

Part A- : Multiple Choice Questions ----- (30 marks)

Part B:- DISCRIPTIVE TYPE QUESTIONS ----- (70 marks)

PART A : Multiple Choice Questions : (1 mark x 30 = 30 marks)

1. _____ is NOT an auditor's responsibility:
 - (a) Giving an opinion as to their truth and fairness.
 - (b) Selecting and applying accounting policies.
 - (c) Gathering evidence to support the opinion given
 - (d) Planning and conducting the audit
2. SA – 402 deals with the responsibilities of –
 - (a) User auditors
 - (b) Service auditors
 - (c) User auditor and service auditor both
 - (d) Service organization and user auditor both.
3. The auditor should consider _____ when determining whether the Internal Audit department should be relied upon.
 1. The independence of the internal audit department
 2. The materiality level.
 3. The competence of the internal auditor.

(a) 1,3	(b) 1, 2, & 3
(c) 2, & 3	(d) All of the above
4. Part 2 of First Schedule to the Chartered Accountants Act is applicable for –

(a) CA in practice	(b) C.A. in service
(c) CA generally	(d) All of these
5. Sec. 129(1) shall apply to –
 - (a) insurance company and banking company
 - (b) Company engaged in the generation or supply of electricity
 - (c) both (a) and (b)
 - (d) None of (a) and (b)
6. In case of casual vacancy in Government company, it shall be filled in following manner :

(a) Within 30 days by CAG	(b) Within 60 days by CAG
(c) By Board of directors	(d) At EGM, within 30 days
7. An application for obtaining approval under section 140(1) shall be made to CG in –

(a) Form No. ADT – 1	(b) ADT – 2
(c) ADT – 3	(d) ADT – 4

8. For determining the applicability of CARO to the private limited company while computing the limit of 1 crores for paid up capital and reserves and surpluses, _____ should be taken into consideration –
- Capital Reserves
 - Revenue Reserves
 - Both Option (a) and Option (b)
 - None of these as it is only w.r.t. paid up capital
9. **Statement 1.** The inherent limitations of audit are generally more than that of investigation.
- Statement 2.** The investigator adopts doubtful approach because investigation is initiated when there is a doubt on something.
- Only statement 1 is true
 - Only statement 2 is true
 - Both the statements are true
 - None of the statement is true
10. The examples of hidden liabilities include –
- Long pending GST assessment
 - Future lease liabilities
 - Labour claims under negotiations
 - All of these
11. The maximum limit on brokerage is –
- 2.5%
 - 5%
 - 7.5%
 - There is no limit
12. A stop loss buy order gets triggered when the last traded price reaches or _____ the trigger price of the order –
- Exceeds
 - Falls below
 - Equals to
 - None of these
13. In India _____ is a requirement to start some specific industry which forecasts the expected damage to the environment –
- Environment impact assessment
 - Environmental auditing
 - Energy auditing
 - All of these
14. Audit risk is the risk that auditor may provide _____ when financial statements are _____.
- Absolute opinion : materially mis – stated
 - Inappropriate opinion : materially mis – stated
 - Inappropriate opinion: true and fair
 - Appropriate opinion ; true and fair
15. The investments made by NBFC should be within limits. They should not lend more than _____ of net owned funds to single borrower and _____ of net owned fund to single group of borrowers –
- 15, 25
 - 15, 15
 - 10, 15
 - 15, 10

16. Infrastructure finance company is a non – deposit taking NBFC that meets following condition –
- (a) Minimum 90% of assets should be deployed in infrastructure loans
 - (b) Net owned funds of Rs. 100 crores or above
 - (c) Minimum credit rating A or equivalent
 - (d) All of these
17. Which of the following is true with respect to inherent risk and control risk ?
- (a) These are affected by auditor’s professional judgment
 - (b) Auditor should make a combined assessment of these risks
 - (c) There is inverse relationship between inherent risk and control risk
 - (d) All of these
18. A non-performing asset (NPV) is a loan or an advance where interest and /or installment of principal remain _____ in respect of a term loan.
- (a) Overdue for a period of more than 90 days
 - (b) Overdue for a period of 90 days
 - (c) Out of order
 - (d) Irregular for a period of 180 days
19. **Statement 1.** No commission is payable in the case business is directly obtained by insurance company.
- Statement 2.** The TDS should be properly deducted on the payment of commission to agents by the insurance companies.
- (a) Only Statement 1 is true
 - (b) Only statement 2 is true
 - (c) Both the statements are true
 - (d) None of the statement is true
20. In the case of trade credit insurance, policy holder’s loss is _____.
- (a) Receipt of amount
 - (b) Non – receipt of amount receivable
 - (c) Either of option (a) or option (b)
 - (d) Both option (a) and option (b)
21. The time limit for completion of the audit u/s 65(1) is :
- (a) Two months from the date of commencement of audit
 - (b) three months from the date of commencement of audit
 - (c) One year from the date of commencement of audit
 - (d) None of these
22. Break – up of total expenditure of entities registered or not registered under the GST is required under clause _____ of Form 3CD.
- (a) 41
 - (b) 42
 - (c) 43
 - (d) 44
23. For the purpose of acquiring control over an enterprise, there should be ownership of more than _____ of the voting power of an enterprise –
- (a) 50%
 - (b) 51%
 - (c) 20%
 - (d) 21%

- 24.** By auditing the consolidated financial statements, the auditor should compute the materiality for the –
- (a) Parent
 - (b) Subsidiaries
 - (c) Associate
 - (d) Group as a whole
- 25.** Except ___ by a listed entity shall not cease the exercise of control over the subsidiary.
- (a) Passing an ordinary resolution in its general meeting
 - (b) Passing a special resolution in its general meeting
 - (c) Obtaining the approval of the recognized stock exchange
 - (d) Obtaining the approval of the SEBI
- 26.** SEBI (LODR) Regulations, 2015 contain _____ of the listed entities.
- (a) Pre – issue obligations
 - (b) Post – issue obligations
 - (c) Both (a) and (b)
 - (d) None of these
- 27.** The peer review is to be conducted by a reviewer who is selected from a panel of reviewers maintained by _____.
- (a) Council of ICAI
 - (b) Auditing and Assurance Standards Board
 - (c) Peer Review Board
 - (d) Quality Review Board
- 28.** The Peer Review Board shall be constituted by _____.
- (a) Council of ICAI
 - (b) Auditing and Assurance Standards Board of ICAI
 - (c) Quality Review Board
 - (d) Central Government
- 29.** The Peer Review board shall intimate the reviewer and seek his consent within _____ days.
- (a) 7
 - (b) 15
 - (c) 30
 - (d) 60
- 30.** The purpose of quality review is –
- (a) To identify every deficiency in the audit
 - (b) To provide the assurance that audit report is free of deficiencies
 - (c) Both of them
 - (d) None of them

PART B:**DISCRIPTIVE TYPE QUESTIONS**

Question 1 is Compulsory. Answer Any 4 out of remaining 5 Questions.

QUESTION : 1(A)**(4 marks)**

As an auditor of RST Ltd. Mr. P applied the concept of materiality for the financial statements as a whole. On the basis of obtaining additional information of significant contractual arrangements that draw attention to a particular aspect of a company's business, he wants to re – evaluate the materiality concept. Please, guide him as per relevant standard.

QUESTION : 1(B)**(5 marks)**

ABC Company files a law suit against Unlucky Company for Rs. 5 Crores. The Attorney of Unlucky Company feels that the suit is without merit, so Unlucky Company merely discloses the existence of the law suit in the notes accompanying its financial statements. As an auditor of Unlucky Company, how will you deal with the situation?

QUESTION : 1(C)**(5 marks)**

The auditor of Mould Limited made an adverse statement in his certificate as the Audit Committee of the company did not meet four times a year. Discuss few circumstances which require an adverse or qualified statement in the auditor's certificate in respect of compliance of the requirements of Corporate Governance.

QUESTION : 2(A)**(6 marks)**

Enumerate the steps to be undertaken in case of forensic audit process.

QUESTION : 2(B)**(4 marks)**

Bring out the significance of the following illustrative paragraph found in the statutory auditor's report in recent days.

(i) Opening Paragraph :

“We have audited the attached Balance Sheet of as at 31st March, 2xxx and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements”.

QUESTION : 2(C)**(4 marks)**

As a practicing chartered accountant do you approve the following? If not, why?

In a representation to be submitted to a company under Section 140 of the Companies Act, 2013, the partner of the firm of auditors wants to include the contributions made by the firm in strengthening the control procedures of the company during their association with the company. Answer your question with reference to the Chartered Accountants Act, 1949 and schedules thereto :

QUESTION : 3(A)**(5 marks)**

As an auditor how will you verify the existence of 'Related Parties '?

QUESTION : 3 (B)

(5 marks)

While conducting the audit of a limited company for the year ended 31st March, 2014, the auditor wanted to refer to the Minute Books. The Board of Directors refused to show the Minute Books to the auditor. Advise.

QUESTION : 3 (C)

(4 marks)

Write short note on : IT Related Risks and controls.

QUESTION : 4(A)

(6 marks)

Briefly state the manner of conducting Quality review.

QUESTION : 4(B)

(4 marks)

As tax auditor how would you deal and report the following:

As assessee has borrowed Rs. 50 lakhs for various persons. Some of them by way of cash and some of them by way of Account payee cheque / Draft.

QUESTION : 4(C)

(4 marks)

Discuss the following with reference to the Chartered Accountants Act, 1949 and schedules thereto :

A Chartered Accountant in practice has been suspended from practice for a period of a 6 months and he had surrendered his Certificate of Practice for the said period. During the said period of suspension, through the member did not undertake any audit assignments, he undertook representation assignments for income tax whereby he would appear before the tax authorities in his capacity as a Chartered Accountant.

QUESTION : 5(A)

(6 marks)

You have been appointed Management Auditor of a large manufacturing company suffering from working capital crunch. Enlist and discuss the related areas which you would probe into to overcome the company's problem.

QUESTION : 5(B)

(5 marks)

"Factors governing mode of communication of auditor with those charged with governance." Comment.

QUESTION : 5(C)

(3 marks)

Discuss the following with reference to the Chartered Accountants Act, 1949 and schedules thereto :

Mr. J started his practice as Chartered Accountant in 1996. During 1999, he got an offer for the post of Chief Accountant of a Software Development Company, as a fulltime employee, for a salary of Rs. 60,000 per month. On accepting this offer, Mr. J converted his practice into a partnership firm by taking a fresh Chartered Accountant as his partner. Mr. J neither intimated the institute nor obtained permission from the institute about his employment. Will Mr. J be held guilty under the CA Act?

QUESTION : 6(A)**(3 marks)**

Your firm has been appointed as **Central Statutory Auditors of a Nationalised Bank**. The Bank follows financial year as accounting year. **State your views** on the following issues which were brought to your notice by your Audit Manager.

The bank is a **consortium member of Cash Credit Facilities** of Rs. 50 crores to X Ltd. Bank's own share is Rs. 10 crores only. During the last two quarters against a debit of Rs. 1.75 crores towards interest the credits to X Ltd.'s account are to the tune of Rs. 1.25 crores only. Based on the certificate of lead bank, the bank has classified the account of X Ltd. as performing.

QUESTION : 6(B)**(3 marks)**

Can a practicing **Chartered Accountant be held guilty of Professional Misconduct** under the following circumstances? **Give your views** with reasons in brief.

The Cashier of a company committed a fraud and absconded with the proceeds thereof. This happened during the course of the accounting year. The Chief Accountant of the company also did not know about fraud.

QUESTION : 6(C)**(4 marks)**

What are the **areas excluded** from the **scope of peer reviewer**?

QUESTION : 6(D)**(4 marks)**

Write a **short note** on : Advantages or purposes of **audit of LLP**.