

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 07

Time Allowed – 3 Hours

Maximum Marks – 100

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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, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any five questions from the remaining six questions.

In case, any candidate answers extra question(s) / sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the respective answers.

Wherever necessary, candidates are permitted to make suitable assumptions which should be disclosed by way of note.

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1. (a) M/s. ABC & Co. is an audit firm having partners Mr. A, Mr. B and Mr. C, whose tenure as statutory auditor in R Ltd. a listed entity, has expired as per the Companies Act, 2013. M/s. XY is another audit firm which is appointed as the statutory auditor of R Ltd. for the subsequent year. Mr. A joins M/s. XY as partner, 3 months after it was appointed as the statutory auditor of R Ltd. Comment. **5**
- (b) C Ltd. is holding 55% shares of D Ltd. M/s AB & Associates are statutory auditors of C Ltd. whereas for D Ltd. there is another firm appointed as statutory auditors. What are the reporting responsibilities of M/s. AB & Associates for audit of consolidated financial statements ? **5**
- (c) Moon Ltd. acquired 65% shares of Sun Ltd. on 28th October 2016. On 25th April 2017 they sold 25% shares of Sun Ltd. While preparing consolidated financial statements for the year ended 31st March, 2017, accountant of Moon Ltd. did not consider financial statements of Sun Ltd. for consolidation. Comment. **5**

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- (d) While commencing the statutory audit of ABC Company Ltd., the auditor undertook the risk assessment and found that the detection risk relating to certain class of transactions cannot be reduced to acceptance level. Explain. **5**

2. (a) ABC Co. Ltd. a company having trans-national operations, conducts its entire operations in a Computerised Information Systems (CIS) environment. As the audit partner of M/s. XYZ & Co., draw out the audit plan for evaluating the reliability of controls. **6**

- (b) Secure Bank Ltd. is working as a depository along with their normal banking activities. The Securities and Exchange Board of India (SEBI) wants to appoint Mr. 'W' as an inspector to inspect books of accounts and records of the depository. Explain the purpose for which SEBI can appoint a person to inspect these books of accounts and records. **5**

- (c) The auditor should select sample items in such a way that the sample can be expected to be representative of the population. Comment. **5**

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3. (a) Describe the principal method of design of the samples and its evaluation. **4**
- (b) Mr. Ram, a Chartered Accountant has appeared before the Income Tax Authorities as the authorized representative of his client and delivers to the Income Tax Authorities a false declaration. What are the liabilities of Mr. Ram under Income Tax Act, 1961 ? **4**
- (c) How does an auditor report on the description, design and operating effectiveness of controls at a service organization ? **4**
- (d) What are the specific matters to be included in auditor's report in an audit of Non-Banking Financial Company (NBFC) not accepting public deposits ? **4**
4. (a) Explain briefly the duties and responsibilities of an auditor in case of material misstatement resulting from management fraud. **6**
- (b) What is included in an Auditors' Responsibility paragraph ? **5**

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(c) What are the main phases in the conduct of Risk Based Audit. **5**

5. (a) You have been appointed as an energy auditor of Sunlight Energy Ltd. **4**
What are the key functions you would carry out ?

(b) What is tolerable misstatement and tolerable rate of deviation ? **4**

(c) M/s. SB & Co. has been appointed as tax auditor under section 44 AB of **4**
Income Tax Act, 1961 by Woodcraft Interior Consultants, a professional
partnership firm, having turnover 1.25 Crores. M/s. RS & Co. are the
statutory auditors of the firm but they are unable to give their report on the
financial statements of the firm. M/s. SB & Co., have, however, completed
their tax audit and want to issue their reports. Comment.

(d) ABC Ltd. owns a piece of Land and Building situated at IP road, **4**
Mumbai which was purchased before 30 years. The title deeds for the
same are deposited with State Bank of India for obtaining credit
facilities by the company.

As the statutory auditor of the company for the year ended 31st March,
2017, what are the audit procedures to be followed and what is the
reporting under CARO 2016 ?

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(6)

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6. (a) Mr. M, a Chartered Accountant in practice, has printed visiting cards which besides other details also carries a Quick Response (QR) code. The visiting card as well the QR code contains his name, office and residential address, contact details, e-mail id and name of the firm's website. Comment with reference to the Chartered Accountants Act, 1949 and schedules thereto. **4**
- (b) L, a chartered accountant prepares and certifies projected financial statements of his client Abacus Ltd. Abacus Ltd. forwarded the same to their banks to secure some loans and bank, on that basis sanctioned a loan. Comment with reference to the Chartered Accountants Act, 1949 and schedules thereto. **4**
- (c) X, a chartered accountant in practice, in spite of several reminders from the Secretary of the Institute of Chartered Accountants of India fails to submit Form 18. Is he liable for misconduct ? **4**
- (d) P, a Chartered Accountant holding Certificate of Practice, is a leading Income Tax Practitioner in Gurugram. He is also trading in derivatives. Comment with reference to the Chartered Accountant Act, 1949 and schedules thereto. **4**

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Write short notes on any **four** of the following :

4×4

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- (a) Auditor's right to Lien as per Companies Act, 2013.
 - (b) Proper books of accounts as per Companies Act, 2013.
 - (c) Differentiate between audit report and audit certificate.
 - (d) 'Inquiry' as one of the methods of collecting audit evidence.
 - (e) Verification of payment of remuneration to an insurance agent.
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