# ALQ2

Roll No. ………………………… Total No. of Printed Pages – **4**

Total No. of Questions – **6** Maximum Marks – **70**

## GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

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## PART – II 70 marks

1. Question paper comprises **6** questions. Answer Question No. 1 which is compulsory and any **4** out of the remaining **5** questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

## PART – II

1. State with reasons (in short) whether the following statements are correct or incorrect : (Answer any **Seven**) 7×2 =14

(a) The terms of audit engagement can restrict the scope of an audit.

(b) It is the function of an audit to establish that payments have been made validly to the persons who are shown to be recipients.

(c) Stratified sampling method involves dividing the whole population to be tested in a few separate groups.

(d) Internal audit and internal check are similar terms.

(e) Letter of Representations received from Management relieve the auditors of their responsibility.

(f) The auditors of a company can attend only that General meeting in which accounts audited by them are discussed.

(g) A Company having an average Net profit of ₹ 100 lakhs during the three immediately preceding financial years can make a political contribution of ₹ 6 lakh.

(h) The inclusion of an Emphasis of Matter paragraph in the Auditor's Report affects the auditor's opinion.

2. (a) Elucidate the matters to be considered by an auditor in developing his overall plan for the expected scope and conduct of audit. 4

(b) State the principal aspects which the statutory auditor should look into before framing an opinion on finalization of audit of accounts. 4

(c) The division of internal control into five components provides a useful framework for auditors to consider how different aspects of an entity's internal control may affect the audit. Mention those components of internal control. 3

(d) State the significant difficulties encountered during the audit with reference to SA 260 on "Communication with Those charged with Governance". 3

3. (a) Mention the Analytical Review procedures that may be useful as a means of obtaining audit evidence regarding various assertions relating to Trade receivables, loans and advances. **4**

   (b) State the requirements in Schedule III to the Companies Act, 2013 relating to 'Disclosure of Expenses'. **4**

   (c) List out the steps to be taken by auditor while vouching/ verifying the 'Refund of General Insurance premium paid'. **3**

   (d) Newton Ltd. has made loans and advances on the basis of following securities to various borrowers. As an auditor what type of documents can be verified to ensure that the company holds a legally enforceable security ? **3**

   (i) Shares and Debentures

   (ii) Life Insurance Policy

   (iii) Hypothecation of goods.

4. (a) ABC Ltd. wants to remove the auditor duly appointed under section 139 of the Companies Act, 2013 before the expiry of his term. Narrate the procedures to be complied by ABC Ltd. **4**

   (b) A Company is prohibited to buy-back its own shares or other specified securities under certain circumstances. Discuss. **4**

   (c) JKB Ltd. was incorporated on 2/12/2018 with a paid-up capital of ₹ 1 crore. During the financial year ended 31st March, 2019 the company was involved in acquisition of plant and machinery, construction of Building and hiring of labourers. There were no manufacturing or trading activities and there were no revenue from operations. The Chief Accountant contends that for the year ended 31st March, 2019 there was no need to prepare a statement of Profit and loss or any other statement except Balance sheet. Comment. **3**

(d) You are the auditor of XYZ Ltd. for the year ended 31st March, 2019 in which Mr. X is the Executive Director. Mr. X is also one of the Directors in PQR Ltd. which has not filed its financial statements and Annual Return for the previous financial years from 2014-15 to 2017-18. Is there any reporting responsibility cast on you as an auditor as per Companies Act, 2013 ? **3**

5. (a) Cinescreen Multiplex Ltd. is operating cinemas in different locations in Mumbai and has appointed you as an internal auditor. What are the areas that need to be verified in relation to receipts from sale of Tickets ? **4**

(b) The audit of Government expenditure is one of the major components of Government audit. Briefly explain the basic standards set in relation to audit of Government expenditure. **4**

(c) State the important objectives of Local bodies Audit. **3**

(d) Specify the order in which the assets of the partnership firm are to be applied on the dissolution of firm in the absence of partnership agreement. **3**

6. (a) The examination and evaluation of internal control system is an indispensable part of the overall audit programme. State the areas which the 'Review of Internal controls' will enable the auditor to know. **4**

**OR**

Why are "Tests of controls" performed ? Also explain what it includes.

(b) Audit evidence is influenced by its source, nature, and the circumstances under which it is obtained. Elucidate the guiding principles which are useful in assessing the reliability of audit evidence. **4**

(c) What are the advantages of Statistical sampling technique in auditing ? **3**

(d) Why are Computer Assisted Audit Techniques (CAAT) needed in Computerised Information System (CIS) environment ? **3**

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