

SHREE GURU KRIPA'S INSTITUTE OF MANAGEMENT

Reg. No _____

Total No. of Questions – 8

Total No. of Printed Pages – 2

Time Allowed: 3 Hrs

Total Marks – 100

Answer ALL Questions

Question No.1: State whether True or False with brief reasons (any ten) 10 X 2 = 20 Marks

- (i) M/s ABC Chartered Accountants, were appointed as the internal auditors of Dean Foods Ltd., for the financial year 2008 – 09. While verifying the records of the company, the auditors wrote some correspondences seeking clarifications from the Income Tax Authorities. Further they got responses in relation to these correspondences, from the Revenue Authorities. The company declares that these letters and documents are the properties of the company.
- (ii) Secret reserve strengthens Financial Position, hence they are allowed.
- (iii) Capital profits realized in cash may be distributed as dividend, provided the articles do not prohibit, hence profit on reissue of Forfeited shares may be distributed as Dividend.
- (iv) The Auditor of a company is entitled to attend any General Meeting of the company as his duty.
- (v) An Auditor may be removed from office before the expiry of his term, by the company in General Meeting.
- (vi) Audit working papers to be kept atleast for three years.
- (vii) Management Certificate obtained by the Auditor is enough for verification of Inventories.
- (viii) The environment in which the internal control operates has no relationship with the effectiveness of the Specific control procedures.
- (ix) When the Auditor uses more Professional Judgement, the Degree of Inherent risk is lower.
- (x) Auditor is not an Insurer
- (xi) CA Mr. X is the Auditor of PQ Ltd., in which one of his relative is having substantial interest; whether Mr. X is qualified to be an Auditor.
- (xii) SA 330 deals with Audit Materiality.

Question No.2 Comment on the following. 8 + 6 + 6 = 20 Marks

- (a) In a company Fixed Assets have been revalued and there has been resulting surplus of Rs. 2,00,000, which is transferred to revaluation reserve. The company has a Debit balance in Profit and Loss Account Rs. 1,20,000 as accumulated brought forward losses. The company has adjusted this loss balance against Revaluation reserve.
- (b) A Company has R. 60 lakh of paid up capital and Rs 3 Crore of average annual turnover of past 3 years preceding the Financial year of audit. The company does not have any Internal Audit system because the Management does not think it necessary.
- (c) The Central Government sanctioned Rs. 20 lakh as Grant to a Hospital for the purchase of certain equipments and paid Rs. 10 lakh as advance. The hospital took Rs. 10 lakh as income in the Profit and Loss Account for the year.

Question No.3**5 + 5 = 10 Marks**

- (a) What are the basic principles which govern the Auditor's professional responsibilities while doing audit?
- (b) Discuss in brief SA 600 on Using the work of Another Auditor.

Question No.4**6 + 4 = 10 Marks**

- (a) What points in relevant to SA 300 should be kept in view while preparing an Audit Programme.
- (b) Do you find any inconsistency in the financial information of X Ltd, as given below? If so, what could be the possible reasoning of such inconsistency?

Details	31.3.2009	31.3.2008	Details	31.3.2009	31.3.2008
Sales Turnover days	32	30	Purchase Turnover days	25	28
Sales	199	150	Purchases	160	150
Opening Stock	100	50	Closing Stock	90	100

Question No.5**5 + 5 = 10 Marks**

- (a) Discuss in brief the power of Company to purchase its own securities.
- (b) Under what circumstances the retiring Auditor cannot be reappointed?

Question No.6**5 + 5 = 10 Marks**

- (a) What steps would you take into consideration in Auditing the receipts from patients of a Hospital?
- (b) Distinguish between Internal evidence and External evidence.

Question No.7 How would you vouch / verify the following: (any two)**5 + 5 = 10 Marks**

- (a) Insurance Claim
- (b) Trade Marks & Copy Rights **OR** (b) Preliminary Expenses
- (c) Customs Duty

Question No.8 Write short notes on the following: (any two)**5 + 5 = 10 Marks**

- (a) Disclaimer of Opinion
- (b) Payment of Interest out of Capital during Construction
- (c) Impairment of Assets **OR** (c) Joint Audit