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100 % Question Paper from "A Complete Guide for Advanced Auditing – CA Final"

By CA Sumit Aggarwal

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100 % Syllabus

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Module

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"A Complete Guide for Advanced Auditing – CA Final" By Sumit Aggarwal

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(Module + Practice Manual + Scanneer + Short Notes for Quick Revisions)

CA (Final) May 2015 Examination

S.No.	S.No.	Particular	Marks	Hint
1	(a)	As an auditor of RST Ltd. -Mr. P applied the concept of materiality for the financial statements as a whole. On the basis of obtaining additional information of significant contractual arrangements that draw attention to a particular aspect of a company's business, he wants to re-evalUate the materiality concept. Please guide him.	5	SA 320: Refer point 2,5 & 6 of SA 320
	(b)	The financial statetements of TC & Co. have been prepared by management of an entity in acordance with the financial reporting provisions of a contract (that is, a special purpose framework) to comply with provisions of the contract, management does not have a choice of financial reporting frameworks. As an auditor what considerations would be undertaken while planning and performing audit ?	5	SA 800: Refer point 2,3,4 of SA 800
	(c)	When a sub-service organization performs services for a service organization, there are two alternative methods of presenting the description of controls. The service organization determines which method will be used. As a user auditor what information would you obtain about controls at a sub-service organization ?	5	Refer SAE 3402
	(d)	In an initial audit engagement the auditor will have to satisfy about the sufficiency and appropriateness of 'Opening Balances' to ensure that they are free from misstatements, which may materially affect the current financial statements. Lay down the audit procedure, you will follow, when financial statements are audited for the first time. If, after performing the procedure, you are not satisfied about the correctness of 'Opening Balances', what approach you will in drafüng your audit report ?	5	SA 510: Refer Point No. 4.1 of SA 510
2	(a)	As an auditor of garment manufacturing company for the last five years you have observed that new venture of online shopping has been added by the company during current year. As an auditor what factors would be considered by you in formulating the audit strategy of the company ?	6	Chapter # 3: Refer Point # 4 of Chapter # 3
	(b)	A Ltd. holds the ownership of 10% of voting power and control over the composition of Board of Directors of B Ltd. While planning the statutory audit of A Ltd., what factors would be considered by you for audit of financial statements ?	6	Refer Section 129 & AS 21
	(c)	Write short note on Corporate Responsibility under Sarbanes and Oxley Act.	4	Chapter # 4B: Refer Point # 1 of Chapter # 4B

3	(a)	MG & Co. Ltd. seeks your advice while preparing financial statements the general instructions to be followed while preparing Balance Sheet under Companies Act, 2013 in respect of current assets and current liabilities.	4	Chapter # 7B: (Schedule III of Co. Act, 2013) Refer “General Instruction for Preparation of Balance Sheet” of Chapter # 7B.
	(b)	C.A. Ashwin was appointed as auditor of Bristol Ltd. for the year 2013-14. Since he declined to accept the appointment, the Board of Directors appointed CA John as the Auditor in place of C.A. Ashwin and the appointment was accepted by C.A. John. Discuss.	4	Refer: Clause (9) of Part I of First Schedule. Chapter # 23
	(c)	During the bank audit AB & Co. a new Chartered Accountant firm, observed the sale/purchase of NPAs. Please help them by narrating the aspects, relating to sale/purchase ofNPAs, to be considered.	4	Chapter # 12: Refer Point # 22 “Guidelines on Sale/Purchase of NPAs” of Chapter # 12.

	(d)	Draft an audit report under following circumstances : (i) Under the Payment of Bonus Act, 1965, a 'report' on the computation of bonus payable. (ii) Auditor's Report in accordance with Regulation 54 of the SEBI (Mutual Fund) Regulation, 1993.	4	Chapter # 1: Refer Guidance Note -3 “Guidance Note on Audit Reports and Certificates for Special Purposes. (for (ii) Point: SEBI Regulation 1993 were replaced by SEBI Regulations 1996).
4	(a)	R and M is an audit firm having partners CA R, CA M and CA G. Mr. S is the relative of CA R holding shares of STP Ltd. having a face value of Rs. 1,51,000. Whether CA R and CA M are qualified to be appointed as auditors of STP Co. ?	4	Chapter # 7C: Refer Point # 3 “Disqualifications of Auditors [Section 141(3)] of Chapter 7C.
	(b)	As an auditor, during your interim visit at Marathon Ltd. you observed that internal controls were not in use throughout the period covered under audit. What are the controls objectives you would like to consider to achieve your purpose ?	6	Chapter # 4A: Refer Point # 5.1 of Chapter 4A.
	(c)	Parent Ltd, acquired 51% shares of Child Ltd, during the year ending 31-03-2014. During the financial year 2014-15 the 20% shares of Child Ltd , were sold by Parent Ltd, Parent Ltd, while preparing the financial statements for the year ending 31-3-2014 and 31-03- 2015 did not consider the financial statements of Child Ltd for consolidation. As a statutory auditor how would you deal with it ?	6	Refer Chapter # 9 (CFS), AS 21 & AS 23
5		Comment with respect to Chartered Accountant Act, 1949 ;		

	(a)	Mr. SP. a Chartered Accountant obtains registration as category IV Merchant Banker under the SEBI's Rules and Regulations and act as Advisor to a capital issue of MB Co. Ltd, He designates himself unda the caption "Merchant Banker" in client offer documents and 'Advisor to issue' in his own letterheads, visiting cards and documents.	4	Chapter # 23: Refer Section 7 of CA Act, 1949 & Clause 7 of Part I of First Schedule to the CA Act, 1949.
	(b)	A Chartered Accountant having COP entered into partnership with persons, who are not the members of the institute, for the purpose of carrying on business. The share of the chartered account in the profit and losses was 25%. He was to take part in the business and was entitled to represent the firm before Govt. authorities etc. He was operating the bank account of the firm was receiving moneys from customers and was also looking after the affairs of the partnership.	4	Chapter # 23: Refer Clause 4 & 11 of Part I of First Schedule to the CA Act, 1949.
	(c)	CA SG a practicing CA agreed to select and recruit personnel, conduct 4 traimng program for and on behalf of the client.	4	Chapter # 23: Refer Section 2 of CA Act, 1949. Refer Qst. # 11 of Chapter 23
	(d)	Mr. P a practicing chartered accountant acting as liquidator of AB & Co. charged his professional fees on percentage of the realization of assets.	4	Chapter # 23: Refer Clause 10 of Part I of First Schedule of CA Act, 1949. Refer Qst. # 37 of Chapter 23
6	(a)	The auditor report of company states that proper books of accounts as required by law have been maintained by the company. What is the role of statutory auditor of the company, when a company be said to have not maintained proper books of account ?	4	Refer Section 128 & point # 5.5 (Other Elements to be covered in Audit Report [143 (3)] of Chapter 7

	(b)	Comment with respect to computation of total sales, turnover or gross receipts in business exceeding the prescribed limit under Section 44 AB of Income Tax Act, 1961 and VAT law. (i) Discount allowed in the sales invoice (ii) Cash discount (iii) Price of goods returned related to earlier year (iv) Sale proceeds of fixed assets	4	Refer point 6.4 (a) [Analysis of Sales] of Chapter 16
	(c)	Explain the stepwise approach adopted by the Peer reviewer.	4	Refer Point # 9 of Chapter 22
	(d)	AB Pvt. Ltd. company having outstanding loans or borrowings from banks exceeding one hundred crore rupees wants to appoint internal auditor. Please guide him who can be appointed as internal auditor and what would be reviewed by him.	4	Refer Point # 11 (Section 138) of Chapter 7A
7		Write short notes/comment on any four of the following:		
	(a)	Core Investment Companies.	4	Refer Point # 3.5 of Chapter # 15 (Audit of NBFC)
	(b)	Investible funds as defined by IRDA.	4	Refer Chapter #11
	(c)	Areas in which due diligence can take place.	4	Refer Qst. # 10 on Page # 20.17 of Chapter # 20
	(d)	Operational auditing arose from the need of managers responsible for areas beyond their direct supervision.	4	Refer Chapter # 19
	(e)	"Review of the internal audit function has become statutory responsibility for the statutory auditor."	4	Refer SA 610 & Section 143 (3) of Co. Act, 2013 of Chapter # 7

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CA Sumit Aggarwal

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ISBN 935196433-7

9789351964339

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