

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 4

Time Allowed – 3 Hours

Maximum Marks – 100

GBW

Answer 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.

Attempt any **five** questions out of 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) / sub-question(s) answered shall be ignored.

Marks

1. Discuss the following :

- (a) Write the circumstances that indicate the possibility of fraud due to problematic or unusual relationships between the auditor and management. **5**
- (b) Write the steps that are taken for an audit to be carried out in a systematic and efficient manner. **5**
- (c) During the audit of PQR Ltd. you as an auditor requested officers of the company to have access to secretarial records and correspondence which they refused to provide. Comment. **5**
- (d) As per the provisions of the Companies Act, 2013 the report of Board of Directors on annual accounts shall also include a 'Director's Responsibility Statement'. Comment. **5**

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(2)

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Marks

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

(a) ✓ Audit notes can serve as a guide in framing Audit programme. ✓

Procedures and Techniques are often used interchangeably in an audit.

(c) For auditor's opinion, reasonable assurance is an absolute level of assurance. ✓

(d) The results of all cases of surprise checks are included in auditor's report on the accounts.

(e) General CIS controls may have pervasive effect on the processing of transactions in application system. ✓

(f) Any item of income or expenditure which exceeds 1% of the net profit of the company or ₹ 2 lakh whichever is lower, is required to be disclosed in Profit & Loss A/c.

(g) ✓ Internally generated Goodwill can be recognised as an asset.

(h) Sample size is not a valid criterion to distinguish between statistical and non-statistical approaches.

A government company which is in existence since 5 years cannot make political contributions.

(j) ✓ The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error.

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(3)

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Marks

3. How will you vouch/verify the following ? 4×4
=16
- (a) Recovery of Bad debts written off.
 - (b) Receipt of Insurance claims.
 - (c) Payment of Taxes
 - (d) Sale proceeds of scrap material

4. Answer **all** questions :

- (a) What are the provisions prescribed under Companies Act, 2013 in respect of ceiling on number of audits in a company to be accepted by an auditor ? 4
- (b) What are the considerations for an auditor regarding the operating effectiveness of controls using audit evidence obtained in previous audits ? 6
- (c) As an auditor, how would you consider the acceptance of a change in audit engagement ? 6

5. Answer **all** questions :

- (a) The Auditor is fully satisfied with the audit of an entity in respect of its systems and procedures and wants to issue a report without any hesitation. What type of opinion can he give and state give reasoning. 4
- (b) A junior accountant of a limited company has not separated transactions of one period from those in the ensuing period. As an Auditor, state the correct procedure to be followed and the areas in which it can be applied. 6

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(4)

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Marks

- (c) During the course of audit of an entity, the Auditor ascertains that the internal control system is not effective and rather weak with certain lapses. Give in detail the communication in this regard the Auditor will have with the management. **6**

6. Answer **all** questions :

- (a) A limited company has disclosed Trade Receivables in its Balance Sheet as Gross receivables Less Provision for Bad debts. Mention disclosure requirements of the same in its financial statements as per Companies Act, 2013. **4**
- (b) What is the basis on which the judgement is formed by Auditor to express his opinion after the audit ? **6**
- (c) At the time of scrutiny of General Ledger the Auditor observes that certain expenses essentially of a revenue nature are wrongly treated as capital expenditure: State examples of such expenses and the duties of auditor in this regard. **6**

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

**4×4
=16**

- (a) Techniques of suppressing cash receipts.
- (b) Monitoring of controls.
- (c) Performance audit under Government accounting system.
- (d) Physical verification of Fixed assets "at reasonable intervals".
- (e) External confirmation as audit procedure.

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