

TOPIC : Full

All MCQs are compulsory

Question No. 1 is compulsory.

Attempt any **four** questions from the Rest.

DIVISION A – MCQs (30 Marks)

Case Scenario 1

1. ABC Ltd. is in the business of trading garments. Within a span of five years since its incorporation, the company has gained a good market reputation. Last year, in its Kochi warehouse the inventory was less than 1% of total inventory value, so the auditor instead of witnessing or performing the physical count of inventory relied upon the management's inventory confirmation and management in turn relied upon the warehouse keeper's stock register without verifying the actual count. The same year there was some difference between the store register and books of accounts closing balance. The management considered it to be an immaterial amount and wrote it off through "Miscellaneous Profit and Loss Account".

In the current year, while performing analytical procedure, the auditor saw a significant reduction in sales through Kochi warehouse, whereas there was a spike in freight charges to Kochi. Through further examination, the auditor noticed that there was increase in number of shipments to Kochi and increase in number of invoice cancellation instances and sales return instances from the customers of GST unregistered category. However, this year the inventory lying at Kochi is 4.5% as per books.

The Auditor enquired on the periodicity of physical verification and sales process through Kochi warehouse. The management gave the following response to the auditor :-

1. The physical verification takes place every six months and the warehouse keeper is responsible for physical verification and sending records back to the head office.
2. Because of low operations in past years the warehouse keeper himself takes care of invoicing and dispatching the goods.
3. Monthly invoice details along with the monthly stock register is sent to the head office.
4. Further, this year too there is a substantial difference among inventory as per books, inventory as per stock register and inventory as per physical verification in descending order.

The auditor decided to visit the Kochi warehouse and conduct the root cause analysis and get the correct closing value of the inventory.

After the visit, the auditor concluded that the warehouse keeper was issuing the stocks with invoices, however on the sales return the credit notes were issued to various customers and the entry was made in the stock register of "Goods received on sales return" but physically the goods were never returned.

The Auditor also doubts that the same instance might have happened last year as well because of which there was a difference between physical stock and the books.

On this information, the management has asked auditor that why this was not brought into notice last year and whether the audit not conducted properly then. Further, a consultant was appointed by the management for the overview of internal controls with regard to verification of inventory and suggest recommendations.

Based on the above facts, answer the following :-

1.1 In the view of the above case scenario, which according to you is the correct statement :

- (a) Only the errors can be expected to be identified during the audit.
- (b) Only the statutory compliance can be expected out of a Statutory Audit.
- (c) The Auditor contends that last year the inventory levels in Kochi was not in the sampling materiality level and therefore, the issue was not identified. This is a part of the audit risk.
- (d) The Management is of the view that all the frauds and errors must be identified with the statutory audit.

1.2 Which components of audit risks are represented in the aforesaid scenario ?

- (a) Inherent Risk & Control Risk – Inherent risk due to its nature of business or operations and Control risk due to inappropriate design and ineffective implementation of internal controls.
- (b) Control Risk & Detection risk – Control risk due to inappropriate design and ineffective implementation of internal controls and audit detection risk due to possibility of auditor not identifying risk of misstatement.
- (c) Fraud risk due to nature and size of operations and high likelihood of fraud due to its significance.
- (d) Risk of Error because there was error in the presentation in the financial statement last year.

1.3 Which Internal Control seems to have been compromised as the root cause here ?

- (a) Lack in safeguarding the assets of company.
- (b) Lapse in compliance controls leading to non – compliance of sharing inventory level with the GST department.
- (c) Segregation of Duty.

- (d) Inadequate Records and Documents leading to non – recording of correct inventory value.
- 1.4 To ensure that such instances are not taking place in other warehouses as well, the management wants to get an audit done. Which of the following audits is right in the above case scenario :
- (a) Management Audit as there seems to be a lapse at decision making.
- (b) Internal Audit as there seems to be lapse in internal control system and other such lapses in internal controls can also be identified.
- (c) Operational Audit as there is lapse in general working of operations.
- (d) Tax Audit as the Tax Auditor needs to value the inventory and identify the differences.
- 1.5 Which Segregation of Duties aspect seems to have been compromised here ?
- (a) Authorization, Execution & Record Keeping.
- (b) Authorization, Execution & Custodian.
- (c) Execution, Custodian & Record keeping
- (d) Custodian & Record keeping & Authorization

(5 × 2 = 10 Marks)

Case Scenario 2

2. YS & Associates, a firm of Chartered Accountants, having CA.Y and CA. S as partners, is based at Mumbai. YS & Associates get their website developed as www.ysassociates.com from KPY Ltd. The colour of their website was very bright and attractive to run on a “push” technology. Names of the partners of the firm and the major clients were also displayed to the web – site without any disclosure obligation from any regulator.

CA. Y, accepted his appointment as tax auditor of a firm under Section 44AB, of the Income – tax Act, and commenced the tax audit within two days of appointment since the client was in a hurry to file Return of Income before the due date. After commencing the audit, CA. Y realized his mistake of accepting this tax audit without sending any communication to the previous tax auditor. In order to rectify his mistake, before signing the tax audit report, he sent a registered post to the previous auditor and obtained the postal acknowledgement.

CA. S, provides management consultancy and other services to his clients. During 2019, looking to the growing needs of his clients to invest in the stock markets, he also advised them on Portfolio Management Services whereby he managed portfolios of some of his clients. Looking at his expertise in financial management, Mr. Tarak, a student of Chartered Accountancy course, is very much impressed with his knowledge. He approached CA. S to take guidance on some topics of financial management subject related to his course. CA. S, on request, decided to spare some time and started providing classes to Mr. Tarak along with some other aspirants for 3 days in a week and for 1 hours in a day. However, he has not taken any specific permission for such private tutorship from the Council.

YS & Associates is appointed to conduct statutory audit of XYZ Ltd. XYZ Ltd. is required to appoint internal auditor as per statutory provisions given in the Companies Act, 2013 and appointed CA. IA as its internal auditor. YS & Associates asked Mr. IA to provide direct assistance to him regarding evaluating significant accounting estimates by the management and assessing the risk of material misstatements. He also seeks his direct assistance in assembling the information necessary to resolve exceptions in confirmation responses with respect to external confirmation requests and evaluation of the results of external confirmation procedures.

XYZ Ltd. is seeking advice of YS & Associates to appoint CA. IA for conducting GST Audit.

On the basis of the abovementioned facts, you are required to answer the following MCQs :

2.1 YS & Associates sought direct assistance from CA. IA, internal auditor as stated in the above scenario. Advise as to whether he is permitted to do so in accordance with relevant Standards on Auditing.

- (a) YS & Associates cannot ask CA. IA for direct assistance regarding evaluating significant accounting estimates and assessing the risk of material misstatements. However, CA. IA may assist YS & Associates in assembling information necessary to resolve exceptions in confirmation responses as per SA 610.
- (b) CA. IA cannot assist YS & Associates in assembling information necessary to resolve exceptions in confirmation responses. However, YS & Associates can ask Mr. IA for direct assistance regarding evaluating significant accounting estimates and assessing the risk of material misstatements as per SA 610.
- (c) YS & Associates cannot ask CA. IA for direct assistance regarding evaluating significant accounting estimates and assessing the risk of material misstatements and in assembling the information necessary to resolve exceptions in confirmation responses as per SA 610.
- (d) YS & Associates can ask CA. IA for direct assistance regarding evaluating significant accounting estimates and assessing the risk of material misstatements and in assembling the information necessary to resolve exceptions in confirmation responses as per SA 610.

2.2 Whether CA S is guilty of professional misconduct in providing private tutorship to Mr. Tarak along with some other aspirants for 3 days in a week and for 1 hours in a day in the absence of specific approval.

- (a) CA. S is not guilty of professional misconduct as he is teaching within prescribed hours i.e. not exceeding 25 hours a month as per Regulation 192A.
- (b) CA. S is not guilty of professional misconduct as he is teaching within prescribed hours i.e. not exceeding 25 hours a month as per Regulation 190A.
- (c) CA. S is guilty of professional misconduct as he has not obtained specific permission for the same.

- (d) CA. S is not guilty of professional misconduct as he is teaching within prescribed hours i.e. not exceeding 25 hours a week as per Regulation 190A.
- 2.3 Before signing the tax audit report, CA. Y sent a registered post to the previous auditor and obtained the postal acknowledgement. Will CA. Y be held guilty of professional misconduct under the Chartered Accountants Act, 1949 ?
- (a) As per Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949 CA. Y will not be held guilty of professional misconduct as he communicated with the previous tax auditor before signing the audit report.
- (b) As per Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949, CA. Y will not be held guilty of professional misconduct since the requirement for communicating with the previous auditor being a chartered accountant in practice would apply to statutory audit only.
- (c) As per Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949, CA. Y will be held guilty of professional misconduct since he has accepted the tax audit, without first communicating with the previous auditor in writing.
- (d) As per Clause (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949, CA.Y will be held guilty of professional misconduct since he has accepted the tax audit, without first communicating with the previous auditor in writing.
- 2.4 In view of YS & Associates, whether CA. IA is eligible to undertake Goods and Service Tax (GST) Audit of XYZ Ltd. simultaneously ?
- (a) CA. IA is internal auditor of XYZ Ltd. and therefore, is eligible to undertake Goods and Service Tax (GST) Audit of XYZ Ltd. simultaneously.
- (b) CA. IA is internal auditor of XYZ Ltd. and therefore, not eligible to undertake Goods and Service Tax (GST) Audit of XYZ Ltd. simultaneously.
- (c) Being Internal Auditor CA. IA is appropriate person to carry out Goods and Service Tax (GST) Audit of XYZ Ltd.
- (d) None of the above.
- 2.5 Whether, website designed for www.ysassociates.com is in compliance with the guidelines given in Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949;
- (a) Yes, website can have names of partners and major clients along with its fess.
- (b) Yes, as the websites can be designed on a “push” technology.
- (c) Yes, as there is no restriction on the colours used in the website.
- (d) No, as names of the partners of the firm and the major clients were displayed without any disclosure obligation from any Regulator.

General MCQs :

1. You have been given an assignment of audit of IT department of a PSU.

A checklist was handed over to you which contained many questions such as,

- Are separate user names and passwords assigned to individual users ?
- Are periodical changes of passwords ensured ?
- Are external (offsite) data backups maintained at a place outside the premises ?

The type of audit being conducted is likely to be :

- (a) Comprehensive audit.
- (b) Propriety audit
- (c) compliance audit
- (d) Financial audit

2. Your firm has been appointed statutory auditor by a Nationalized Bank for the year 2019 – 20. Your senior advised you to check all the standard assets shown in the balance sheet as on 31st March 2020. While verifying you observed that one of the accounts was regularized on 28th March 2020, for which the interest and installment amount was overdue from the quarter ending 30th September 2019. The account was regularized after the repayment of overdue interest and installment amounts was done on 26th March 2020. Only the last day of the financial year was reckoned as the date of account becoming NPA by the Bank. As a statutory auditor will you agree with the Bank's policy ?

- (a) As the interest charged in the account was overdue for more than 90 days from the end of quarter, it should be classified as NPA and should be considered as sub – standard asset for the balance sheet as on 31st March 2020.
- (b) As the overdue interest and installment amount was paid before the balance sheet date there is no reason to classify the account as NPA.
- (c) The auditor should not agree with the Bank's policy to regularize the account before balance sheet date as overdue interest indicates more than normal risk attached to the business.
- (d) Bank can regularize the account before balance sheet date but should ensure that the amount has been paid through genuine resources and not by sanction of additional facilities, and the account remains in order subsequently.

3. SK Private Limited is a medium – sized company having operations in Jharkhand. The company manufactures some parts and sells that to various dealers on ex – works basis. The financial statements of the company are prepared as per Ind AS and internal financial controls report is also applicable on the same.

During the course of audit of the financial statements for the year ended 31st March 2020, the management of the company had a detailed discussion with the auditors for audit planning.

Further it was also decided that any observations of the auditors should also be discussed with the management before conclusion by the audit team which was not done in the past years.

Considering this, the auditors started the risk assessment and requested the management to share their documentation for the same on which the management said that they don't have risks and if the auditors come across any such thing they can discuss that with the management.

But the auditors were not convinced with the view of the management and the same thing has happened in the past years as well.

You are required to provide your inputs to resolve this matter.

- (a) The requirement of the audit team is not correct.
 - (b) The view of the management is correct because of the applicability of Ind AS.
 - (c) The view of the management is correct because of the applicability of internal financial controls reporting.
 - (d) The view of the management is not correct.
4. The following inherent limitations in an audit effect the auditor's ability to detect material misstatements except :
- (a) Test and sampling.
 - (b) Audit process permeated by judgement.
 - (c) Poor corporate governance.
 - (d) Audit evidence.
5. You are the audit senior of Tey & Co. are responsible for the audit work to be managed for the fixed assets of the company. Tey & Co has 4 properties amounting to Rs. 12.5 crore. One of the important tasks ahead for you is to confirm the ownership of these properties.

Which of the following would provide the most persuasive evidence of the ownership ?

- (a) To conduct a physical inspection of all the properties located at different areas.
 - (b) To ask the management registration documents of these properties and inspect and verify them.
 - (c) To check whether all the properties are recorded properly in the fixed asset register and depreciation has been calculated correctly.
 - (d) Enquire with the management, if these properties are insured and review the insurance documentation.
6. CA Ram is practicing in the field of financial management planning for over 12 years. He has gained expertise in this domain over others. Mr. Ratan, a student of Chartered Accountancy course, is very much impressed with the knowledge of CA Ram. He approached CA Ram to take guidance on some topics of financial management subject related to his course. CA Ram, on request, decided to spare some time and started providing private tutorship to Mr. Ratan along with some other aspirants for 3 days in a week and for 2 hours in a day. However, he forgot to

take specific permission for such private tutorship from the Council. Later on, he came to know that the Council has passed a Resolution under Regulation 190A granting general permission (for private tutorship, and part – time tutorship under Coaching organization of the Institute) and specific permission (for part – time or full – time tutorship under any educational institution other than Coaching organization of the Institute). Such general and specific permission granted is subject to the condition that the direct teaching hours devoted to such activities taken together should _____ in order to be able to undertake attest functions.

- (a) not exceed 25 hours a week.
- (b) not exceed 21 hours a week.
- (c) not exceed 25 hours a month
- (d) not exceed 21 hours a month

7. Employees of GIG Ltd. have to travel frequently for business purposes, so the company entered into a contract with Simony Travels Ltd. for managing booking, cancellation and other services required by their employees. As per contract terms, Simony travels has to raise its monthly bills for the tickets booked or cancelled during the period and the same are paid by GIG Ltd. within 15 days of the bill date. The bills raised by Simony travels were of huge amount, so that management of GIG Ltd. decided to get an audit conducted of the process followed for booking/ cancellation of tickets and verify the accuracy of bills raised by the travel agency. Which audit do you feel the management should opt for ?

- (a) Internal audit, as it relates to examining the operational efficiency of the organization.
- (b) Management audit, as it is an audit desired by the management.
- (c) Performance audit so as to assess the performance of the Simony travels appointed by the organization.
- (d) Operational audit, as it is the audit for the management and involves verifying the effectiveness, efficiency and economy of operations done by the Simony travels for the organization.

8. RIM Private Ltd is engaged in the business of manufacturing of cranes and other construction equipment. The nature of the operations are such that purchases are quite significant even though the sales may or may not be very significant, in terms of number of transactions during the year.

The company's statutory auditors have also obtained certain audit tools to help the audit team on various audit procedures to bring efficiency in various audits.

During the course of the audit of the financial statements for the financial year ended 31st March 2020, the auditors used those audit tools (also known as computed assisted audit techniques) for sampling procedures and data analytics.

The outcome of the tools resulted in some analysis and requirements which the audit team requested from the client. However, the client refused to provide any such information because as per the client all these tools were those of the auditor and any outcome of the same needs to be handled by themselves instead of asking the management.

The auditors have suggested that such an attitude of non – cooperation would not help the either party and would defeat the objective of the audit. The management of the company is, however, ready to provide any other information to the auditors.

In this situation, please advise both the management and the auditors.

- (a) Since the management is ready to provide any other information, the auditor should obtain this information as well by not disclosing the management that it is outcome of any audit tool.
- (b) The view of the management is correct because audit tools are there to support the auditors and not to lead to increased work for the management.
- (c) The auditors are correct because by using audit tools they are performing their audit procedures.
- (d) The auditors should ignore all these tools and plan their audit procedures accordingly.

9. VKPL & Associates, a firm of Chartered Accountants, have been operating for the last 5 years having its office in Gurgaon. The firm ha staff of around 25 persons with 3 Partners.

The firm has been offering statutory audit, risk advisory and tax services to its various clients. The major work of the firm is for taxation services. The audit partners also discussed that the firm needs to work significantly to improve the quality of the service they offer and that would also help the firm to grown its business. Considering this objective, the firm started training programmes for the staff which were made mandatory to be attended.

During one of the training programmes on quality, a topic was discussed regarding the information that should be obtained by the firm before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. It was explained that the following points may assist the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate (as per SA 220) :

- (i) The integrity of the principal owners, key management and those charged with governance of the entity ;
- (ii) The qualification of all the employees of the entity;
- (iii) Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources:
- (iv) The remuneration offered by the entity to its various consultants ;
- (v) Whether the firm and the engagement team can comply with relevant ethical requirements ; and
- (vi) Significant matters that have arisen during the current or previous audit engagement, and their implications for continuing the relationship.

We would like to understand from you which of the above mentioned points are relevant for the topic under discussion ?

- (a) i, ii, iv and v.
- (b) ii, iv, v and vi
- (c) iii, iv, v and vi.
- (d) i, iii, v and vi.

10. M/s ABC & Associates are the statutory auditors of PQR Ltd. for the FY 2019 – 20. While conducting the audit, CA Aman, the engagement partner noticed the following:

- Payments of various fines and penalties
- Unusual cash payments
- Payments to various government employees not supported by any document
- Notices received from various regulatory authorities.
- Heavy payments to legal counsels.

CA Aman should consider the above as indicative of :

- (a) Doubt on Internal Controls of PQR Ltd.
- (b) Doubt of non compliance to laws by PQR Ltd.
- (c) Doubt on the accounting system of PQR Ltd.
- (d) Doubt on the going concern assumption of PQR Ltd.

(10 × 1 = 10 Marks)

DIVISION B – Descriptive Questions – 70 Marks

Question No. 1 is compulsory.

Attempt any **four** questions from the Rest

QUESTION : 1

(A) While the Audit team has identified various matters, they need your advice to include the same in your audit report in view of CARO 2016:-

- (i) The long term borrowings from the parent has no agreed terms and neither the interest nor the principal has been repaid so far.
- (ii) The Internal Auditor of the Company has identified a fraud in the recruitment of employees by the HR department wherein certain sums were alleged to have been taken as kick-back from the employees for taking them on board with the Company. After due investigation, the concerned HR Manager was sacked. The amount of such kickbacks is expected to be in the range of Rs.12 Lakhs.

(5 Marks)

(B) C Limited has defaulted in repayment of dues to a financial institution during the financial year 2016 – 17 and the same remained outstanding as at March 31, 2017. However, the Company settled the total outstanding dues including interest in April, 2017 subsequent to the year end and before completion of the audit. Discuss how you would deal with this matter and draft a suitable Auditor's Report. **(5 Marks)**

(C) OP & Associates are the statutory auditors of BB Ltd. BB Ltd is a listed company and started its operations 5 years back. The field work during the audit of the financial statements of the company for the year ended 31 March 2018 got completed on 1 May 2018. The auditor's report was dated 12 May 2018. During the documentation review of the engagement, it was observed that the engagement quality control review was completed on 15 May 2018. Engagement partner had completed his reviews in entirety by 10 May 2018. Please comment.

(4 Marks)

QUESTION : 2

(A) Toddle Limited had definite plan of its business being closed within a short period from the close of the accounting year ended on 31st March, 2017. The Financial Statements for the year ended 31/03/2017 had been prepared on the same basis as it had been in earlier periods with an additional note that the business of the Company shall cease in near future and the assets shall be disposed off in accordance with a plan of disposal as decided by the Management. The Statutory Auditors of the Company indicated this aspect in Key Audit Matters only by a reference as to a possible cessation of business and making of adjustments, if any, there to be made at the time of cessation only. Comment on the reporting by the Statutory Auditor as above. **(5 Marks)**

(B) H Limited is an Investment company preparing its Financial Statements in accordance with Ind AS. The Company obtains funds from various investors and commits its performance for fair return and capital appreciation to its investors. During the year under audit, it had been observed that the Company had invested 25% in S1 Ltd., 50% in S2 Ltd. and 60% in S3 Ltd. of the respective share capitals of the Investee Companies. When checking the investment schedule of the Company, an issue cropped as to whether there would arise any need to consolidate accounts of any such investee companies with those of H Limited in accordance with section 129(3) of the Companies Act, 2013 which contains no exclusion from consolidation. Analyse the issues involved and give your views.

(5 Marks)

(C) Ms. Preeti is a practicing Chartered Accountant. Mr. Preet is a practicing Advocate representing matters in the court of law. Ms Preeti and Mr. Preet decided to help each other in the matters involving their professional expertise. Accordingly, Ms. Preeti recommends Mr. Preet in all tax litigation matters in the court of law and Mr. Preet consults Ms. Preeti in all matters related to finance and other related matters, which comes to him in arguing various cases in the court of law. Consequently, they started sharing some part in the profits of their professional work. Comment on above with reference to the Chartered Accountants Act, 1949, and Schedules thereto.

(4 Marks)

QUESTION : 3

(A) While auditing Secure Insurance Ltd., you observed that the major proportion of expense of the company is the remuneration/commission paid to its insurance agents. As the auditor of the company, what audit procedure would you adopt for verification of such expense?

(5 Marks)

(B) KRP Ltd., as its annual general meeting, appointed Mr. X, Mr. Y and Mr. Z as joint auditors to conduct auditing for the financial year 2017 – 18. For the valuation of gratuity scheme of the company, Mr. X, Mr. Y and Mr. Z wanted to refer their own known actuaries. Due to difference of opinion, all the joint auditors consulted their respective actuaries. Subsequently, major difference was found in the actuary reports. However, Mr. X agreed to Mr. Y's actuary report, though, Mr. Z did not. Mr. X contends that Mr. Y's actuary report shall be considered in audit report due to majority of votes. Now, Mr. Z is in dilemma. Explain the responsibility of auditors, in case, report made by Mr. Y's actuary, later on, found faulty.

(5 Marks)

(C) Ayush, a practicing Chartered Accountant is appointed to conduct the peer review of another practicing unit. What are the areas excluded from the scope of peer reviewer?

(4 Marks)

QUESTION : 4

(A) ST Ltd. is a growing company and currently engaged in the business of manufacturing of tiles. The company is planning to expand and diversify its operations. The management has increased the focus on the internal controls to ensure better governance. The management had a discussion with the statutory auditors to ensure the steps required to be taken so that the statutory audit is risk based and focused on areas of greatest risk to the achievement of the company's objectives. Please advise the management and the auditor on the steps that should be taken for the same.

(5 Marks)

(B) KDK Bank Ltd., received an application from a pharmaceutical company for takeover of their outstanding term loans secured on its assets, availed from and outstanding with a nationalised bank. KDK Bank Ltd., requires you to make a due diligence audit in the areas of assets of pharmaceutical company especially with reference to valuation aspect of assets. State what may be your areas of analysis in order to ensure that the assets are not stated at overvalued amounts?

(5 Marks)

(C) In the case of companies carrying on the business of a non – banking financial institution, the auditor needs to report under CARO, 2016 whether the registration has been obtained under section 45 – IA of the Reserve Bank of India Act, 1934, if required.

You are required to state in brief the audit procedure to be followed while reporting under above mentioned circumstances.

(4 Marks)

QUESTION : 5

(A) MSY & Co. is an Audit Firm having partners CA Mukti, CA Shakti and CA Yukti. CA Mukti, CA Shakti and CA Yukti are holding appointment as an Auditor in 4, 6 and 10 companies respectively.

- (i) Provide the maximum number of audits remaining in the name of MSY & Co.
- (ii) Provide the maximum number of audits remaining in the name of individual partner i.e. CA Mukti, CA Shakti, CA Yukti.
- (iii) Can MSY & Co. accept the appointment as an auditor in 60 private companies having paid-up share capital less than Rs. 100 crore which has not committed default in filing its financial statements under section 137 or annual return under section 92 of the Companies Act with the Registrar, 2 small companies and 1 dormant company?

Would your answer be different, if out of those 60 private companies, 45 companies are having paid-up share capital of Rs. 110 crore each?

(5 Marks)

(B) Mr. Anil, a Chartered Accountant was the auditor of 'A Limited'. During the financial year 2015-16, the investment appeared in the Balance Sheet of the company of Rs. 10 lakhs and was the same amount as in the last year. Later on, it was found that the company's investments were only Rs. 25,000, but the value of investments was inflated for the purpose of obtaining higher amount of Bank loan.

(5 Marks)

(C) The Comptroller & Auditor General of India plays a key role in the functioning of the financial committees of Parliament and the State Legislatures. He has come to be recognised as a 'friend, philosopher and guide' of the Committees. In view of above, you are required to list down any four role.

(4 Marks)

QUESTION : 6

(A) Write a short note on differences in Audit by Tax Authorities and the Special Audit ?

(5 Marks)

(B) A real – time environment is a type of automated environment in which business operations and transactions are initiated, processed and recorded immediately (without any delay) as they happen. It has several critical IT components that enable anytime, anywhere transactions to take place. You are required to name the components and its example of real time environment.

(5 Marks)

(C) Employees of GIG Ltd. have to travel frequently for business purposes, so the company entered into a contract with a Simony Travels Ltd. for managing booking cancellation and other services required by their employees. As per contract terms, Simony travels has to raise its monthly bills for the tickets booked or cancelled during the period and the same are paid by GIG Ltd. within 15 days of the bill date. The bills raised by Simony travels were of huge amount, so the management of GIG Ltd. decided to get an audit conducted of the process followed for booking / cancellation of tickets and verify the accuracy of bills raised by the travel agency.

Which audit do you feel the management should opt for? Also briefly discuss the qualities the auditor should possess for such audit.

(4 Marks)