

▲ MAY 2010

FINAL
GROUP-I PAPER-3
ADVANCED AUDITING

Roll No.....

Total No. of Questions—6]

[Total No. of Printed Pages—3

Time Allowed—3 Hours

Maximum Marks—100

YES

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 who has not opted for Hindi medium, his answers in Hindi will not be valued.

Answer **all** questions.

Marks

1. As an auditor how would you deal with the following ?
 - (a) There is a Sales-tax demand of Rs. 3 crores against X Ltd. relating to prior years against which the company has gone in appeal. 5
 - (b) When the audit team visited the client to perform substantive audit of debtors, the client produced Ledger accounts of customers and confirmations for the top 10 debtors. One of the debtors was more than 5 years old, but had confirmed his balance. 5
 - (c) A Ltd. prepared an invoice for an export consignment on FOB basis on 30th March, 2010. The goods were despatched from the factory on 30th March, 2010 and the Bill of Lading was made on 3rd April, 2010. A Ltd. had booked the invoice in the Sales Register for March, 2010. 5
 - (d) LMN Pvt. Ltd. is a dealer in government securities. The turnover on account of sale of securities for the year ended 31st March, 2010 is Rs. 85 crores whereas the net profit is Rs. 0.10 crores. While finalising the accounts, the company did not prepare the Cash Flow Statement. 5
2. Comment on the following with reference to the Chartered Accountants Act, 1949 as amended by the Chartered Accountants Act, 2006 and schedules thereto :
 - (a) M/s PQR a firm of Chartered Accountants responded to a tender from a State Government department for switching over to double entry system of accounting. For the purpose the firm also paid Rs. 20,000 as earnest money deposit as per the terms of the tender. 4

YES

P. T. O.

- (b) K, a Chartered Accountant in practice takes up appointment as Managing Director of XY Ltd. 4
- (c) X was appointed statutory auditor in ABC Ltd. for the year ended 31st March, 2010. On inquiry, X found that his wife had acquired before a few years, 100 shares in the said company. She was still holding the shares with the name of X as joint holder. Can X accept the appointment? 4
- (d) A is a partner of Z firms, M/s ABC & Company and M/s A & Associates. For most of the audits handled by him, the appointment is in the name of M/s ABC & Company. The visiting cards of A carries the names of both the firms. 4
3. Answer the following :
- (a) What are the procedures to be followed by a statutory auditor for verifying the provision for accrued liability for retirement benefits which is based on a certificate of an reputed actuary. 8
- (b) Describe the areas where the Statutory Auditor of a company has to make : 8
- (i) Statement of facts
- (ii) Give his opinion.
4. Answer the following :
- (a) What are the additional matters which the Statutory Auditor of a banking company has to state in his report? 4
- (b) Describe briefly the major verification areas in a due diligence for a proposed merger. 6
- (c) As an auditor, what are the indicators you would consider while verifying compliance with Laws and Regulations? 6
5. Answer the following :
- (a) As an Internal Auditor of a Cement Manufacturing Company, draft an audit program for verification of transportation charges for despatches from the factory. 8
- (b) Discuss the reporting requirements in Form 3CD of the Tax Audit Report u/s 44AB of the Income-tax Act, 1961 for Accounting Ratios. 4

(3)

YES

Marks

- (c) What are the broad matters to be considered while obtaining knowledge of business for a new audit engagement of a manufacturing concern ? 4

6. Write short notes on the following :

4×4=16

- (a) Energy Audit
- (b) Use of 'Check Lists' in Audit
- (c) CEO/CFO Certification to the Board
- (d) Audit report under VAT.