

Shree Guru Kripa's Institute of Management

AUDITING & ASSURANCE

Reg. No.....

Total Number of Printed Pages: 2 Date: 23.03.2015

Time Allowed: 3Hrs Maximum Marks: 100

Question 1 is compulsory (4 × 5 = 20 Marks). Answer any 5 from the remaining 6 (16 × 5 = 80 Marks)

1 Discuss the following –

- (a) Advantages of Independent Audit. [5 Marks]
- (b) Highlight 5 indicators that affects Going Concern assumptions as per SA 570– Going Concern. [5 Marks]
- (c) What is meant by Letter of Engagement? What are its purposes? [5 Marks]
- (d) Write notes on Sampling Risk and its effects as per SA 530 – Audit Sampling. [5 Marks]

2. State briefly whether the following statements are Correct or Incorrect:(Answer any Eight)

[8 × 2 = 16 Marks]

- (a) Auditor is required to provide Absolute Assurance.
- (b) The Auditor compares entries in Books of Accounts with Vouchers, and if the two agrees, his work is done.
- (c) Auditor is primarily responsible for establishing, maintaining and reviewing the Internal Control System.
- (d) The Investments made by the Company in Government Securities like NSC, Government Bonds, etc., should be kept in personal custody of Financial Controller of the Company.
- (e) As per SA–500, Management's Expert is a person who is having Technical knowledge in all areas.
- (f) General Clarifications issued by ICAI are recommendatory in nature.
- (g) The Auditor shall express an Qualified Opinion, if the Auditor is unable to obtain sufficient audit evidence and the misstatements in Financial Statements are both material and pervasive.
- (h) The First Auditor should be appointed within 60 days from the date of Registration of the Company.
- (i) Interim Audit acts as a Good Internal Control Tool.
- (j) An Auditor is bound to provide copies of the Working Papers to the CEO of the Company.

3. How you will vouch/verify the following?

[4 × 4 = 16 Marks]

- (a) Payment of Customs and Excise Duty.
- (b) Depreciation.



- (c) Remuneration paid to Directors.
- (d) Discounted Bills Receivable Dis-honoured.

4. With reference to Companies Act, 2013, Explain:

- (a) What is the tenure of the Auditor appointed in an AGM? Explain the Steps involved in Removal of Auditor before expiry of term? **[6 Marks]**
- (b) When Internal Audit is mandatory to a Company? **[6 Marks]**
- (c) Utilisation of Securities Premium Account. **[4 Marks]**
- 5(a) What do you mean by Audit Evidence? Discuss the principles relating to its reliability. **[8 Marks]**
- 5(b) How far is the Internal Audit is useful to the Statutory Auditor? To what extent the Statutory Auditor can rely on the Internal Audit Report? **[8 Marks]**
- 6(a) Mention any Eight Important points which an Auditor will consider while conducting the audit of Hotels. **[8 Marks]**
- 6(b) Explain the uses of Audit Note Book. **[4 Marks]**
- 6(c) What do you mean by Compliance procedures and when it is performed? **[4 Marks]**

7. Answer any four of the following with reference to Companies Act, 2013 – [4 × 4 = 16 Marks]

- (a) Due to resignation of its Existing Auditors, the Board of Directors of Ambarish Ltd, appointed Hari as its Auditor. Is Hari's appointment valid?
- (b) Amaresh, a CA in practice is a Statutory Auditor of MNO Ltd. He purchased a car from the Company under the Hire Purchase Scheme run by the Company on the same terms and conditions as applicable to all other customers. The cash down price of the car is ₹ 80,000. The Initial payment of 25% was made on signing the Hire Purchase Agreement and the balance is payable in 24 monthly instalments. Is Amaresh disqualified to act as Auditor? Why?
- (c) Akilan Management Consultants Ltd is a registered Company with Akilan, Kapilan and Veeran as its Directors. All the three Directors are CA's. Can the Company be appointed as Auditor of another Company? Would your answer be different if Akilan Management Consultants Ltd is an LLP?
- (d) The Managing Director of PQR Ltd, himself wants to appoint Shri Ganpati, a practicing Chartered Accountant, as a First Auditor of the Company. Comment on the proposed action of the Managing Director.
- (e) The Board of Directors of a Company have filed a complaint with the Institute of Chartered Accountants of India against their Statutory Auditors for their falling to attend the Annual General Meeting of the Shareholders in which audited accounts were considered. As an Auditor, comment on the above.