



AUDIT AND ASSURANCE PRACTICE & REVISION KIT (FOR EXAMS IN SEPTEMBER 2023, DECEMBER 2023, MARCH 2024 AND JUNE 2024)

Mock Exam 3 Q10 Elm &Co (pg 434/435 Q) (pg 446 A)

This question and answer are incorrectly displayed. The current question and answer are shown below:

- 10 The audit engagement partner has concluded that the disclosure included in the financial statements in relation to the loan negotiations is adequate. Additionally, the audit partner has commented that this disclosure is fundamental to the users' understanding of the financial statements.

Complete the following sentence, identifying what form of auditor's report should be issued.

An auditor's report with and paragraph should be issued.

Pull down list 1

- A material uncertainty relating to going concern

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- A modified
- An unmodified

Pull down list 2

- An other matter

(2 marks)

- 10 An auditor's report with and paragraph should be issued.

As per ISA 570 Going Concern, where there is a matter of fundamental importance to the users' understanding regarding an uncertainty over going concern, as long as this is adequately disclosed the auditor should include a material uncertainty paragraph related to going concern. The audit opinion is unmodified in this regard.

The question and answer has been corrected for future editions and should be displayed as follows:

- 10 The audit engagement partner has concluded that the disclosure included in the financial statements in relation to the loan negotiations is adequate. Additionally, the audit partner has commented that this disclosure is fundamental to the users' understanding of the financial statements.

Complete the following sentence, identifying what form of auditor's report should be issued.

An auditor's report with (1) opinion and (2) paragraph should be issued.

Pull down list 1

- A modified
- An unmodified

Pull down list 2

- A material uncertainty relating to going concern
- An other matter

(2 marks)

- 10 An auditor's report with opinion and paragraph should be issued.

As per ISA 570 (Revised) *Going Concern*, where there is a matter of fundamental importance to the users' understanding regarding an uncertainty over going concern, as long as this is adequately disclosed the auditor should include a material uncertainty paragraph related to going concern. The audit opinion is unmodified in this regard.

Q171 Danube

Q171 Danube pg 103 (Scenario)

The last sentence in the section that follows should be replaced with:

The court case is due to take place in August 20X5 and management believes that Kalama Kids Co's claim is likely to be successful. No hoverboards remain in Danube Co's inventory at the year end.

Provision and receivable arising from the sale of defective goods

In December 20X4 Danube Co sold a number of hoverboards to a customer, Kalama Kids Co. It is alleged by Kalama Kids Co that these hoverboards are faulty, as there have been a few instances of the hoverboards overheating and catching fire. As a result, Kalama Kids Co is suing Danube Co for \$3.9m. The court case is due to take place in August 20X5 and management believes that Kalama Kids Co's inventory at the year end.