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Answers 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, answers in Hindi, his answers in Hindi will not be valued.

Answer question Nos. 1 and 2 and any **four** from the rest.

Marks

1. As an Auditor comment on the following : 5
- (a) Rapid Ltd. issued large number of cheques of high amount to their creditors in the last week of the financial year 2008-09. A sizeable proportion of the cheques remained un-presented and unpaid till 20th April, 2009. 5
- (b) Grow More Pvt. Ltd., a whole seller in food and other agro products, has valued the year end inventory on net realisable value on the ground that AS-2 does not apply to inventory of agriculture products. 4
- (c) Tom, Dick and Harry (Pvt.) Ltd. has paid up capital and reserves of Rs. 51.00 lacs, sanctioned Cash Credit limit of Rs. 26.00 lacs from Kangaroo Bank and a turnover of Rs. 5.25 crores during the financial year 2008-09. Director (finance) of the company is of the opinion that CARO' 2003 is not applicable since balance in Cash Credit account as on 31.3.2009 is Rs. 24.50 lacs and, moreover, one of the customer have returned goods worth Rs. 50.00 lacs on 2.4.2009 out of sales made in March 2009. 5
- (d) The books of accounts of Soft Ltd. were seized by Service tax department, who refused to handover the same to the company for audit purposes, although uncertified photocopies of the main books were made available to the company. Management of the company requests you to carry out the audit on the basis of the photocopy of the main books and issue a report. 4

2. Comment on the following :

- (a) Dark Ltd. had appointed R & Associates, Chartered Accountants, as their statutory auditors for the financial year 2008-09 in the AGM in place of retiring auditors P & Associates, Chartered Accountants. R & Associates refused to accept the appointment since it was not made in accordance with Sec. 225 of the Companies Act, 1956. On refusal by R & Associates, the directors requested P & Associates to take up the audit for the said financial year. 5
- (b) CA Prabir, statutory auditor of 21st Century Credit Ltd., also holds a Credit Card of the said company with credit limit of Rs. 1.00 lac for 45 days towards purchase of merchandise and cash withdrawal. 4
- (c) PIN Ltd., in which 20% of the subscribed equity share capital is held by a State Government and 10% of the subscribed preference share capital by a Nationalised Bank, appointed CA G as their statutory auditor by passing an ordinary resolution. 5
- (d) CA K, statutory auditor of BFS Ltd. is refused access to the branch records by the management on the plea that it has already been audited by a branch auditor whose report was forwarded to him. 4

3. (a) Balance Sheet of Top Secret Ltd., of which you are the auditor, shows the following details :

(i) <i>Current Liabilities</i>	Rs.	4
Fixed Deposit received	45.00 lacs	
Interest accrued and due on unsecured loans	3.50 lacs	
(ii) Sundry Debtors	85.00 lacs	4

Comment on the aboves as per disclosure requirements of Schedule VI to the Companies Act, 1956.

- (b) You have been appointed auditor for the first time of a Small and Medium Enterprise carrying on business for past several years. List down the sources from which you can obtain knowledge of the client's business before commencing the audit. 8

4. How will you vouch/verify the following ? 4×4=16
- (a) Sale of Scrap
- (b) Receipt of Capital Subsidy
- (c) Postage and Courier Expenditure
- (d) Bills Payable.
5. (a) In the course of audit of an Educational Institution you are informed of a suspected fraud amounting to Rs. 50,000 committed through the Cash Book by the cashier. List down the various ways through which this fraud might have been perpetrated. 8
- (b) What are the specific objectives in the audit of Sales revenue ? 4
- (c) Mention the factors affecting the form and content of the Audit working papers. 4
6. ABC & Co. is appointed as auditors of Fortune Ltd. Advise the audit firm regarding :
- (a) Various factors which influences auditor's judgement in selecting sufficient appropriate audit evidence. 6
- (b) Matters to be considered in developing overall audit plan for the expected scope and conduct of the audit. 10
7. (a) You have been appointed as auditors of an NGO engaged in providing relief work to the flood affected people. A review of the books of accounts reveals that the same are incomplete. 10
- Discuss the important steps to be followed in the audit of incomplete Books and Records.
- (b) Financial controller of AAS Ltd. asked you, an internal auditor of the company, to prepare Financial Statements of the company and also assist in completing the books of accounts. You object to this on the grounds of conflict of interest. Prepare a small note for the Financial controller explaining the scope and objective of an internal audit. 6

8. Write short notes on the following (any **four**) :

4×4=16

- (a) Power of CAG in connection with performance of his duties
- (b) Communication of material weaknesses in internal control
- (c) Professional Skepticism
- (d) Scope paragraph in the Auditor's report
- (e) Payment of interest out of Capital during construction
- (f) Auditor's lien.