ZTS2

Marks

Roll No. ……………………………

Total No. of Printed Pages – **7**

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 barcoded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No barcode 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.

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.

Marks

PART – II

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

(a) A Company while preparing financial statements as prescribed under Division I of Schedule III of Companies Act, 2013 for the year ended 31.03.2019 has disclosed value of imports calculated on F.O.B. basis and earnings in foreign exchange (on exports of goods) on C.I.F. basis.

(b) All Non-Governmental Organisations (NGO) are allowed to maintain accounts either on accrual basis or cash basis.

(c) A compilation engagement will also include engagement to provide limited assistance to a client in the preparation of financial statements.

(d) The frequency of surprise checks may be determined by the auditor in the circumstances of each audit but should normally be atleast twice in the course of an audit.

(e) Decline in the market value of investments between the Balance sheet date and the date on which the financial statements are approved is an example of adjusting event.

(f) Communicating key Audit matters is not a substitute for disclosure in the financial statements.

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(g) There are inherent limitations of an audit, which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being conclusive rather than persuasive.

(h) If appointment of a new auditor other than the existing auditor is *void-ab-initio*, then it should be treated as a casual vacancy.

2. (a) APQ Ltd. deals in real estate and classifies all of its land holding under current assets as inventory. The same is, therefore, be valued at cost or market value whichever is less. How would you verify profit or loss arising on sale of plots of land by such a dealer ? 4

(b) You have been approached by M/s HK Ltd. to be appointed as Cost Auditor for the F.Y. 2019-20. Company has requested you to provide a certificate confirming your eligibility as per the provisions of Companies Act, 2013. List down the matters to be included in the certificate. 4

(c) The working papers of the branch auditor are also the property of the Principal Auditor and the Management of the Company, so they have right to access them. State the relevant SA and comment. 3

(d) Under what circumstances, the external auditor should not use the work of the internal audit function ? 3

Marks

3. (a) How will you vouch/verify the remuneration paid (including Commission on Profits and Sitting fees) to the Directors of the Company ? 4

(b) What does a system of internal check implies in reference to accounting ? Also, list down the essential elements of a good system of internal check. 4

(c) Mr. N has been appointed as an auditor of KB Sources Ltd. How as an auditor he can identify and assess the risk of material misstatement ? 3

(d) "Public moneys should not be utilised for the benefit of a particular person or section of the community." List out the exceptions to this rule while audit against propriety. 3

4. (a) While vouching, Aman auditor of Vee Ltd., found that some goods are lying with third party from a long period. Advise Aman how will he vouch/verify them. 4

(b) Written representations are to be provided by the management to the auditor when requested. Comment. 4

Marks

(c) Write a short note on classification of commercial accounts maintained by the public enterprises. 3

(d) State the matters to be included in auditor's report as per CARO, 2016 regarding : 3

(i) Default in repayment of loan or borrowing to a financial institution, bank etc.

(ii) Fraud by the company or on the company by its officers or employees.

5. (a) From the auditing point of view, the auditor should verify that a proper disclosure about contingent liabilities is made in financial statement as required by AS 29. What type of disclosures should be made for each class of contingent liability as at the balance sheet date ? 4

(b) What is meant by "Applicable financial reporting framework" ? 4

(c) As required under Section-143(3)(i) of the Companies Act, 2013 an auditor is required to report in the auditor's report whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls. State the Private companies to which the above provision is not applicable. 3

(d) What are the circumstances where auditing through computer must be used ? 3

Marks

6. (a) Specific reserves may sometimes be created under contractual obligation or legal compulsion. Explain with examples. 4

OR

(a) Audit of government expenditure is one of the major components of government audit conducted by the office of C & AG. The basic standards set for audit of expenditure are to ensure that there is provision of funds authorised by competent authority fixing the limits within which expenditure can be incurred. Explain any those standards. 4

(b) As an auditor of listed company, what are the matters that the auditor should keep in mind while determining "Key Audit Matter". 4

(c) S. Ltd. engaged in manufacturing and trading of hosiery garments. Its Books of account are not properly maintained and the control system is weak, so the possibility of frauds and errors are enormous and the auditor, even with the best of his efforts, may not be able to detect all of them. The fact is recognised by the Courts from a study of the various judgments. State the tests that would be applied by the courts to view the auditor's performance judicially. 3

Marks

(d) What are the audit procedures to be performed by the Auditor to obtain Audit Evidence to draw reasonable conclusions on which he can base the audit opinion ? 3