

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 4

Time Allowed : 3 Hours

Maximum Marks : 100

BDL

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 has not opted for Hindi medium, his answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any **five** questions from the remaining **six** questions.

Marks

1. Comment as a auditor on the following situations : –

- (a) Mr. X, a partner in X & Co., a firm of a Chartered Accountants, died on 31-3-2010 after completing routine audit work of XYZ Company Ltd.. Mr. Y another partner of the firm of Chartered Accountants signed the financial statements of XYZ Company Ltd., without reviewing the finalization work done by the assistants. 5
- (b) Government of India has appointed Mr. M, a retired Finance Director and a non-practising member of the Institute of Chartered Accountants of India, as an auditor to conduct special audit of ABC Ltd. on the ground that the company was not being managed on sound business principles. The Managing Director of the company contends that the appointment of Mr. M is not valid because he does not hold a certificate of practice. 5
- (c) M.N.P. Company Ltd. purchased a machinery for ₹ 1.00 crore. The State Government granted the company a subsidy of ₹ 40 lakhs to meet partial cost of machinery. The company credited the subsidy received from the State Government to its Profit and Loss Account for the year ended March 31, 2010. 5

(2)

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- (d) Sri & Company, a firm of Chartered Accountants was appointed as statutory auditors of Aaradhana Company Ltd.. Aaradhana Company Ltd. holds 51% shares in Sarang Company Ltd.. Mr. Sri, one of the partners of Sri & Company, owed ₹ 1,500 as on the date of appointment to Sarang Company Ltd. for goods purchased in normal course of business. 5
- 2) (a) Explain briefly the technique of "Internal Control Questionnaire" to facilitate the accumulation of information necessary for proper evaluation of internal control. 4
- (b) State clearly the circumstances where "Auditing through the computer" approach must be used. 6
- (c) What do you mean by the term 'Sufficient Appropriate Audit Evidence' ? State various factors that help the auditor to ascertain as to what is sufficient appropriate audit evidence. 6
3. (a) "The auditor is faced with sampling risk in both tests of control and substantive procedures." 8
- Comment on this statement with reference to SA 530 on "Audit Sampling".
- (b) What are the factors that determine the extent of reliance that the auditor places on results of analytical procedures ? Explain with reference to SA-520 on "Analytical procedures". 8
4. Write short notes on any **four** of the following : 4×4 =16
- (a) Reliability of external confirmations.
- (b) Physical verification of fixed assets "at reasonable intervals".

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- (c) Verification of credit sales.
- (d) Factors governing modes of communication of auditor with those charged with governance.
- (e) Procedures to be performed by the auditor in expressing opinion on 'going concern' assumption.
5. (a) Mention briefly important points which an auditor will consider while conducting the audit of a club. 8
- (b) What important points should an auditor keep in mind while checking receipt of income of a Non-Governmental Organization (N.G.O.) ? 4
- (c) State briefly the circumstances when an auditor issues a disclaimer of opinion. 4
6. (a) Comment on the following :
X Ltd. has its Registered Office at Mumbai. During the current accounting year it shifted its Corporate Office to Delhi. The Managing Director of the Company wants to shift company's books of account to Delhi because he holds the view that there is no legal bar in doing so. 4
- (b) A partnership firm revalued its fixed assets like land and building. The firm adequately disclosed the revalued amounts in the Balance Sheet. 4
Do you, as an auditor, approve the disclosure given by the partnership firm ?
- (c) R.K. & Company are the auditors of PQR Company Ltd. The Managing Director of the Company demands copies of the working papers from the auditors. Are the auditors bound to oblige the Managing Director ? 4

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P.T.O.

(4)

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- (d) "Responsibility for properly determining the quantity and value of inventory rests with the management." Comment on this statement. 4
7. (a) What points shall an auditor keep in mind while auditing an account of Bought Ledger having a debit balance ? 4
- (b) PQR Company Ltd. removed their first auditor by passing a resolution in the meeting of the Board of Directors for his removal without obtaining prior approval from the Central Government. 4
- Offer your comments in this regard.
- (c) R & M Company, a firm of Chartered Accountants, was appointed as statutory auditors of XYZ Company Ltd. Draft an engagement letter accepting the appointment as auditors. 8

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