

Note:-all questions are compulsory.

Marks:-100

Question 1

As an auditor, comment on the following situation/statement:

Travelling expenses of Rs. 2.25 lakhs shown in Profit and Loss Account of X Ltd., including a sum of Rs. 1.10 lakhs spent by a Director on his foreign travel for company's business accompanied by his mother for her medical treatment. (5 Marks) (PE-II May 2006)

Question 2

How will you vouch and/or verify the following ?

(a) Retirement Gratuity to Employees.

(b) Sale Proceeds of Junk Materials

(c) Assets Abroad

(d) Patent Rights (4 × 4 = 16 Marks)(PE-II Nov 2002)

Question 3

State with reasons your views on the following:

(a) Ram and Hanuman Associates, Chartered Accountants in practice have been appointed as Statutory Auditor of Krishna Ltd. for the accounting year 2002-2003. Mr. Hanuman holds 100 equity shares of Shiva Ltd., a subsidiary company of Krishna Ltd. (5 Marks)

(b) Mr. Rajendra, a fellow member of the Institute of Chartered Accountants of India, working as Manager of Shrivastav and Co., a Chartered Accountant firm, signed the audit report of Om Ltd. on behalf of Shrivastav & Co. (5 Marks)(PE-II Nov 2002)

Question 4

Give your comments and observations on the following:

(a) A company has not provided depreciation on machinery on the plea that the machinery has been maintained in excellent condition and is as good as new.

(5 Marks)

- (b) A company, whose accounting year ends on 31st March, 2001 has placed an order with Globe Machinery Limited, Bombay for a machinery costing Rs.20 lakhs against cash payment during the month of June, 2001. The company has added a foot-note to the Balance Sheet as at 31st March, 2001 showing separately that a capital contract has been entered into which requires the payment of Rs.20 lakhs in cash. (4 Marks)
- (c) A company has scrapped a semi-automatic part of a machine (not entirely written off) and replaced with a more expensive fully automatic part, which has doubled the output of the machine. At the same time the machine was moved to a more suitable place in the factory, which involved the building of a new foundation in addition to the cost of dismantling and re-erection. The company wants to charge the whole expenditure to revenue. (5 Marks)
- (d) A company has made additions to its factory buildings by its own workmen, at a cost of Rs.4,50,000 for wages and materials. The lowest estimate from an outside contractor to carry out the same work was for Rs.6,00,000. The directors contend that as they were fully entitled to employ an outside contractor, it is reasonable to debit the Factory Building Account with Rs.6,00,000. (4 Marks)(Intermediate-Nov 2001)

Question 5

Mention the important items to be examined by the auditor in the receipt of Income of Non-Governmental Organisations (NGO's). (10 Marks) (PE-II May 2004)

Question 6

Mention any twelve title of Statements on AASs (hitherto known as SAs) and the date from which it comes into force. (6 Marks)(PE-II May 2004)

Question 7

Discuss the concept of "True and Fair". (8 Marks)(PE-II May 2005)

Question 8

Briefly explain Management Representation. (2 Marks) (PE-II Nov 2005)

Question 9

*Write a short note on - the Audit trail in a computerized accounting environment.
(4 Marks)(PE-II Nov 2004)*

Question 10

How will you verify/vouch the Purchase return? (4 Marks) (PE-II May 2006)

Question 11

List the aspects to be considered in vouching/verification of the following:

(a) Research and Development Expenditure

(b) Discounted bills receivable dishonoured

(c) Borrowing from banks

(d) Plant and Machinery (4 × 4 = 16 Marks)(PE-II May 2003)

Question 12

Write a short note on - the Disclaimer of Opinion. (4 Marks)(PE-II May 2003)