

Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 7

Time Allowed – 3 Hours

Maximum Marks – 100

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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 has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any **four** questions out of the remaining **five** questions.

- | | Marks |
|---|---------------------|
| 1. Examine with reasons (in short) whether the following statements are correct or incorrect : | 2×10
=20 |
| (a) Judgemental matters are transactions that are unusual due to either its size or nature and that therefore occur infrequently. | |
| (b) A well designed and drafted audit plan and audit strategy which takes care of all the uncertainties and conditions, need not be changed during the course of audit. | |
| (c) An auditor is not concerned with consistency of accounting policies relating to opening balances. | |

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- (d) Audit evidence obtained from external confirmation is always reliable.
- (e) Banks recognize income on Non-Performing Assets on accrual basis.
- (f) Management of the organization is solely responsible for the compliance of auditing standards while preparing financial statements.
- (g) The Board of Director of ABC Ltd., a listed company at Bombay Stock Exchange, is required to fill the casual vacancy of an auditor only after taking into account the recommendations of the audit committee.
- (h) Any partner of an LLP, who is appointed as an auditor of a company, can sign the audit report.
- (i) When auditing in an automated environment, inquiry is often the most efficient and effective audit testing method.
- (j) An auditor should issue disclaimer of opinion when there is difference of opinion between him and the management on a particular point.

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2. Discuss the following :
- (a) Factors that should be considered for deciding upon the extent of checking on a sampling plan. 5
- (b) "An adequate planning benefits the audit of financial statements." Discuss. 5
- (c) "Professional judgment is essential to the proper conduct of an audit." Discuss. 5
- (d) With respect to audit in an automated environment, explain the following : 5
- (i) CAATs
 - (ii) Data Analytics
 - (iii) Database
 - (iv) Information Systems
 - (v) Privileged access
3. (a) M/s Pankaj & Associates, Chartered Accountants, have been appointed as an auditor of ABC Limited. CA Pankaj did not apply any audit procedures regarding opening balances. He argued that since financial statements were audited by the predecessor auditor therefore he is not required to verify them. Is CA Pankaj correct in his approach ? 5

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- (b) "While the auditor may choose to analyse the monthly trends for expenses like rent, power and fuel but for other expenses, an auditor generally prefers to verify other attributes." Mention those attributes. **5**
- (c) Write the audit procedures to be performed as an auditor for valuation (assertion) of following :
- (i) Loans and Advances and other current assets. **5**
- (ii) Finished goods and goods for resale. **5**
4. (a) "Planning is not a discrete phase of an audit, but rather a continual and iterative process." Discuss. **5**
- (b) "The company has raised funds by issuing fully convertible debentures. These funds were raised for the expansion and diversification of the business. However, the company utilized these funds for repayment of long term loans and advances." Advise the auditor regarding reporting requirements under CARO, 2016. **4**

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- (c) "A multinational co. wants to appoint you to carry the statutory audit." 6

Discuss with reference to SA 330 the substantive procedures to be performed to assess the risk of material misstatement.

- (d) "MMJ Ltd., an unlisted public company, did not appoint any internal 5

auditor for the financial year ending on 31st March, 2019. The company had paid up capital of ₹ 20 crores and reserves of ₹ 25 crores. Its turnover for the preceeding 3 years were ₹ 75 crores for the year ended 31st March, 2018, ₹ 150 crores for March, 2017 and ₹ 190 crores for March, 2016. The company had availed term loan from the bank of ₹ 130 crores. The outstanding balance of the term loan as on 31st March, 2018 is ₹ 90 crores."

As an auditor of the company, how would you deal with the above ?

5. (a) "An auditor is required to make specific evaluations while forming an 5

opinion in an audit report." State them.

- (b) "Mr. A is offered by ABC Ltd. for appointment as cost auditor and 5

asked to certify certain requirements before such appointment."

Discuss those requirements with reference to the provisions of the Companies Act, 2013.

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- (c) Briefly mention the matters that are relevant in planning attendance at physical inventory counting. **5**
- (d) Write any five circumstances of conflicting or missing evidence that indicate the possibility of fraud. **5**
6. Answer any **four** :
- (a) "CA. NM who is rendering management consultancy service to LA Ltd. wants to accept offer letter for appointment as an auditor of the LA Ltd. for the next financial year." Discuss with reference to the provision of the Companies Act, 2013. **5**
- (b) Briefly explain the provisions for qualification and appointment of Auditors under the Multi-State Co-operative Societies Act, 2002. **5**
- (c) "The Auditor should examine the efficacy of various internal controls over advances, to determine the nature, timing and extent of his substantive procedures." Discuss briefly. **5**
- (d) Write basic standards set for Expenditure Audit of Government. **5**

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- (e) "Ramjilal & Co. had been allotted the branch audit of a nationalized bank for the year ended 31st March, 2018. In the audit planning, the partner of Ramjilal & Co., observed that the allotted branches are predominantly based in rural areas and major portion of the advances were for agricultural purpose."

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Now he needs your assistance on the following points so as to incorporate them in the audit plan :

- (i) for determination of NPA norms for agricultural advances
- (ii) for accounts where there is erosion in the value of security / frauds committed by the borrowers.

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