

PAPER – 3 : ADVANCED AUDITING

QUESTION

1. Comment – “Generally an audit is not concerned with the propriety of business conduct”.
2. What are the sources of information for acquiring knowledge of client's business?
3. Distinguish with suitable examples between a case where an auditor is obliged to state in his report to the members of a company that the accounts do not show a true and fair view, and a case where he states that he is unable to form an opinion as to whether or not the accounts give a true and fair view.
4. Discuss the design & control procedures which the auditor should adopt in applying CAAT in an audit under EDP environment.
5. Your client is contemplating taking over a manufacturing concern and desires that in the course of due diligence review, you should look specifically for any hidden liabilities and overvalued assets. State the major areas you would examine for the above.
6. What are the methods an auditor may employ in the performance of statistical sampling tests ?
7. The auditor's assessment of materiality and audit risk may be different at the time of initial Planning and while evaluating the results - Comment
8. What are the special issues involved in Investigation?
9. As a Statutory Auditor, how would you deal with the following?
 - (a) Mr. Satish is appointed as the auditor of Greenwood Travels Ltd. with audit fees of Rs. 35,000. He purchased air ticket from Delhi to Kolkata and back for Rs. 18,000 from the client for his personal work and the amount remains unpaid at the end of the year as it is a general practice of the client to give credit to all. Mr. Satish claims that he does not incur any disqualification as contained in Section 226(3)(d) of the Companies Act.
 - (b) Anjana Ltd., a well reputed manufacturing public limited company has made a contribution of Rs. 2.5 lacs during the financial year ended 31.3.08 to a political party for running a school, situated in the village, where most of the workers of the company reside. It is admitted that the benefit of the school is mostly for the children of the workers of the company. The company has not made any profits in the last four years.
10. Comment on the following:
 - (a) The Company auditor became aware of a matter, only after he had issued his audit opinion. Had he become aware of the same prior to his issuing the audit report, he would have issued a different opinion. What are his responsibilities in such a case?
 - (b) Rajan and Co., Chartered Accountants, were appointed as statutory auditor of Sonia Ltd. in the annual general meeting in August 2007. They resigned in June, 2008 without auditing the financial statements and submitting an audit report thereon. In the next annual general meeting in August, 2008 S and Co., Chartered

Accountants, have been appointed as the statutory auditor. It has been decided that the accounts for year 2007-08 would be discussed in the next AGM along with the accounts of 2008-09. Is S and Co. responsible for examining and reporting on the annual accounts pertaining to year 2007-08.

11. Your firm has been appointed as auditor of XYZ Co. State your opinion on the following matter:

The company has also appointed a cost auditor and, therefore, the management had requested your firm not to review cost records.

12. The Chairman of System International Limited, a large trading company with extensive overseas interests, has asked you to accept the nomination to replace the present auditors at the next annual general meeting of the company.

(a) Before acceptance of any new audit assignment, there are a number of reasons for non-acceptance that have to be considered. List the circumstances in which acceptance of the nomination would be inappropriate under the following:

- (i) Legal aspect
- (ii) Ethical aspect
- (iii) Practical aspect

13. You have just been appointed as auditor of Escort Engineering Ltd., to fill a casual vacancy created by the death of the previous auditor, Mr. Hemanth, a sole practitioner. He has died after carrying out the audit of the company's accounts, but without having signed the audit report of the members for the accounting period.

Set out the considerations, which apply, and the steps, which you would take in these circumstances.

14. (a) Mr. Ramesh, a chartered accountant, was appointed by Ajeem & Co. to prepare the statement of accounts and income tax returns. He examined the books of accounts and signed a few statements including the trading and profit and loss account and the balance sheet. He also forwarded the statements of account of the firm to the income tax department stating that the accounts were verified by him. But the income tax department late discovered that the profits shown in the above statements were incorrect and false. The department, therefore, brought legal action against the auditor for his negligence in duty.

(b) Mr. Rakesh, a chartered accountant, was employed by the complainant for the purpose of income tax appeal before the Income Tax Appellate Tribunal. The remuneration for this purpose to be paid had been fixed on certain parentage of the relief of tax.

The complainant submitted a complaint to the Institute of Chartered Accountants of India on the following grounds:

1. That the respondent failed to appear at the hearing of the appeal before the tribunal in spite of agreement between them.

2. That a large sum of money were wrongfully taken by him by false representation of the case.
15. How will you conduct -
 - (i) Audit of receipts
 - (ii) Audit of stores and stock
16. Write a short note on - Solvency margin in case of an insurer carrying on general insurance business.
17. As an auditor comment on the following:
 RST & Co., a firm of Chartered Accounts has three partners, R, S & T; T is also in whole time employment elsewhere. The firm is offered the audit of XYZ Ltd. and its twenty branches. The firm already holds audit of 40 companies including audit of one foreign company.
18. Is there any misconduct on the part of a Chartered Accountant in the following circumstances:
 - (i) Mr. L, a Chartered Accountant in practice as a sole proprietor has an office in Bangalore near Trinity Circle. Due to increase in professional work, he opens another office in a suburb of Bangalore which is approximately 60 kilometers away from his existing office. For running the new office he employs three retired Income-tax Officers.
 - (ii) Mr. X, a chartered accountant in practice, enters into a partnership with a non-chartered accountant. However, the firm does not undertake any professional assignment and is dissolved after a few months.
19. (a) B, a Chartered Accountant in practice is a partner in 3 firms. While printing his personal letter heads, B gave the names of all the firms in which he is a partner
 (b) The superannuation-cum-pension fund for the employees of a company was under a separate 'trust'.
 Both the company and the trust were under the same management. The auditor, who was auditing the accounts of the company as well as the trust noted some irregularities in the operation of the trust and commented upon these irregularities in the confidential report given to the trustees, but did not mention about these irregularities in his report on the Annual accounts of the Trust.
20. You have been appointed Management Auditor of a large manufacturing company suffering from working capital crunch. Enlist and discuss the related areas which you would probe into to overcome the company's problem.
21. As a Statutory Auditor, how would you deal with the following?
 - (a) S Ltd., a listed company, was incurring heavy losses since the last several years and the industry in which it was functioning was not expected to perform better in the next few years. While finalising the accounts for the year ended 31st March 2007, the CFO of the company decided to create a Deferred Tax Asset for the tax

benefits that would arise in future years from the earlier years losses that had remained unabsorbed in Income tax.

- (b) A father and son are controlling 34% of voting power in AB Company Limited. They are having a separate partnership firm, which supplies mainly the raw material to the Company. The Management says that the above transaction need not be disclosed.
22. Under CARO, 2003 how, as a statutory auditor would you comment on the following:
- (i) Fixed assets comprising $\frac{1}{3}$ rd of the total assets have been disposed off during the year.
 - (ii) A Term Loan was obtained from a bank for Rs.75 lakhs for acquiring R&D equipment, out of which Rs.12 lakhs was used to buy a car for use of the concerned director, who was overlooking the R&D activities.
23. As an internal auditor of a Cement Manufacturing Company, draft an audit programme for verification of transportation charges for despatches from the factory.
24. Write short notes on - Recognition of Deferred Tax Assets.

SUGGESTED ANSWERS/HINTS

1. The objective of an audit of financial statements of an enterprise, according to SA 200A* entitled 'Objective and Scope of the Audit of Financial Statements', is to enable an auditor to express an opinion as to the truthfulness and fairness of financial statements. The auditor's opinion helps to establish reliability of the financial statements.

The auditors, however, does not give opinion on the propriety of business conduct or its future prospects. SA 200A has specifically pointed out that the user of the "financial statements should not assume that the auditor's opinion is an assurance as to future viability of the enterprise or the efficiency or effectiveness with which the management has conducted the affairs of the enterprise".

In pursuance of the role of the auditor in lending credibility to the financial statements the Companies Act, 1956, has provided that he should be concerned about propriety of some specific transactions.

Section 227(1A) of the Act requires the auditor to enquire into six specified matters and report by exception. This section has been inserted into the Act to ensure that the funds of the company have not been siphoned off by the directors. Also under CARO, 2003 issued by the Central Government in pursuance of powers given to it by Section 227 (4A) of the Companies Act, 1956, the company auditor is required to examine the financial propriety of some transactions.

Further, SA 570, 'Going concern' requires the auditors to evaluate whether the going concern concept is applicable to the circumstances of the entity and whether it will continue for a foreseeable future i.e., a period not exceeding one year after balance sheet. In other words, future viability for one year is to be assessed.

To conclude, we can say that though, generally, an audit is neither concerned with propriety of business conduct nor its future viability yet the auditor would be required to examine the former for the purposes of Section 227(1A) and Section 227(4A) of the Act and the latter for assessing applicability of going concern assumption as per the requirements of SA 570.

(Note: Presently, SA 200, “Basic Principles Governing an Audit” and SA 200A, “Objective and Scope of an Audit of Financial Statements” correspond to International Standard on Auditing (ISA) 200 (Revised and Redrafted). Both the SAs are currently being revised in the light of the ISA 200 (Revised and Redrafted). Post revision, the principles covered by SA 200 (erstwhile AAS 1) and SA 200A (erstwhile AAS 2) will be merged into one Standard, i.e. SA 200.)

2. Sources of information: The sources of information vary according to the nature, size and complexity of each business. Standard on Auditing (SA) 300, Audit Planning, has identified sources from which knowledge of business can be acquired. These are – internal and external reports and other publications; discussions with management / client and visit to premises and plants :

Sources	
Internal reports	• Client's annual report to shareholders • Minutes of board, shareholders' and important committee meetings • Internal financial management reports such as budgets, forecasts and projections • The previous years' working papers • Policy and procedure manuals • Internal audit reports, etc.
External reports	• Trade journal, magazines and newspapers • Text books • Relevant publications of the ICAI and other professional bodies • Industry publications
Discussions with management/client	• The auditor should meet the client or senior management of the enterprise under audit to obtain information, which is not otherwise available, and to gain understanding on certain key issues affecting the business. Such discussions with the client might include subjects such as • changes in organizational structure, • new or closed plant facilities, • scope and timing of examination and other similar issues.

Visit to client's premises and plant facilities	The visit to client's premises and plant facilities is important to gain understanding of plant layout, manufacturing process, physical safeguards surrounding inventories and internal documents generated within the organization to record transactions. For example, receiving reports indicating receipt of materials, goods outward notes indicating dispatch of goods to customers etc. Some potential problems might be noticed by the auditor during such visit, for example, rust on equipment may indicate a potential problem of obsolescence.
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3. Adverse Report and Disclaimer of Opinion: SA 200 "Basic Principles Governing an Audit" states that the audit report should contain a clear written expression of opinion on the financial information. In order to express such an opinion, the auditor should review and assess the conclusions drawn from the audit evidence obtained by him. This review and assessment involves forming an overall conclusion as to whether:
- (a) the financial information has been prepared using acceptable accounting policies, which have been consistently applied;
 - (b) the financial information complies with relevant regulations and statutory requirements;
 - (c) the view presented by the financial information as a whole is consistent with the auditor's knowledge of business environment; and
 - (d) there is adequate disclosure of all matters relevant to the proper presentation of financial information.

The opinion expressed by an auditor may be unqualified, adverse, qualified or a disclaimer of opinion depending upon the degree of satisfaction of the auditor about the overall truth and fairness of the financial statements.

An adverse opinion should be expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements. Such an opinion is issued when the effect of disagreement is so material and pervasive to financial statements that the auditor concludes that a qualification of his report is not adequate to disclose the misleading or incomplete picture of the financial statements. This conclusion can be reached by the auditor in an extreme case where there had been flagrant violation of the accounting principles or evidence is not available for material transactions or within the knowledge of the auditor there exists material concealment or misstatement about financial affairs. He must have strong and convincing evidence in favour of his conclusion. It should be appreciated that this opinion is also an overall opinion and owes direct relationship to the portrayal of the financial position in the accounting statements. If one or two illegal transactions of not much significance have taken place and they have been fairly presented and disclosed in the accounting statements, it can not be held that the accounting statements are not true and fair. They are true and fair subject to the illegality already disclosed. The audit report

stating that the accounts do not show a true and fair view is indeed an extreme and rare case. In case an auditor has to report to that effect, there must exist reservations on the accounts affecting materially the accounts taken as a whole. The reservation should not be such that it only partially affects the accounts. Also, mere reservation in the mind of the auditor is not enough, he must have convincing and definite evidence to state that the accounts are so materially irregular that they do not show a true and fair view.

SA 700, "The Auditor's Report on Financial Statements" requires that a disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and is, accordingly, unable to express an opinion on the financial statements. A limitation may be imposed by circumstances, for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories. It may also arise when, in the opinion of the auditor, the entity's accounting records are inadequate or when the auditor is unable to carry out an audit procedure believed to be desirable. In these circumstances, the auditor would attempt to carry out reasonable alternative procedures to obtain sufficient appropriate audit evidence to support an unqualified opinion. This would also be the case when internal control is so weak as to prevent the auditor from putting any reliance on the accounts. Therefore, to be fair and just, he should state that he is unable to form an opinion as to whether or not accounts give a true and fair view, for example, when the auditor was not able to examine a substantial part of the books of accounts because they were in police custody. In both the situations, the auditor should give also his reasons for the report he makes. Instances in which the auditor faces limitations on the scope of his work, it is appropriate for him to state that he has not been able to form an opinion.

4. The different design and procedural aspects of EDP systems are as follows:
 - (i) Consistency of Performance: EDP systems perform functions exactly as programmed and are potentially more reliable than manual systems, provided that all transactions type and conditions that could occur are anticipated and incorporated into the system.
 - (ii) Programmed Control Procedures: The nature of computer processing allows the design of internal control procedures in computer programs. These procedures can be designed to provide controls with limited visibility (e.g., protection of data against unauthorized access may be provided by passwords) Other procedures can be designed for use with manual intervention, such as review of reports printed for exception and error reporting and reasonableness and limit checks of data.
 - (iii) Single Transaction Update of Multiple or Data Base Computer Files: A single input to the accounting system may automatically update all records associated with the transaction (e.g., shipment of goods documents may update the sales and customers' accounts receivable files as well as the inventory file). Thus, an erroneous entry in such a system may create errors in various financial accounts.
 - (iv) System Generated Transactions: Certain transactions may be initiated by the EDP system itself without the need for an input document. The authorisation of such transactions may neither be supported by visible input documentation nor

documented in the same way as transactions which are initiated outside the EDP system (e.g., interest may be calculated and charged automatically to customers' account balances on the basis of pre-authorised terms contained in a computer program).

- (v) Vulnerability of Data and Programme Storage Media: Large volumes data and the computer programs used to process such data may be stored on portable or fixed storage media, such as magnetic discs and tapes. These media are vulnerable to theft, or intentional or accidental destruction.
5. The objective of the Due Diligence exercise will be to look specifically for any hidden liabilities or over valued assets.

Certain examples of hidden liabilities are:

- The company may not show any show cause notices which have not matured into demands, as contingent liabilities. These may be material and important.
- The company may have given "Letters of Comfort" to banks and Financial Institutions. Since these are not "guarantees", these may not be disclosed in the Balance sheet of the target company.
- The Company may have sold some subsidiaries/businesses and may have agreed to take over and indemnify all liabilities and contingent liabilities of the same prior to the date of transfer. These may not be reflected in the books of accounts of the company.
- Product and other liability claims; warranty liabilities; product returns/discounts; liquidated damages for late deliveries etc. and all litigation
- Tax liabilities under direct and indirect taxes
- Long pending sales tax assessments
- Pending final assessments of customs duty where provisional assessment only has been completed.
- Agreement to buy back shares sold at a stated price.
- Future lease liabilities
- Environmental problems/claims/third party claims
- Unfunded gratuity/superannuation/leave salary liabilities; incorrect gratuity valuations.
- Huge labour claims under negotiation when the labour wage agreement has already expired.

Examples of over valued assets could be:

- Uncollected/uncollectable receivables
- Obsolete, slow non-moving inventories or inventories valued above NRV; huge inventories of packing materials etc. with name of company

- Underused or obsolete Plant and Machinery and their spares; asset values which have been impaired due to sudden fall in market value etc.
 - Assets carried at much more than current market value due to capitalization of expenditure/foreign exchange fluctuation, or capitalization of expenditure mainly in the nature of revenue
 - Litigated assets and property
 - Investments carried at cost though realizable value is much lower
 - Investments carrying a very low rate of income / return
 - Infertuous project expenditure/deferred revenue expenditure etc.
 - Group Company balances under reconciliation etc.
 - Intangibles of no value.
6. The auditor may use a computer to render considerable assistance in the performance of statistical sampling tests, employing the following methods:
- (a) Interval sampling: The computer is programmed to select every nth item stored on magnetic tape, and the items so selected can be copied on to a separate tape and printed out in the form required by the auditor.
 - (b) Random number selection: The technique of random number selection can be computerised, the random numbers being stored on tape or generated by the computer separately for each application.
 - (c) Random Interval selection: The dangers of selecting a biased example by the use of a uniform interval can be avoided through the use of random variation of the interval between successive items. Random intervals are selected from random number tables maintained on magnetic tape, or produced by means of a random number generator program.

While applying statistical sampling, it should be remembered that materiality is one of the major considerations to decide whether or not a sample should be selected. For instance in case of certain enterprises like real estate builders, agents, merchant houses, etc. the total number of transactions may be relatively very small and hence are not appropriate for the selection of a sample. Even in case of major enterprises, there are certain items which are so significant that the records relating to them should be scrutinized by the auditor at new item by item basis. For example, the year end closing entries in the journal may be manipulated and, therefore, each entry must be carefully examined and authenticated by the auditor. In actual practice many firms of Chartered Accountants have found limited use of statistical sampling than anticipated by them. The various reasons which may be attributed to this state of affairs are as under:

- (i) Audit has never been a mathematical discipline,
- (ii) Designing and sampling schemes properly take unduly long time.
- (iii) To draw valid conclusions on the basis of statistical sampling, all members of the audit team should have an excellent grasp of the statistical principles involved,

7. **Materiality and Audit Risk in Evaluating Audit Evidence:** The auditor's assessment of materiality and audit risk may be different at the time of initially planning the engagement from that at the time of evaluating the results of his audit procedures. This could be because of a change in circumstances or a change in the auditor's knowledge as a result of the audit. For example, if the audit is planned prior to period end, the auditor will anticipate the results of operations and the financial position. If actual results of operations and financial position are substantially different, the assessment of materiality and audit risk may also change. Additionally, the auditor may, in planning the audit work, intentionally set the acceptable cut off level for verifying individual transactions at a lower level than is intended to be used to evaluate the results of the audit. This may be done to cover a larger number of items and thereby reduce the likelihood of undiscovered misstatements and to provide the auditor with the margin of safety when evaluating the effect of misstatements discovered during the audit.

In forming his opinion on the financial information, the auditor should consider whether the effect of aggregate uncorrected misstatements on the financial information is material. Qualitative considerations also influence an auditor in reaching a conclusion as to whether the misstatements are material.

The aggregate of uncorrected misstatements comprises:

- (a) specific misstatements identified by the auditor, including the net effect of uncorrected misstatements identified during the audit of previous periods; and
- (b) the auditor's best estimate of other misstatements which cannot be specifically identified (that is, projected errors).

When the auditor tests an account balance or class of transactions by an analytical procedure, he ordinarily would not specifically identify misstatements but would only obtain an indication of whether misstatements might exist in the balance or class and possibly its approximate magnitude. If the analytical procedure indicates that misstatements might exist, but not its approximate amount, the auditor ordinarily would have to employ other procedures to enable him to estimate the aggregate misstatement in the balance or class.

When an auditor uses audit sampling to test an account balance or class of transactions, he projects the amount of known misstatements identified by him in his sample to the items in the balance or class from which his sample was selected. That projected misstatement, along with the results of other substantive tests, contributes to the auditor's assessment of aggregate misstatement in the balance or class.

If the aggregate of the uncorrected misstatements that the auditor has identified approaches the materiality level, or if auditor determines that the aggregate of uncorrected misstatements causes the financial information to be materially misstated, he should consider requesting the management to adjust the financial information or extending his audit procedures. In any event, the management may want to adjust the financial information for known misstatements. The adjustment of financial information may involve, for example, application of appropriate accounting principles, other adjustments in amounts, or the addition of appropriate disclosure of inadequately disclosed matters. If the management refuses to adjust the financial information and the

- results of extended audit procedures do not enable the auditor to conclude that the aggregate of uncorrected misstatements is not material, the auditor should express a qualified or adverse opinion, as appropriate.
8. Investigation broadly range between two extremes – on one hand there are those in respect of which complete accounts, documents, records and other information are available, and on the other hand, those in respect of which little information, besides published accounts and statistical data, is available. Further, investigation may cover the whole of accounting or may relate to only a part or parts of accounting as may be specified. Some of the issues that may arise in investigations are as follows:
 - (i) Verification: Whether an investigator is require to undertake a cent percent verification approach or whether he can adopt selective verification;
 - (ii) Reliance on Audited Statements: Whether the investigator can put reliance on the already audited statements of accounts will depend on assignment to assignment. While in *Short & Compton v Brackert*, it was held that reliance can be so put in case of incoming partner, in *Mead v Ball Backer & Co.*, it was held that the investigator cannot put such reliance when advising a proposed investor in a limited company.
 - (iii) Experts Opinion: Whether the investigation requires views or opinions of experts in various fields;
 - (iv) Independence: The investigator should keep himself scrupulously professional and should keep the interests of all the involved parties in view;
 - (v) Investigator's Opinion: The investigator should refrain from issuing speculative opinion and should confine his opinion to the established facts only;
 - (vi) Working Papers: The investigator should retain, on his files full notes of the work carried out, copies of schedules and all the working papers. This will help him support his explanations when called up in the court to give evidence of the work performed.
 9. (a) Disqualification of auditors: The guidance note on “Independence of Auditors” issued by the ICAI in this context recommends that “a question of indebtedness may also be raised where an auditor of a company purchases goods or services from the company audited by him. In such a case, if the amount outstanding exceeds Rs. 1000, irrespective of the nature of the purchase or period of credit allowed to other customers, the provisions concerning disqualification of auditor as contained in Section 226 (3) (d) will be attracted. This is applicable in the case of purchase of air tickets for personal work by the auditor of a company on normal terms and conditions of the business of the company as the amount outstanding at the end of the year exceeded Rs. 1000. Therefore, the contention of Mr. Satish that he does not incur disqualification is not correct as he has purchased a ticket of the value of Rs. 18,000. The provisions concerning disqualifications of auditor as contained in Section 226 (3) (d) will be attracted.
 - (b) Restrictions regarding political contribution: Section 293A of the Companies Act 1956 deals with prohibitions and restrictions regarding political contribution. A non-Government company which has been in existence for not less than three years

may contribute any amount or amounts directly or indirectly to any political party or for any political purpose to any person provided that the aggregate of the amounts which may be so contributed by a company in any financial year shall not exceed 5% of its average net profits determined in accordance with the provisions of Sections 349 and 350 during the three immediately preceding financial years. In the given case, the company has not made any profit in last four years and contributed Rs. 2.5 lacs during the year to a political party for running a school. This is violation of the provisions of Section 293-A of the Companies Act although the children of its workers are benefited. The auditor would have to qualify his report stating the contravention of the provisions of the Companies Act.

10. (a) Legal and professional perspective

(i) Right to receive notice and to attend general meeting

- ❖ According to section 231, the auditor has a right to receive all notices of and other communications relating to any general meeting of a company as are sent to the members of the company.
- ❖ He can attend any general meeting like a member.
- ❖ However, he can speak only on the matters which concern him as an auditor.

(ii) SA 560 – As per SA 560, the auditor before issuing the audit report should consider subsequent events i.e. events occurring from date of balance sheet to the date on which audit report is issued.

(iii) Events subsequent to the date of audit report – The auditor, in case he becomes aware of a matter subsequent to his audit report and such a discovery would cause the revision of the audit report, he may bring this to the notice of shareholders.

Present case

Based on the above perspective, can say, in the given situation, the auditor may attend the general meeting and bring to the notice of shareholders the matter concerned and should communicate to them the change in his opinion.

(b) Duty to report

(i) Section 227(2) requires the auditor to make a report to the members of the company on the accounts examined by him and on every balance sheet and profit and loss account and on every document declared to a part of or annexed to the balance sheet or profit and loss account laid before the company in the general meeting during his tenure of office.

(ii) The auditor holds his office from the conclusion of the AGM to the factual conclusion of the next AGM. Thus, he could examine and report on the annual accounts pertaining to all financial years falling during the tenure of his office.

Given situation – On the basis of above arguments, we can say in the present case S and Co. can examine and report on the annual accounts pertaining to both year 2007-08 as well as 2008-09.

11. (i) Legal requirements
 - (a) Section 233(B) empowers the Central Government to order audit of cost accounts in certain cases. However, it points out that the audit conducted by cost auditor under this section shall be in addition to the audit conducted by an auditor under section 224 of the Companies Act, 1956.
 - (b) Section 227(3) requires the statutory auditor to report whether in his opinion, proper books of account as required by law have been kept by the company, so far it appears from his examination of those books. Proper books of account include cost records. Thus, it is the statutory duty of the auditor to review cost records maintenance.
 - (c) CARO, 2003 has laid down similar responsibility on the statutory auditor.
- (ii) In the given situation, based on the provisions of Sections 233B and 227 of the Act we can say, the auditor should not accept management's contention.
12. It would be inappropriate for a person to accept a nomination as auditor under the following circumstances:
 - (i) Legal aspect

Section 226 (3) of the Companies Act, 1956 provides the disqualifications. According to it, the following persons are not qualified to be appointed as auditor of a company:

 - An officer or employee of the company
 - A person who is a partner or who is in employment of an officer or employee of the company.
 - A person who is indebted to the company for an amount exceeding Rs.1,000 or who has given any guarantee or provided any security in connection with indebtedness of any third person
 - (ii) Ethical aspect

Following are the circumstances where a person cannot accept a nomination as auditor on ethical ground:

 - A potential conflict of interest between the company and an existing client might arise.
 - The person has a personal relationship with a senior member of the company's staff.
 - The person is financially involved with the company and wishes to remain so.
 - The person might not wish to be professionally associated with this firm for some reason arising out of the need to change auditors.

(iii) Practical aspect

Following are circumstances where a person cannot accept a nomination as auditor on practical ground:

- The job might be beyond the capacity of the audit firm, because it requires too many staff or expertise not available within the firm.
- The client may have location, which the audit firm cannot visit or arrange to have audited.
- The client may not be willing to pay the fee that the audit firm would need to charge.
- The following steps should be taken when a change of auditors takes place:
 - (i) The proposed auditor should request permission from the company to contact the previous auditors and if permission is refused, the nomination should be declined.
 - (ii) The proposed auditor should contact the previous auditor and ensure that there are no professional reasons why he should not accept the appointment.
 - (iii) The existing auditor must obtain the company's permission to discuss its affairs with the proposed auditor. If refused, the proposed auditor should be informed of this and should then decline the nomination.
 - (iv) The existing auditor should give the proposed auditor all information relevant to the decision of accepting the appointment.

The purpose of these provisions is to protect both the existing and the proposed auditors. The former by allowing him to express his opinion as to why the change is taking place and the latter by ensuring his decision is made with full knowledge of all circumstances.

13. In taking over an unfinished audit of the late Mr. Hemanth, the first consideration to be borne in mind by the new auditor is that he is the one, who is to sign the audit report, and therefore, bears total responsibility for the audit. Late Mr. Hemanth's work cannot be accepted without a through review by the new auditor. It will be important to find out whether he died after a long illness or whether he was in apparently good health before his death.

The extent of any extra work needed by the new auditor will depend on the results of this review. He cannot sign an audit report based on standards of work lower than his own.

The steps, which should be taken, are as follows:

- (a) Request the audit working papers from the executors of Mr. Hemanth. They are not obliged to release them and if, for any reason, they refuse the request, the audit will have to be started again.

- (b) Carry out a full review of the audit work done by Mr. Hemanth. This will involve the following:
 - (i) Obtaining background knowledge of Escort Engineering Limited's business
 - (ii) Discovering and assessing the company's systems and internal controls
 - (iii) Determining what further audit work, in the new auditor's view, is necessary to arrive at an opinion on the truth and fairness of the view given by the accounts.
 - (c) Carry out, resulting from the review, any further audit work. However, it would be advisable to include a certain amount of test checking as an integral part of the review. If it appears that Mr. Hemanth's work was in any way negligent or below the standard that the new auditor would set for himself, or departed materially from the principles laid down by the auditing standards and guidelines, the new auditor will have to carry out a complete audit himself.
 - (d) The overall aim of the new auditor must be to ensure that the duties imposed on an auditor by the Companies Act have been properly carried out and that he was obtained all the evidence required to give his opinion on the accounts.
14. (a) The case was decided in favour of the auditor and he was not held guilty for negligence. It was held that the role of an auditor to the assessee is just like a lawyer or an advocate in a court. It is the responsibility of the income tax officer to investigate the accounts. The auditor owned no duty to the income tax department (third party) and as such, no question of negligence in duty could arise.
- (b) The court could not establish any of the above charges against the respondent. However, the disciplinary committee of the Institute of Chartered Accountants of India made a charge against Mr. Rakesh that he had charged his fees at a certain percentage of relief of tax on the ground that no practicing chartered accountant can accept fee on percentage basis as per the provision of Clause 10, Part I of the First Schedule of the Chartered Accountants Act, 1949. Hence, he was held guilty of professional misconduct and suspended from practice for a period of three months.
15. (i) Audit of receipt – Section 16 of the CAG's (DPC) Act, 1971 confers upon him the authority to audit all receipts of the Union/States.
- The important aspects of audit of receipts can be elaborated as follows:
- (a) Examine all revenue or other debts due to the Government – Examine all revenues or other debts due to the Government have been correctly assessed, realized and credited to Government account by the designated authorities.
 - (b) Procedure for collection – Examine adequate regulations and procedures have been framed by the department/agency concerned to secure an effective check on assessment, collection and proper allocation of cases.
 - (c) Implementation – Examine whether such regulations and procedures are actually being carried out.

- (d) Assess adequacy of checks over irregularities and fraud – Ascertain whether adequate checks are imposed to ensure prompt detection and investigation of irregularities, double refunds, fraudulent or forged refund vouchers or other loss of revenue.
 - (e) Review and suggestions – Review the system and procedure to examine whether there is correct and regular accounting of demands, collection and refunds and settlement of final dues.
- (ii) Audit of stores and stock – The Comptroller and Auditor General of India has the power to audit and report on the accounts of stores and stock kept in any office or department of the Union or a State Government. “Stores” here denote all articles and materials purchased or other wise acquired for the use of Government such as plant, machinery, equipment, livestock, etc. The procedure for audit is as follows:
- (a) Examine adequacy of regulation - Examine whether regulations governing purchase, receipt and issue, custody, sale and stock-taking of stores are well devised.
 - (b) Conduct audit of purchases –
 - Conduct audit of purchase of stores in the similar manner as audit of expenditure.
 - Ensure these are properly sanctioned, made economically and in accordance with the rules for purchases laid down by the competent authority, particularly, when purchases are made on the basis of lowest price determined through open competitive bidding.
 - Examine whether the rates paid agree with those shown in the contract or agreement with the vendor.
 - Also, examine certificates of quality and quantity furnished by the inspecting and receiving units.
 - Comment upon the cases of uneconomical purchases of stores or losses attributable to defective or inferior quality of stores.
 - (c) Assess adequacy of accounts –
 - Determine whether accounts of receipts, issues and balances are accurate and balance in stock is as per the prescribed norms for stock-holding and ascertain whether there is excess or idle stock.
 - Review the system of physical verification of stock.
 - (d) Examine sanctions to write off
 - Examine whether sanctions to write off stores have been accorded by a competent authority.

- Ensure that steps are taken to survey, segregate and dispose of unserviceable, surplus or obsolete stores in accordance with prescribed procedures.
 - (e) Special points in case of priced stores ledger – In case where a priced stores ledger is maintained, ensure that stores are priced accurately and revised where necessary; value accounts tally with physical accounts and adjustment of profits or losses due to revaluation, stock taking or other causes has been carried out.
16. Solvency margin in case of an insurer carrying on general insurance business: In case of an insurer carrying on general insurance business, the solvency margin should be the highest of the following amounts :
- (i) fifty crore rupees (one hundred crores of rupees in case of reinsurer), or
 - (ii) a sum equivalent to twenty percent of the net premium income; or
 - (iii) a sum equivalent to thirty percent of net incurred claims.
- Subject to credit for reinsurance in computing net premiums and net incurred claims being actual but a percentage, determined by the regulation but not exceeding fifty percent. It may be noted that conditions regarding maintenance of the above mentioned solvency margin may be relaxed by the authorities in certain special circumstances.
- If, at any time, an insurer does not maintain the required solvency margin, the insurer is required to submit a financial plan to the authority indicating the plan of action to correct the deficiency in the solvency margin. If, on consideration of the plan, the authority finds it inadequate the insurer has to modify the financial plan.
- Sub-section (2c) of Section 64 A states that if an insurer fails to comply with the requirements of the insurance Act, 1938, it shall deemed to be insolvent and may be wound up by the court.
17. Ceiling on audits
- (a) Section 224(1B) has prescribed ceiling on auditorships.
 - (b) In case of partnership firm of auditors, the ceiling is twenty companies per partner of the firm.
 - (c) Moreover, any partner who is in full-time employment elsewhere is not to be taken into account while computing the ceiling of number of companies that the firm can audit.
 - (d) For the purposes of calculating the specified number of auditors, certain audits are not counted towards the ceiling. Audit of an Indian company and its branches is counted as one audit. Audit of foreign companies and its branches are not counted towards ceiling because a foreign company is not included in the definition of a company as defined under the Companies Act, 1956.

- The present case
 - (i) The maximum number of audits RST and Co. who has three partners, R, S & T can take is 40. (20 audits per partner × 2 partners) T is in full employment. Therefore, the firm cannot take any audit on his behalf.
 - (ii) At present firm has audit of 40 companies out of which one is a foreign company. For the purpose of section 224(B) audit of foreign company is not counted. Therefore, for section 224(1B) the number of audits the firm has at present is 39 and it can take one more company for audit.
 - (iii) The firm can take audit of XYZ Ltd. and its 20 branches, as it would be counted as one audit only.
18. (i) In terms of section 27 of the Chartered Accountants Act, 1949 if a chartered accountant in practice has more than one office in India, each one of these offices should be in the separate charge of a member of the Institute. There is however an exemption for the above if the second office is located in the same premises, in which the first office is located; or the second office is located in the same city, in which the first office is located; or the second office is located within a distance of 50 kms from the municipal limits of a city, in which the first office is located. Since the second office is situated beyond 50 kms of municipal limits of Bangalore city. Thus Mr. L would be liable for committing a professional mis-conduct.
- (ii) According to Clause 4 of the First Schedule (Part-I) of the Chartered Accountants Act, 1949 Mr. X is guilty of professional misconduct, because a chartered accountant is restricted to enter into professional partnerships with non-chartered accountants. It is immaterial whether any professional assignment has been undertaken or not.
19. (a) Advertisement of Professional Attainments: Clause 7 of Part I of the First Schedule to the Chartered Accountants Act, 1949 prohibits advertising of professional attainments or services of a member. It also restrains a member from using any designation or expression other than that of a Chartered Accountant in documents through which the professional attainments of the member would come to the notice of the public. Even a member is not permitted to specify the date of setting up of practice or establishment of firm. However, there is no prohibition for printing names of all the three firms on the personal letterheads in which a member holding Certificate of Practice is a partner. Thus B is not guilty of any misconduct under the Chartered Accountants Act, 1949.
- (b) disclosure of material facts: A Chartered Accountant in practice is deemed to be guilty of professional misconduct under clause 5 of Part I of the Second Schedule if he “fails to disclose a material fact known to him which is not disclosed in a financial statement but disclosure of which is necessary to make the financial statement not misleading”. In this case, the Chartered Accountant was aware of the contraventions and irregularities committed by the trust as these were referred to in

the confidential report given by the Chartered Accountant to the trustees of the company. However, he had issued the annual accounts without any qualification. On similar facts it was held by the Supreme Court in Kishorilal Dutta Vs. P. K. Mukherjee that it was the duty of the Chartered Accountant to have disclosed the irregularities and contravention to the beneficiaries of the fund in the statement of accounts signed by him. Accordingly, in the present case also it has to be held that the Chartered Accountant is guilty of professional misconduct if the amount of irregularities is proved material.

20. Adequate working capital is required for liquidity and smooth operations of the company. To ensure an adequate flow of working capital to the manufacturing company, the following action plan may be considered:
- (i) Working Capital Estimation: The company should start by preparing a statement of the projected working capital requirements. This should be based on the functional budgets in sales, production, expenses, capital expenditure and the Master Budget consisting of projected profit and loss and the Balance Sheet.
 - (ii) Cash Flow Statement / Cash Budget: Month-wise cash budgets showing inflows and outflows of cash heading-wise should be prepared to analyse the major inflows and outflows affecting the entity. At this stage any wasteful outflow can be traced and eliminated. Bank reconciliation should be undertaken periodically so that outstanding can be traced and acted upon. This is also necessary to reduce the float time.
 - (iii) Inventory / Stock Management: Raw materials and inventories should be classified properly to determine the level of stock of materials. The method of costing also needs to be looked at minutely. There is a need to establish linkage with the production pattern and work backwards accounting for time factor in receipt of material. This needs to be worked out carefully since at no cost, production schedule should be hampered. The caution also need to be exercised that there is no unused/obsolete inventory. The system of inventory management needs to be looked at so as to check the avoidable wastes/scrap generated during storage and handling. Just in time philosophy will enable the company to reduce processing time, stocks and related costs. The adoption of such a mechanism would bring down the cost to a considerable extent.
 - (iv) Credit Management: The company should lay down a proper policy for evaluating customers, determining the credit period and offering discounts for early payment. An age-wise analysis of debtors should also be prepared so as to avoid credit to defaulters. The sale department need to be geared up so that realisation can be made in time. A careful analysis should be done of various customers according to pattern of sales so as to exercise control on their respective debit balances. The company should through its purchase department endeavour to avail the maximum credit period from its creditors. This would enhance the working capital of the company.

- (v) Funds Flow Analysis: The company should prepare a funds flow analysis, distinguishing between long-term and short-term sources and applications.
 - (vi) Investment Management: The idle funds of the company, if any, should be invested in short-term securities to augment the income.
 - (vii) WIP Analysis: Minimum WIP should be monitored and for the purpose it is necessary to ensure that no bottlenecks develop at any stage during the production process.
21. (a) Recognition of Deferred Tax Assets: Accounting Standard 22 on “Accounting for Taxes on Income”, requires that deferred tax should be recognised for all timing differences, subject to the considerations of prudence in respect of deferred tax assets. The standard further states that where an enterprise has unabsorbed depreciation or carry forward of losses under the tax laws, deferred tax assets should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. In this context, virtual certainty supported by convincing evidence would mean that there is a reasonable certainty that the carry forward losses would be recouped in the future years. In the instant case, looking to the fact that the industry in which the company was functioning was not expected to perform well in the next few years, getting virtual certainty and convincing evidence for the same would be almost impossible. Hence, in the absence of virtual certainty for offset of the losses in future years, creating a deferred tax asset would not be possible for the company. The statutory auditor would therefore have to qualify his report by stating that deferred tax assets have been created though there is no virtual certainty for getting the said benefit in income tax. He would also have to mention the amount by which the loss for the year has been understated and the amount by which the reserves are overstated.
- (b) Disclosure of Transactions with Related Parties: AS 18, “Related Party Disclosures” and SA 550 “Related Parties”, if applicable, requires disclosure of related party relationships and transactions between a reporting enterprise and its related parties. The parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions. The control can be exercised through controlling the composition of the Board or more than half of voting power or substantial interest in the voting power and the power to direct financial and/or operating policies. Significant influence can be exercised through several ways, e.g., participation in financial/operating policies, material inter-company transaction, etc. However as per the explanation given in the Standard, significant influence is said to exist in case the investing party has 20% or more voting power of the enterprise unless it can be demonstrated that this is not the case. As per the facts given, in the absence of other circumstances, it appears that father and son will be in a position to exercise significant influence

since they are holding 34% of voting power in the company. Hence, relationship as well as nature of transactions would have to be disclosed. In case of non-disclosure, the auditor should qualify the audit report.

22. (i) Disposal of Fixed Assets: Under CARO, 2003, an auditor is required to state if substantial part of the fixed assets have been disposed off during the year, whether it has affected the going concern. This clause requires the auditor to carry out adequate audit procedures to satisfy himself that the company shall be able to continue as going concern for the foreseeable future despite the sale of substantial part of the fixed assets.

Accordingly, in the instant case, the auditor should satisfy himself as to whether disposal off of 1/3rd of fixed assets during the year had any effect on the going concern assumption on account of such sale of fixed assets. The Auditor is required to exercise his professional judgement to determine whether disposal off of one-third of total assets constitutes substantial part or not. Depending upon the judgement arrived at by the auditor, he shall report whether substantial part of fixed assets have been disposed off or not during the year and it has affected or not affected the going concern status of the company. Alternatively, in case the auditor is of the opinion that it constitutes substantial sale but the going concern assumption is appropriate because of mitigating factors then he has to ensure that the same are disclosed in the financial statements or else he shall have to modify the auditor report. The manner of reporting shall also be modified appropriately in case the going concern assumption is resolved or not.

- (ii) Utilisation of Term Loans: Under CARO, 2003, an auditor is required to comment whether term loans were applied for the purpose for which the loans were obtained.

The auditor should examine the terms and conditions of the term loan with the actual utilisation of the loans. If the auditor finds that the fund has not been utilized for the purpose for which they were obtained, the report should state the fact.

In the instant case, since term loan taken for the purpose of R&D equipment has been utilized for purchase of car which has no relation with R&D equipment. Therefore, car though used for R&D Director cannot be considered as R&D equipment. The auditor should state the fact in his report that the out of term loan of R&D lack, Rs.12 lakhs was not utilised for the purpose of acquiring the R & D equipment.

23. Procedure for Audit of Transportation Charges

- (i) Check rates contracted with transporters for carriage of goods.
- (ii) Check whether the rates mentioned as per the contract are correctly taken in the transporter's invoice.
- (iii) In case of discrepancy, check whether the same is authorised by the appropriate sanctioning authority.

- (iv) Check that the transporter's invoice includes a delivery challan which has customers stamp indicating the receipt of goods.
 - (v) In case there is no stamp on the delivery challan, check whether the goods are received back and there is a corresponding inward note.
 - (vi) Check whether all the goods to be dispatched have a transport booking order reference.
 - (vii) Check whether each transporter's invoice mentions the transport booking order reference.
 - (viii) Check whether all the transport booking orders have corresponding transporters names.
 - (ix) Check whether the transport booking orders are prenumbered.
 - (x) Check whether all the invoices are correctly booked in the books of accounts.
 - (xi) In case there is an additional charge by the transporter due to extra carriage, check for the relevant supporting records (like material inward note/customer rejection note) and necessary authorisation by the sanctioning authority.
 - (xii) Check whether service-tax on the transporters is correctly calculated and accounted.
 - (xiii) Verify that there is a mechanism for linking all the transport bills to the sale invoices.
24. Recognition of Deferred Tax Assets: Deferred Tax Assets (DTA) are to be recognised as laid down by AS 22 "Accounting for Taxes on Income" a DTA arises on account of a timing difference in which the taxable income is more than the book income. A deferred tax asset (and the corresponding tax saving) should be recognised only after applying the test of prudence. Thus, where the enterprise does not have unabsorbed depreciation and carried forward losses as per the tax laws, deferred tax assets should be recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In other words, no deferred tax asset should be created if there is no reasonable certainty about the requisite future taxable income. The existence or absence of a reasonable level of certainty would normally be determined by examining the past record of the reasonable and by making realistic estimates of profits for the future.

A much stricter test of prudence has to be satisfied where the enterprise has unabsorbed depreciation or carried forward losses under tax laws. In such a situation, deferred tax assets should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. The existence of unabsorbed depreciation or carried forward losses under tax laws is strong evidence that future taxable income may not be available. Therefore, in such a situation, the enterprise can recognise deferred tax assets only to the extent that it has timing differences the reversal of which will result

in sufficient taxable income or there is other convincing evidence of virtual certainty of availability of sufficient taxable income against which deferred tax assets can be realised.

ICAI has stated that virtual certainty refers to the extent of certainty which, for all practical purposes, can be considered certain. Determination of virtual certainty of availability of sufficient future taxable income is a matter of judgement which will have to be made on a case-to-case basis.

LIST OF INSTITUTE PUBLICATIONS - NOVEMBER, 2009

I. Professional Topics/Subjects

1. Code of Ethics

(The Chartered Accountants (Amendment) Act, 2006 is applicable for November, 2008 Final Examination)

II. Statements and Standards

1. Framework of Statements on Standard Auditing Practices and Guidance Notes on Related Services.
2. Standards on Auditing as given below. (All these SAs have been hosted in the Institute's website)

S.No. Standards on Auditing and Number

1. Basic Principles Governing an Audit (SA 200)
2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
3. Terms of Audit Engagement (SA 210)
4. Quality Control for Audit Work (SA 220)
5. Audit Documentation (230) (Revised)
6. The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements (SA 240) (Revised)
7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (Revised)
8. Communication of Audit Matters with Those Charged with Governance (SA 260) (Revised)
9. Responsibility of Joint Auditors (SA 299)
10. Planning an Audit of Financial Statements (300)
11. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (Newly issued)*
12. Audit Materiality (SA 320)
13. The Auditor's Responses to Assessed Risks (SA 330) (Newly issued)*
14. Audit Considerations Relating to Entities Using Service Organisations (SA 402)
15. Audit Evidence (SA 500)

16. Audit Evidence - Additional Considerations for Specific Items (SA 501)
17. External Confirmations (SA 505)
18. Initial Engagements – Opening Balances (SA 510) (Revised)
19. Analytical Procedures (SA 520)
20. Audit Sampling (SA 530) (Revised)
21. Auditing of Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (Revised)
22. Related Parties (SA 550) (Revised)
23. Subsequent Events (SA 560) (Revised)
24. Going Concern (SA 570) (Revised)
25. Written Representations (SA 580) (Revised)
26. Using the Work of Another Auditor (SA 600)
27. Relying Upon the Work of an Internal Auditor (SA 610)
28. Using the Work of an Expert (SA 620)
29. The Auditor's Report on Financial Statements (SA 700)
30. Comparatives (SA 710)
31. Engagements to Compile Financial Information (SRS 4410)
32. Engagements to Perform Agreed- upon Procedures Regarding Financial Information (SRS 4400)
33. Engagements to Review Financial Statements (SRE 2400)
34. The Examination of Prospective Financial Information (SRE 3400)

NOTE: 1

* Presently, SA 200, "Basic Principles Governing an Audit" and SA 200A, "Objective and Scope of an Audit of Financial Statements" correspond to International Standard on Auditing (ISA) 200 (Revised and Redrafted). Both the SAs are currently being revised in the light of the ISA 200 (Revised and Redrafted). Post revision, the principles covered by SA 200 (erstwhile AAS 1) and SA 200A (erstwhile AAS 2) will be merged into one Standard, i.e. SA 200.)

** SA 315 & SA 330 – become effective in April, 2008. For November 2009 Final (Old) Examination 34 standards on Auditing as given in the Annexure – I. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.

NOTE: 2

Newly issued SA 450 “Evaluation of Misstatements Identified during the Audit” effective for all audits relating to accounting periods beginning on or after April 1, 2010. It is not applicable for the November 2009 examination.

3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].

III. Guidance Notes/Study Guide/Monograph

Guidance Notes on Auditing Aspects:

1. Guidance Note on Independence of Auditors
2. Internal Control Questionnaire.
3. Guidance Note on Audit Reports and Certificates for Special Purposes
4. Guidance Note on Audit of Fixed Assets.
5. Guidance Note on Audit under Section 44AB of the Income Tax Act [2005 Edition].
6. Guidance Note on Audit of Abridged Financial Statements.
7. Guidance Note on Audit of Inventories.
8. Guidance Note on Audit of Debtors, Loans and Advances.
9. Guidance Note on Audit of Investments.
10. Guidance Note on Audit of Miscellaneous Expenditure.
11. Guidance Note on Audit of Cash and Bank Balances.
12. Guidance Note on Audit of Liabilities.
13. Guidance Note on Audit of Revenue.
14. Guidance Note on Audit of Expenses.
15. Guidance Note on Section 227 (3) (e) and (f) of the Companies Act, 1956.
16. Guidance Note on Certificate of Corporate Governance [2006 Edition].
17. Guidance Note on Revision of Audit Report.
18. Guidance Note on Computer Assisted Audit Techniques (CAATs).
19. Guidance Note on Audit of Payment of Dividend.
20. Guidance Note on Audit of Capital and Reserves.