

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 4

Time Allowed – 3 Hours

Maximum Marks – 100

ELG

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

Question No. 1 is compulsory.

Attempt any five questions out of the remaining six questions.

Marks

1. Discuss the following :

- | | |
|--|---|
| (a) Provisions regarding appointment of Auditors – | 5 |
| (i) First auditor of a Government company and a Non-Government company | |
| (ii) Subsequent auditor of a Government company and a Non-Government company. | |
| (b) XYZ Ltd. has prepared financial statements for the year 2017-18. It mentioned in the significant accounting policies that depreciation on tangible fixed assets is provided on SLM basis over the useful lives of the assets as estimated by the management. The company has ignored the useful lives of the assets mentioned in Schedule II of the Companies Act, 2013. As a Statutory Auditor of the Company, how would you deal with this ? | 5 |
| (c) State the requirements relating to audit sampling, sample design, sample size and selection of items for testing. | 5 |
| (d) As per Section 138 of the Companies Act, 2013 only listed companies are required to appoint an internal auditor. | 5 |

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

8×2

=16

- (a) No entry is passed for cheques received by the auditee on the last day of the year and not yet deposited with the Bank.
- (b) Letter of weakness issued by the Management.
- (c) Incoming auditor should study Memorandum of Association and Articles of Association to check the validity of his appointment.
- (d) The auditor will issue a disclaimer of opinion if he disagrees with the management with regard to the acceptability of the Accounting policies and the inadequacy of disclosures in the financial statements.
- (e) Government companies are also to be considered for the ceiling on number of audits.
- (f) A company cannot issue bonus shares if it has defaulted in payment of bonus to employees.
- (g) The summarized returns of the books of account of the company, kept and maintained outside India, shall be sent to the registered office at half-yearly intervals.
- (h) The concept of materiality is an important and relevant consideration for the auditor in financial statement.
- (i) Computer software which is integral part of the related hardware can be treated as Intangible asset.
- (j) Written representation from management can be a substitute for other evidence that the auditor could expect to be reasonably available.

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3. How will you vouch/verify the following ?

**4×4
=16**

- (a) Receipt of Capital subsidy
- (b) Bank balances
- (c) Sales commission expenditure
- (d) Advance to suppliers

4. Answer **all** questions :

- (a) State the disadvantages of the use of an Audit programme. **4**
- (b) As an auditor, you have examined the book debts of a company. Give some indications which lead to doubts about recovery as uncollectable debts from trade receivables and advances. **6**
- (c) An NGO operating in Mumbai has collected large scale donations for Kerala flood victims. This NGO has appointed you to audit its accounts for the specific period in which it collected donations. Draft audit programme, mentioning six points peculiar to the situation, which you would like to incorporate in your audit programme. **6**

5. Answer **all** questions :

- (a) Discuss with reference to SA-230, factors affecting form, contents and extent of audit documentation. **4**
- (b) Alpha Ltd. intends to maintain its books of accounts in electronic form. State the conditions that the company should comply with in this regard. **6**

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- (c) State assertions that are implied in the extract of financial statement given below :

6

	(₹)	
Plant & Machinery (at Cost)	4,00,000	
Less : Depreciation :		
Up to Previous year	1,40,000	
For the year	<u>26,000</u>	<u>1,66,000</u>
		<u>2,34,000</u>

- (i) Indicate assertions in respect of transactions and events for the period relating to Fixed Assets.
- (ii) State specific assertions relating to the above extract of financial statement.

6. Answer all questions :

- (a) Explain the circumstances in which Option on Shares arises. **4**
- (b) State the information to be gathered by auditor about the CIS environment that is relevant to the audit plan. **6**
- (c) State six important advantages of audit of accounts of a partnership firm. **6**

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

- (a) Errors of Commission **4×4**
- (b) Contents of Audit Note book **=16**
- (c) Disclaimer of Opinion
- (d) Classification of Contingent liabilities and Commitments as per Schedule III.
- (e) Applicability of Cost Audit.

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