Test Series: August, 2018

MOCK TEST PAPER – 1

INTERMEDIATE (IPC) GROUP – II

PAPER – 6: AUDITING AND ASSURANCE

*Question No. **1** is compulsory.*

*Attempt any **five** questions from the Rest.*

Time Allowed – 3 Hours **Maximum Marks – 100**

1. Discuss the following:
   (a) In cases where audit sample selection has been done on a random basis, no statistical process for selection of samples needs to be followed.
   (b) Mention any four information which assists the auditor in accepting and continuing of relationship with the client as per SA 220.
   (c) General factors which may influence the auditor's judgment as to what is sufficient and appropriate audit evidence.
   (d) Inquiry is used extensively throughout the audit in addition to other audit procedures.

   (5 x 4 = 20 Marks)

2. State with reason (in short) whether the following statements are correct or incorrect **(Answer any eight):**
   (i) The external auditor may ask direct assistance from internal auditor and discuss fraud risks in the organisation.
   (ii) CA. X, holding appointment as auditor of 20 companies, can also accept appointment of one person company.
   (iii) Other Matter paragraph is a paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.
   (iv) Section 138 of the Companies Act, 2013 deals with the provisions relating to cost audit.
   (v) CARO, 2016, is intended to limit the duties and responsibilities of auditors.
   (vi) Sufficiency is the measure of the quality of audit evidence.
   (vii) Narrative record is a complete and exhaustive description of the system as found in operation by the auditor.
   (viii) Observation consists of seeking information of knowledgeable persons, both, financial and non-financial, within the entity or outside the entity.
   (ix) If there is difference of opinion among the joint auditors with regard to any matter, majority joint auditors' opinion will prevail while reporting.
   (x) An officer of the company is not qualified for appointment as Auditor of a Company.

   (2 x 8 = 16 Marks)

3. How will you vouch/verify the following:
   (a) Bank Balances.
   (b) Bills Payable.
   (c) Sale Proceeds of Junk Material.

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(d) Assets Abroad. **(4 x 4 = 16 Marks)**

4. (a) The management has obtained a certificate from an actuary regarding provision of gratuity payable to employees. Give your comments and observations. **(4 Marks)**

(b) State the matters to be included in the auditor's report as per CARO, 2016 regarding -

(i) Fixed Assets **(3 Marks)**

(ii) statutory dues. **(3 Marks)**

(c) Internal control can provide only reasonable but not absolute assurance that its objective relating to prevention and detection of errors/frauds, safeguarding of assets etc., are achieved.

In view of above, briefly state some of the inherent limitations of Internal Control System.

(6 Marks)

5. (a) Mr. A was appointed auditor of AAS Ltd. by Board to fill the casual vacancy that arose due to death of the auditor originally appointed in AGM. Subsequently, Mr. A also resigned on health grounds during the tenure of appointment. The Board filled this vacancy by appointing you through duly passed Board resolution. Comment. **(4 Marks)**

(b) Jeevan Ltd. issued bonus shares to its equity shareholders in the proportion of one share for every three existing shares. As an auditor of the company, how would you verify such issue? **(6 Marks)**

(c) Mention any eight important points which an auditor will consider while conducting audit of a club?

(6 Marks)

6. (a) "Provisions regarding rotation of auditors affect only specific class of companies". Discuss.

(4 Marks)

(b) State the manner of rotation of auditors on expiry of their term. **(6 Marks)**

(c) "The auditor's report shall also state the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company." Discuss with relevance to Companies Act, 2013. **(6 Marks)**

7. Write short notes on **any four** of the following:

(a) Disadvantages of the Use of an Audit Programme

(b) Surprise checks

(c) Assertions about classes of transactions and events for the period under audit

(d) Removal of company auditor before expiry of term.

(e) Objectives of Audit of Local Bodies. **(4 x 4 = 16 Marks)**

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