

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 8

Time Allowed – 3 Hours

Maximum Marks – 100

## FTR

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. Wherever necessary, suitable assumptions may be made and disclosed by way of a note. Working notes should form part of the respective answers.

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.

### Marks

1. (a) For the year ended 31<sup>st</sup> March, 2016, the audit report of Avinash Ltd., contained a qualification regarding non-provision for diminution in the value of investments to the extent of ₹ 50 lacs. As an Auditor of the Company for the year 2016-17, how would you report, if :
- 5×4  
=20**
- (i) The Company does not makes provision for diminution in the value of investments in the year 2016-2017.
- (ii) The Company makes adequate provision for diminution in the year 2016-2017.

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- (b) Crush Ltd. is a dealer in fast moving consumer goods. The Company has warehouses throughout the country where the stocks are stored. The Auditor of the Company normally conduct physical verification of stocks along with the Management at the end of the financial year. However, the Auditor could not be physically present during stock-tacking at two places on account of certain disturbances in the region.

In the light of the above facts :

- (i) How sufficient appropriate audit evidence regarding the condition and existence of inventory may be obtained ?
  - (ii) How an Auditor is supposed to deal when attendance at physical inventory counting is impracticable ?
- (c) Durafone Mobile Co. Ltd. have pan India presence and market leader in mobile operation. It has outsourced all its revenue operation including accounting functions to Set Solutions (P) Ltd. As an Auditor of the mobile company, enumerate the factors to be taken into consideration related to its financial reporting.
- (d) Gap Ltd. possesses some investment for which there is no ready market and to assess its fair market value it hires an expert, the result of which it can use in preparing its financial statement. Being an Auditor of the Company, state the matters which may affect the nature, timing and extent of audit procedure to be adopted by you in the instant case.

(3)

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**Marks**

2. (a) AP & Co., a firm of Chartered Accountants, was appointed by D Ltd., to evaluate the cost of a new product manufactured by it for their information system and fixation of fair market price. Partner 'P' of the CA firm is a non-executive director of the Company. Comment with reference to Chartered Accountants Act, 1949 and Regulations there to. **4×4  
=16**
- (b) The growth and development in the field of Information Technology is a fast paced one with regular updation and the auditors are required to be alert and equip their knowledge to the recent changes. Discuss few instances of recent changes, which you, as an auditor, may need to be aware of and addressed in discharging your responsibility of audit assignment.
- (c) You have been appointed as auditor of Bahubali Ltd. for the first time. Enumerate the factors to be considered while establishing an overall audit strategy and its benefits.
- (d) In the course of your audit assignment of Indraprastha Ltd., you want to guide your audit assistants in selecting sample items in such a way that sample can be expected to be representative of the population and all items have an opportunity of being selected. Guide your assistants with principal methods of collecting samples.

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**P.T.O.**

(4)

**FTR**

**Marks**

3. (a) You were the statutory auditor of Speed Ltd., a PSU, for the year 2016-17. In the course of your audit, you did not observed any fraud having been committed during that year. However, the C & AG audit staffs during their routine inspection found that chief cashier of the Company have committed a fraud in Debtor's ledger and absconded with the amount. Investigation made in the fraud revealed that the Auditor did not exercise proper skill and care and performed his work in an improper way.

**4×4  
=16**

Director of the Company, intends to file disciplinary proceedings against the Auditor with the ICAI. Discuss the position of the auditor with regard to the disciplinary proceedings under Chartered Accountants Act, 1949 and Regulations there to.

- (b) Director (Finance) of Beta Ltd. is of the opinion that total trade payables mentioned in the financial statement is sufficient disclosure in the Balance Sheet as per Part I of Schedule III to the Companies Act, 2013. They did not mention details regarding Micro, Small and Medium Enterprises (MSME). Give your view as statutory auditor of the Company and state the details required to be disclosed in notes regarding MSME.
- (c) Discuss any eight (8) adverse or qualified statement or disclosure, which you would like to make in respect of non-compliance with requirements of Corporate Governance of a company.

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(5)

**FTR**

**Marks**

- (d) Deluxe Ltd. holds the ownership of 51% of voting power and control over Executive Ltd. Holding company have prepared the consolidated financial statement as required by Sec. 129 of the Companies Act, 2013. What will be your objective, as an Auditor, in the audit of such Consolidated Financial Statement ?

4. (a) Efficient Ltd. is running into losses and in order to optimize resource utilization and cost reduction, approaches you to carryout the assignment and offers a fee of 5% of benefits derived from the suggestions made by you. 4  
Comment with respect to Chartered Accountants Act, 1949 and Regulations there to.
- (b) Give examples of Emphasis of Matters which may have an adverse effect on the functioning of the company as well as those which may not affect the functioning of the company. 6
- (c) M/s ABC and Co., a firm of Chartered Accountants, comprising of three partners A, B, and C are Statutory Auditors of 50 Companies as per details given below : 6
- (i) Small Companies – 10
- (ii) Private Companies having paid up share capital of less than ₹ 100 Crores – 20
- (iii) Private Companies having paid up share capital of more than ₹ 100 Crores – 15
- (iv) Public Companies – 5

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**P.T.O.**

(6)

**FTR**

**Marks**

Mr. A signs the Balance Sheet of 10 Small Companies and 10 Private Companies having paid up share capital of less than ₹ 100 Crores. Mr. B signs the Balance Sheet of 10 Private Companies having paid up share capital of less than ₹ 100 Crores and 5 Private Companies having paid up share capital of more than ₹ 100 Crores. Mr. C signs the Balance Sheet of 10 Private Companies having paid up share capital of more than ₹ 100 crores and 5 Public Companies.

What is the maximum number of audits that the firm as a whole can accept and what is the maximum number of audits each individual partner can accept ?

5. (a) In the course of his audit assignment in M/s Bailey Ltd., CA Soft came to know that the company, due to financial crunch and unable to meet employees salary, has taken a loan of ₹ 50 lacs from Employees Gratuity Fund. The said loan was not reflected in the book of account of the company and the auditor ignored this transaction in his report. Comment with reference to the Chartered Accountants Act, 1949 and Regulations there to.
- (b) Your audit assistant seeks your help in checking the claim liability of Bharat Insurance Co. Ltd. and wants to know the registers and records which they should obtain and review in this regard.
- (c) Your firm has been appointed as branch auditor of East West Bank Ltd. In carrying out verification of advances, what are the primary evidences you will look into ?

**4×4  
=16**

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- (d) Tiger Ltd., is a company engaged in the production of wool. Along with its production business, it is also engaged in buying and selling of securities with the expectation of a favourable price change. During the year, its speculation loss on account of purchase and sale of securities was to the tune of ₹ 12 lacs.

As a tax auditor, what is the reporting requirement in Form 3 CD under Section 44 AB of the Income Tax Act, 1961 ?

6. (a) In carrying out efficiency audit of a Public Sector Undertaking (PSU), what important aspects are required to be looked into, to assess the efficiency ? **4**
- (b) M/s ISBN Bank Ltd. appoints you to investigate on behalf of them for advancing loan to M/s Dust Ltd. As an investigating accountant, what information and factors your will enquire into ? **4**
- (c) In evaluating the organizational structure of a company, what aspects may be considered by the operational auditor to achieve his objectives ? **3**
- (d) While doing the audit of a Nationalised bank branch, your audit assistant informed you that he suspects some irregularities in Guarantees issued by the Bank. What should be your guidance in the matter to check the same ? **5**

(8)

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**Marks**

7. Answer any **four (4)**. Write short notes :

**4×4  
=16**

- (a) Power of Securities and Exchange Board of India to levy monetary fines and penalties under SEBI Act, 1992.
  - (b) KYC norms for a Chartered Accountant in practice.
  - (c) Besides statutory cost audit, circumstances that may warrant cost audit.
  - (d) Eligibility criteria to be a Peer Reviewer.
  - (e) Direction by Tribunal in case auditor acted in a fraudulent manner.
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