

AMIT BACHHAWAT TRAINING FORUM

AUDIT MOCK TEST(1)

Q1 is Compulsory & Any five from the rest

Q1. State True/False with reasons:

- i. "A sound control environment ensures that internal control is strong" Comment.
- ii. "There is direct relationship between detection risk and combined level of inherent and control risk" Comment.
- iii. "Fraud risk factors indicate that fraud has taken place" Comment.
- iv. "There is inverse relationship between combined levels of inherent risk and detection risk and control risk" Comment.
- v. "Risk assessment procedures are designed at planning stage whereas further audit procedures are carried as response to the assessed risks of material misstatement at the assertion level" Comment.
- vi. "Test of controls are checking details of transactions & balances" Comment.
- vii. "Materiality is determined and fixed at planning stage" Comment.
- viii. "There is positive direct relationship between materiality and audit risk" Comment.
- ix. "Stratification is the process of dividing heterogeneous population into sub populations of homogeneous units" Comment.
- x. "An auditor never reassesses the sampling risk" Comment.

20 MARKS

Q2.

- a. At the AGM of ICI (P) Ltd., Mr. X was appointed as the statutory auditor. He, however resigned after 3 months since he wanted to give up practice and join industry. State, how the new auditor will be appointed by ICI (P) Ltd. and the conditions to be complied for. **4 MARKS**
- b. Discuss the following:
"Statements" and "Guidance Notes" of ICAI - whether mandatory or recommendatory? **4 MARKS**
- c. Discuss the following:
Inquiry from Management is helpful for Auditor to evaluate subsequent events. Discuss specific enquiries in reference of SA 560, which might have effect on the financial statements. **4 MARKS**
- d. Factors affecting form, contents and extent of audit.
While planning the audit of S Ltd. you want to apply sampling techniques. What are the risk factors you should keep in mind? **4 MARKS**

Q3.

- a. Write a short note "Audit risk at the account balance level and at the class of transactions level". **4 MARKS**
- b. What will be position of the Auditor in the following cases?
A, a chartered accountant has been appointed as auditor of Laxman Ltd. In the Annual General Meeting of the company held in September, 2014, which assignment he accepted. Subsequently in January, 2015 he joined B, another chartered accountant, who is the Manager Finance of Laxman Ltd., as partner. **4 MARKS**
- c. Give your comments on the following:
Mr. X, a Director of MIs KP Private Ltd., is also a Director of another company viz., MIs GP Private Ltd., which has not filed the financial statements and annual return for last three years 2012-13 to 2014-15. Mr. X is of the opinion that he is not disqualified u/s 164(2) of the Companies Act, 2013, and auditor should not mention disqualification remark in his audit report. 164(2) if a person is a director of a Co., which has NOT FILED AA or AR for three consecutive years, then such person can't become director of any Co., for 5 years **4 MARKS**
- d. Distinguish between the Internal Control Questionnaire and Internal Control Evaluation. **4 MARKS**

Q4.

- a. Write a short note on - Independence of Internal Auditor. **4 MARKS**
- b. Comment on "The cash-book showed a huge cash balance on hand consistently throughout the year". **4 MARKS**

- c. State any five special points which you, as an auditor, would look into while examining the Income and collection of fund by an NGO engaged in providing relief work for flood victims. **4 MARKS**
- d. State with reasons your views on the following:
 Ram and Hanuman Associates, Chartered Accountants in practice have been appointed as Statutory Auditor of Krishna Ltd. for the accounting year 2014-2015. Mr. Hanuman holds 100 equity shares of Shiva Ltd., a subsidiary company of Krishna Ltd. **4 MARKS**

Q5.

- a. What are the problems faced in CIS Environment? **4 MARKS**
- b. A trader is worried that inspite of substantial increase in sales compared to earlier year, there is considerable fall in Gross Profit. After satisfying himself that sales and expenses are correctly recorded and that the valuation of inventories is on consistent basis, he wants to ensure that purchases have been truthfully recorded. How will you proceed with this assignment? **4 MARKS**
- c. Janta Ltd. has made a contribution of Rs.7.8 lacs during the financial year ended 31.3.15 to Samaj Seva Party, a political party, for running a teaching institute situated in the rural area, where most of the workers of the company reside. It is admitted that the benefit of the institute is mostly for the children of the workers of the company. The average net profit of the company during the three immediately preceding financial years was Rs. 100 lakhs. Comment: **4 MARKS**
- d. CARO 16 do not apply to private company. Comment. **4 MARKS**

Q6.

- a. What are list of services prohibited on Sec144? **4 MARKS**
- b. Write a short note on Directors Responsibility Statement **4 MARKS**
- c. Write a short note on Internal Financial Control **4 MARKS**
- d. What are the obvious assertions in the following items appearing in the Financial Statements?
 i. Profit and Loss Statement
 Travelling Expenditure Rs. 50,000
 ii. Balance Sheet
 Debtors Rs. 2,00,000 **4 MARKS**

Q7.

- a. State with reasons your views on the following :
 'An assistant of X & Co., Chartered accountants detected an error of Rs. 5 per interest payment which recurred number of times. The General Manager (finance) of T Ltd., advised him not to request for passing any adjustment entry as individually the errors were of small amounts. The company had 2,000 deposit accounts and interest was paid quarterly? **4 MARKS**
- b. "Auditor should communicate certain matters with those charged with governance" Comment. **4 MARKS**
- c. Highlight the amendments made in SA 610 briefly **4 MARKS**

OR

As an auditor, what would you do in the following situations?

The company has sent semi-finished goods to third parties for further processing, which is lying with them at the end of the year. **4 MARKS**

- d. An auditor of Sagar Ltd. was not able to get the confirmation about the existence and value of certain machineries. However the management gave him a certificate to prove the existence and value of the machinery as appearing in the books of accounts. The auditor accepted the same without any further procedure and signed the audit report. Is he right in his approach? Express your views. **4 MARKS**

OR

"Auditor is not concerned with events after the date of auditor's report" Comment. **4 MARKS**

AUDIT MOCK TEST PAPER(2)

Mock Test 100 Marks

Time: 3 hrs

Q1 is compulsory & any 5 from the rest.

Q1. State correct/ Incorrect with reasons:

(Any 10) 2×10 = 20 MARKS

- i. A statutory Auditor can be internal auditor of the same company
- ii. Even a cost accountant can be appointed as internal auditor of a company.
- iii. Management Representation is a substitute for other audit evidences.
- iv. Emphasis of matter paragraph qualifies the audit report.
- v. In a CIS environment the trial balance always tallies.
- vi. Casual vacancy in the office of auditor of Non Govt. Company caused by resignation is filled by the board of directors.
- vii. A chartered Accountant holding securities up to Rs 1 lakh can be appointed as auditor of that company.
- viii. CARO 2016 exempts private company.
- ix. An auditor cannot render book keeping services to an associate company of its client company.
- x. An auditor must report to Central Govt. any fraud noticed by it against the company.
- xi. Risk Assessment procedures are carried at final stage of audit.
- xii. If a client does not give address of certain debtors to auditor for external confirmation then an audit gives adverse report.
- xiii. The concept of Rotation of audit firm also applies to all private companies.

- Q2.**
- a. Explain the components of audit risk? **4Marks**
 - b. Write a short note on Propriety Audit? **4Marks**
 - c. What additional disclosures are to be inserted in auditor's report as per Rules framed under Companies Act, 2013? **4Marks**
 - d. What is the penalty u/s 147 if an auditor gives a false audit report? **4Marks**

- Q3.**
- a. What are assertions used by auditor while auditing? **4Marks**
 - b. Draft an opinion paragraph where a qualified opinion is expressed and also an emphasis of matter paragraph on some matter? **8Marks**
 - c. How can an auditor be removed after expiry of term? **4Marks**

- Q4.**
- a. On what factors the sample size depends? **4Marks**
 - b. What type of audit- report is given? When going concern is found to be appropriate because of mitigating factors? **4Marks**
 - c. (i) Yash Raj Pvt Ltd's turnover 200 crores during previous financial year. Is Internal audit compulsory? **2Marks**
(ii) Can an auditor send his authorized representative to attend the general meeting? **2 Marks**
 - d. Mr. S regularly purchases goods from AB Ltd. and the transactions are in ordinary course of business . However, the customer is given extra credit period of 2 months. But the prices were changed same as to other customers. Can Mr S be appointed as the auditor of Ab Ltd.

- Q5.**
- a. What procedures are carried out by auditor once he comes to know about subsequent events after the financial statements are dispatched to shareholders ? **4Marks**
 - b. What precautions are to be kept in mind while using test checking approach? **4Marks**
 - c. Write a short note on "Independence of auditor "? **4Marks**
 - d. How companies act focuses on the requirement of True and fair view of accounts? **4Marks**

- Q6.**
- a. Can books of accounts of company whose registered office is in Kolkata be kept in Chennai? **4Marks**
 - b. A public co. wants to borrow funds in excess of its net worth; Advice as an auditor what legal formality to be considered? **4 Marks**

- c. What do you mean by Internal financial control? Discuss about its reporting in Director's report?
- d. Explain briefly the concept of Depreciation as per new companies act.

Q7. How will you vouch/ verify the following: **4×4= 16 MARKS**

- i. Preliminary expenses.
- ii. Shares allotted for consideration other than cash.
- iii. Capital work in progress.
- iv. Analytical review procedure for verifying debtors.

- Q8.**
- a. Draft an Audit Engagement letter? **8Marks**
 - b. CAATs are useful while conducting audit? **4Marks**
 - c. What precautions to be taken while framing internal check. **4Marks**