

Question 1 is compulsory, Attempt any Five from remaining.

Q : 1

(a) State with reasons (in short) whether the following statements are true or false.

- (i) A casual vacancy caused by resignation of the auditor can be filled by the Board of Directors.
- (ii) The auditor, in the interest of the users, while explaining the nature of his reservation, can describe the work of the expert with his name, in the audit report without obtaining prior consent of the expert.
- (iii) Provisions of Companies (Auditor's Report) order 2003 as amended upto date, apply to clubs, chambers of commerce, research institutes etc, which have been established under Section 25 of the Companies Act, 1956.
- (iv) Mr. X, a Chartered Accountant, is an employee of M/s M & N Co., a firm of Chartered Accountants of India. The firm is the Auditors of ABC & Co. Ltd. After auditing the accounts of the Company the Auditor firm allowed Mr. X, their employee, to sign the audit report; which he did.
- (v) The Auditor disagreed with the management with regard to the acceptability of the Accounting Policies and the inadequacy of disclosures in the financial statements and issued as disclaimer.

[5 x 2 = 10]

(b) Explain the Meaning of "Subsequent Events" as used in the SA 560. Should all types of subsequent events be considered by the auditor in his attest functions? **[5]**

(c) Discuss with reference to SA : Audit documentation serves a number of additional purposes. **[5]**

Q : 2 Short Note:

- (a) Importance of Working Papers. **[4]**
- (b) Stratified Sampling. **[4]**
- (c) Contents of Audit Note-book. **[4]**
- (d) Internal Control in Small Business. **[4]**

Q : 3

(a) X, a Chartered Accountant was engaged by PQR & Co. Ltd. for auditing their accounts. He sent his letter of engagement to the Board of Directors, which was accepted by the Company. In the course of audit of the company, the auditor was unable to obtain appropriate sufficient audit evidence regarding receivables. The client requested for a change in the terms of engagement. **[4]**

(b) As an auditor how would you react to the following situations/comments?

PP Ltd., a garment exporter, asked their Internal auditor, a practicing chartered accountant, to conduct physical verification of the year end inventory and the report of such verification was handed over to the statutory auditor for their view and use. Can Statutory auditor rely on such report? **[6]**

(c) Explain the Audit Opinion : 1. Qualified report 2. Adverse Report 3. Disclaimer Report **[6]**

Q : 4

- (a) Discuss Internal control in CIS Environment? **[8]**
- (b) Mention the special steps involved in the audit of an Educational Institution. **[8]**

Q : 5 Vouch / Verify the followings:

- (a) Trade Marks and Copyrights

- (b) Production incentive paid to workers.
- (c) Sale Proceeds of Junk Materials
- (d) Grant received for reimbursement of revenue expenditure

[4 x 4 = 16]

Q : 6

- (a) Explain the provision of Joint Audit also mention responsibility of Joint Auditor as well as advantages and disadvantages of Joint Audit. [8]
- (b) What are important points that will attract your attention in the case of audit of a Hotel?[8]

Q : 7 Short Notes: [Any four]

- (a) Cut-off arrangement.
- (b) Government Expenditure Audit
- (c) Inherent Limitation of Audit
- (d) Auditor's Lien
- (e) Written Representation. [4 x 4 = 16]

Good Luck