

Note:-all questions are compulsory.

Marks:-100

Question 1

What are the inherent limitations of Internal Control system?(8 Marks) (PE-II Nov 2008)

Question 2

As an auditor, comment on the following:

- (a) *As on 31.3.2005, there was a claim for damage from one of the customers against the company engaged in selling of accounting software for an alleged failure to provide satisfactory after-sales services in relation to the software purchased from it. Before finalisation of the accounts for the year ended 31.3.2005 (the accounts were finalised on 14th June, 2005), the company won the case and had no liability whatsoever in this regard. The company has made a provision for this contingent liability in its accounts for the year ended 31.3.2005, which, it says, will be reversed in the next year. (5 Marks)*
- (b) *SK Ltd. has fully computerised its accounting operations. The stock records are maintained up to date with timely entries passed for all receipts and issues. The company has hired a professional security agency, which monitors and implements a close vigilance over the operations of the company. As such, the company had dispensed with the practice of taking stock of their inventories at the year end as in their opinion the exercise is redundant, time consuming and intrusion to normal functioning of the operations. (4 Marks) (PE-II Nov 2005)*

Question 3

Write a short note on - Cost Audit. (4 Marks)(PE-II May 2005)

Question 4

As an auditor, comment on the following situations/statements:

Z Ltd. had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March, 2004:

	Amount Rs. in lacs
Securities Premium Account	80
Capital Reserve	60
General Reserve	90

The company had an accumulated loss of Rs. 40 lacs on the same date, which it has disclosed under the head "Profit and Loss Account" on the assets side of the Balance Sheet. (4 Marks)(PE-II May 2005)

Question 5

Define a comprehensive Audit Programme for auditing the receipt of fees from the students of a school run by a Charitable Trust. (16 Marks) (PE-II May 2007)

Question 6

Answer the following:

The management of Ankita Limited suggested for quick completion of the statutory audit that it would give its representation about the receivables in terms of their recoverability. The management also acknowledged to the auditors that the management would give their representation after scrutinizing all accounts diligently and they own responsibility for any errors in these respects. It wanted auditors to complete the audit checking all other important areas except receivables. The auditor certified the account clearly indicating in his report the fact of reliance he placed on representation of the management. (4 Marks) (PE-II May 2008)

Question 7

Write a short note on - Inherent limitations of audit. (4 Marks) PE-II, Nov 2008)

Question 8

Under what circumstances change in accounting policies is permissible?

(8 Marks) (PE-II Nov 2005)

Question 9

As an auditor, comment on the following:

Mr. A was appointed auditor of AAS Ltd. by Board to fill the casual vacancy that arose due to death of the auditor originally appointed in AGM. Subsequently, Mr. A also resigned on health grounds during the tenure of appointment. The Board filled this vacancy by appointing you through duly passed Board resolution? (4 Marks) (PE-II Nov 2005)

Question 10

Write a short note on - Capital Redemption Reserve. (4 Marks)(PE-II May 2005)

Question 11

What are the focus points in doing propriety audits by C&A G as regards government expenditure? (8 Marks) (PE-II Nov 2007)

Question 12

The Vidhwat College, an institution managed by Dayal Trust, has received a grant of Rs 1.35 crore from Government nodal agencies for funding a project of research on rural health systems in India. Draft an audit programme for auditing this fund in the accounts of the college. (12 Marks) (PE-II May 2008)

Question 13

How will you verify/vouch the following ?

(a) Stock lying with Third Party

(b) Purchase of Motor Car

(4 × 2 =8 Marks) (PE-II Nov 2005)

Question 14

Give your comments on the following:

The auditors of ABC Ltd. Issued a qualified opinion about the truth and fairness of the accounts of the company for the year ended 31.3.2005. They typed out the matters of qualifications in a bold font so as to invite the attention of the readers to them. The Board objected to it and required them to be typed out in the same normal font as other paragraphs of the report appear.

(5 Marks) (PE-II Nov 2005)

Question 15

As an auditor, comment on the following:

M/s Bonafide Ltd. has taken a Group Gratuity Policy from an Insurance Company. During accounting year 2004-05 it received a communication from the said Insurance Company informing that premium amount for the accounting year 2003-04 was less charged by Rs.75 lacs on account of arithmetical error on the part of Insurance Company. M/s Bonafide Ltd. paid the said sum of Rs. 75 lacs during the accounting year 2004-05 by debiting the same to Prior Period Expenses.

(5 Marks)(PE-II Nov 2005)