

INTERMEDIATE EXAMINATION

June 2011

I-P6(CIA)
Syllabus 2008

Commercial and Industrial Laws and Auditing

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 and Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from the rest in Section II.

SECTION I (50 Marks)

(Commercial and Industrial Laws)

1. Comment on the following based on legal provisions (No marks for wrong reasons or justification): 2×7
 - (a) Mr. Saxena a Pledgee incurred extra-ordinary expense for preservation of goods pledged. Pledgee refused to return such goods till the payment is settled, can he retain?
 - (b) Mr. Sadhu offers to sell his house to Mr. Sarkar at Rs. 221 lakh but by mistake makes the offer in writing for Rs. 212 lakh which was accepted by Mr. Sarkar. Can Mr. Sadhu plead the mistake as defence? **No**
 - (c) A mistake apparent from the records was brought to the notice of Competition Commission by the affected Party. Can the affected Party get relief?
 - (d) Occupier of a Factory means the person who occupies and resides in the factory—offer your views. **No**
 - (e) On 2.1.11 Mr. Nair met an accident and injured in the factory. He was treated in ESI Hospital free. On joining duty, on 4.11.11, he claimed disablement compensation but employer refused. Advise Mr. Nair how to receive the amount.
 - (f) Mr. Malhotra, Factory Manager, stated that payment of wages can also be made in kind. (Minimum Wages Act 1948)—offer your views. **No**
 - (g) Complainant means any allegation made before the District forum.
2.
 - (a) A woman who had an abnormally sensitive skin bought Harris Tweed Coat and got rashes through wearing the Coat. Is there any breach of condition? Can the woman take shelter under Consumer Protection Act as the goods are hazardous to life & safety. 2
 - (b) Employees Provident Fund Scheme applies to Sick Industrial Undertaking with the same Rate of Contribution at par with others. Do you agree? 2
 - (c) How and to whom you will approach for “Information” under Rights to Information Act 2004? 2
 - (d) Mr. Adarsh was due to perform on 20th February but on 17th February 2011 repudiated his obligation. On 25th February the Contract become illegal through a change in Law. Mr. Vasant the other Party requested you to advice action against Mr. Adarsh. 2
 - (e) Mr. Bose directs Mr. Roy to sell wheat for which Mr. Bose agreed to pay 10% Commission on the price fetched by the Goods. Mr. Bose afterwards by a letter revokes Mr. Roy’s Authority. But before receiving that revocation letter Mr. Roy sold wheat for Rs. 10,000/-. Mr. Bose refused to Pay Commission to Mr. Roy. Offer your views. 2
 - (f) What is ‘fraud’? 4
 - (g) “Only the owner of goods can transfer a good title—none else” but there are some exception. Can you cite at least 2 such exceptions with detailed provision. 4

Please Turn Over

3. (a) Retirement and superannuation (under Payment of Gratuity Act) are same.—Comment. 4
- (b) State the different kinds or types of Bailment. 4
- (c) What are the essentials of a contract of Sale? 4
- (d) Mr. Bakshi wants to submit claims arising out of deduction made contrary to the provision of the Act from his wages, by his Employer. Following information be informed (Payment of Wages Act):
 - (i) Besides the Employee, who can apply to the Authority for direction for refund and compensation? 2
 - (ii) Time limit within which to apply? 1
 - (iii) Besides refund of deducted amount, whether any compensation is allowed? 1
- (e) All consideration or objects of an agreement are not lawful.—Justify. 2
4. (a) Write short notes on *any four*: 4x4
 - (i) Anticipatory Breach of contract
 - (ii) Inchoate instrument (NI Act)
 - (iii) Duties of occupier
 - (iv) Termination of lien (Sale of Goods Act)
 - (v) Protection from attachment (EPF Act 1952)
- (b) Nomination once made cannot be changed (Payment of Gratuity Act) 2

SECTION II (50 Marks)

(Auditing)

5. Comment on the following statements based on legal provisions (No marks for wrong reasons or justifications): 2x7
 - (a) Cost Accounting Standards pronounced by the ICWA of India are mandatory.
 - (b) Expenditure on commissioning of the project including the cost of test run have been debited to Profit & Loss A/c as expense on Project.
 - (c) Only officer on Special duty is called company Talent—do you agree?
 - (d) "File Libraries" being one of the control under Computer Information System.
 - (e) M/s. A. B. Associates, Chartered Accountants were appointed as Auditor of the Company in the month of Sept. 2010 at a fee of Rs. 3,00,000/- plus other expense at actual. In the month of Dec. 10, the Auditor was removed by the Company. Auditor claimed Rs. 3,00,000/- but the Company paid Rs. 1,00,000/- being remuneration for 4 months from September to December, 2010.
 - (f) Internal Auditing is a function distinct from Authorisation and recording.
 - (g) Importance of follow-up of Audit Report cannot be avoided.
6. (a) State the component of Audit risk. 2
- (b) How you will vouch the interest paid? 2
- (c) The statutory Auditor submitted his report on purchases relying on the verification Report carried on by the Internal Auditor. Whether this was proper. 2
- (d) Total subscribed share capital of XYZ Ltd. is Rs. 20 lakhs, out of which Rs. 6 lakhs share capital is held by a Nationalised Bank. How the Auditor is appointed in such cases? 2

- (e) "Qualified" opinion and "Adverse" or "negative opinion" in the Audit Report are same.—Comment. 2
- (f) How you will check the 'Sales Return'? 2
- (g) What is Auditing in depth? 2
- (h) To carry out an I.T. Audit, what are the systematic approaches are taken care of? 2
- (i) Unless the observations and recommendation set out in Audit Report are considered, the objectives of appraisal is dissipated—offer your views. 2
7. (a) What are the Audit Technique? 4
- (b) How you will verify "Provision for dividend"? 2
- (c) M/s. B. K. Associates, Chartered Accountants in addition to normal yearly Audit, rendered services for Taxation, Company Law matters etc. for which separate fees were received by them. While preparing Audit Report what points should be covered in his Audit Report? 2
- (d) What is expected under CARO regarding "Internal Audit System"? 2
- (e) Mr. S. K. Paria, joined the Company on 15.11.80 and superannuated on 31.5.11 when his total salary was Rs. 25,000/- per month. His Employer paid Rs. 3,87,500/- towards Gratuity. Whether the payment was correct? How you will deal in accounts assuming that all Gratuity was on Cash basis? 2
- (f) XYZ Ltd. whose Regd. & Head Office is at Kolkata has a branch office in Mumbai. A separate Auditor was appointed for Branch Audit. Branch Manager refused to provide with or show one Contractor's bill inspite of Branch Auditors written demand, Branch manager told that this bill being confidential, Auditor has no right to see. How you will deal with? 2
- (g) What are the points an Auditor should consider for I.T. Audit in respect of Systems & Applications? 2
- (h) Under what circumstances, management Audit is needed or is useful to the Company? 2
8. (a) Name the Methods of obtaining "Audit Evidence". 2
- (b) As an auditor how you will vouch "Sale of Securities"? 2
- (c) What are the main points to be reported to the shareholders by the Auditor—(limited to Eight such points). 4
- (d) What are expected under CARO regarding
- (i) Preferential allotment of Shares 2+2
- (ii) Public Deposit 2
- (e) What is Computer assisted Technique? 4
- (f) What are the activities undertaken by the management Auditor in its review of material management etc. 2