

Gurukripa's Guideline Answers to Nov 2016 Exam Questions CA Inter (IPC) Auditing and Assurance

Question No.1 is compulsory (**4 × 5=20**). Answer **any 5** from **remaining 6** Qns (**16 × 5=80**). [Any 4 out of 5 in Q.7]

Note: Page References given here are from "**Padhuka's Students' Handbook on Auditing & Assurance**"
Students' may also refer to **Padhuka's Auditing & Assurance – A Ready Referencer for CA IPC**, for quick revision.

Q	Question	Hint Answer/Reference	M
1 (a)	Discuss the following: Relationship between Statutory Auditor and Internal Auditor.	See Page 144, SA 610, Q.No.6, [N 97] Answer: Page 142 to 144	5
1 (b)	What constitutes True and Fair view is a matter of Auditor's judgement, but some specific points must be seen by the Auditor to ensure True and Fair view.	See Page 12.24, Q.No.27–30, Answer: Page 12.19, Para 12.3.2	5
1 (c)	Audit against Propriety seeks to ensure that expenditure conforms to certain principles.	See Page 14.12, Q.15, [M 97,N 97,N 02,M 06] Answer: Page 14.3, Para 14.1.5, Point D	5
1 (d)	Auditor's job becomes simpler in CIS environment, where Trial Balance always tally.	See Page 5.11, Q.No.12, [RTP, N 00, M 10] Page 5.4, Para 5.1.7	5
2 (i)	State with reasons (in short) whether the following statements are Correct or Incorrect: (Answer any Eight) One of the Techniques used for gathering Evidence is Substantial Review.	Answer: False. [N 07] [One of the Techniques for gathering Evidence is "Analytical Review".] See Page 2.9, Q.No.1, & Page 2.1, Para 2.1.2	2
2 (ii)	The method which involves dividing the population into groups of items is known as Block Sampling.	Answer: False. [Dividing the Population into groups of items is known as Cluster Sampling.] See Page 101, Point 2	2
2 (iii)	A Flow Chart is a graphic presentation of each point of the Company's system of Internal Control.	Answer: True. Page 4.5, Para 4.1.6, Point 4	2
2 (iv)	It is necessary for the Auditor to maintain Professional Skepticism throughout the audit.	Answer: True. See Page 8, SA 200 Para 15	2
2 (v)	Capital Reserve and Reserve Capital are the same.	Answer: False [N 96] Capital Reserve is created out of Capital Profits. Reserve Capital is that portion of Share Capital which is called up only at Winding-up. See Page 3.21, Para 3.6.6	2
2 (vi)	Central Government permission is required when Auditors are to be removed before expiry of their term, but not so when Auditors are changed after expiry of their term.	Answer: True. Page 10.12, Para 10.3.1	2
2 (vii)	It is not necessary to follow Standards on Auditing as they are meant only for reference purposes.	Answer: False. [Standards on Auditing are Mandatory] See Page 4, Point 2 [M 07]	2
2 (viii)	An Auditor issues Unqualified Opinion when he concludes that the Financial Statements give True and Fair view.	Answer: True. See Page 158, Point 1(b)	2
2 (ix)	All Intangible assets are not required to be amortized.	Answer: False. See AS 26. Amortization should be made as per AS 26. Also see Schedule III in page 11.21	2
2 (x)	Auditor's right of lien is unconditional.	Answer: True. See Page 26, Para SA–230, Para A.25	2

Q	Question	Hint Answer/Reference	M
3 (a)	How will you vouch /verify the following? Foreign Travel Expenses	See Page 7.26, Q.41, [RTP, M 88, N 90, N 06] Answer: Page 7.15, Para 7.3.9	4
3 (b)	Receipt of Capital Subsidy	See Page 9.10, Q.No.8, [N 00, M 09, M10] Answer: Page 9.4, Para 9.2.4	4
3 (c)	Royalties Received	See Page 6.14, Q.No.16, [N 03] Answer: Page 6.8, Para 6.2.6	4
3 (d)	Goods sent out on Sales or Return Basis	See Page 6.14, Q.No.5, [RTP, N 93, N 09] Page 6.3, Para 6.1.5	4
4 (a)	State the services which are not to be rendered by an Auditor as per the provisions of Companies Act, 2013.	See Page 10.2, Para 10.1.3	6
4 (b)	Mention the purposes for which Capital Expenditure is incurred.	See Page 3.26, Q.No.10, Answer: Page 3.17, Para 3.5.8	6
4 (c)	What is the difference between Narrative Records and Check-List?	See Page 4.5, Para 4.1.6	4
5 (a)	Discuss which class of Companies are specifically exempt from the applicability of CARO 2016.	See Page 1, Q.No.1 of Separate Material on CARO 2016	6
5 (b)	As one of the Joint Auditors of X Ltd for the immediately preceding three Financial Years, you have been considered for ratification by the Members in the AGM as the Sole Auditor, while the said Joint Auditors are not re-appointed. Comment.	See Page 10.13, Illus [N 95, M 06]	6
5 (c)	State the disclosure requirements in respect of Statement of Profit and Loss as per Schedule III of Companies Act, 2013, in case of Employee Benefits Expenses.	See Page 11.22, Point (i)	4
6 (a)	What audit points are to be borne in mind in case of issue of "Sweat Equity Shares" by a Limited Company?	See Page 13.17, Q.8, [M 02, M 00, M 03, N13] Answer: Page 13.4, Para 13.1.6	6
6 (b)	Is there any statutory necessity to make disclosure of Depreciation in Company's Accounts?	See Page 8.36, (Disclosure) also Refer Schedule III in Page 11.21	6
6 (c)	Discuss External Confirmation procedure as per SA-505.	See Page 91, Q.No.12, Answer: Page 89, Point 1	4
7 (a)	Write Short Notes on any four of the following: Written Communication in respect of Deficiencies of Internal Control.	See Page 46, Point C [RTP, M 04, N 05]	4
7 (b)	Audit Enquiry w.r.t. Companies Act, 2013	See Page 12.25, Q.No.34, and Page 12.21, Para 12.3.5	4
7 (c)	Compilation Engagement	See Page 15.23, Para 15.3.8	4
7 (d)	Scrutiny of General Ledger	See Page 7.27, Q.No.58 [M 06], Answer: Page 7.21, Para 7.4.9	4
7 (e)	Management Representation	See Page 133, Q.No.2 [N 05, M 07, M 14], Answer: Page 131, SA Para 6	4

Latest Amendments in Companies Act, 2013 and Rules [as applicable for CA Inter Paper-6 Auditing and Assurance]

	Notfn/Circular	Description
1.	GSR 540(E) dated 23.05.2016	<p>See Page 11.11 Point-4: Eligible Sec.8 Co / Trust / Society: CSR Activities may be undertaken through a Sec. 8 Company or a Registered Trust or a Registered Society. To be eligible CSR, such Sec.8 Company / Trust / Society must be –</p> <p>EITHER established by–</p> <p>(a) the Company, either singly or alongwith any other Company, or</p> <p>(b) (i) the Central Government, or (ii) State Government, or (iii) any Entity established under an Act of Parliament or a State Legislature.</p> <p>OR with established track record of 3 years in undertaking similar programs and projects, and the Company (required to comply with CSR) has specified –</p> <p>(a) the projects or programs to be undertaken,</p> <p>(b) the modalities of utilization of funds of such projects and programs, and</p> <p>(c) the monitoring and reporting mechanism.</p>
2.	SO 1934(E) dated 01.06.2016	<p>See Page 11.5, Para 11.1.3 & 11.1.4: Sec.130,131 Notified: Re-Opening of Accounts on Court's or Tribunal's Orders, and Voluntary Revision of Financial Statements or Board's Report</p>
3.	F.No.01/19/2013 CL-V dated 27.07.2016	<p>Amendments in Companies (Accounts) Rules, 2013:</p> <ol style="list-style-type: none"> Page 11.8 – Para 11.1.8 – Point 1(b) – modified as under: BOD shall report on the highlights of performance of Subsidiaries, Associates and Joint Venture Companies and their contribution to the overall performance of the Company during the period under report. Page 4.24 – Para 8 – 2nd Item – Internal Auditor: <ol style="list-style-type: none"> Point 1: Internal Auditor maybe an Individual, Partnership Firm or Body Corporate. Point 3: Chartered/ Cost A/ctant, may or may not be engaged in practice. Page 11.4 – Para 11.1.2 – 7th Item – Consolidated Financial Statement: 5th Point – Manner of Consolidation is modified as under – <ol style="list-style-type: none"> Consolidation of Fin.Stmts shall be as per Schedule III and applicable AS. The above shall not apply to a Company which – <ul style="list-style-type: none"> is a wholly/partly-Owned Subsidiary of another Company and all its other Members, including those not otherwise entitled to vote, having been intimated in writing and for which the proof of delivery is available with the Company, do not object to the Company not presenting CFS, is a Company whose Securities are not listed or are not in the process of listing on any Stock Exchange, whether in India or outside India, and its ultimate or any intermediate Holding Company files CFS with the ROC, which are in compliance with the applicable AS.

Padhuka's Publications

For Inter

- Ready Referencer on Accounting – Group I
- Law, Ethics and Communication – A Referencer
- Students' Handbook on Cost Accounting and Financial Management
- Cost Accounting and Financial Management – A Practical Guide
- Handbook on Taxation
- Question Bank for Taxation
- Students' Handbook on Advanced Accounting – Group II
- A Students' Handbook on Auditing and Assurance
- Auditing and Assurance – A Ready Referencer
- Students' Handbook on Information Technology and Strategic Management
- Question Bank–Information Technology and Strategic Management

For CA Final

- Students' Guide on Financial Reporting
- Students' Referencer on Strategic Financial Management
- Students' Handbook on Advanced Auditing
- Easy Guide to Advanced Auditing
- Students' Handbook on Corporate and Allied Law
- A Ready Referencer on Advanced Management Accounting
- Students' Handbook on Information Systems Control and Audit
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