

Test Series: September, 2013

MOCK TEST PAPER – 1
INTERMEDIATE (IPC): GROUP – II
PAPER – 6: 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. (a) Discuss the following with reference to standards on Auditing.
 - (i) State the basic elements of the Auditor's Report.
 - (ii) Responsibilities of Joint auditors. (2 x 5 = 10 Marks)
- (b) (i) Fixed assets have been revalued and the resulting surplus has been adjusted against the brought forward losses. Comment.
- (ii) Lehar Ltd. installed a new water treatment plant at its factory on 1.10.2012. The company estimated that the new plant will become obsolete after 4 years only and hence charged depreciation at a rate higher than that envisaged in Schedule XIV to the Companies Act. During the year 2012-13, the company therefore had written off 1/4th of the cost. Comment. (2 x 5 = 10 Marks)
2. (a) 'After the statutory audit has been completed a fraud has been detected at the office of the auditee.' What is your defence as an auditor? (8 Marks)
- (b) What are accounting estimates according to the Standards on Auditing 540? Give examples. (8 Marks)
3. (a) "In cases where audit sample selection has been done on a random basis, no statistical process for selection of samples needs to be followed". Comment. (4 Marks)
- (b) Explain the Relationship between materiality and audit risk. (4 Marks)
- (c) Explain briefly the approaches to EDP auditing. (8 Marks)
4. How will you vouch and/or verify the following?
 - (a) Contingent Liabilities
 - (b) Endowment Policies
 - (c) Advertisement expenses
 - (d) Wages paid to seasonal labourer (4 x 4 = 16 Marks)

5. Give your comments and observations on the following:
- (a) NM & Co., chartered accountants were appointed as the auditors of a public limited company in their Annual General Meeting. Various co-operative and term lending institutions held 51% of the paid-up share capital of the company. (4 Marks)
 - (b) An auditor purchased goods worth ₹ 1,500 on credit from a company being audited by him. The company allowed him one month's credit, which it normally allowed to all known customers. (4 Marks)
 - (c) State the matters to be specified in Auditor's Report in terms of provisions of Section 227(3) of the Companies Act, 1956. (8 Marks)
6. (a) Explain the power of buy-back of shares by the company. Give any four points. (4 Marks)
- (b) Splitting of one share of the face value of ₹ 10 into 10 shares of ₹ 1 each. (4 Marks)
 - (c) Mention the special points to be examined by the auditor in the audit of a charitable institution running hostel for students pursuing the Chartered Accountancy Course and which charges only ₹ 500 per month from a student for his lodging/boarding. (8 Marks)
7. Write short notes on any four of the following:
- (a) Contents of Audit Note-book.
 - (b) Statutory Auditor versus Internal Auditor.
 - (c) *Physical attendance by auditor during inventory taking.*
 - (d) Power of CAG Under Section 619(3) in relation to audit of Government Company.
 - (e) Director's responsibility statement in brief. (4 × 4 = 16 Marks)