

(ALL BATCHES)**DATE: 18.08.2018****MAXIMUM MARKS: 100****TIMING: 3¼Hours****PAPER 6 : AUDITING**

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium. His/her answer in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any Four questions from the remaining Five Questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Wherever necessary, suitable assumptions may be made and disclosed by way of note.

Question 1:

Answer with reasons (in short) whether the following statements are correct or incorrect:

- (a) If financial statements are misstated, and in the auditor's judgment such misstatement is material and pervasive, he should issue a qualified opinion.
- (b) A joint auditor is not bound by the views of the majority of the joint auditors regarding matters to be covered in the auditors report.
- (c) Fraud against the company shall be reported by the auditor to the Central Government within 45 days of his knowledge.
- (d) The basic objective of audit does not change with reference to nature, size or form of an entity.
- (e) Casual vacancy of a 'Cost Auditor of a Company is filled by shareholders in general meeting within one month.
- (f) Board of Directors can contribute to any charitable and other funds any amount in a financial year.
- (g) Vouching of payments is merely check proof that money has been paid.
- (h) Engagement letter need not be entered for each year of the period of auditor's appointment.
- (i) There is no relation between Inherent risk, Control risk and Detection risk.
- (j) Written representation can be a substitute for other audit evidence.

(2×10 = 20 Marks)

Question 2:

Answer All Questions:

- (a) In the context of SA-315, state the assertions used by auditor to consider the different types of potential mis-statements that may occur w.r.t. classes of transactions and events for period under audit.
(5 Marks)
- (b) A person shall not be eligible for appointment as an auditor of a company where subsidiary or associate company or any other form of entity is engaged as on the date of appointment in consulting and specialized services as provided in Sec.144. Explain.
(5 Marks)
- (c) What steps would you take into consideration in auditing the receipts from patients of a Hospital?
(5 Marks)
- (d) In the course of audit of Steadfast Ltd., a manufacturing company, you find that there is a sharp fall in the rate of gross profit in comparison to the previous year. State the steps you would take to verify the same.
(5 Marks)

Question 3:

Answer all questions:

- (a) 'Knowledge of Client business' is one of the important principles in developing an overall audit plan. Explain. **(5 Marks)**
- (b) Is detection of fraud and error duty of an auditor? **(5 Marks)**
- (c) State various factors that help the auditor to ascertain as to what is sufficient and appropriate audit evidence. **(5 Marks)**
- (d) Prior approval of the company by a special resolution is required for entering into transaction(s) with any related party. Discuss. **(5 Marks)**

Question 4:

Write short notes on the following:

- (a) Propriety audit
- (b) Narrative record
- (c) Responsibility of Joint Auditors
- (d) Applicable financial reporting framework **(4×5 = 20 Marks)**

Question 5:

Answer the following:

- (a) List any five points that an auditor should consider to obtain an understanding of the Company's automated environment. **(5 Marks)**
- (b) What is the purpose of a Letter of Engagement? What are the important contents of a Letter of Engagement? **(5 Marks)**
- (c) What is an Emphasis of Matter paragraph, when it is used, and manner of its use in an audit report? **(5 Marks)**
- (d) Provisions regarding re-appointment of a retiring auditor at the Annual General Meeting, for a company not covered under auditor rotation provisions. **(5 Marks)**

Question 6:

- (a) Mr. A approaches a bank for financial assistance for his upcoming project. The Bank Branch Manager, after verifying the proposal, is agreeable to financing Mr. A, but asks for the security to be offered to the bank. Discuss the nature of securities required to be offered to the bank. **(5 Marks)**
- (b) The auditor should understand and consider the risks that may arise from the use of Information Technology (IT) Systems. **(5 Marks)**
- (c) Write a short note on Random Sampling. **(5 Marks)**
- (d) Specify the class of companies to whom rotation of auditor applies, under the provisions of Companies Act, 2013. **(5 Marks)**
