
**PAPER 2: ADVANCED AUDITING
MAY 2004**

Answer Questions Nos. 1 and 2 and any **Four** from the rest.

Question 1

As a Statutory Auditor how would you deal with the following?

- (a) During the course of audit of ABC Ltd., it is noticed that out of Rs.12 lakhs of provident fund contribution accounted in the books, only Rs.2 lakhs has been remitted to the authorities during the year. On enquiry the Chief Accountant informed that due to financial problems they have not remitted but will remit the same as and when the position improves. **(4 Marks)**
- (b) National Tourism Ltd., a wholly owned Government Company approaches you to give a revised report on the revised accounts, as the original accounts has undergone changes consequent to the audit of Comptroller and Auditor General of India. **(4 Marks)**
- (c) M/s.LNK's group gratuity scheme's valuation by actuary shows wide variation compared to the previous year's figures. **(4 Marks)**
- (d) In the books of accounts of M/s.OPQ Ltd., huge differences are noticed between the control accounts and subsidiary records. The Chief Accountant informs that this is common due to huge volume of business done by the company during the year. **(4 Marks)**

Question 2

Comment on the following with reference to Chartered Accountant Act, 1949 and schedules thereto:

- (a) Mr. Prekh, a Chartered Accountant was invited by the Chamber of Commerce to present a paper in a symposium on the issues facing Indian Leather Industry. During the course of his presentation he shared some of the vital information of his client's business under the impression that it will help the Nation to compete with other countries at International level. **(4 Marks)**
- (b) Mr. Shah, a Chartered Accountant certified the financial statements of a company in which his wife is a Director holding substantial interest. **(4 Marks)**
- (c) Mr.Joe, a Chartered Accountant during the course of audit of M/s.XYZ Ltd., came to know that the company has taken a loan of Rs.10 lakhs from Employees Provident Fund. The said loan was not reflected in the books of account. However, the auditor ignored this information in his report. **(4 Marks)**
- (d) Mr. Jain, a Chartered Accountant certified the circulation of "Good Luck" a weekly magazine without examination of financial records and other required documents. **(4 Marks)**
- (e) A charitable institution entrusted Rs.10 lakhs with its auditors M/s. Ram and Co., a Chartered Accountant firm, to invest in a profitable portfolio. The auditors pending investment of the money, deposited it in their Savings Bank Account and no investment was made in the next three months. **(4 Marks)**

Question 3

- (a) As Chartered Accountant you are required to give your reports on various financial statements under Companies Act, 1956 which are as under: **(8 Marks)**
- i. Report to the shareholders U/s. 60(3);
 - ii. Report to be set out in prospectus U/s. 60(3);
 - iii. Report to be given to the Central Government as special auditor U/s. 233A

iv. Report to be given on voluntary winding up U/s. 488(1)

Explain the significance of each of these reports and your functional approach very briefly.

(b) State the salient features of Investor Education and Protection Fund. **(8 Marks)**

Question 4

(a) State the important characteristics of an effective computer audit program system **(8 Marks)**

(b) What are the key functions of an Energy auditor? **(8 Marks)**

Question 5

(a) How will you evaluate the internal control system in the area of credit card operation in a bank? **(8 Marks)**

(b) What are the specific areas to which you will give your attention while examining "claims paid" by a General Insurance Company. **(8 Marks)**

Question 6

(a) Mr. Clean who proposes to buy the proprietary business of Mr. Perfect, engages you as investigating accountant. Specify the areas which you will cover in your investigation. **(8 Marks)**

(b) Explain in brief the behavioral aspects encountered in the management audit and state the ways to solve them. **(8 Marks)**

Question 7

(a) State the special features of Co-operative Societies Audit. **(8 Marks)**

(b) Explain the constitution and functions of Audit Committee U/s. 292A of the Companies Act, 1956 **(8 Marks)**

Question 8

Write short explanatory notes on any **four** of the following: **(4×4= 16 Marks)**

(a) Rolling settlement

(b) Human Resource Accounting

(c) Flow chart technique for evaluation of internal control

(d) Treatment of foreign currency monetary items on balance sheet date

(e) Areas of propriety audit U/s. 227(1A) of the Companies Act, 1956.