EAC2

Roll No. Total No. of Printed Pages – **6**

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.

P.T.O.

PART – II

1. Examine with reasons whether the following statements are correct or incorrect. (Answer any **seven** out of **eight**) 2×7 =14

(a) Even if law or regulation prescribes sufficient details of the terms of the audit engagement the auditor should record them in a written agreement.

(b) It is not necessary for the auditor to periodically review the audit programme.

(c) Dividends are recognized in the statement of profit and loss only when the amount of dividend can be measured reliably.

(d) Every LLP is required to submit Statement of Account and Solvency in Form 8, which shall be filed within a period of sixty days from the end of three months of the financial year to which the Statement of Account and Solvency relates.

(e) Classification as NPA should be based on the availability of security and asset classification would be facility wise and not borrower wise.

(f) The audit plan is more detailed than the overall audit strategy.

(g) Risks of material misstatement may be greater for significant judgmental matters that require the development of accounting estimates.

(h) External confirmation procedures are restricted to the items of addressing assertions associated with account balances & their elements only.

2. (a) Describe the guiding principles which the auditor should take into account which serves as the safeguards to eliminate the threats to independence. 4

(b) With Ref. to SA 320 "Materiality in planning and performing an audit" Indicate the factors which may effect the identification of an appropriate benchmark while determining materiality for the financial statements as a whole. 4

(c) It is imperative for the auditor to project misstatements for the population while performing audit procedures through sampling. Comment. 3

(d) With respect to SA 520 "Analytical procedures". Explain the following factors to be considered by the auditor for substantive audit procedures.

(i) Account type (ii) Predictability (iii) Nature of Assertion. 3

3. (a) The auditor shall obtain an understanding of major activities that the entity uses to monitor internal control over financial reporting. Discuss "Monitoring of control" as a component of Internal control. 4

(b) While it is true that companies can benefit immensely from the use of data analysis in terms of increased profitability, better customer service, etc., Analyse various functions that can be performed even by the auditor also using Data Analytics tools and techniques in the audit process to obtain good results. 4

(c) What factors are to be considered by an auditor while making control risk assessments ? 3

(d) Analyse how risks in the IT system if not mitigated could have an impact on the audit. 3

4. (a) ABC limited appointed XYZ & Company, Chartered Accountants, as a Statutory Auditor of the Company for the year 2019-20. CA X, partner of XYZ & Company, was looking after the audit of other income of the company which consists of interest income on fixed deposits. As a Statutory Auditor how would CA X verify interest income on fixed deposits for the year 2019-20 ? 4

(b) While conducting the audit of Amrit Ltd. the auditor A of ABC and Associates, Chartered Accountants observes that there are a large number of trade receivables standing in the books of account as on 31st March. The auditor wanted to send confirmation request to a few large trade receivables but the management refused the auditor to send confirmation request. How would the auditor proceed ? 4

(c) The auditor's requirement to report under clause (X) of paragraph 3 of the Companies (Auditor's Report) Order, 2016 is restricted to frauds noticed or reported during the year. Explain what auditors may consider for reporting under this clause ? 3

(d) Discuss the audit procedures generally required to be undertaken by the auditor while auditing Goods sent out on Sale or Return Basis. 3

5\. (a) As an auditor of PQR Ltd., you came across a misstatement resulting from fraud or suspected fraud which brings into question your ability to continue performing the audit. Explain the courses of actions available to you. 4

(b) Clue Ltd. is a Public unlisted company having paid-up share capital of ₹ 9 crores and public borrowings from the financial institutions of ₹ 51 crores. They appointed M/s Pray and Co., A Chartered Accountant firm as the statutory auditor in its annual general meeting for 11 years. 4

(i) Is the manner of rotation of auditor applicable in case of Clue Ltd ?

(ii) Whether the appointment of M/s Pray and Co. is valid ?

(c) How would an auditor determine Key Audit Matters as per SA – 701, "Communicating Key Audit Matters in the Independent Auditor's Report" ? 3

(d) RJ Limited is in the business of trading of cycles having Head Office at Delhi and branch at Mumbai. Statutory audit of Head Office was to be done by CA D and statutory audit of branch at Mumbai was to be done by CA M. During the course of audit by CA D at head office, CA D wanted to visit branch at Mumbai and verify the inventory records at Mumbai. The management of RJ Limited did not allow CA D to visit Mumbai office and verify the inventory records as the branch audit of Mumbai was already being undertaken by another CA M. 3

In the above situation, discuss the rights available with CA D in terms of the Companies Act, 2013.

6. (a) You are appointed as Statutory Auditor of DEF Bank Limited for the year 2019-20. As an Auditor how will you verify Provisions created by DEF Bank Limited ? 4

(b) (i) You are appointed as an auditor of co-operative society. State the special features of the co-operative audit to be borne in mind by the auditor, concerning. 4

(1) Audit classification of society.

(2) Discussion of draft audit report with the managing committee.

OR

(ii) The audit of receipts of government is not as old as audit of expenditure but with the rapid growth of public enterprises audit of receipts tax or non-tax has come to stay. Discuss audit of receipts with respect to Government Audit.

(c) Explain the different types of revenue grants which local bodies may receive. 3

(d) What is the function of audit while examining various rules, regulations and orders with regard to Audit against Rules & Orders by C & AG ? 3