

Roll No. _____

Total No. of Questions—6]

[Total No. of Printed Pages—3

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, answers in Hindi, his answers in Hindi will not be valued.

Answer all questions.

Marks

1. As an auditor, how would you deal with the following :

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| (a) During the audit of ABC Pvt. Ltd. for the year ended 31st March, 2009, it is noticed that the company has not maintained proper books of account and the final accounts were drawn up from the bank summaries. The number of transactions in the entire year for the company were only 30. | 5 |
| (b) PQR Ltd. had acquired a Brand from another company for Rs. 100 lakhs. PQR Ltd. contends that since the said brand is a very popular and famous brand, no depreciation or amortisation needs to be provided. | 4 |
| (c) XY Ltd. had entered into derivative transactions in foreign currency which were based on probable export orders. As at the year end on 31st March, 2009, the mark-to-market (MTM) loss on the said derivatives was Rs. 250 lakhs. The company contends that since the MTM loss is notional and likely to be recouped in the next year, the same need not be provided for. | 5 |
| (d) The statutory auditor of the Holding Company demands for the working papers of the auditors of the subsidiary company, of which you are the auditor. | 4 |

2. Comment on the following with reference to the Chartered Accountants Act, 1949 as amended by the Chartered Accountants (Amendment) Act, 2006 and Schedules thereto :

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| (a) M/s MN & Co., a firm of Chartered Accountants prepared and signed the forecast of a company's earnings contingent upon future transactions without | 5 |
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- mentioning the basis on which the said estimates were prepared. A bank granted a loan to the said company based on the above forecast signed by M/s MN & Co. When the company defaulted in repayment of the loan, the bank filed a complaint against M/s MN & Co.
- (b) Mr. P, a Chartered Accountant, did not maintain any books of account on the ground that his income did not exceed the limits prescribed u/s 44AA of the Income-tax Act, 1961. 4
- (c) M/s ABC, a Kolkata based firm of Chartered Accountants having 5 partners accepts the statutory audit of D Pvt. Ltd for 2008-09 at an audit fee of Rs. 5,000. D Pvt. Ltd was incorporated on 1st October, 2005. 5
- (d) An auditor of a cooperative society has agreed to charge fees @ 5% of the profits of the society. 4
3. (a) What are the procedures to be followed by a Statutory Auditor in the audit of opening balances if the financial statements for the preceding year were audited by another auditor ? 8
- (b) Give an illustration of an Audit Report containing 'Emphasis of Matter' for a significant uncertainty. 8
4. (a) In the context of Audit of Banks, how will you verify the following :
- (i) Contingent liabilities. 4
- (ii) Inter office adjustments. 4
- (b) Discuss the reporting requirements in Form 3CD of the Tax Audit Report u/s 44AB of the Income-tax Act, 1961 for the following :
- (i) Tax on distributed profits. 4
- (ii) Brought forward loss or depreciation allowance. 4
5. (a) As a Statutory Auditor, how do you verify the existence of Related Parties and disclosure of Related Party Transactions ? 8
- (b) Draft an illustrative engagement letter for an engagement to compile financial statements of DEF Ltd. 8

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6. Write short notes on the following :

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- (a) Register of Claims for General Insurance Companies
- (b) Current Period Consolidation Adjustments
- (c) External Confirmations in Audit
- (d) Propriety elements in CARO, 2003.

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