

Roll No. 54865

Total No. of Questions—8]

[Total No. of Printed Pages—6

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

Answer all questions.

Marks

1. State with reasons (in short) whether the following statements are True or False 10×2
(Answer any ten) : =20
- (i) Secret reserve strengthens Financial position, hence they are allowed.
 - (ii) Capital profits realized in cash may be distributed as dividend, provided the articles do not prohibit, hence profit on reissue of Forfeited shares may be distributed as Dividend.
 - (iii) AAS-11 is related to Audit Materiality.
 - (iv) The Auditor of a Company is entitled to attend any General Meeting of the company as his duty.
 - (v) An Auditor may be removed from Office before the expiry of his term, by the company in General Meeting.
 - (vi) Audit Working Papers to be kept at least for 3 (three) years.
 - (vii) AAS-6 has a purpose to Establish Standards to form procedures to be followed to have an understanding of the Accounting and Internal Control system.
 - (viii) Management Certificate obtained by the Auditor is enough for verification of Inventories.
 - (ix) The environment in which internal control operates has no relationship with the effectiveness of the Specific control procedure.

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- (x) When the Auditor uses more Professional Judgement, the Degree of Inherent risk is lower.
- (xi) "Auditor is not an Insurer".
- (xii) C.A. Mr. X is the Auditor of PQ Ltd. in which one of his relative is having substantial interest, whether Mr. X is qualified to be an Auditor ?

2. As an Auditor how would you react to the following situations/comments ?

- (a) In a company Fixed Assets have been revalued and there has been resulting surplus of Rs. 2,00,000, which is transferred to revaluation reserve. The Company has a Debit balance in Profit and Loss account Rs. 1,20,000 as accumulated brought forward losses. The company has adjusted this loss balance against Revaluation reserve. 8
 - (b) A company has Rs. 60 lakh of paid up Capital and Rs. 3 crore of average Annual Turnover of past three years preceding the Financial year under Audit. The company does not have any Internal Audit system because the Management does not think it necessary. 6
 - (c) The Central Government sanctioned Rs. 20 lakh as Grant to a Hospital for the purchase of certain equipments and paid Rs. 10 lakh as advance. The hospital took Rs. 10 lakh as income in the Profit and Loss account for the year. 6
3. (a) What are the basic principles which govern the Auditor's professional responsibilities while doing Audit ? 5
- (b) Discuss in brief AAS-10 "using the work of another Auditor". 5
4. (a) What points in relevance to AAS-3 should be kept in view while preparing an Audit Programme ? 6
- (b) In a CIS environment, what are the different Design and Procedural aspects, which are different from those found in Manual systems ? 4
5. (a) Discuss in brief the power of Company to purchase its own Securities. 5
- (b) Under what circumstances the retiring Auditor can not be reappointed ? 5
6. (a) What steps would you take in to consideration in Auditing the receipts from patients of a Hospital ? 6
- (b) Distinguish between Internal evidence and External evidence. 4

(3)

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7. How would you vouch/verify the following ? (answer any **two**) :

5+5=10

- (a) Insurance Claim.
- (b) Trade Marks and Copyrights.

OR

Preliminary Expenses.

- (c) Customs Duty.

8. Write short notes on the following (any **two**) :

5+5=10

- (a) Disclaimer of Opinion.
- (b) Payment of Interest out of Capital during construction.
- (c) Impairment of Assets.

OR

Joint Audit.

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