

**OLD COURSE
FINAL COURSE- GROUP I**

**PAPER - 3: ADVANCED AUDITING AND PROFESSIONAL ETHICS
SYLLABUS: 50%**

Question paper

Question No.1 is compulsory. Candidates are also required to answer any five questions from the remaining six questions.

Maximum time: 3 hours

Maximum Marks: 100

1.

(a) Amar, a partner in the firm of M/s Balaram & Co, Chartered Accountants, is the secretary of Chand Ltd. Can Amar or Balaram & Co, be appointed as the company Auditor?

(5 Marks)

(b) The auditors of ABC Limited issued a qualified opinion about the truth and fairness of the accounts of the company for the year ended 31st March. They typed out the matters of qualification, in a bold font, so as to invite the attention of the readers to them. The Board objected to it and required them to be typed out in the same normal font as other paras of the report appear. Comment.

(5 Marks)

(c) Discuss the impact of uncorrected misstatements identified during the audit and the auditor's response to the same.

(5 Marks)

(d) What are the roles and responsibilities of the statutory auditors in relation to compliance with the laws and regulations by the entity?

(5 Marks)

2.

(a) M/s Linking Roads' group gratuity scheme's valuation by actuary shows wide variation compared to the previous year's figures. Comment on auditor's responsibility in relation to the management's expert.

(6 marks)

(b) State: Difference between Audit Report and Audit Certificates.

(5 Marks)

(c) As a branch auditor would you insist on approval of final accounts by the board of directors before submitting your report, though the board refuses to do so and informs you that an authorized official will approve them?

(5 marks)

3.

(a) Write a short note on Intangible Asset vs. Intangible Item. **(6 marks)**

(b) Yati Ltd. has accumulated losses of Rs. 12 crores. The Reserves and Surplus of the said company also include "Securities Premium Account" of Rs. 15 crores. The company intends to adjust the accumulated losses against the "Securities Premium Account".

Further another company, Miranda Spinning Mills Ltd. is a Sick Company and has Accumulated losses of Rs. 10 Crores. The company has rupees 12 Crores in its "Securities Premium Account". The management desires to adjust the Accumulated Losses against the securities premium balance.

Advise the companies giving your reasons.

(5 Marks)

(c) Principles relating to disclosure of "Current liabilities"

(5 Marks)

4.

(a) Mr. C accepted the statutory audit of M/s PSU Ltd., whose net worth is negative for the year 2003-04. The audit was to be conducted for the year 2004-05. The audited accounts for the year 2004-05 showed liability for payment of tax audit fees of ` 15,000 in favor of Mr. E, the previous auditor. Comment. **(8 marks)**

(b) In a limited company, there was a raid by the Income- tax authorities and the books of accounts for seized by them. The company was maintaining computerised books of accounts and for preparing the annual accounts, the company printed a duplicate set of books and prepared the annual accounts there from. The said duplicate set of books were also presented to you for audit. How would you meet the situation? **(8 Marks)**

5.

(a) Write a short note on Importance of KYC requirements for a Chartered Accountant's practice. **(4 marks)**

(b) In an initial audit engagement the auditor will have to satisfy about the sufficiency and appropriateness of 'Opening Balances' to ensure that they are free from misstatements, which may materially affect the current financial statements. Lay down the audit procedure, you will follow in cases (i) when the financial statements are audited for the preceding period by another auditor; and (ii) when financial statements are audited for the first time. **(8 marks)**

(c) If, after performing the procedure, you are not satisfied about the correctness of 'Opening Balances'; what approach you will adopt in drafting your audit report in two situations mentioned in (b) above? **(4 marks)**

6. Comment on the following:

(a) A firm of Chartered Accountants was appointed by a company to evaluate the costs of the various products manufactured by it for their operation system. One of the partners of the firm of chartered accountants was a non-executive director of the company.

(b) Mr. Jay, a Chartered Accountant was invited by the Chamber of Commerce to present a paper in a symposium on the issues facing Indian Textile Industry. During the course of his presentation he shared some vital information of his client's business under the impression that it will help the Nation to compete with other countries at the international level.

(c) M/s RNR, a firm of Chartered Accountants received ` 2 lakhs in March, 2014 from a client to pay the Advance Tax. However, the firm has used that money for its own purpose and later on adjusted the same with the outstanding fee payable.

(d) M/s BBC, a firm of Chartered Accountants has taken a loan for acquiring a home from a company whose Managing Director's son is an Articled Assistant with A, a partner of M/s BBC. The Articled Assistant had no direct interest in the Company and the loan was not related to his engagement. **(4 marks each)**

7. Write short notes on **any four** of the following: (4 marks each)

(a) Classification of frauds by NBFC.

(b) Audit vs. Investigation.

(c) “In an audit of an insurance company, the Receipts and Payments Account is also subjected to audit”. Comment on this statement in brief.

(d) Record of Audit Assignments (as required by ICAI regulations)

(e) Disclosure requirements in respect of contingent liabilities in the notes to the Balance Sheet of a General Insurance Company.