

CA FINAL - Auditing - June 2009 - Question Paper

Roll No.....

Total No. of Questions—8]

[Total No. of Printed Pages—3

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 Question Nos. 1 and 2 and any **four** from the rest.

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1. As an auditor, how would you deal with the following ?

- ✓a) In the audit of an Organisation whose objects are charitable or religious, holds that the Accounting Standards are not applicable to it, since only a very small proportion of its activities consist of business in nature. 5
- ✓b) During the audit for the year ended on 31st March, 2009 of XYZ Ltd. you come across certain personal expenses of employees have been debited to Profit and Loss account. 4
- ✓c) While conducting the audit of ABC Ltd. for the year ended on 31st March, 2009, you find that the company has disposed off substantial part of the fixed assets, but the management of the company represents to you that they will continue in business. 4
- ✓d) A Ltd. has not made provisions for proposed dividends in its accounts but proposes to charge the dividends to Profit and Loss account as and when paid. 5

2. Comment on the following with reference to the Chartered Accountants Act, 1949 as amended by the Chartered Accountants (Amendment) Act, 2006 and schedules thereto :

- ✓a) Mr. B, a practising Chartered Accountant, expressed his opinion on the financials of M/s ABC Ltd. for the year ended on 31st March, 2009. It was later found that the closing stock was valued arbitrarily by Management which was accepted by him without verification and large amount of revenue expenditure was capitalised. 5

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- ✓(b) Mr. A was appointed by H Ltd. to audit the PF trust maintained by the company. While conducting the audit he noticed that large amount of loans have been given out of the trust to the employer company in contravention of the rules of the PF trust. He had disclosed the irregularities to the trustees and to the company but not to the individual subscribers of the PF. When queried on his omission to disclose, he explained that he owed no duty to the individual members. 5
- ✓(c) Mr. B was appointed as auditor of XYZ Ltd. in place of Mr. A. Mr. B had sent a letter of communication to Mr. A under certificate of posting and proceeds to conduct the audit. Mr. A makes a complaint to the institute on the basis of non-receipt of communication. 4
- ✓(d) A Chartered Accountants firm pays share in the profits to a widow of its deceased partner. 4
3. ✓(a) State the points in an investigation of frauds through suppliers ledger. 6
- ✓(b) State the circumstances that may warrant the introduction of Cost audit. 6
- ✓(c) State your views on reference to an expert in the Auditor's report. 4
4. (a) State the internal controls in the area of Loans and Advances of Banks. 12
- (b) What shall comprise the auditor's report of Mutual Funds ? 4
5. (a) State briefly the communication/reporting requirements as per AAS 21 on non-compliance in an audit of financial statement : 8
- (i) To the management
- (ii) To the users of the auditor's report on the financial statements.
- (iii) To the regulatory and enforcement authorities.
- (b) State the reporting requirement regarding books of account (prescribed, maintained and examined), in Form No. 3CD of Tax Audit under Section 44AB of the Income Tax Act, 1961. 8
6. ✓(a) State the audit procedures for verification of outstanding premium and agents' balances of General Insurance companies. 6
- ✓(b) When should an auditor make a disclaimer opinion in his Audit report ? 5

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Marks

- ✓(c) What are the general principles that propriety audit need to conform ? 5
7. (a) "When the computer information systems are significant, the auditor should obtain an understanding of the CIS environment and whether it may influence the assessment of inherent and control risk." What factors an auditor has to consider in such risk assessment ? 12
- (b) In an operational audit performance evaluation, what factors can cause unsatisfactory production performance ? 4
8. Write short notes on any **four** of the following : 4×4=16
- ✓(a) Usefulness of careful and adequate audit planning.
- (b) Verification of Margin Deposit Book in the audit of Members of Stock Exchanges.
- ✓(c) Professional Negligence.
- (d) Purposes for which analytical procedures are used by auditors.
- ✓(e) Unqualified opinion in the context of the Auditor's report.
- ✓(f) Assessing the reliability of Audit evidence.

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