

Note: Question 1 is compulsory. Attempt any five from the rest.

Question 1 (5 marks each)

- A) JKL Ltd has shown in its Balance Sheet a cash balance of ₹ 5,00,000 as against the normal cash balance of ₹ 50,000 throughout the year. On further inquiry, it is revealed that the said amount of ₹ 5,00,000 was withdrawn in the last week and the balance has been continuously maintained till the date of the audit. The examination also reveals that in spite of the cash balance of ₹ 5,00,000, cash is drawn from the Bank during this period for Petty Cash requirements. As Auditor, how would you deal with the above situation?
- B) Discuss the reporting considerations of the Principal Auditor and Other Auditor?
- C) Distinguish between Audit Reports & Audit Certificates?
- D) State briefly the circumstances when an auditor issues a disclaimer of opinion?

Question 2 (2 marks each)

State with reasons (in short) whether the following statements are correct or incorrect (Answer any eight):

1. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements.
2. Planning is a discrete phase of an audit.
3. Sufficiency is the measure of the quality of audit evidence.
4. The method which involves dividing the population into groups of items is known as block sampling.
5. As per the Standard on Auditing (SA) 520 "Analytical Procedures" the term "analytical procedures" means evaluations of financial information through analysis of plausible relationships among financial data only.
6. Director's relative can act as an auditor of the company.
7. The auditor of A Ltd. Company wanted to refer to the minute books during audit but board of directors refused to show the minute books to the auditors.
8. The first auditor of a Government company was appointed by the Board in its meeting after 10 days from the date of registration.
9. A Chartered Accountant holding securities of S Ltd. having face value of ₹ 950 is qualified for appointment as an auditor of S Ltd.
10. The auditor shall express a qualified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Question 3 (4 marks each)

- A) Write short notes on Examination in Depth / Auditing in Depth?
- B) State the matters which the Statutory Auditor should look into before framing opinion on accounts on finalization of audit of accounts. Discuss overall audit approach.
- C) Write short notes on Internal Control Questions (ICQ).
- D) Distinguish between Conventional vs Computerised Accounting System.

Question 4 (4 marks each)

- A) How will you vouch Sale Proceeds of Junk / Rejected / Scrap Materials?
- B) How will you Postage and Courier Expenditure?

- C) How will verify Discounted B/R dishonoured?
- D) How will you verify Loans on Mortgage of Property?

Question 5 (4 marks each)

- A) Write short notes on the advantages of Statistical Sampling in Auditing?
- B) State with reasons your opinion in regard to treatment of the following transactions appearing in your Client's books of accounts
 1. Substantial Expenditure incurred for the repair of a Machinery.
 2. Expenditure incurred to remove "Overburden" for purposes of facilitating mining activities.
 3. Advertisement Campaign Expenditure incurred to introduce a new product in the market.
 4. Training Expenses incurred for technical personnel before commencement of commercial production by a new Co.
- C) ABC Pvt Ltd, at its AGM held on 28.09.2014 had appointed another Firm X & Co, CA's as the Auditors of the Company for the year 2014-2015. However, since the appointment of X & Co, was not made in accordance with the provisions of Sec.139, they had refused to accept the appointment made by the Company. Subsequently, the Company sent a letter to the previous Auditor Z Associates requesting to take up the audit of the Company for the year 2014-2015.
Comment whether Z Associates can continue as Auditors of the Company for 2014-2015, since no resolution was passed at the AGM of the Company for removal of Z Associates as the Auditors of the Company and they are not otherwise disqualified to be re-appointed as such.
- D) Your Firm has been appointed as Auditor of ABC Ltd. The Company had also appointed a Cost Auditor and therefore, the Management had requested your Firm not to review the Cost Records. State your opinion on the above.

Question 6

- A) List the general considerations in framing a system of Internal Check. (8 marks)
- B) Adivesh & Co, a Firm of CA's, is appointed as Auditor of a Company in the name of the Firm. Mr. Adivesh, who is a Partner of the Firm, is related to one of the Directors of the Company. Is the appointment of the Firm as Company Auditors valid? C.A. Mr. X is the Auditor of PQ Ltd in which one of his relative is having substantial interest, whether Mr. X is qualified to be an Auditor? (4 marks)
- C) A Company has purchased Plant and Machinery from a Foreign Supplier, which has allowed the facility of payment of purchase consideration in installments. The liability has been classified as 'Non Current Liabilities' by the Company. Give your opinion on the above. (4 marks)

Question 7

- A) Distinguish between Capital and Revenue Expenditure? (4 marks)
- B) Kuru Ltd has Investments worth ` 10 Crores as on its Balance Sheet Date. How shall an Auditor determine whether those Investments are held merely for the purpose of holding or for trading? (4 marks)
- C) Write short notes on Audit Report in case of a Co-Operative Society. (8 marks)
