

Nov 2018- Sem 3 - Auditing - Sol set #

Q1 (A) Fill in the Blanks.

(8 marks)

1. Customer Order.
2. External
3. Bank statement.
4. Auditing
5. Auditor
6. Materiality.
7. Management.
8. Statement by Chairman.
9. First.
10. Error.

Q1 (B)

(7marks)

1. True.
2. True.
3. False
4. True.
5. True.
6. False.
7. True.
8. True.
9. False.
10. False.

Q2) Vouching of Dividend Income & Royalty Income:

(15 marks)

Dividend Income :

- Supporting Documents
- Name , date , Sr.No, Amount
- Errors and frauds
- Accounting Principles & Practices
- Comparison with Investment Register
- Disclosure vide Revised Schedule III
- Income Tax Act.

Royalty Income :

- Agreement
- Correspondence
- Calculations
- Provision
- Receipts
- Foreign Currency Earnings.

Q2 (A) Aims & Importance of Vouching :

(8 marks)

- Occurrence
- Amount
- Relevant Entries
- As per standards
- As per law
- Disclosures
- Audit Evidence
- True and Fair view.

Q2 (B) Supporting Documents & its importance :

(7 marks)

- Checking the supporting documents
- Pertains to client
- Pertains to current year
- reliable evidence
- internal documents
- details of transactions.

Q3) Verification of P& M and Sundry Creditors:

(15 marks)

Plant & Machinery:

- Review of Internal controls
- Control over Capital expenditure
- Possession & use
- Scrutiny of Ledger Accounts
- Legal Ownership
- Subject to Charge or Lien.

Sundry Creditors:

- Audit Planning
- Internal Controls
- Creditors Ledger scrutiny.
- Checking the posting & Casting
- Scanning of Ledger Accounts
- Letters of Confirmation

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- Analytical review.

OR

Q3 (a) Verification and Valuation of Investments:

(8 marks)

Verification: Features – Internal Controls

- Control over acquisition & disposal.
- Safeguarding of investments.
- Title of investments
- Procedures: Forms ,
- Physical Inspection: Shares , debentures , Depository services.
- Analytical review procedures.
- Valuation :

Basis of Valuation , Market Value , Correct Computation Accounting & Disclosures.

Q3 (B) Valuation & points for Valuation of Assets :

(7 marks)

- Definition & Meaning.
- Method of Valuation
- Changes in method , Computation , Revaluation , Foreign Exchange,
- ICAI standards , Companies Act , Audit report & Events after year end.

Q4. SA200: Overall Objectives & Conduct of Audit.:

(15 marks)

- Overall objectives of the Auditor
- Nature & Scope of Audit of Financial Statements
- Financial Reporting Framework
- Audit evidence
- Audit risk
- Detection of Risk
- Financial statements
- Misstatements
- Professional judgement & scepticism
- Risk of material mis- statement
- Ethical Requirments.
- Inherent limitations of Audit.

OR

Q4 (a)SA 570 Going Concern :

(8 marks)

- Meaning , Relevance for Auditor ,
- Indicators of absence of Going Concern.
- Operating Indicators

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- Other Indicators
- Auditor's duty.
- Mention in Audit Report.

Q4 (B) Confidentialty & Integrity of Auditor

(7marks)

- Maintain secrecy of financial data of client.
- Professional integrity.

Q5.Procedure for Appointment of First Auditor and Subsequent Auditors for Government Company and Non – Government Company :

(15 marks)

Govt. Companies :

First Auditor :CAG – Board of Directors – Shareholders at EGM

Subsequent Auditor : CAG

Non- Govt. Company:

First Auditor : Board of Directors – Shareholders at EGM

Subsequent Auditors : Shareholders.

OR

Q 5) Short Notes :

(15 marks)

(1) Qualifications of Auditor:

CA in Practice , CA firm – LLP with practicing CA partners.

(2) Professional judgement of Auditor :

As per the guidelines of ICAI , SA , Guidance Notes etc.

(3) Vouching of Petty Cash Exp :

Type of Expense , Supporting Doc , Receiver sign , Imprest system etc.

(4) Audit of Inventory :

Stock taking , verification & Valuation , costing records etc.

(5) Disqualifications of Auditor : Body Corporate , Employee of Company , Partner , indebted to company > Rs 500000 , Audit of more than 20 companies etc.

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