

Roll No.

Total Number of Questions : 7

Time Alloted : 3 Hours

Total Number of Printed pages - 4

Maximum Marks - 100

FTR

PAPER – 3: ADVANCED AUDITING AND PROFESSIONAL ETHICS

First Question is Compulsory , Answer any 5 from the Rest.

1. (a) You are offered to engage as a practitioner to perform a review of historical financial statement of Velvet Limited where you have not audited the financial statements. Briefly discuss the preconditions you will be considering prior to accepting such review engagement.

(5 Marks)

- (b) The management of S Ltd. requests you to accept an engagement to report on compilation of pro forma financial information to be included in a prospectus. In light of SAE 3420, what are the factors to be considered by you as a practitioner before agreeing to accept such engagement to report on pro forma financial information.

(5 Marks)

- (c) While compiling the accounts of Hope Ltd., you observed that a few accounting standards have not been followed and there have been omission of some information which was required to be followed in the current situation. How would you deal with this?

(5 Marks)

- (d) The management of CSITA Ltd. has prepared its summary financial statements for the year 2017-18 to be provided to its investors. Consequently the company wants to appoint you for conducting audit of summary financial statements. What are the procedures that you will perform and consider necessary as the basis for forming an opinion on the summary financial statements?

(5 Marks)



2. (a) In the audit of K Ltd, its auditor wants to use CAATs for performing various audit procedures. Guide him as to what procedures can be performed using CAATs

(5 Marks)

- (b) A Co. Ltd. has not included in the Balance Sheet as on 31-03-2018 a sum of Rs. 1.50 crores being amount in the arrears of salaries and wages payable to the staff for the last 2 years as a result of successful negotiations which were going on during the last 8 months and concluded on 30-04-2018. The auditor wants to sign the said Balance Sheet and give the audit report on 15- 05-2018. The auditor came to know the result of the negotiations on 10-05-2018. What are the Responsibilities of the Auditor ?

(5 Marks)

- (c) In the course of audit of K Ltd., its auditor Mr. 'N' observed that there was a special audit conducted at the instance of the management on a passible suspicion of a fraud and request for a copy of the report to enable him to report on the fraud aspects. Despite many reminders it was not provided. In absence of the special audit report, Mr. 'N' insisted that he be provided with at least a written representation in respect of fraud on/by the company. For this request also, the management remained silent. Please guide Mr. 'N'

(6 Marks)

3. (a) Compare and explain the following:

- (i) Reporting to Shareholders vs. Reporting to those Charged with Governance.
- (ii) Audit Qualification vs. Emphasis of Matter.

(6 Marks)

- (b) Under CARO, 2016, as a statutory auditor, how would you report:

- (i) RPS Ltd. has entered into non-cash transactions with Mr. Rahul, son of director, which is an arrangement by which the RPS Ltd. is in process to acquire assets for consideration other than cash.
- (ii) Paragraph 3(x) of CARO, 2016 requires the auditor to report whether any fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year. The clause does not require the auditor to discover such frauds. The scope of auditor's inquiry under this clause is restricted to frauds 'noticed or reported' during the year. Comment.

(6 Marks)

- (c) Max Limited is a listed Company in which no code of conduct is laid down for its board members and senior members. As an auditor of Max Limited: (a) Briefly explain the compliance requirements with respect to code of conduct as per Listing Order Disclosure Requirements (LODR) Regulations. (b) What will be your role in compliance of above-mentioned Code of Conducts as per LODR Regulations?

(4 Marks)



4 (a) M/s ABZ & Co., a firm of Chartered Accountants, develops a website "abz.com". The colour chosen for the website was a very bright green and the web-site was to run on a "push" technology where the names of the partners of the firm and the major clients were to be displayed on the web-site without any disclosure obligation from any regulator.

(4 Marks)

(b) CA. Elegant is in practice for two years and runs his proprietorship firm in the name of "Elegant & Co.". He maintains notes in his mobile in which he writes the fees received from various clients. Based on his record, he prepares and files his income tax return

(4 Marks)

(c) The superannuation-cum-pension fund for the employees of a company was under a separate 'trust'. Both the company and the trust were under the same management. The auditor, who was auditing the accounts of the company as well as the trust noted some irregularities in the operation of the trust and commented upon these irregularities in the confidential report given to the trustees, but did not mention about these irregularities in his report on the Annual accounts of the Trust.

(4 Marks)

(d) The Managing director of Prateek Limited, a public limited highlights that there is no requirements of reporting under Internal financial controls u/s 143(3)(i) of the companies Act 2013. What are the provisions related to IFC under companies act 2013 and whether contention of Managing Director is acceptable ?

(4 Marks)

5(a) The objective of the Environmental Audit are to evaluate the efficacy of the utilisation of resources of man, machines and materials, and to identify the areas of environmental risks and liabilities and weakness(es) of management system and problems in compliance of the directives of the regulatory agencies and control the generation of pollutants and/or waste. You are required to enumerate the main areas (any four) to be covered by the auditor in the case of environment audit of an industrial unit

(4 Marks)

5. (b) M/s ABC & Co. a CA Firm was appointed as the auditor of 'Always Safe General Insurance Ltd'. Advise them how they will verify outstanding premium & agents balances.

(4 Marks)

5 (c) (i) M/s SAM & Co. has been appointed as an auditor of a nationalized bank. The records of the bank have some inter branch adjustments. Being an auditor you are required to state the points which require special attention.

(ii) Explain the reversal of income in case of Banks.

(4 Marks)



5 (d) Ploy Ltd., engaged in the leasing of goods carriage, appointed you as the Tax Auditor for the financial year 2017-18. How would you deal with the following matters in your tax audit report: (i) Payments of 6 invoices of Rs. 5,000 each made in cash to Mr. X on 4th July, 2017. (ii) Payments of 2 invoices of Rs. 18,000 each made in cash to Mr. Y on 5th July, 2017 and 6th July, 2017 respectively. (iii) Payment of Rs. 40,000 made in cash to Mr. Z on 7th July, 2017 against an invoice for expenses booked in 2016-17.

6 (a) What are the main phases in the conduct of Risk Based Audit.

(4 Marks)

6(b) "The C&AG may direct the appointed auditor the manner in which the accounts of the Government company are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor-General of India." What are the relevant sections of the Companies Act, 2013 and steps involved in auditor of Government Companies?

(4 Marks)

6 (c) The internal auditor must be regarded as part of the management and not merely as an assistant thereto. He must have authority to investigate from the financial angles every phase of the organisational activity under any circumstances. Explain.

(4 Marks)

6 (d) In a company, it is suspected that there has been embezzlement in cash receipts. The company appoints you as an investigator. What are the areas that you would verify?

(4 Marks)

7. Write Short Notes on any four of following

(4*4= 16 Marks)

7 (a) Mark-to-market (MTM) Margin

7(b) Rolling settlement

7(c) Focus of a peer review

7(d) The purpose of communicating key audit matters

7(e) Energy Audit & Functions of energy Auditor

