Roll No.............................

Total No. of Questions—8]

[Total No. of Printed Pages—3

Time Allowed—3 Hours

Maximum Marks—100

KVS

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. State with reasons (in short) whether the following statements are True or False : 10×2 =20

 (i) While conducting audit of Government Companies, the auditors are paid their Professional Fees as prescribed by the Government.

 (ii) The auditor compares entries in the books of accounts with vouchers and if two agrees, his work is done.

 (iii) Confirmations received by the auditor directly from third parties are conclusive evidence in support of a transaction.

 (iv) Audit Committee is to be formed by each and every company and the auditor has no compulsion to attend the meeting of the Audit Committee.

 (v) A company can not declare dividends without providing for depreciation.

 (vi) When an auditor identifies a Misstatement resulting from fraud, it is his responsibility to communicate it to the regulatory and enforcement authorities apart from those charged with governance.

 (vii) The auditor should study the Memorandum and Articles of Association to see the validity of his appointment.

 (viii) A special resolution is required by company to authorise issue of shares at discount.

P. T. O.

Marks

(ix) The Investments made by the company in Government Securities like NSC, Government Bonds, etc. should be kept in personal custody of Financial Controller of the Company.

(x) The company in which 15% of subscribed capital is held by State Financial Corporation and 10% of Subscribed capital is held by General Insurance Co., the appointment of auditor can be done by passing a general resolution at annual general meeting.

2. Comment on the following situations :

(a) Mr. Y was appointed as an auditor of PQR Ltd. for the year ended 31.3.2009 at Annual General Meeting held on 16.08.2008. Mr. Y has been indebted to the company for sum of Rs. 10,000 as on 1.4.2008, the opening date of accounting year which has been subject to his audit. However, Mr. Y having come to know that he might be appointed as auditor, he repaid the amount on 10.8.2008. One of the shareholders, complains that the appointment of Mr. Y as an auditor was invalid because he incurred disqualification u/s 226 of the Companies Act, 1956. 6

(b) XYZ (Pvt.) Ltd. has paid up Capital and Reserves of Rs. 60 lacs and secured Loans of Nationalised Banks having sanctioned limit of Rs. 28 lacs and outstanding balance of Rs. 23 lacs. The turnover of the company is 5.10 crores for the year ended 31.3.2009. A customer returns goods worth 40 lacs on 2.4.2009, out of sales made during the year ended 31.3.2009. The management of CO. is of the opinion that CARO, 2003 is not applicable to the company. 6

(c) C Ltd. declared dividend amounting to Rs. 5 lacs out of Profits for the year ended 31.3.2009. 8

Subsequently, it was noticed that company had failed to make provisions for Outstanding expanses of Rs. 7.80 lacs and Closing stock was also over valued, which was not reported by auditors of the company. Management of C Ltd. helds auditors responsible for this situation.

A trader is worried that inspite of substantial increase in sales compared to earlier year, there is considerable fall in Gross Profit after satisfying himself that sales and expenses are correctly recorded and that the valuation of inventories is on consistent basis, he wants to ensure that purchases have been truthfully recorded. 10

How will you proceed with this assignment ?

Marks

4. (a) Discuss Internal Controls in a CIS Environment. 5

(b) Differentiate between 'Qualified report' and 'Adverse report'. 5

5. (a) Draft an audit programme for conducting audit of accounts of a Local Body. 5

(b) 'The extent of audit procedure performed on corresponding figure is less compared to audit of current period figures', reporting. Justify the statement with regard to auditor's duties for reporting of comparatives under AAS 25. 5

6. (a) 'Doing the audit in EDP environment is simpler since Trial Balance always tallies.' 5

Analyse the statement critically.

(b) 'A Joint Auditor is not bound by the views of the majority of the joint auditors regarding matters to be covered in the report.' 5

Justify this statement in the light of responsibilities of Joint Auditors under AAS 12.

7. How would you vouch/verify the following ? 5×2=10

(a) Reduction in Share Capital

(b) Receipt of Capital subsidy.

8. Write short notes on the following : 5×2=10

(a) Substantive Procedures

(b) Audit Working Papers.