

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 8

Time Allowed – 3 Hours

Maximum Marks – 100

AST

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 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.

Working notes should form part of the respective answers.

1. (a) It was observed from the modified audit report of the financial statements of AS Ltd. for the year ended 31st March, 2017 that depreciation of ₹ 2.50 crore for the year 2016-2017 had been charged off to the Statement of Profit and Loss instead of including it in "carrying value of asset under construction". State in relation to the audit for the year ended 31st March 2018, whether such modification in the previous year's audit report would have any audit implication for the current year and if yes, how would you deal with it in your audit report ?

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(b) Your firm has been appointed as an Independent Auditor to carry out "Review of Interim Financial Information" of GK Ltd. You would like to apply analytical procedures in the course of Review. Give examples of analytical procedures you may consider when performing a Review of Interim Financial Information as per SRE 2410.

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(c) Your firm is one of the Joint Auditors of FMP Ltd. Under what circumstances joint auditors are jointly liable for the work in relation to audit of financial statements ? Is there any restriction on a joint auditor to communicate a dissenting note differing from the majority opinion of the other joint auditors in the audit report issued under Section 143 of the Companies Act 2013 ?

(3)

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(d) The financial statements of MP Ltd. as on March 31, 2018 are to be prepared under Division II of Schedule III to the Companies Act, 2013. Comment on the disclosure compliances for MP Ltd. from the following information in the financial statements which are required to be drawn up in compliance with Ind AS.

- (i) Property, Plant and Equipment include ₹ 2.50 crore for a boiler-plant under construction.
- (ii) Cash and cash equivalents include ₹ 1.25 crore deposited with a nationalized bank on 31st March, 2018 for 18 months. It is shown under current assets.
- (iii) Non-current assets include under caption "Biological assets other than bearer Plants" a sum of ₹ 1.50 crore being cost of cultivation for bringing to yield level, the cashewnut trees whose yield period, according to estimate shall not be less than 10 years.
- (iv) In the Statement of Profit and Loss, the charge due to re-measurement of defined benefit plans of employees is shown in Employee Benefit Expenses.
- (v) In the Statement of Profit and Loss, proposed dividend is shown under finance cost.

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(4)

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2. (a) What is meant by "Group financial statements"? Give reference of relevant Auditing Standard and issues addressed concerning the audit of Group financial statements. **4**
- (b) State the nature of liability as provided in the Companies Act, 2013 of an auditor for not appropriately dealing with a misstatement appearing in audited financial statements or a false statement in Audit Report. **4**
- (c) List out the key differences between "Reasonable Assurance" and "Limited Assurance" engagements. **4**
- (d) What are the reporting requirements in the audit report under the Companies Act, 2013 / CARO, 2016 for the following situations? **4**
- (i) A fraud has been committed against the company by an officer of the company.
 - (ii) A fraud has been committed against the company by a vendor of the company.
 - (iii) The company has committed a major fraud on its customer and the case is pending in the court.
 - (iv) A fraud has been reported in the cost audit report but not noticed by statutory auditor in his audit.

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(5)

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Marks

3. (a) As a Company auditor you notice that there is an inter-corporate loan granted by the company. What are the reporting requirements as regards the matters concerning terms of interest on the intercorporate loan ?

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(b) Comment on the following in the light of certificate of compliance of conditions of Corporate Governance to be issued for a listed company where the Board consists of 10 directors including a non-executive director as its chairman and further :

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(i) There were 5 meetings held during the year as follows :
01/04/2017, 01/06/2017, 01/09/2017, 03/01/2018, 25/03/2018.

(ii) There are 4 independent directors. One of them resigned on 25/05/2017. A new independent director was appointed on 01/09/2017.

(iii) The Chairman of Audit Committee did not attend the Annual General meeting held on 14/09/2017.

(iv) The internal audit reports were obtained by Audit Committee on quarterly basis. Quarter 1 internal audit report commented on certain serious irregularities as regards electronic online auction of scrap. The agenda of Audit Committee did not deliberate or take note of the issue.

(c) CA. Amar has come across certain key matters while auditing the accounts of PR Ltd. for the financial year 2017-18. He, being the associate of your firm, seeks your advice on "Communicating Key Audit Matters" in the Auditor's Report. Guide him.

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P.T.O.

(6)

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Marks

- (d) Explain how 'Test Data' is used as an audit technique to test specific controls in Computer programs. 3
4. (a) Comment on the validity of the appointment of Mr. A as an auditor of ABC Ltd. in the following situations : 3+3
=6
- (i) Mr. B, a partner of Mr. A held shares of face value of ₹ 1,00,000 in DEF Ltd., the holding company of ABC Ltd. Mr. B has sold the securities after a period of 45 days from the date of appointment of Mr. A as an auditor of ABC Ltd.
- (ii) Mrs. A, wife of Mr. A had given a financial guarantee for the principal amount of a debt owed by Mr. X to ABC Ltd. for ₹ 6 lakhs. Mr. X has repaid ₹ 5 lakhs to ABC Ltd. 2 days before the date of appointment of Mr. A as an auditor of the company.
- (b) Explain the terms : 3+3
=6
- (i) 'Internal Financial Control' and
- (ii) 'Internal Financial Controls over Financial Reporting'
- (c) In the course of audit of PB Ltd., you observe that there is a likelihood of misstatement in the account balances and disclosures in the financial statements. What should be your considerations as an auditor for "Assessing the Risk of Material Misstatements" ? 4

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(7)

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Marks

5. (a) Your firm has been appointed as Statutory Branch auditor of a Nationalised Bank for the financial year 2017-18 which is dealing in Nostro accounts. Enumerate the audit procedures you will follow for verification of Nostro accounts. 4
- (b) What are the audit procedures to be undertaken while verifying the "Contract notes" of a Stock Broker ? 4
- (c) You are the auditor of MP Ltd., a NBFC registered with RBI as an Investment Company. How would you proceed to ensure the "Compliance of Prudential Norms Directions" by MP Ltd. ? 4
- (d) You are the Tax Auditor of BL & Co., a partnership firm engaged in the business of plying of Goods Carriages for the financial year 2017-18 having a turnover of ₹ 20 crores. How would you deal and report on the following : 4
- (i) Payment of ₹ 50,000 in cash to Mr. R on 10th September, 2017 towards settlement of invoice for expenses accounted in financial year 2016-17.
- (ii) Payment of 3 invoices of ₹ 15,000 each made in cash to Mr. Y on 8th, 9th, 10th July, 2017 respectively.
6. Comment with reference to the Chartered Accountants Act, 1949 and schedules thereto : 4
- (a) D, a practising Chartered Accountant examined and reported on the prospective financial statements for one of his clients to obtain a cash credit facility of Rs.75 lakhs from a Private Bank. The Bank has sanctioned the cash credit facility for ₹ 60 lakhs to his client. Consequent to the sanction of loan by Bank, he charged a fees of ₹ 60, 000 based on 1% of the credit facility sanctioned.

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(b) R, a practising Chartered Accountant, is a Director in X Ltd; a Public Company. The prospectus of X Ltd. mentions the name of Mr. R as a director along with his various professional attainments, his areas of specialization and expertise in the field of international taxation.

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(c) J, a practising Chartered Accountant has not maintained the record of audit assignments of the companies on the ground that he is conducting lesser number of audits prescribed under Section 141(3) (g) of the Companies Act, 2013.

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(d) ENI Ltd; a company registered under the Companies Act, 2013 has created a separate Trust "ENI Employees Gratuity Fund Trust". Both the Company and Trust are under the same management. Mr. A is the auditor of both the entities. Mr. A has observed that some part of the expenditure was not applied towards the objects of the Trust. He informed the matter to the Board of Trustees through a separate report but did not qualify the Audit Report of the Trust.

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7. Write short notes on any four the following :

- (a) True and Fair Cost of Production
- (b) Issues addressed in Performance Audit of PSUs
- (c) Audit versus Investigation
- (d) Management Audit Questionnaire
- (e) Scope of Peer Review

4×4

=16