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QP

00053332

S.Y.BCOM (ACCOUNTING AND FINANCE) SEMESTER – III

AUDITING –II (Techniques of auditing and audit procedure)

DATE :

Question Paper code : 00053332

MARKS : 75

SUGGESTED MODEL ANSWER

Note : Examiner should note that only some points are given in the model answers. They must refer text book of the subject.

Q1. (A) Select the appropriate the answer and rewrite the sentence. (Any 8) (8marks)
(Each correct answer carries 1 marks)

- (1) Auditor
- (2) Intangible
- (3) Business
- (4) Inspection
- (5) Board of dorectors
- (6) Vouching
- (7) Internal
- (8) Confirmation of the truth
- (9) Carbon copy of cash memo
- (10) Management

Q1.(B) Match the following (Any 7) (7marks)
(Each correct answer carries 1 marks)

Group 'A'

Answer

- | | |
|---------------------------|---------------------------------------|
| 1) First auditor | a) Board of directors |
| 2) Income from investment | b)Dividend Warrant |
| 3) Vouching is done | c) During the year |
| 4) SA 505 | d) External Confirmation |
| 5) Stock | e) Physical Verification |
| 6) Object of valuation | f) To Know correct financial position |
| 7) Bank Statement | g) Bank Charges |
| 8) Audit Report | h) Submitted to shareholders |
| 9) Carriage outward | i) Bills from transport company |

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10) Plant & Machinery

j) Plant register

Q2.)Meaning (2 marks)

Vouching means the examination of documentary evidence in support of entries to establish the arithmetical accuracy. When the auditor checks the entries with some documents, it is called vouching.

Points to be considered in the course of vouching

(13 marks)

1. Date of voucher
2. Name of the client
3. Cancellation of voucher
4. Signature of authorized officer
5. Revenue stamp
6. Amounts in words and figures
7. Account head
8. Signature of person preparing in the voucher
9. Amount
10. Signature of the payee / Party
11. Duplicate voucher
12. Quantity
13. proper filling
- 14 Alteration

OR

Q2. (b) How will an auditor vouch the following (Any Two)

(15 marks)

i) Audit of sales returns should be done in the following manner:

1. Supporting Documents
2. Name of the Client
3. Date
4. Serial Number
5. Amounts
6. Quantity
7. Signatures on Vouchers
8. Distinction between purchase return and sales

ii) Audit of purchases should be done in the following manner:

1. Supporting Documents
2. Name of the Client
3. Date
4. Serial Number
5. Amounts
6. Quantity
7. Signatures on Vouchers
8. Signature and stamp of the client
9. Distinction between Payment of goods and an advance.
10. Errors and fraud
11. Reconciliation
12. Disclosure as per schedule VI

iii) Audit of Travelling Expenses should done in the following manner

1. Supporting Documents
2. Attachment of counterfoils
3. Related to client
4. Date of document
5. Amount
6. Approval by the board of directors
7. Advances taken
8. Sanction by RBI

Q3. (a) How will an auditor Verify the following (Any Two)

(15 marks)

i) Audit of Motor Vehicles should done in the following manner:

1. Internal Control
2. Schedule of fixed assets
3. Assets should be in the name of the client
4. Documentary evidence of purchase/ disposal
5. Registration of charges (if any)
6. Resistration of motor vehicles
7. Adequate depreciation
8. Physical verification
9. Disclosure in balace sheet
10. Reporting requirement as per CARO, 2003

ii) Audit of Bills Receivable should done in the following manner:

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1. Internal Control
2. Scrutiny of ledger
3. Certificate from bank in respect of bill sent for collection
4. Accounting of : Bills dishonoured , Bills renewed , Bills retired
5. Disclosure of bills Discounted
6. Accounting of disclosure of bills discounted
7. Verification of lien or charge on bills receivable

- iii) Audit of Goodwill should done in the following manner:
1. Cost of goodwill
 2. Self generated goodwill is not to be recorded
 3. Written off of goodwill over reasonable time period
 4. cost of goowill is not allowed as deductions
 5. Verify the contract with the vendor
 6. Goodwill is never appreciated in the books of accounts

OR

Q3. (b) How will an auditor Verify the following (Any Two) (15 marks)

- i) The auditor should take the following steps for share capital
1. Documentary Evidence
 2. Legal Scrutiny
 3. Compliance of companies act in case Of buyback of equity shares / redemption of preference shares
 4. Internal control regarding share transfer
 5. Share issued for cash / cosideeration other than cash
 6. Calls in advance and call in arrears
- ii) The auditor should take the following steps for public deposit
1. Internal control
 2. Memorandum and article of associations
 3. Resolution copy of board Meeting
 4. Within maximum limit sanctioned by central government
 5. Scrutiny of ledger and deposit of register
 6. Compliance of section 73

- iii)The auditor should take the following steps for Bills Payable
1. Internal control
 2. Comparison of statement of bills Payable with bill payable account
 3. Documentary evidence
 4. Accounting bills payable honored and outstanding
 5. Confirmations from creditors

Q4.The SA200 – Basic Principles Governing An Audit (15 marks)

1. Integrity, objectivity and Independence
2. Confidentiality
3. Skill and competence
4. Work performed by others
5. Planning
6. Documentation / Working Papers
7. Audit Evidence
8. Accounting System and Internal Control
9. Audit conclusion and Reporting

OR

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Q4. (a) Setting of auditing standards in INDIA (8 marks)

1. Auditing and Assurance Standards Board of the ICAI
2. Identification of the areas where auditing standards need
3. Assistance by study groups of members
4. Exposure draft by the Board and issued for comments
5. After receipt of comments finalization and submission to the council
6. Final draft of the proposed auditing standard modified, if necessary and then issued
7. The applicable laws, customs, usage and business environment taken into consideration.

(b) Contents of current file of working papers (7 marks)

1. Audit plan
2. Observation on vouching and verification
3. Techniques of stock valuation
4. Bank reconciliation statement and certificate from bankers about balances .
5. Extracts from minutes book
6. Trail balance
7. Details of correspondence and balance confirmations obtained from third parties
8. Details of contingent liabilities

Q5.(a) Rights of company auditor (8 marks)

- 1) Right to have access to books of accounts, voucher etc.
- 2) Right to call for information and explanations
- 3) Right to receive notice of general meetings and to attend the same
- 4) Right to visit branches
- 5) Right to be indemnified
- 6) Right to receive remuneration
- 7) Right of lien
- 8) Right to sign audit report

Q5. (b) Disqualification of company auditor (7 marks)

1. Body corporate
2. Officer / employee of company
3. Partner or employee of officer or employee of company
4. Person indebted to the company for an amount exceeding Rs. 1,000
5. Person holding any security with voting rights
6. Director or member of a private company
7. Is disqualified from being appointed as an auditor of subsidiary or holding company of that company
8. Already holds specified number of audits (section 224(1B))

OR

Q5. Write short notes on (Any Three) (15 marks)

- 1) Vouching of Miscellaneous Receipt
1. Miscellaneous Receipt
2. Disclose separately as per the requirement of schedule VI
3. Document Evidence
4. Amount

2) Branch Auditor

Section 143(8) of the companies act, 2013 , States that where is company has a branch office, The accounts of that office shall be audited either
i) by the company's auditor or ii) by any other person qualified for appointment as an auditor of the company under this act and appointed as such under section 139 or iii) the duties and

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powers of the company's auditor with reference to the audit of the branch and the branch auditor if any shall be such as may be prescribed

3) Professional Skepticism

The auditor should have an attitude of professional skepticism throughout the audit, recognizing the possibility of material misstatement either due to fraud or error, even if the management of the entity is honest in the past. If the auditor believes that a document may not be authentic or that the terms in a document are modified but disclosed to the auditor, he should investigate further.

4) Valuation of assets

Valuation of Assets means examination of the accuracy and propriety of the valuation of those assets, which are shown in the balance sheet of the concern at the end of the financial year.

Valuation is an operation, which include:

- a) obtaining and analysing figures and other necessary information available
- b) Regarding valuation
- c) Confirming the fact that valuation is being determined on the basis of generally accepted conventions and accounting principles
- d) Ensuring that consistency of methods are followed for valuation from year to year
- e) Obtaining an opinion regarding accuracy of valuation

(5) Audit Materiality

1. Materiality : Information whose misstatement can influence the economic decisions of users relating to financial information
2. Professional judgment of auditor
3. Audit risk
4. Relationship between materiality and audit risk
5. Communication of errors / misstatement to the management
