



## IPCC – May 2018

PAPER 2: AUDITING AND ASSURANCE

Test Code:

Branch (MULTIPLE) Date : 04.10.2017

(100 Marks)

**Note:** *Question No.1 is compulsory. Candidates are required to answer any five questions from the remaining six questions.*

### Question 1

- a. With reference to SA-550, "Identification of significant related party transaction outside the entity's normal course of business". **(5marks)**
- b. With reference to SA-530, meaning of audit sampling and requirements sample design, sample size and selection of items for testing. **(5marks)**
- c. Relationship between statutory auditor and internal auditor. **(5marks)**
- d. Discuss with reference to SA 510, "Initial Audit Engagement – Opening Balances", the procedures the auditor should undertake in respect of opening balances for a new audit engagement. **(5marks)**

### Question 2

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

- I) The scope of work of an internal auditor may extend even beyond the financial accounting.
- II) An auditor has nothing to do with prudence or profitability of a company.
- III) Mr. Pawan, a practising Chartered Accountant, is appointed as "Tax-Consultant" of ABC Ltd., in which his father Mr. Singh is the Managing Director.
- IV) Risk of material misstatement may be defined as the risk that the financial statements are materially misstated subsequent to audit.
- V) Substantive procedure may be defined as an audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting material misstatements at the assertion level.
- VI) Cluster sampling is less effective than random sampling.
- VII) Errors of duplication affects the Trial Balance.
- VIII) 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.
- IX) Director's relative can act as an auditor of the company .
- X) The first auditor of a Government company was appointed by the Board in its meeting after 10 days from the date of registration

**(8x2 = 16 Marks)**

### Question 3

*How will you vouch/verify the following?*

- i Consignment Sales
- ii Customs & Excise Duties
- iii Retirement Gratuity to Employees.
- iv Repairs to Assets

**(4 x 4 = 16 Marks)**

### Question 4

- a. What is the difference between Narrative records and Check -list?

**(4 marks)**

- b. State the circumstances which could lead to any of the following in an Auditor's Report:

- i) A modification of opinion.
- ii) Disclaimer of opinion.
- iii) Adverse opinion.
- iv) Qualified opinion.

**(6 marks)**

- c. What are the significant matters observed during the course of audit, a record of which should be kept in the Audit Note Book?

**(6 marks)**

### Question 5

- a. Mention the disclosure requirement of current investments as per Schedule III of the Companies Act, 2013. **(6 marks)**

- b. As one of the Joint auditors of X Ltd. for the immediately preceding three financial years, you have been considered for ratification by the members in the AGM as the sole auditor, while the said Joint auditors are not re-appointed. Comment. **(6 Marks)**

- c. What role is played by Comptroller and Auditor General of India in the audit of a Government company? **(4 Marks)**

### Question 6

- a. What are the different design and procedural aspects of Computerised Information Systems (CIS)? **(4 marks)**

- b. What are the special audit points to be considered by the auditor during the audit of a Hospital? **(6 marks)**

- c. An auditor purchased goods worth ` 510,200 on credit from a company being audited by him. The company allowed him one month's credit, which it normally allowed to all known customers.

(6 marks)

**Question 7**

- a. Discuss which class of companies are specifically exempt from the applicability of CARO 2015. **(6 marks)**
  
- b. What audit points are to be borne in mind in case of issue of “Sweat Equity Shares” by a limited company? **(6 marks)**
  
- c. In a medium size trading organisation the accountant was given additional responsibility of making recoveries from the trade receivables. On one occasion, when an insurance claim of ` 25,000 was received, he credited the same to the account of a trade receivable and misappropriated the cash which he had recovered from the said trade receivable. Pinpoint weaknesses in the internal control system which led to this situation. Comment. **(4 Marks)**

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