427426

INTERMEDIATE EXAMINATION

December 2012

I–P6(CIA)
Syllabus 2008

Commercial and Industrial Laws and Auditing

Time Allowed: 3 Hours | Full Marks: 100

The figures in the margin on the right side indicate full marks.

Please : (i) Answer all bits of a question at one place
(ii) Open a new page for answer to a new question
(iii) Attempt the required number of questions only.

Answer *Question No. 1* and *Question No. 5* which are compulsory and attempt *any two* from the rest in Section-I and *any two* from the rest in Section-II.

Section -I (50 Marks)

(Commercial and Industrial Laws)

1. Comment on the following based on legal provisions (no mark for wrong reasons or justification) 2×7

(a) Mr. Menon offered on 1st December, 2012 to sell his house to Mr. Polson at INR Thirty Five Lakhs. Mr. Polson accepted by email on 2nd December, 2012 at 8 A.M. At 10 A.M. Mr. Polson sent a Fax revoking the acceptance. Both email (i.e. acceptance) and Fax (i.e. revocation) reached Menon at the same time. Hence this was valid.

(b) Provisions of Indian Partnership Act 1932 are applicable to LLPs and the body Corporate may be partner of LLP.

(c) On 01.11.2012 Mr. Barun kept his Cow under the custody of Mr. Tarun for one month and paid INR 1000 for maintenance. On 15.11.2012, the Cow gave birth of a Calf. On 30.11.12 Tarun returned the Cow retaining the Calf.

(d) Mr. S.K. Paul employed in seasonal establishment and was not employed throughout the year claimed gratuity at the rate of 15 days wages for each year of service. But Employer refused to pay any Gratuity to employees of seasonal establishment.

(e) An individual dispute will be deemed to be industrial dispute (Industrial Disputes Act. 1947).

(f) A surety is discharged from his liability where there is failure of Consideration between the Creditor and the Principal Debtor in a Contract of Guarantee.

(g) 'A', the buyer ordered a patent smoke consuming furnace by its Patent name for his brewery on 'B'. Furnace received was however found to be unsuitable for the purpose. Hence seller is responsible.

2. (a) Goods seized by Customs Authority is a case of bailment under Indian Contract Act—offer your views. 2

(b) 'A' on retirement withdrew the entire amount of his accumulation in the Provident Fund. Later on he was appointed for a fixed tenure. Employer disagreed to allow P.F. benefit in view of his retirement and withdrawl of entire amount. Offer your views based on Rule position. 2

(c) 600 invitation cards were posted by speed post. Only 20 invitees attended function. Others received such cards after the date of function. Postal Deptt. replied that this delay was not willful and intentional. Hence there was no liability U/s. 6 of the Post Office Act, 1898 and Consumer Protection Act is not applicable in this case. Offer your views based on Consumer Protection Act. 2

(d) Mr A, Mr B & Mr C are Sureties to Mr D for the sum of INR 6000 lent to Mr E. Mr E failed to repay on due date. Mr A one of the sureties, disagreed to Pay. Advice whether 'A' is right. 2

Please Turn Over

(e) A deceit which does not deceive is not fraud. Comment. 2

(f) In an auction sale a bid once given cannot be withdrawn. Do you agree? 2

(g) All the employees who are covered under Bonus Act were paid Holi Bonus of Rs. 500/- each. Latter on due to loss, the Employer paid minimum Bonus @ 8.33% but after deduction of said Rs. 500/-. Whether Employer was justified. 2

(h) Fill in the Blanks based on factories Act 1948 1×4

(i) No child shall be employed of permitted to work in any factory for more than .... hours in a day.

(ii) No female Child shall be required or allowed to work in any factory except between .... AM and .... PM.

(iii) No Child shall be employed during the Night and Night means a period of at least twelve consecutive hours which shall include the interval between .... PM and .... AM.

(iv) No woman shall be required or allowed to work in any factory except between the hours of .... AM and .... PM.

3. (a) A non owner cannot make a valid Transfer of Goods. Answer with Rule position. 4

(b) While discussing, Rajib told his friends that Contracts need not be performed under certain circumstances. Deepak objected to it. State the correct position. 4

(c) Are there any provisions in the factories Act for protection of eyes of Workmen? 2

(d) What is 'Noting' (N.I. Act) 4

(e) (i) Who is 'Occupier' (Factories Act)

(ii) State the Duty of the Occupier when a new manager is appointed in the factory. 2+2

4. (a) Write short notes on any four. 4×4

(i) Tie-in-arrangement

(ii) Forfeiture of Gratuity.

(iii) Partial disablement.

(iv) Lawful consideration

(v) Termination of lien of unpaid Seller.

(b) Mr. Barun tells Mr. Tarun in presence of Mr. Arun that he is the Agent of Arun who maintains silence instead of denying Barun's statement. Later on Barun sells Arun's Goods to Mr. Tarun. Arun now disputed Barun's title to the goods, as Barun was not Agent of Arun. Explain whether Arun is right. 2

Section -II (50 Marks)

(Auditing)

5. Comment on the following statements based on legal provisions 2×7
(No mark for wrong reasons or justification)

(a) Fixed Deposit having Maturity of more than 12 months from Balance Sheet date was classified as Current Assets, under Schedule VI.

(b) Arrear Depreciation will require seperate disclosure. Depreciation was not on accrual basis.

(c) Auditor certified a statement in the Prospectus which was subsequently found misleading. Auditor certified such statement as per advice of management. Hence Auditor has no liability.

(d) Objective of management audit is linked to concurrent Audit of the Company.

(e) Auditing in depth not possible and/or practical in all cases.

(f) CARO is applicable to Foreign Companies also.

(g) The Computer information system environment may be different in cases of different Computer system used but there are certain common features of all computer system environment.

6. (a) Fixed assets have been revalued and the resulting surplus has been adjusted against the brought forward loss. As an Auditor give your comment. 2

(b) State the Auditors' duties towards share holders in respect of loan given by the Company. 2

(c) From the following, determine the Gross Profit Ratio.

Gross Profit	10,000
Owners' Equity	2,00,000
Net Sales	2,00,000
Debt Equity	1,00,000

Also state the purpose of determining such Ratio. 1+1

(d) State the reporting requirement of Auditor under CARO in respect of following:

(i) Documents and Records, for secured loans

(ii) Internal Audit systems in certain companies. 2+2

(e) Explain the following which are part of control measure under computer information system.

(i) Audit Trails

(ii) Edit Test 2+2

(f) Risk of non-detection of error is less than the risk of non-detection of fraud—Comment. 2

(g) At the AGM, a resolution was passed by all the Share holders restricting some of the powers of a Cost Auditor. State the validity of the Resolution. 2

7. (a) SEBI requires that Listed Companies to comply with the Accounting Standards issued by the Institute of Chartered Accountants of India but ABC Ltd. has not followed certain Accounting Standard—Comment with justification/reasons. 2

(b) Company Auditor received the Branch Audit Report which contains qualifications on matters specially required to be disclosed pursuant to schedule VI requirement. How this type of situation shall be dealt with by the Auditor? 2

(c) The inherent risks in a CIS environment may have both pervasive effect and an account specific effect on the likelihood of material mistatement. Do you agree? State the position. 4

(d) What are expected under CARO 2003 in respect of:

(i) Preferential Allotment of Shares

(ii) Sickness 2+2

(e) How you will conduct the Physical Verification of Inventory to impose Control over Inventory? 4

(f) What are the activities to be undertaken by the Management Auditor in its review of Sales management? 2

8. (a) What are the reporting standard expected from an Auditor in respect of GAAP? 4

(b) What are the basic documents you will demand for review of Fixed Capital Assets? 4

(c) To carry out information system or EDP Audit, certain systematic approach are necessary. If you agree, State such approaches. 4

(d) As per Clause 49 of Listing Agreement and to comply with conditions of Corporate Governance, a certificate is obtained from Statutory Auditor. Answer to following points:

(i) Whether this clause 49 is applicable to all types of Companies?

(ii) To whom this certificate is filed and/or submitted?

(iii) Name the Report to which this certificate is annexed.

(iv) What is the time limit of submission of quarterly compliance certificate? 1×4

(e) Management Audit can be conducted by the outside management consultants provided he/they fulfil certain conditions. What are those conditions? 2