Test Series: August, 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 Rest.*

Time Allowed – 3 Hours Maximum Marks – 100

1. Give your comments and observations on the following

   (a) "Although the nature of the propositions which an auditor is called upon to review varies, yet the basic philosophy of auditing does not change" Comment. *(5 Marks)*

   (b) "Independence is the keystone upon which the respect and dignity of a profession is based." Explain with reference to auditing and accounting profession. *(5 Marks)*

   (c) "The auditor is faced with sampling risk in both tests of control and substantive procedures." *(5 Marks)*

   (d) "The concept of True and fair is a fundamental concept in Auditing" Explain.*(5 Marks)*

2 (a) What are the auditor's responsibilities for detection of Frauds and Errors? *(8 Marks)*

   (b) What are the obvious assertions in the following items appearing in the Financial Statements?

   (i) Profit and Loss Statement

   Travelling Expenditure ₹ 50,000

   (ii) Balance Sheet

   Cash in hand ₹ 1,00,000 *(8 Marks)*

3 As an auditor, comment on the following situation/statements:

   (a) PBS & Associates, a firm of Chartered Accountants, has three partners P, B and S. The firm is already having audit of 60 companies, which includes 2 branch audits of a company. The firm is offered 3 company audits, out of which one is a private company, other is a foreign company and the third one is a public company. Decide and advise whether PBS & Associates will exceed the ceiling prescribed under Section 224(1B) by accepting the above audit assignments? *(4 Marks)*

   (b) The Board of Directors of KU Ltd failed to appoint its first auditors within one month of the date of registration. *(4 Marks)*

   (c) Mr S is appointed auditor of XYZ Ltd for the f.y. 2011-12. Subsequent to his appointment, he purchases 1000 shares of XYZ Ltd. *(4 Marks)*

(d) G S & Company are the appointed auditors of ACE Ltd. After completing the audit but before issuing report, the auditor has come to the conclusion that an uqualified opinion cannot be expressed but that the effect of the disagreement with the management is not so material and pervasive as would require an adverse opinion Advise in detail how should he report ?. *(4 Marks)*

4. (a) Mention the special steps involved in the audit of Charitable Institutions *(8 Marks)*

   (b) Can the External Auditor rely upon the work of an Internal Auditor? *(8 Marks)*

5 (a) While auditing the accounts of Comfort Day Limited, a company engaged in the business of running a chain of daily need items stores in 45 major cities in India, auditor observes and is of the view that since cash transactions account for a large bulk of transactions and also cash being a highly liquid asset is exposed to frauds of various types. Discuss how would the auditor proceed to satisfy himself that the cash transactions entered into by the client company have been correctly recorded in the books of accounts and that all the procedures laid down for entering into such transactions have been complied with? *(8 Marks)*

   (b) Write short notes on the following:

   (i) Extent of Reliance on Analytical Procedures.

   (ii) Purpose of providing depreciation. *(8 Marks)*

6. (a) What are the powers of the auditor of a company ? *(8 Marks)*

   (b) Discuss in brief the power of Company to purchase its own Securities. *(8 Marks)*

7 Write Short Notes on any four of the following :

   (a) Concept of materiality and factors which act as guiding factors to this concept.

   (b) Audit Programme.

   (c) Powers of C & AG in connection with the performance of his duties.

   (d) Capital Redemption Reserve

   (e) Impairment of Assets. (4 × 4 = 16 Marks)