Test Series: October, 2018

MOCK TEST PAPER – 2

INTERMEDIATE (IPC): GROUP – II

PAPER – 6: AUDITING AND ASSURANCE

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

*Attempt any **five** questions from the remaining **six** questions.*

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

1. (a) Explain Audit Procedures in respect of Opening Balances for a New Audit Engagements with reference to relevant SA. ***(5 Marks)***

   (b) With reference of SA 250 give some examples or matters indicating to the auditor about non compliance of laws & regulations by management. ***(5 Marks)***

   (c) The reliability of information to be used as audit evidence, and therefore of the audit evidence itself, is influenced by its source and its nature, and the circumstances under which it is obtained, including the controls over its preparation and maintenance where relevant. Therefore, generalisations about the reliability of various kinds of audit evidence are subject to important exceptions. While recognising that exceptions may exist, state the generalisations about the reliability of audit evidence that may be useful. ***(5 Marks)***

   (d) "Fraud in the form of misappropriation of goods is still more difficult to detect." Explain.

   (5 Marks)

2. State with reason (in short) whether the following statements are correct or incorrect (Answer any **eight**):

   (i) The basic objective of audit does not change with reference to nature, size or form of an entity.

   (ii) 'Test of Control' may be defined as an audit procedure designed to detect material misstatements at the assertion level.

   (iii) While preparing the Balance sheet of a company- a receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods purchased or services rendered in the normal course of business.

   (iv) NGOs registered under the Companies Act, 2013 are not required to maintain their books of account under the accrual basis.

   (v) Teeming and lading is one of the techniques of inflating cash payments.

   (vi) The fact that an audit is carried out acts as a deterrent and consequently the auditor can be held responsible for the prevention of fraud and error.

   (vii) Sufficiency and appropriateness of audit evidence are interrelated.

   (viii) Director's relative can act as an auditor of the company.

   (ix) Internal control can provide absolute assurance.

   (x) The method which involves dividing the population into groups of items is known as block sampling. ***(2 x 8 = 16 Marks)***

3. (a) "The auditor should possess specific knowledge of accountancy, auditing, taxation, etc. which are acquired by him during the course of his theoretical education".

   Explain stating briefly the qualities of Auditors. ***(6 Marks)***

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(b) "The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error." Explain. ***(6 Marks)***

(c) The Partner of Vansh and Vaibhav, Chartered Accountants, asked the management to provide statements from the creditors as part of audit evidence and also required written representation from the management but the management did not provide the requested written representations. Discuss how the auditor would proceed. ***(4 Marks)***

4. How will you vouch and verify the following?

(a) Refund of General Insurance Premium paid

(b Profit or Loss Arising on Sale of Plots Held by Real Estate Dealer

(c) Goods sent out on Sale or Return Basis.

(d) Borrowing from Banks. ***(4 x 4 = 16 Marks)***

5. (a) An audit of Expenditure is one of the major components of Government Audit. In the context of 'Government Expenditure Audit', write in brief, what do you understand by:

(i) Audit against Rules and Orders

(ii) Audit of Sanctions

(iii) Audit against Provision of Funds

(iv) Propriety Audit

(v) Performance Audit ***(8 Marks)***

(b) Mention any eight special audit points to be considered by the auditor during the audit of a Hospital? ***(8 Marks)***

6. (a) RGS & Co. a firm of Chartered Accountants has three partners, namely, R, G & S. The firm is allotted the audit of BY Ltd. R, partner in the firm subsequently holds 100 shares in BY Ltd. Comment. ***(4 Marks)***

(b) Discuss the provisions relating to appointment of subsequent Auditors of Suruchi Yarns Pvt Ltd.

(4 Marks)

(c) The auditor CA Z appointed under section 139 was removed from his office before the expiry of his term by an ordinary resolution of the company. Comment explaining clearly the procedure of removal of auditor before expiry of term. ***(4 Marks)***

(d) Discuss the reporting requirements regarding Fixed Assets under CARO, 2016. ***(4 Marks)***

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

(a) Examination in Depth.

(b) Audit Trail.

(c) Intangible Assets

(d) Sweat Equity Shares.

(e) Audit of Capital Reserve. ***(4 x 4 = 16 Marks)***

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