Roll No. ....

Total No. of Questions – **7**

Total No. of Printed Pages – **4**

Time Allowed – **3** Hours

Maximum Marks – **100**

DRP

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 has not opted for Hindi Medium, answers in Hindi, his/her answers in Hindi will not be valued.

Question No. **1** is compulsory. Attempt any **five** questions from the remaining **six** questions.

Marks

1. Discuss the following :

(a) With reference to SA 320 indicate the factors which may affect the identification of an appropriate bench mark in determining materiality for the financial statement as a whole. **5**

(b) The assertions used by auditor to consider potential misstatements about account balances at the period end. **5**

(c) 'P' an auditor decides not to send a new audit engagement letter to G Ltd. every year. Whether he is right in his approach ? State the circumstances where sending new engagement letter, would be appropriate. **5**

(d) State the principal aspects to be covered in an audit concerning financial statement of account. **5**

Marks

2. State with reasons (in short) whether the following statements are correct or incorrect : (Answer any **eight**) **8×2 =16**

(i) AB & Co. is an audit firm having partners Mr. A and Mr. B. Mr. C, the relative of Mr. B is holding securities having face value of ₹ 2,00,000 in XYZ Ltd. AB & Co. is qualified for being appointed as an auditor of XYZ Ltd.

(ii) Working papers are property of client, as it contains client's informations.

(iii) The auditor of a Ltd. Company wanted to refer to the minute books during audit but board of directors refused to show the minute books to the auditors.

(iv) The auditor has to report to Central Govt. within 90 days of his knowledge of an offence involving fraud.

(v) Manner of rotation of auditor will not be applicable to company A, which is having paid up share capital of ₹ 15 crores and having public borrowing from nationalized bank of ₹ 50 crore because it is a Private Limited Company.

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

(vii) Teeming and lading is one of the techniques of inflating cash payments.

(viii) Managing director of A Ltd. himself appointed the first auditor of the company.

(ix) A Chartered Accountant holding securities of S Ltd. having face value of ₹ 950 is qualified for appointment as an auditor of S Ltd.

(x) Mr. N, a member of the Institute of Chartered Accountants of England and Wales, is qualified to be appointed as auditor of Indian Companies.

Marks

3. How will you vouch/verify the following : 4×4 =16

(a) Refund of General Insurance premium paid.

(b) Payment of Taxes

(c) Sale Proceeds of junk material

(d) Intangible Assets

4. (a) Mention the points/areas in which all the joint auditors are jointly and severally responsible. 6

(b) Mr. A was appointed statutory auditor of P Ltd., but he was not able to gather the sufficient audit evidences. Discuss how he should proceed to gather more audit evidences. 6

(c) Discuss the recognition principles of contingent liability. 4

5. (a) Discuss about the provisions for removal of auditor before expiry of term. 6

(b) As the statutory auditor of A Ltd., you have observed that the gross profit of the company has decreased in comparison to last years. Mention the possible factors which may be responsible for decrease in gross profit. 6

(c) State the precautions to be taken to avoid the disadvantage of a continuous audit. 4

6. (a) The form, contents and extent of audit documents depend on certain factors. Explain with reference to SA 230. 4

Marks

(b) Why Tests of Control are performed ? Also explain what does they include. 4

(c) State the Standards issued by AASB which are collectively known as engagement standards. 4

(d) State the factors which are to be considered in determining materiality. 4

7. Write short notes on any **four** of the following : 4×4 =16

(a) Remuneration paid to directors in case of a public limited company

(b) Payment for acquisition of assets

(c) A qualified opinion

(d) Fraudulent financial reporting

(e) Surprise checks