

Roll No.

Total No. of Printed Pages – 07

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.

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.

(2)

DPM2

PART – II

1

State with reasons whether the following statements are correct or incorrect.

2×7

=14

(Answer any seven)

- (a) Misstatement in the financial statements is always because of a fraud.
- (b) The first auditor of a Multi-State co-operative Society will be appointed in Annual General Meeting.
- (c) Assertions refer to the representations by the auditor to consider the different types of the potential misstatements that may occur.
- (d) There is a very thin difference between advocacy threats and intimidation threats to an auditor while performing his duty.
- (e) In stratified sampling, the conclusion drawn on each stratum can be directly projected to the whole population.
- (f) With reference to General IT control, the objective of Data Center and Network Operations is to ensure that systems are developed, configured and implemented to meet financial reporting objectives. *Appropriate integrity.*
- (g) In the context of related parties, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater.
- (h) The Location of the description of the auditor's responsibilities for the audit of the financial statements is always within the body of the auditor's report.

DPM2

24
114
48

DPM2

2. (a) Documentation of audit plan serves as a record of the planned nature, timing and extent of risk assessment procedures and further audit procedures at the assertion level in response to the assessed risks. What all activities in the planning phase should form part of auditor's documentation? State with examples. *Write, team engagement, Amba., Understanding,* 4
- (b) CA B is appointed as an auditor of M/s. Divine Pharmacy, a wholesale medicine supplier. While auditing for the financial year 2020-21, CA B wants to use test checking technique. Advise CA B, what kind of precautions should be taken by him in this regard. 4
- (c) In case of certain subject matters, limitations on the auditor's ability to detect material misstatements are particularly significant. Explain such assertions or subject matters. *www.Clubindia.com* 3
- (d) The statutory auditor of ABC Ltd., CA Raj identifies certain inconsistencies while applying analytical procedures to the financial and non-financial data of ABC Ltd. With reference to SA 520 on "Analytical Procedures" how CA Raj shall investigate such differences? 3
3. (a) The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report, that requires adjustment of, or disclosure in, the financial statements have been identified. With reference to SA 560 what are the audit procedures included in the auditor's risk assessment? *material* *Which affects going concern* 4

(4)

DPM2

- (b) CA Rohit is appointed as an auditor of Grace Ltd., he wants to design a suitable Confirmation request letter for a few debtors of Grace Ltd. As a senior auditor of the firm, explain to him with reference to SA 505 "External Confirmation" all the conditions that should be present to use Negative Confirmation requests as the sole substantive audit procedure to address an assessed risk of material misstatement at the assertion level. 4



- (c) CA L is in the process of finalizing his Risk Assessment Procedures of Effluent Limited which include observation and inspection that may support inquiries of management and others. Discuss few examples of audit procedures which include observation or inspection of the entity's operations. 3
- (d) Foreceful Limited is a company dealing in mobile spare parts and having its showrooms in almost all the states in the country. For FY 2020-21, the company transferred its accounts from manual to computerized system (SAP). PQR & Co., Chartered Accountants have specialization in the system audit and have been appointed as the system auditor. PQR & Co., at the end of the audit concludes that there are certain findings or exceptions in IT environment and IT controls of the company which needs to be assessed and reported. Mention those points of consideration. 3

4. (a) CA "X" while conducting an audit of Joyful Ltd. found a considerable increase in sales as compared to the previous year, he doubts that few fictitious sales have been recorded by the company to overstate its revenues. Discuss any four audit procedures to be undertaken by the auditor to ensure revenue from sales of goods and services performed during the period is not overstated ? 4
- (b) You have been appointed as an auditor of a health care service provider. Briefly discuss the special points that should be kept in mind as an auditor for developing an audit programme. 4
- (c) The value of intangible assets may diminish due to efflux of time, use and/or obsolescence. The diminution of the value represents cost to the entity for earning revenue during a given period. Discuss the audit procedures to be applied by the auditor to ensure that Intangible assets have been valued appropriately and as per generally accepted accounting policies and practices. 3
- (d) Care Ltd. is an unlisted public limited company, During the financial year 2019-20, the paid-up share capital of Care Ltd. was INR 50 crore and the turnover was INR 180 crore. During the financial year 2020-21, the Board of Directors of the company appointed an internal auditor. Whether Care Ltd. is required to appoint an internal auditor according to the provisions of the Companies act, 2013 ? 3

(6)

DPM2

5. (a) Shine Industries is an electricity generating company engaged in generation of electricity for captive consumption. Its gross turnover was INR 68 crores during the immediately preceding financial year. Management of shine industries has not maintained any cost records as they felt that there is no requirement for them to maintain any cost records or conduct any cost audit. Comment. *500000* *ignore it* 4
- (b) The recommendation for appointment of auditors is only one of the several functions performed by audit committee. Discuss atleast four other key responsibilities of Audit Committee in accordance with Section 177 of the Companies Act, 2013. 4
- (c) List out any three circumstances which induces the management/ employee to commit the fraud. *Pressure, override control, character* 3
- (d) CA Guru is in the process of preparing the final audit report of JPA Private Limited and would like to disclaim his opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence. How CA Guru shall amend the description of the auditor's responsibilities as required by SA 700 (Revised) ? *Opinion* 3
6. (a) N Ltd. has been sanctioned a Cash Credit Facility by XYZ Bank Ltd. for INR 1 crore and drawing power as per the Stock Statements furnished for the last quarter is INR 80 Lakh. Outstanding balance in the account is INR 75 lakh. Interest charged to the account is INR 3.5 Lakh and total credit into the account for the quarter is INR 2.5 Lakh. As an auditor how will you report this account in your report. 4

OR

Define Government Audit and explain its objectives.

DPM2

(7)

DPM2

- (b) You have been appointed as an auditor of VJM Schools. Discuss the points which merit your consideration as an auditor while verifying Assets and Liabilities of VJM Schools. 4
- (c) Tomo Construction Engineering LLP approached CA K to understand various returns to be maintained and filed by them. Guide/Discuss the various returns to be maintained and filed by them. 3
- (d) Discuss the advantages of engagement team discussion done at the planning stage of the bank audit. 3

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