Roll No. ....

Total No. of Questions—6] [Total No. of Printed Pages—4

Time Allowed—3 Hours Maximum Marks—100

ARF

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. Comment on the following :

(a) 'A' Limited has paid minimum alternate tax under Section 115 JB of the Income Tax Act, 1961, for the year ended 31st March, 2009. The company wants to disclose the same as an 'Asset' since the company is eligible to claim credit for the same. 5

(b) XYZ Limited received a grant of Rs. 25 lakhs under the Governments' Subsidy Scheme, for acquiring an imported machinery for setting up new plant. The entire grant received is credited to Profit and Loss Account. 5

(c) Moon Limited replaced its statutory auditor for the Financial year 2008-09. During the course of audit, the new auditor found a credit item of Rs. 5 lakhs. On enquiry, the company explained him that it is a very old credit balance. The creditor had neither approached for the payment nor he is traceable. Under the circumstances, no confirmation of the credit balance is available. 5

(d) The statutory audit of Fortune Limited for the year ended on 31.03.2009 was completed and auditor also submitted his report with the audited Financial Statements to the management of the company. Thereafter, the management of the company approached the auditor to revise certain items in the Financial Statements. 5

Marks

2. Give your comments with reference to the Chartered Accountants Act, and schedules thereto :

   (a) Mrs. Fair is a Director of XYZ Private Limited, having 15% share-holdings in the company. During 2003, the company appointed C.A. Mr. Lovely, Mrs. Fair's spouse, as its statutory auditor. On Mr. Lovely's advice, the company issued fresh equity shares in 2003-04, in the ratio of one share for every two shares held by the shareholders of the company. Mr. Lovely used to deliver audit report for subsequent years without any comments or disclosures, thereupon. 4

   (b) Mr. A, a Chartered Accountant was the auditor of 'A Limited'. During the Financial year 2007-08, the investments appeared in the Balance Sheet of the company of Rs. 10 lakhs and was the same amount as in the last year. Later on, it was found that the company's investments were only Rs. 25,000, but the value of investments was inflated for the purpose of obtaining higher amount of Bank loan. 4

   (c) An advertisement was Published in a Newspaper containing the Photograph of Mr. X,—A member of the institute wherein he was congratulated on the occasion of the opening ceremony of his office. 4

   (d) Mr. X, a Chartered Accountant and the proprietor of X & Co., wrote several letters to the Assistant Registrar of Co-operative Societies stating that though his firm was on the panel of auditors, no audit work was allotted to the firm and further requested him to look into the matter. 4

3. Answer the following :

   (a) Briefly explain : AS6V 8

      (i) Audit procedures on subsequent events

      (ii) Collection of evidences by Peer reviewer.

Marks

(b) ABC Printing Press, a proprietary concern, made a turnover of above Rs. 43 lacs for the year ended 31.03.2009. The Management explained its auditor Mr. Z, that it undertakes different job work orders from customers. The raw materials required for every job are dissimilar. It purchases the raw materials as per specification/requirements of each customer, and there is hardly any balance of raw materials remains in the stock, except pending work-in-progress at the year end. Because of variety and complexity of materials, it is rather impossible to maintain a stock-register. 5

Give your comments.

(c) A Co-operative Society having receipts above Rs. 40 lakhs gets its accounts audited by a person eligible to do audit under Co-operative Societies Act, 1912, who is not a Chartered Accountant ? State with reasons whether such audit report can be furnished as tax audit report under Section 44 AB of the Income Tax Act, 1961 ? 3

4. Answer the following :

(a) How will you evaluate the Internal Control system in the area of Credit Card operations of a Bank ? 5

(b) Enumerate the steps to be taken by an auditor for the verification of Re-insurance outward in case of a General Insurance Company. 5

(c) Explain briefly duties and responsibilities of an auditor in case of material misstatement resulting from Management Fraud. 6

5. Answer the following :

(a) State briefly eight provisions of the Sarbanes-Oxley Act of 2002, which shall, if strictly applied to Indian Corporates, get fruitful results. 8

(b) Discuss briefly Accounting standards to be followed by assessees under the Income-tax Law. 4

Marks

(c) Under what circumstances, an auditor is required to submit a special report to the registrar of Co-operative Societies ? 4

6. Answer the following :

(a) The role of an auditor in collecting audit evidences under EDP system is more complex than under the manual system—Discuss. 8

(b) What do you understand about Reserved Capital as provided under Section—99 of the Companies Act, 1956 ? How is it different from Capital Reserve ? 4

(c) Explain briefly the Flow Chart technique for evaluation of the Internal Control system. 4

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