

Test Series: March, 2012

MOCK TEST PAPER – 2
IPCC/PCC: GROUP – II / GROUP – I
PAPER – 6/2: AUDITING AND ASSURANCE

Question No.1 is compulsory.

*Attempt any **five** questions from the remaining **six** questions.*

Time Allowed – 3 Hours

Maximum Marks – 100

1. Give your comments and observations on the following:
 - (a) One customer from whom ₹ 10 lakhs are recoverable for credit sales gives a motor car in full settlement of dues. The directors estimate that the market value for the motor car transferred is ₹ 10.50 lakhs. As on the date of the balance sheet the car has not been registered in the name of auditee.
 - (b) “In cases where audit sample selection has been done on a random basis, no statistical process for selection of samples needs to be followed” Comment.
 - (c) Pepsi Ltd. installed a new water treatment plant at its factory on 1.10.2010. The company estimated that the new plant will become obsolete after 4 years only and hence charged depreciation at a rate higher than that envisaged in Schedule XIV to the Companies Act. During the year 2010-11, the company therefore had written off 1/4th of the cost.
 - (d) PQR Ltd. having ₹ 40 lacs paid up capital, ₹ 9.50 lacs reserves and turnover of last three consecutive financial years, immediately preceding the financial year under audit, being ₹ 4.90 crores, ₹ 4.50 crores and ₹ 6 crores, but does not have any internal audit system. In view of the management, internal audit system is not mandatory. (4 × 5 = 20 Marks)
2.
 - (a) Write a short note on audit risk. (2 Marks)
 - (b) What is an Audit Trail? Briefly state the special audit techniques using the computer as an audit tool. (8 Marks)
 - (c) Can the External Auditor rely upon the work of an Internal Auditor? (6 Marks)
3.
 - (a) “The Auditor should consider the effect of subsequent events on the financial statements and on auditors report” according to SA 560-Comment. (8 Marks)
 - (b) What are Audit Working Papers and why they should be carefully preserved by the Auditor? (8 Marks)
4.
 - (a) When can a Company change its accounting policy? (4 Marks)
 - (b) Write a short note on Sweat Equity Shares. (4 Marks)

- (c) What are the special steps involved in framing a system of Internal Check? (8 Marks)
5. Give your comments and observations on the following:
- (a) XYZ Ltd. appointed Mr. Mohan as an auditor in the Annual General Meeting. Mr. Mohan refused to accept the appointment, whether the board of directors could fill up the vacancy..
 - (b) *NM & Co., chartered accountants were appointed as the auditors of a public limited company in their Annual General Meeting. Various co-operative and term lending institutions held 51% of the paid-up share capital of the company.*
 - (c) The auditor of Trilok Ltd. did not report on the matters specified in sub-section (1A) of Section 227 of the Companies Act, 1956, as he was satisfied that no comment is required.
 - (d) Mr. L, a chartered accountant in full-time practice, was acting as the statutory auditor of a public limited company, till it was wound up. Mr. L was appointed as the liquidator for purposes of winding up proceedings. (4 × 4 = 16 Marks)
6. (a) How will you vouch and/or verify the following ?
- (i) Trade Creditors.
 - (ii) Wages paid to seasonal labourer. (4 × 2 = 8 Marks)
- (b) Draft an Audit Programme to audit the accounts of a Recreation Club with facilities for indoor games and in-house eating. (8 Marks)
7. Write short notes on any **four** of the following:
- (a) Concept of materiality.
 - (b) Advantages of statistical sampling in Auditing.
 - (c) Contents of Audit Note Book .
 - (d) Examination in Depth. (4 × 4 = 16 Marks)