

Test Series: February, 2012

MOCK TEST PAPER – 1

IPCC/PCC: GROUP – II / GROUP – I

PAPER – 6/2: AUDITING AND ASSURANCE

Question No.1 is compulsory.

*Attempt any **five** questions from the remaining **six** questions.*

Time Allowed – 3 Hours

Maximum Marks – 100

1. Give your comments and observations on the following
 - (a) In a system based audit, test checking approach provides a good base for the auditor to form his opinion on the financial statement. (5 Marks)
 - (b) Auditor is responsible for expressing opinion on financial statements in statutory audit. (5 Marks)
 - (c) The first auditors of Public Ltd, a Government company was appointed by the Board of directors. (5 Marks)
 - (d) 'Doing a statutory audit is full of risk'. Narrate the factors which cause the risk. (5 Marks)
2.
 - (a) Discuss briefly the features of an effective system of internal control over wages and salaries in a large factory. (8 Marks)
 - (b) With reference to Government Audit, what do you understand by "Audit of Commercial Accounts"? (8 Marks)
3.
 - (a) Megaworld Pvt Ltd. is a in the business of multiplex and restaurant. Restaurant is adjoining to the multiplex. There has been a theft from ticket collection box. State how as an auditor you would conduct the audit of Megaworld Pvt Ltd. (8 Marks)
 - (b) The management of Smita Limited suggested for quick completion of the statutory audit that it would give its representation about the receivables in terms of their recoverability. The management also acknowledged to the auditors that the management would give their representation after scrutinizing all accounts diligently and they own responsibility for any errors in these respects. It wanted auditors to complete the audit checking all other important areas except receivables. The auditor certified the account clearly indicating in his report the fact of reliance he placed on representation of the management. Comment. (8 Marks)
4.
 - (a) M/s. XYZ, a partnership firm, approaches you and enquires, whether it is necessary for them, under any statute or otherwise, to get their accounts audited. You are required to advise them, explaining briefly the advantages of audit of a partnership firm. (8 Marks)

- (b) SK Ltd. has fully computerised its accounting operations. The stock records are maintained up to date with timely entries passed for all receipts and issues. The company has hired a professional security agency which monitors and implements a close vigilance over the operations of the company. As such, the company had dispensed with the practice of taking stock of their inventories at the year end as in their opinion the exercise is redundant, time consuming and intrusion to normal functioning of the operations. (8 Marks)
5. As an auditor, comment on the following situation/statements:
- (a) Government of India has appointed Mr. M, a retired Finance Director and a non-practising member of the Institute of Chartered Accountants of India, as an auditor to conduct special audit of ABC Ltd. on the ground that the company was not being managed on sound business principles. The Managing Director of the company contends that the appointment of Mr. M is not valid because he does not hold a certificate of practice. (8 Marks)
- (b) Sri & Company, a firm of Chartered Accountants was appointed as statutory auditors of Aaradhana Company Ltd.. Aaradhana Company Ltd. holds 51 % shares in Sarang Company Ltd.. Mr. Sri, one of the partners of Sri & Company, owed ₹ 1,500 as on the date of appointment to Sarang Company Ltd. for goods purchased in normal course of business. (8 Marks)
6. Answer the following:
- (a) AB Ltd. is a company in which 20% of the paid up share capital is held by a State Government and 31% of the paid up share capital is held by a Government Company. Who will appoint the auditor of AB Ltd? Also state other categories of companies to which provision of section 619B is applicable. (8 Marks)
- (b) State the matters which the statutory Auditor should look into before framing opinion on accounts on finalisation of audit of accounts? Discuss over all audit approach. (8 Marks)
7. Write short notes on any four of the following:
- (a) Internal evidence and External evidence.
- (b) Substantive Procedures
- (c) Importance of Working Papers
- (d) Reissue of redeemed debentures.
- (e) Cut-off procedure. (4 × 4 = 16 Marks)