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Roll No.

Total No. of Printed Pages – 8

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. 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.

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PART – II

1. Answer the Following :

- a) William & Sons Limited are the well-known in the hospitality and the entertainment industry with their chain of hotels, travel agencies etc. They arrange packaged tours for customers both in India and abroad. A snapshot of their financials for the previous year ended 31st March, 2020 is given below :

Particulars	Amount in INR Mios	Remarks
Share Capital	5000	Includes fully convertible preference share capital (before 2021) of INR 2000 Mio
Reserves & surplus	200	Includes revaluation reserve of INR 100 Mio
External commercial borrowing	8800	No cover through hedging
Current Assets	2200	Primarily receivables from travel companies who were enjoying credit terms from the company
Current Liabilities	6550	Represents payments to creditors and banks
Property Plant Equipment (incl Goodwill of INR 2200 Mio)	11750	Goodwill has arisen based on the acquisition of hotels

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Their business has been severely impacted by COVID-19 pandemic during the period April to June 2020 and the Company has to submit its audited financial statements for the quarter ended 30 June 2020 to its investors. What are the key considerations to be taken into account whilst auditing the financial statements of the Company ?

(b) Audit should be risk-based or focused on areas of greatest risk to the achievement of the audited entity's objectives. Risk based Audit (RBA) is an approach to audit that analyzes audit risks, sets materiality thresholds based on audit risk analysis and develops audit programmes that allocate a larger portion of audit resources to high-risk areas. What are the general steps for conducting Risk Based Audit ? 5

(c) In the audit of ABC Private Limited, statutory auditor came across cases of payments to Directors, whereby expenses of a personal nature were re-imbursed. As an auditor, how would you deal with the same ? 4

2. (a) You are being appointed as the auditor of X Ltd. for the first time. You want to determine the materiality level and for that have applied percentage to choose benchmark as a starting point in determining materiality for the financial statements as a whole. What are the factors that may affect the identification of materiality while auditing ? 5

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- (b) The corporate responsibility under the SOX, 2002 and the Corporate Social responsibility under the Companies Act, 2013 are referring to the same concept. Please evaluate this statement critically. 5
- (c) Auditing virtually through remote working model has its own pros and cons for the Auditors. Elucidate any four pros and cons with reasons. 4
- ✓ (a) For financial reporting purposes, the entity's risk assessment process includes how management identifies business risks relevant to the preparation of financial statements in accordance with the entity's applicable financial reporting framework, estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to respond to and manage them and the results thereof. Explain the circumstance under which risk can arise or change. 5
- (b) M/s ABC & Co., a firm of Chartered Accountants responded to a tender from a State Government for appointment of GST Auditor wherein no minimum fee was prescribed. For this purpose, the firm also paid ₹ 50,000 as earnest deposit as part of the terms of the tender. Comment on the above with reference to the Chartered Accountants Act, 1949, Code of Ethics and Schedules to the Act. 5
- (c) T & Co, a firm of Chartered Accountants has not revised the terms of engagements and obtained confirmation from the clients for last 5 years despite changes in business and professional environment. Please elucidate the circumstances that may warrant the revision in terms of engagement. 4

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✓ (a) TBR Limited has plan of its business being closed due to huge loss incurred due to the recent outbreak of global pandemic, within a short period from the close of the accounting year ended on 31st March, 2020. The Financial Statements for the said year have been prepared on the same basis as in earlier periods with an additional note that the business of the Company shall cease in near future and the assets shall be disposed off in accordance with a plan of disposal as decided by the Management. The Statutory Auditors of the Company indicated this aspect in Key Audit Matters only by a reference as to a possible cessation of business and making of adjustments, if any, to be made at the time of cessation only. Comment on the reporting by the Statutory Auditor as above.

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(b) XYZ Limited has prepared the financial statements for the year 2019-20 and mentioned in the significant accounting policies that depreciation on tangible fixed assets is provided on the straight line method over the useful lives of the assets as estimated by the management. The company has ignored the useful life of the assets mentioned in Schedule II of the Companies Act, 2013. As a statutory auditor of the company how would you deal with this ?

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(c) What are the professional obligations of the statutory auditor who has resigned before completion of his term due to non co-operation of the Management in completing certain audit procedures ?

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5 (a) A firm of Chartered Accountants was appointed by a company to 5
evaluate the costs of the various products manufactured by it for its
information system. One of the partners of the firm was a Non-
Executive Director of the company. Comment with reference to the
Chartered Accountants Act, 1949 and Schedules thereto.

6 (b) Mr. BK, Partner in M/s. BK and Associates, as part of their audit 5
presentation to the Audit Committee of M/s. XYZ Limited, a listed
company, highlighted the following :

- Difficulties faced during the audit
- Disagreements with the management
- Management Letter Points
- Draft Management Representation letter to be provided by the
Company in connection with the audit.

Some of the Audit Committee members were not happy with the
above presentation and asked Mr. BK to take it back and submit
directly to the Board. They believe that Audit Committee is not the
forum for discussing such problems and this has to be sorted out
between auditors and the management. Please comment on the above.

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(c) G Ltd. changed its employee remuneration policy from 1st April, 2019 to provide for 12% contribution to provident fund on leave encashment also. As per the leave encashment policy, the employees can either utilize or encash it. As at 31st March, 2020, the company obtained an actuarial valuation for leave encashment liability. However, it did not provide for 12% PF contribution on it. The auditor of the company wants it to be provided but the management replied that as and when the employees availed leave encashment, the provident fund contribution was made. The company further contends that this is the correct treatment as it is not sure whether the employees will avail leave encashment or utilize it. Comment.

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(6) (a) Tiger Ltd. has applied to a bank for loan facilities. The bank on studying the financial statements of the company notices some discrepancies in the books of the company. Upon discussion with the auditor of the company, the bank manager requested for detailed information regarding a few items in the financial statements. The information is available in the working paper file of the auditor. What should be the response of the auditor in this regard ?

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(b) CA. M appointed as a Peer Reviewer for M/s. K Associates has asked for all the compilation and the Due Diligence engagements carried out by M/s. K Associates for her peer review during the period considered for peer review purposes by the board. She has also sent out a mail to Peer review Board regarding her selections. Mr. K, the managing partner of the firm seeks your advise on this matter.

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⑨ ABC Limited which deals with consumer products has extensively automated all its operations including the accounting operations. The automation involves ERP, Robotic process automation, Analytics etc. You are required to audit the entity duly considering the inherent and control risk for material financial statement assertions. Elucidate the key areas that you will focus on for identifying risks including the deficiencies.

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OR

Q:A company has disclosed its old CNC machines as assets held for sales under inventories in its annual financial statements and has also included the net realizable value of the same as part of working capital statements to the banks. Please comment on appropriateness of the above treatment from a statutory auditor point of view.

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