

M.Com. (Part - II)
-: Accountancy Group :-
Advanced Auditing
(Paper-IV)
{April – 2016}

QP Code : 24482

(3 Hours)

[Total Marks : 100

- N.B. :** (1) Question No.I & No.II are **compulsory** carrying **20 marks & 16 marks** respectively;
- (2) Attempt **any Four** questions from the **remaining** carrying **16 marks** each;
- (3) **Sub-questions** would carry **equal marks** unless **indicated** to the contrary to their **extreme right**;
- (4) Working / references to statutes, standards etc. (not necessarily with reference numbers) to form part of your answer;
- (5) Make **necessary** assumptions wherever **required** and **state the same**.

- I. (a) The following is the account of MBT's capital A/c in the books of MBT & Co.

M/s. MBT & Co's Ledger

Dr.

MBT' Capital Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2015		(₹)	2015		(₹)
Jan.			Jan.		
31 st	To Cash A/c	1,60,000	1 st	By Cash A/c	6,00,000
			1 st	By Bank A/c	10,00,000
			1 st	By Furniture A/c	4,00,000
			1 st	By Land & Building	12,00,000
Feb.			July		
28 th	To Cash A/c	2,00,000	1 st	By Cash A/c	4,00,000
Dec.					
30 th	To Purchases A/c	2,00,000			
Dec.			Dec.		
31 st	To Interest on Drawings	31,332	31 st	By Interest on Capital	1,20,000
			31 st	By Profit & Loss A/c	2,40,000
Dec.			Dec.		
31 st	To Balance c/fd.	33,68,668			
		39,60,000			39,60,000
			2016		
			Jan		
			1 st	By Balance b/fd.	33,68,668

You are required to analyse & interpret the above account.

TURN OVER

(b) As an auditor of a company / entity state how would you deal with / respond to / comment on the following :

- (1) Mr. Makarand is a proprietor carrying on a business of trading. During the year ended 31.03.2016, his turnover was ₹ 1,60,00,000. Mr. Makarand contemplates that the audit of financial statements is not mandatory for him. He appoints you as his consultant. Kindly advise.
- (2) You are the auditor of Raheja Infrastructure Ltd. The Company has recognised its income from dividend during the current financial year on accrual basis. The dividend was declared after the said financial year. Advise the company.

II. (a) Match the items from Column A to those in Column B selecting on an overall most appropriate basis.

Column A	Column B
(1) Internal Auditor	(a) does not apply to Insurance Companies
(2) First Auditors	(b) Compulsory for caustic soda Mfg. co. & tyre & tube co's (listed in respective Schedule)
(3) Reappointment of Auditor	(c) Examination of documentary evidence
(4) CARO 2003	(d) Turnover exceeding ₹ 1 crore
(5) Cost Accounts	(e) Reports to the Management
(6) Vouching	(f) By the Management in Board meeting
(7) Tax audit	(g) By the shareholders in A.G.M.
(8) A.S. - 10	(h) Accounting for Fixed Assets
	(i) No dividend
	(j) Existence of ownership & possession

TURN OVER

(b) Rewrite the following sentences by choosing the correct alternative :

- (1) _____ is to be disclosed with financial statements as 'Accounting Policy followed'.
- (a) Treatment of Goodwill (b) Conservatism
(c) Consistency (d) Cash
- (2) Accounting standard I is _____.
- (a) No longer valid (b) Optional
(c) Recommendatory (d) Mandatory
- (3) Arrears of fixed cumulative preference dividends are required to be shown under _____ in the balance sheet of a company.
- (a) Fixed Assets (b) Share Capital
(c) Contingent Liabilities (d) Current Liabilities
- (4) Goodwill & Patent rights are _____.
- (a) Intangible Fixed Assets (b) Tangible Fixed Assets
(c) Fictitious Assets (d) None of the above
- (5) Bills for collection are shown in the Balance Sheet of a bank under _____.
- (a) Both Assets & Liabilities (b) Contingent Liabilities
(c) Liabilities only (d) Assets only
- (6) Opening Balances of Debtors ledger are checked from _____.
- (a) Audited accounts of earlier year
(b) Schedule of Debtors for current year
(c) Schedule of Creditors for current year
(d) Trial Balance of current year
- (7) Audit of Bank is an example of _____.
- (a) Statutory audit (b) Balance sheet audit
(c) None of the above (d) Both (a) & (b)
- (8) _____ appear under 'Provisions' in the Balance Sheet.
- (a) General Reserve (b) Capital Reserve
(c) Sinking Fund (d) Proposed dividend

TURN OVER

- III.** (a) Explain the provision of :
- (i) S.A. 500 in respect of Audit Evidence;
 - (ii) S.A. 220 in respect of quality control for an Audit of Financial Statements.
- (b) Explain the provisions relating to :
- (i) Audit of Banking company in respect of 'Rebate on Bill discounted';
 - (ii) Audit of Insurance Company in respect of 'Premium Received & Premium Ceded'.
- IV.** Write short notes on :
- (a) Audit of Educational Institutions
 - (b) Audit of Hospitals
 - (c) Share Transfer Audit
 - (d) Auditors' duty in respect of Forfeiture and Reissue of shares
- V.** Explain the provisions of S.A. 610 in relation to Auditors responsibilities regarding the work of Internal Auditors?
- VI.** Explain the important points in respect of :
- (a) Propriety Audit
 - (b) Continuous Audit
 - (c) Performance Audit
 - (d) Auditors duty in respect of Bonus shares
- VII.** Explain any ten points to be covered in the Companies (Auditors' Report) Order 2003 [CARO - 2003].
- VIII.** As an Auditor of a company how would you audit the Rights issue of its shares?

IX. Write short notes on (Any Two) :

- (a) Audit of Hotel
 - (b) Audit of Club
 - (c) Tax Audit
 - (d) Duties of Comptroller & Auditor General of India
 - (e) Auditors responsibilities relating to Fraud in an Audit of Financial Statement.
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