

May 2007: Advanced Auditing

Question 1(a):

- (a) L Private Ltd., which has outstanding loan of Rs. 50 lakhs from Financial Institution defaulted in repayment thereof to the extent of 50%. The company holds that it being a private limited company, the Companies Auditors Report Order (CARO) is not applicable. Comment. **(5 Marks)**
- (b) In the audit of ABC Private Limited, auditor came across cases of payments to Directors, whereby, expenses of a personal nature were reimbursed. **(5 Marks)**
- (c) The management of a Limited Company states that proposed dividend does not represent a liability and hence no provision need to be made. Comment. **(4 Marks)**
- (d) ABC Ltd to whom CARO is applicable made a public issue of 7% debentures of Rs. 3 Crores, redeemable after 5 years and used the proceeds of issue for payment of Sundry creditors and other current Liabilities to the tune of 3 Crores. **(4 Marks)**

Question 2:

- (a) A Chartered Accountant in practice created his own website in attractive format and colours and circulated the information contained in the website through E-mail. **(5 Marks)**
- (b) A Chartered Accountant in practice takes up the appointment as Managing Director of a Public Limited Company. **(4 Marks)**
- (c) S, a practicing Chartered Accountant gives power of attorney to an employee Chartered Accountant to sign reports and Financial Statements, on his behalf. **(5 Marks)**
- (d) A is the Auditor of Z Ltd, which has a turnover of Rs. 200 Crores. The Audit fee for the year is fixed at Rs. 50 Lakhs. During the year, the Company offers A an assignment of Management Consultancy within the meaning of Section 2(2)(iv) of the CA Act, 1949 for a remuneration of Rs. 1 Crore. A seeks your advice on accepting the assignment. **(4 Marks)**

Question 3:

- (a) State the items contained in SEBI's checklist for Auditors in respect of Contract Notes issued by a Stock Broker. **(8 Marks)**
- (b) What are the advantages that accrue to the stockholders of a Company because of a Cost Audit? **(8 Marks)**

Question 4:

- (a) State the procedure to determine the value of listed and unlisted equity securities and derivative instruments of an Insurance Company. **(10 Marks)**
- (b) How would you verify "Acceptances, Endorsements and other Obligations" appearing in the Balance Sheet of a Bank? **(6 Marks)**

Question 5:

- (a) Outline the contents of a Due Diligence Report. **(8 Marks)**
- (b) Enumerate some of the key functions of the Energy Auditor. **(8 Marks)**

Question 6

(16 Marks)

As a Chartered Accountants Firm, draft an engagement letter to the Board of Directors for the compilation of Financial Statements of XYZ Ltd as at 31.03.2007.

Question 7:

- (a) A Company wants to amend its accounts after the completion of the audit and adoption of the Accounts by the Board, but before circulation to the shareholders. It requires its Statutory Auditor to report on the amended accounts. State the steps the Statutory Auditor should adopt in such a situation. **(8 Marks)**
- (b) K Ltd requires you to organize a Management Audit Program. Briefly state a plan of action. **(8 Marks)**

Question 8(a):

- (a) Write short notes on Analytical Procedures in planning an Audit. **(4 Marks)**
- (b) Write short notes on Public Accounts Committee. **(4 Marks)**
- (c) Write short notes on Method of Accounting in Form No. 3CD of Tax Audit. **(4 Marks)**
- (d) Write short notes on contents of Audit Report of Mutual Fund. **(4 Marks)**
- (e) Write short notes on eight situations of external confirmations. **(4 Marks)**
- (f) Write short notes on factors to consider in determining the use of Computer Assisted Audit Techniques (CAATs). **(4 Marks)**