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as current period figures). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.



- 2 is INCORRECT. When corresponding figures are included, the auditor's report refers to the **current period only** unless there is a prior period unresolved modification.
- 3 is CORRECT. HKSA710.14 states that if the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph in the auditor's report that the corresponding figures are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.
- 4 is INCORRECT. HKSA710.13 states that if the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report: (a) That the financial statements of the prior period were audited by the predecessor auditor; (b) The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and (c) The date of that report.

**Question 15**

Which of the following apply to the audit of a non-listed entity?

- 1 Appointing an engagement quality control reviewer for each annual audit
  - 2 The completed audit file is subject to a periodic inspection by a suitably qualified person if the file is selected
  - 3 If total fees from the audit client and its related entities represent more than 15% of the total fees received by the firm for two consecutive years, the fact has to be disclosed to those charged with governance of the audit client
  - 4 Appropriate consultation should be taken place on difficult or contentious matters
- 
- A (1) and (2) only
  - B (1) and (3) only
  - C (2) and (4) only
  - D (1), (2) and (3) only
  - E (1), (3) and (4) only

**Answer 15          C**

- 1 does not mandatorily apply to non-listed entity. According to HKSQC 1.35, an engagement quality control review is required for all audits of financial statements of listed entities; all other audits and reviews of historical financial information and other assurance and related services engagements shall be evaluated against the criteria set out by the firm to determine whether an engagement quality control review should be performed.
- 2 applies to both listed and non-listed entity. According to HKSQC 1.48, the firm shall establish a monitoring process which include on a cyclical basis, inspection of at least one completed engagement for each engagement partner. The engagement selected for the review may be listed or non-listed entity.
- 3 is mandatory to public interest entity under HKICPA Code of Ethics for Professional Accountants 290.217, but does not apply to non-listed entity who is not public interest entity.
- 4 applies to the audit of a non-listed entity. According to HKSQC 1.34, the firm shall establish policies and procedures designed to provide it with reasonable

assurance that appropriate consultation takes place on difficult or contentious matters. This requirement applies to both listed and non-listed entity.

**Question 16**

Which of the following is INCORRECT in reporting Key Audit Matters (KAMs) in an auditor's report under HKSA 701?

- 1 When the auditor expresses a disclaimer of opinion, the auditor's report should not include a "Key Audit Matters" section unless required by laws or regulations
  - 2 There may be circumstances that certain KAMs are not reported in the auditor's report
  - 3 If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements, the auditor may determine this to be a key audit matter in accordance with HKSA 701.
  - 4 When a material uncertainty relating to going concern exists, it is by nature a KAM and the matter should be reported in the "Material Uncertainty Related to Going Concern" section
- A (1) only  
B (2) only  
C (3) only  
D (4) only  
E None of the above is INCORRECT

**Answer 16            E**

- 1 is CORRECT. According to HKSA 705 (Revised).29, unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor's report shall not include a Key Audit Matters section in accordance with HKSA 701
- 2 is CORRECT. According to HKSA 701.14, the auditor shall describe each key audit matter in the auditor's report unless: (a) law or regulation precludes public disclosure about the matter; or (b) in extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. This shall not

apply if the entity has publicly disclosed information about the matter.

- 3 is CORRECT according to HKSA 710.A8.
- 4 is CORRECT. According to HKSA 701.15, a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with HKSA 570 (Revised), are by their nature key audit matters. However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor's report and the requirements in paragraphs HKSA 701.13–14 do not apply. Rather, the auditor shall: (a) Report on these matter(s) in accordance with the applicable HKSA(s); and (b) Include a reference to the Basis for Qualified (Adverse) Opinion or the Material Uncertainty Related to Going Concern section(s) in the Key Audit Matters section.

# Continuing Professional Development Programme

## A Refresher Course on Current Auditing Standards

### Answer Sheet

Examination Date: 11 February 2018

Examination Time: 12:30 pm. – 1:30 pm

Name: \_\_\_\_\_

(Full name as it appears on HKID card)

HKICPA Membership No.: \_\_\_\_\_

### INSTRUCTIONS

1. There is only one answer for each question.
2. Choose the most appropriate answer for each question.
3. Do not make any stray marks on the sheet.
4. Mark your answer as shown in the example.

Example:

A B C **D**

Answers:

- Q1. A B C D E  
Q2. A B C D E  
Q3. A B C D E  
Q4. A B C D E  
Q5. A B C D E  
Q6. A B C D E  
Q7. A B C D E  
Q8. A B C D E  
Q9. A B C D E  
Q10. A B C D E  
Q11. A B C D E  
Q12. A B C D E  
Q13. A B C D E  
Q14. A B C D E  
Q15. A B C D E  
Q16. A B C D E

Marker Name: \_\_\_\_\_

Marking Date: \_\_\_\_\_