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PAPER-6

COMMERCIAL AND INDUSTRIAL LAW
AND AUDITING

TEST PAPER - I/6/CIA/2008/T-2

i)

ii) The delivery of good by one person to another for some purpose, upon a Contract that they shall, when the purpose is accomplished be returned or other wise disposed of according to the directions of the person delivering them.

iii) A stipulation may be a condition through called a warranty in the Contract (Sec 12(4))

vi) In any scheduled employment under the control of any government in India in respect of which minimum rate of wages have been fixed under this act the person or authority appointed by such government for the supervision and control of employer.

vi The act shall apply to every establishment which is a factory engaged in any industry mentioned in Schedule I of the Act and employing 50 or more person or any other establishment employing twenty or more person or such other establishment as the Central Government may notify.

vii Competent person in relation to any provision of this Act means a person or an institution ~~so~~ recognised as such by the Chief Inspector for the purpose of carrying out test.

viii Maximum bonus payable U/s 11 to the every employee is respect of that accounting year bonus which shall be an amount is propotion to the salary or wages earned by the employee during the accounting the year, subject to ~~a~~ a maximum of twenty percent of such salary or wages.

ix Wages includes any privilledge or benefit which is capable to bring estimated is money other than a travelling allowance or the value of any travilling concession or a contribution paid by the employer.

a workman towards pension or provide a sum paid to a workman to cover any special expens entitled to him by the nature of ~~him~~ his employment.

4(a)

"Occupier" of a factory means the person who has unlimited control over the affair of the factory provided that.

(i) In the case of firm or other association or ~~person~~ individuals any one of the individual partner or member there of shall be deemed to be the occupier.

ii) In the case of a company any one of the director shall be deemed to be the occupier.

"List of genral duties of the occupier"

(i). Every occupier shall ensure so far is reasonably practicable the health safety and welfare of all worker while they are at work in the factory.

ii) without prejudice to the generality of the provision of sub-section

(i) the matter to which such duty extends.

(iii) Except in such cases as ~~may~~ may be prescribed every Occupier shall prepare and as often as may be appropriated revise a written statement of his general policy with respect to the health and safety of the worker at work.

4b

Terms of "Appropriate Government" under the Industrial Dispute Act 1947

i) In relation to any dispute concerning and Industry carried on by or under the authority of the Central Government.

(ii) by a railway Company or concerning any such controlled Industry as may be specified in this behalf by the Central government.

iii In relation to an Industrial disput Concerning ~~a~~ dock Labour board ~~as~~ established under section 5A of the dock workers.

iv The Industrial finance Corporation of India Limited formed and registerd under the Companies Act 1956.

v The employees state Insolvency Corporation established under section 3 of the employee state Insolvance Act 1948.

vi The Unit Trust of India established under section 3 of the Unit trust of India Act 1963.

vii The Food Corporation of India Established under Sec 3.

viii A Regional Rural Bank established under section 3 of the Regional Rural Bank.

5a

For the purpose of this act

(i) an employee shall be said to be in continuous service for a period, if he has for that period been in uninterrupted service which may be interrupted on account of sickness accident leave.

(ii) where an employee is not in continuous service within the meaning of clause for any period of one year or six month he shall be deemed to be in continuous service under the employer.

iii for the said period of one year if the employee during the period of twenty calender month preceeding the date with reference to which reference to which calculation is to be made has actually worked under the employer.

5b Complaint means any allegation in writing made by a complainant that

(i) An unfair trade practice or a restrictive trade practice has been adopted by any trader or service provider.

ii The good bought by him or agreed to be bought by him suffer from one or more defects.

iii Service hired or availed of or agreed to be hired or availed of by him suffer from deficiency in any respect.

iv A trader or the service provider as the case may be has charged for the goods or for the service mentioned in the complaint a price in excess of the price in excess.

File complaints

Complaints may be filed with the district forum State Commission National Commission by.

(1) The consumer to whom such good are sold or delivered or agreed to be sold or delivered or such service provided or agreed to be provided.

5(c)

Objectives of right to information Act:-

(i) Given effect to the fundamental right to information which will contribute to strength of democracy improving governance increasing public ~~pa~~ participation, promoting transparency and accountability and reducing corruption.

(ii) Establish voluntary and mandatory mechanisms or procedure to give effect to right to information is a manner way which enable persons to obtain access to records of public authorities is a swift effective in expensive and ~~@~~ reasonable manner.

(iii) promote transparency, accountability and effective govern of all public authorised by including but not limited to empowing and educating all persons.

PART - B
AUDITING

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(i) Since goodwill is an intangible asset verification of charges on it doesn't arise.

ii The Loos tools should be shown in the blance sheet under the head of Current asset.

iv A holding company may by resolution authorised ~~respons~~ representation to inspect the books of account of its subidiaries members of holding Company may exercise their right as Confered by section 235 in respect of any subsidiary.

V 100% vouching does not ensure 100% verification cause verification mean proving the truth "an auditor not only has to see the arithmetical error he should also check that the transaction in the book of accounting are also correct.

vi 'CAAT' means Computer Assistant Audit Technique.

vii In appropriate circumstance it may be issued by using the word as "to whom so ever it may concern"

viii Where an auditor fails to obtain Sufficient information to warrant an expession of opinion.

7(a)

Joint Audit

Two or more auditor are sometimes appointed specially in the case of large concerns such as banking or insurance companies or when the regulation of the company require such appointment. According to the statement it would not be correct to hold one auditor responsible for the work of another and the work alloted to him.

Joint audit is different from Branch audit in manner as where auditor have been allotted the work of seperated units or branch it would be desirable for each auditor to prepare a separate report on the financial statement of the branch or the unit for which he is responsible and the joint auditor responsibility in to determine the extent of audit report to be applied in ~~resp~~ relation to the area of audit allocated to him and the manner in which it is to be performed.

2b)

The following are the advantage of a joint audit

(i) Sharing of expertise.
ii Advantage of mutual consultation
iii. Lower work load
iv Better quality of performance
v Improved service of the client.
vi displacement of the auditor of the Company
vii Lower staff deployment cost
viii Lower cost to carry out the work.

The following are the disadvantage of joint audit.

(i) Sharing of fees.
ii Psycological problem where a firm of different standing are associated in joint audit.
iii Superiority complex of some auditor may affect the work of ~~a co-au~~ co-auditor
iv Problem arises regarding co-ordination of the work
v. area of work of common being neglected
vi Uncertainty about the liability for the work done.

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a Efficency Audit.

The term efficiency audit means studying cometance to achieving goals. The objective of efficency audit is to ensure that management controls are functioning effectively and efficiently in every functional or operational areas of business.

b Qualified Audit Report

In the following circumstance the auditor has to qualify his report.

(i) he cannot conduct audit satisfactory due to non availability to certain book of accounts

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ii he finds that the balance sheet and P/L account have not been prepared in accordance with accepted accounting principle.

iii he detects the provision for bad & doubtfull debts & depreciation

iv He detects that the company has created certain secured reserve.

C Auditing in EDI Environment

Auditor with usual procedure should give consideration to the following aspects while auditing in case of electron data.

i) There should be detailed and clear cut agreement for electronic data interchange

ii) There should be full proof controls in the system to avoid modification in the data by third party. While the data interchanges is it transit and for encryption

d Audit checks in case of ~~dp~~ depreciation.

i) Examin the policy of the company for charging depreciation.

ii) Examin whether the method of depreciation and the ~~ratts~~ rates of depreciation and reasonable and sound considering the nature of asset it operation and estimated life.