

Roll No.....

Total No. of Questions— 8]

[Total No. of Printed Pages—2

Time Allowed : 3 Hours

Maximum Marks : 100

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

Answer **all** Questions.

Working notes should form part of the answer.

Marks

1. State with reasons (in short) whether the following statements are true or false (Answer any ten): 10x2=20
 - (i) Auditor's lien on his client's books and record is not unconditional.
 - (ii) An adverse report is one where an auditor gives an opinion subject to certain reservation.
 - (iii) Cut-off procedures are generally applied to trading transactions.
 - (iv) Components of Audit Risk does not includes sampling risk.
 - (v) As per As-13, Investment should be classified into Current investments and Marketable investments.
 - (vi) CARO, 2004 does not applies to a Foreign company.
 - (vii) Test checks refers to the out of routine checks that are carried out in the normal course of audit.
 - (viii) If the auditor believes that the concern will not continue as going concern, he should issue disclaimer of opinion.
 - (ix) An unexplained decrease in the Gross profit ratio may result due to fictitious sales.
 - (x) If the auditor appointed at the AGM refuses to accept the same, the Company can appoint another person by holding General Meeting.
 - (xi) An auditor is considered to lack independence, if the partner of the audit firm owns the building in which the client's business is situated.
 - (xii) As per AAS-2, one of the objectives of the audit is to detect fraud.
2. As an auditor comment on the following situations:
 - (a) As an auditor of PQR Ltd. you have asked your audit assistant to draw the audit programme. The assistant drew up the audit programme without going through the monthly report of the Internal Auditor on the plea that he is a Chartered Accountant and have found no serious irregularities and internal control system is running perfectly. 8
 - (b) Mr. T. a Chartered Accountant, was first time appointed the Auditor of XYZ Ltd. Mr. T. carried the audit procedure for verifying the opening balances only, but not the previous year's accounting policies as it is not needed. 6
 - (c) Mr. K. auditor of ABC Ltd. Is of the opinion that "Auditing and Assurance Standards" are meant only for references and it is not necessary to follow such Auditing and Assurance Standards. 6

P.T.O.

(2)

Marks

3. Explain the following in brief: 5+5=10
 - (a) Relationship between materiality and audit risk
 - (b) Relationship between Statutory Auditor and internal Auditor.
4. Distinguish between the following: 5+5=10

- (a) Reserves and Provisions
(b) Internal Control Questionnaire and Internal Control Evaluation.
5. (a) State the basic elements of the Auditor's Report with illustration of Opening and opinion paragraphs. 7
(b) Explain in brief, the utility of Working Paper to an auditor. 3
6. (a) State the circumstances where the auditing through the computer must be used. 5
(b) You are approached by a partnership firm to list out the advantages that will accrue to them, if the accounts are audited. State five important advantages. 5
7. How would you vouch/verify the following? (Answer any two): 5+5=10
(a) Rental Receipts
(b) Assets acquired on Hire-purchase
OR
Cash Sales.
(c) Contingent Liabilities.
8. Write short notes on the following (Answer any two): 5+5=10
(a) Government Expenditure Audit
(b) Management Representations
OR
Audit Techniques.
(c) Supervision of Audit work.



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