

Roll No.

Total No. of Questions - 6

Total No. of Printed Pages - 7

Time Allowed - 3 Hours

Maximum Marks - 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any **four** questions out of the remaining **five** questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer-book shall be valued and subsequent extra question(s) answered shall be ignored.

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1. Examine with reasons (in short) whether the following statements are correct or incorrect : 2×10
=20

- (a) Few members of the Board of Directors oppose the appointment of Mr. N. an employee of the company, as an Internal Auditor, stating that Mr. N is not a chartered accountant and further he is an employee of the company.
- (b) An Auditor is considered to lack independence if the partner of the audit firm deals with shares and securities of the audited entity.
- (c) The Audit Engagement documentations should ordinarily be retained by the auditor for minimum of six years from the date of the auditor's report or is later, the date of the group auditor's report, whichever.
- (d) Inquiry alone is sufficient to test the operating effectiveness of controls.
- (e) During the audit process, the Auditor can easily identify all mistakes or manipulations that may exist in the accounts through routine checking processes.
- (f) PQR & Co., Chartered Accountants, resigned from the audit of a Government Company and filed the resignation with the company and the registrar within 30 days. Comment, whether PQR & Co. has complied with the provisions of the Companies Act, 2013.
- (g) K Ltd., a non-government company, was incorporated on 01-10-2017. Mr. B. Managing Director of K Ltd., himself appointed the first auditor of the company on 31-12-2017.

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- (h) The statutory auditor of ABC Ltd. is of the opinion that communicating key audit matters in the auditor's report constitutes a substitute for disclosure in the financial statements.
- (i) When statistical sampling is used to select a sample, sample need not be representative because the statistical sampling takes care of the representation. *not.c*
- (j) Mr. A is a statutory auditor of ABC Ltd.. The branch of ABC Ltd. is audited by Mr. B, another Chartered Accountant. Mr. A requests for the photocopies of the audit documentation of Mr. B pertaining to the branch audit.

2. Discuss the following :

(a) Name the assertions for the following audit procedures :

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- (i) Year end inventory verification.
- (ii) Depreciation has been properly charged on all assets.
- (iii) The title deeds of the lands disclosed in the Balance Sheet are held in the name of the company.
- (iv) All liabilities are properly recorded in the financial statements.
- (v) Related party transactions are shown properly.

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- (b) Expenses which are essentially of a revenue nature if incurred for creating an asset or adding to its value for achieving higher productivity are regarded as expenses of a capital nature. Describe any five such expenses. **5**
- (c) Principal aspects to be considered by an auditor while conducting an audit of final statements of accounts. **5**
(Audit FD (nature of Addition 1.2 3Q))
- (d) List any five points that an auditor should consider to obtain an understanding of the Company's automated environment. **5**
3. (a) What constitutes a 'true and fair' view, is the matter of an auditor's judgement in the particular circumstances of a case. In order to ensure 'true and fair' view, auditor has to review certain points. Mention any such 5 (five) points in brief. **5**
- (b) Mention any five attributes to be considered by an auditor while verifying for depreciation and amortisation expenses. **5**
- (c) As statutory auditor of the company, list out audit procedures required to be undertaken for the following :
- (i) Interest income from fixed deposits. **4**
- (ii) Dividend income. **2**
- (iii) Gain/(loss) on sale of investment in Mutual funds. **2**
- Also indicate disclosure requirements of above as per Companies Act, 2013. **2**

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4. (a) M & Co. was appointed as auditor of IGI Ltd.. As an auditor what are the factors that would be considered in the development of overall audit plan ? 5
- (b) State the matters to be included in the auditor's report as per CARO, 2016, regarding :
- (i) Private Placement of Preferential Issues. 2
- (ii) Utilisation of IPO and further public offer. 2
- (c) Briefly discuss the limitations of Internal Control. 6
- (d) Discuss the techniques available as Substantive Analytical Procedures. 5
5. (a) Define Emphasis of Matter Paragraph and how it should be disclosed in the Independent Auditor's Report ? 5
- (b) At the AGM of HDB Pvt. Ltd., Mr. R was appointed as the statutory auditor. He, however, resigned after 3 months since he wanted to pursue his career in banking sector. The Board of Director has appointed Mr. L as the statutory auditor in board meeting within 30 days. Comment on the matter with reference to the provisions of Companies Act, 2013. 5
- (c) XYZ & Associates, Chartered Accountants, while evaluating the operating effectiveness of internal controls, detects deviation from controls. In such a situation, state the specific inquiries to be made by an auditor to understand these matters and their potential consequences. 5

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- (d) Mr. A is appointed as statutory auditor of a company for the Financial Year ended 31st March, 2018. During the course of audit, it was found that few doubtful transactions had been committed by finance manager who retired in March, 2018. The fraud was going on since last 2-3 years and the total amount misappropriated exceeding ₹ 100 lakhs. As a statutory auditor, what would be reporting responsibilities of Mr. A ? 5

6. Answer any **four** :

- (a) M/s. ABC & Co. is an Audit firm, having partners CA. A, CA. B and CA. C. The firm has been offered the appointment as an Auditor of XYZ Ltd. for the Financial Year 2017-18. 5

Mr. D, the relative of CA. A, is holding 25,000 shares (face value of ₹ 10 each) in XYZ Ltd, having market value of ₹ 90,000. Are M/s. ABC & Co. qualified to be appointed as Auditors of XYZ Ltd. ?

- (b) Mr. M, has served as an auditor in the Co-Operative Department of a Government, is appointed as a statutory auditor by a Co-Operative Society that has receipts over ₹ 3 crores during the financial year. He is not a Chartered Accountant. Mr. D, Chartered Accountant is appointed to conduct tax audit of the society under section 44AB of the Income Tax Act, 1961. Comment. 5

- (c) Mr. A approaches a bank for financial assistance for his upcoming project. The Bank Branch Manager, after verifying the proposal, is agreeable to financing Mr. A, but asks for the security to be offered to the bank. Discuss the nature of securities required to be offered to the bank. 5

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- (d) State the objectives of audit of Local Bodies. 5
- (e) The auditor should understand and consider the risks that may arise from the use of Information Technology (IT) Systems. 5

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