Gurukripa's Guideline Answers to May 2016 Exam Questions CA Inter (IPC) Auditing and Assurance

Question No.1 is compulsory $(4 \times 5=20)$. Answer any 5 from remaining 6 Qns $(16 \times 5=80)$. [Any 4 out of 5 in Q.7]

Note: Page References given here are from "Padhuka's Students' Handbook on Auditing & Assurance"

Students' may also refer to Padhuka's Auditing & Assurance – A Ready Referencer for CA IPC, for quick revision.

_	a		
Q	Question	Hint Answer/Reference	M
(a)	Discuss the following: With reference to SA-550, "Identification of Significant Related Party Transaction outside the Entity's normal course of Business".	See SA-550, Page 119, Q.No.12, N 13 Qn. Principles in Page 117	5
(b)	With reference to SA-350, meaning of Audit Sampling and Requirements relating to Sample Design, Sample Size and Selection of Items for Testing.	See SA-530, Page 104, Q.No.6, N 13 Qn. Principles in Page 98	5
(c)	How does an Audit Programme help to plan and perform the Audit?	See Page 3.13, Q.20,21, Page 3.6, Para 3.2.2 [M 81, M 88, M 91, N 06, N 07, Qn.]	5
(d)	What are the specific risks related to Internal Control in an IT Environment?	See SA-315, Page 61, Q.No.10, M 08 Qn. Principles in Page 56	5
2	State with reasons (in short) whether the following statements are Correct or Incorrect (Answer any Eight):		
(a)	The scope of work of an Internal Auditor may extend even beyond the Financial Accounting.	Correct. Apart from Fin. A/cing verification, it extends to Operating Activities. Also See SA–610 .	2
(b)	An Auditor has nothing to do with Prudence or Profitability of a Company.	Correct. Objective of Audit is to express an opinion on the Financial Statements. See Page 12.2, Para 12.1.2, Point 2.	2
(c)	Evaluating Responses to Enquiries is an integral part of the Inquiry Process.	Correct. See SA-500, Page 83, Para A.22.]	2
(d)	Internal Control Questionnaires are a good source of identifying weakness in Internal Control System.	Correct. See Page 4.5, Para 4.1.6, Pt. 3(c)	2
(e)	Cluster Sampling is less effective than Random Sampling.	Correct. See SA-530, Page 101 Cluster Sampling	2
(f)	Errors of Duplication affect the Trial Balance.	Incorrect. One-sided errors of Commission or Omission lead to difference in the Trial Balance. See Page 1.6, Para 1.2.2.	2
(g)	Substantive Procedures do not test the Balances of Accounts.	Incorrect. They are intended to verify accuracy of account balances. See Page 2.3, Para 2.1.7.	2
(h)	The First Auditors of a Government Company was appointed by the Board of Directors.	Incorrect. First Auditors of Govt. Co. should be appointed by C&AG, within 60 days from the date of registration of the Company. In case of such failure, BOD can appoint, within next 30 days. See Page 10.6, Para 10.2.1.	2
(i)	The Members of XYZ Ltd preferred a complaint against the Auditor stating that he has failed to send the Auditor's Report to them.	Incorrect. Sending Auditors' Report to Members is Co's responsibility, not Auditors' Duty. See Page 10.20, Illustration.	2
(j)	Mr. Pawan, a practicing CA, is appointed as "Tax-Consultant" of ABC Ltd, in which his father. Mr. Singh is the Managing Director.	Answer: Appointment is prima facie Valid. See Page 10.28, Illustration, N 13 Qn.	2
3	How you will vouch / verify the following?		
(a)	Preliminary Expenses	See Page 7.26, Q.50, Page 7.19, Para 7.4.3 [N 95, N 98, N 08, N 04, M 12, M 14 Qn.]	4
(b)	Customs & Excise Duties	See Page 7.26, Q.18, Page 7.6, Para 7.1.11 [N 92, N 08, M 96, M 99, M 04 Qn.]	4

Get More Updates From http://cawinners.com/

Gurukripa's Guideline Answers for May 2016 Exams CA Inter (IPC) - Auditing & Assurance

Co Floating Assets See Page 3.26, Q.8, Page 3.17, Para 3.5.6 + Verification Principles in Chapter 7 See Page 6.14, Q.11, Page 6.6, Para 6.2.1 RTP, N 91, M 04, N 07, M 14 Qn.] A Mention the disclosure requirements of Current Investments See Page 6.14, Q.11, Page 6.6, Para 6.2.1 RTP, N 91, M 04, N 07, M 14 Qn.] A Mention the disclosure requirements of Current Investments See Page 11.19, Point N of Sch.III 6 See SA-230, Page 27, Q.17, Points in Page 25, of audit, a record of which should be kept in the Audit Note Book? See SA-230, Page 27, Q.17, Points in Page 25, of audit, a record of which should be kept in the Audit Note Book? See Page 4.28, Q.12, Page 4.5, Para 4.1.6 [N 13 qn.] See Page 4.28, Q.12, Page 4.5, Para 4.1.6 [N 13 qn.] See Page 15.1, Para 15.1.2 See Page 14.13, Q.31, Page 15.1, Para 15.1.2 RTP, N 90, M 03, M 13 Qn.] See Page 14.13, Q.31, Page 15.1, Para 14.3.3 Similar to RTP, M 10, M 14 Qn.] See Page 14.13, Q.31, Page 14.7, Para 14.3.3 Similar to RTP, M 10, M 14 Qn.] See Page 15.1, Para 15.1.2 See Page 15.	Q	Question	Hint Answer/Reference	М
Mention the disclosure requirements of Current Investments as per Schedule III of the Companies Act, 2013. What are the significant matters observed during the course of audit, a record of which should be kept in the Audit Note Book? Wite short notes on the use of Flowcharts in evaluation of Internal Control. Mention any 6 special points which you as an Auditor would look into while auditing the books of a Partnership Firm. Draft an Audit Programme for conducting audit of accounts of a Local Body. What are the matters to be included in Director's Responsibility Statement? What are the matters to be included in Director's Responsibility Statement? What are the matters to be considered to verify the validity of any transaction. See Page 11.9, Para 11.1.7 See Page 11.19, Point N of Sch.III 6 See SA-230, Page 27, C.17, Points in Page 25, M 89, M 91, M 93, M 08 Cn.] See Page 4.28, C.12, Page 4.5, Para 4.1.6 [N 13 Qn.] See Page 4.29, C.12, Page 4.5, Para 4.1.6 [N 13 Qn.] See Page 15.24, C.6, Page 15.1, Para 15.1.2 [RTP, N 90, M 03, M 13 Qn.] See Page 14.13, C.31, Page 15.1, Para 15.1.2 [RTP, N 90, M 03, M 13 Qn.] See Page 14.13, C.31, Page 15.1, Para 14.3.3 [Similar to RTP, M 10, M 14 Qn.] Note: Students may draft an Audit Programme, covering the major audit points in Local Bodies, viz. Revenue, Expenses, Special Funds, Assets, Loans from various Agencies, etc. See Page 2.9, C.25, Page 2.6, Para 2.2.8 [N 91, M 97, N 07, N 08, M 10, M 14 Qn.] What are the matters to be included in Director's See Page 11.9, Para 11.1.8, Point 4 6 Discuss the provisions of Section 134 of the Companies Act, 2013 regarding the authentication of Financial Statements. See Page 3.13, C.11, Page 3.4, Para 3.1.7 [M 94, N 05, M 14 Qn.] 4 Provisions for applicability of Internal Audit as per Companies Act, 2013. (a) Provisions for applicability of Internal Audit as per Companies Act, 2013. (b) Provisions for applicability of Internal Audit as per See Page 3.17, Q.No.19 [N 00 Qn.] Advantages of CAAT. See Page 5.11,	(c)	Floating Assets		4
(a) as per Schedule III of the Companies Act, 2013. What are the significant matters observed during the course of audit, a record of which should be kept in the Audit Note Book? Write short notes on the use of Flowcharts in evaluation of Internal Control. Mention any 6 special points which you as an Auditor would (a) look into while auditing the books of a Partnership Firm. Draft an Audit Programme for conducting audit of accounts of a Local Body. What precautions should be taken by an Auditor while applying Test Check Techniques? What are the matters to be included in Director's (a) Responsibility Statement? Business the provisions of Section 134 of the Companies Act, 2013 regarding the authentication of Financial Statements. Write short notes on any four of the following: Provisions for applicability of Internal Audit as per Companies Act, 2013. Changes in Accounting Policies. Refer Page 11.19, Point N of Scn. III See Page 27, 0.17, Points in Page 25, M 89, M 91, M 93, M 08 Qn.] See Page 4.28, Q.12, Page 4.5, Para 4.1.6 [IN 13 Qn.] See Page 15.24, Q.6, Page 15.1, Para 15.1.2 [RTP, N 90, M 03, M 13 Qn.] See Page 14.13, Q.31, Page 14.7. Para 14.3.3 [Similar to RTP, M 10, M 14 Qn.] Note: Students may draft an Audit Programme, covering the major audit points in Local Bodies, viz. Revenue, Expenses, Special Funds, Assets, Loans from various Agencies, etc. See Page 2.9, Q.25, Page 2.6, Para 2.2.8 [N 91, M 97, N 07, N 08, M 10, M 14 Qn.] 4 See Page 11.9, Para 11.1.8, Point 4 See Page 11.9, Para 11.1.7 6 See Page 11.9, Para 11.1.7 See Page 3.13, Q.11, Page 3.4, Para 3.1.7 [M 94, N 05, M 14 Qn.] 4 Write short notes on any four of the following: Provisions for applicability of Internal Audit as per Companies Act, 2013. Advantages of CAAT. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] 4 Changes in Accounting Policies.	(d)	Recovery of Bad Debts Written-Off	9	4
d of audit, a record of which should be kept in the Audit Note Book? Write short notes on the use of Flowcharts in evaluation of Internal Control. Mention any 6 special points which you as an Auditor would look into while auditing the books of a Partnership Firm. Draft an Audit Programme for conducting audit of accounts of a Local Body. What precautions should be taken by an Auditor while applying Test Check Techniques? What are the matters to be included in Director's (a) Responsibility Statement? Discuss the provisions of Section 134 of the Companies Act, 2013 regarding the authentication of Financial Statements. See Page 1.1.9, Para 11.1.7, Point 8 See Page 2.9, Q.25, Page 2.6, Para 2.2.8 [N 91, M 97, N 07, N 08, M 10, M 14 Qn.] See Page 11.9, Para 11.1.7, Point 4 See Page 11.9, Para 11.1.7, Point 4 See Page 11.9, Para 11.1.7, Point 4 See Page 2.9, Q.25, Page 2.4, Para 3.1.7 Write short notes on any four of the following: Provisions for applicability of Internal Audit as per Companies Act, 2013. Write short notes on any four of the following: Provisions for applicability of Internal Audit as per Companies Act, 2013. Changes in Accounting Policies.	-		Refer Page 11.19, Point N of Sch.III	6
Internal Control.		of audit, a record of which should be kept in the Audit Note		6
(a) look into while auditing the books of a Partnership Firm. Carrell C				4
Draft an Audit Programme for conducting audit of accounts of a Local Body. Draft an Audit Programme for conducting audit of accounts of a Local Body. Note: Students may draft an Audit Programme, covering the major audit points in Local Bodies, viz. Revenue, Expenses, Special Funds, Assets, Loans from various Agencies, etc. What precautions should be taken by an Auditor while applying Test Check Techniques? What are the matters to be included in Director's Responsibility Statement? Discuss the provisions of Section 134 of the Companies Act, 2013 regarding the authentication of Financial Statements. See Page 11.9, Para 11.1.7, Page 3.4, Para 3.1.7 (C) any transaction. Write short notes on any four of the following: Provisions for applicability of Internal Audit as per Companies Act, 2013. Write short notes on any four of the following: Provisions for applicability of Internal Audit as per Companies Act, 2013. By Prohibition to Buy–Back its own Securities in certain circumstances. Columnation of CAAT. Columnation of Experimental Statements of Experimental Statements. See Page 13.17, Q.No.19 [N 00 Qn.] Advantages of CAAT. Columnation of Experimental Statements of Experimental Statements of Experimental Statements. See Page 13.17, Q.No.19 [N 00 Qn.] Advantages of CAAT. Columnation of Experimental Statements of Experimental Statements of Experimental Statements. See Page 3.27, Q.8 – Refer AS–1, 5 [M 94, N 02, N 05, N 07 Qn.]				6
(c) applying Test Check Techniques? (d) What are the matters to be included in Director's Responsibility Statement? (e) What are the matters to be included in Director's Responsibility Statement? (f) Discuss the provisions of Section 134 of the Companies Act, 2013 regarding the authentication of Financial Statements. (g) State the factors to be considered to verify the validity of any transaction. (g) Write short notes on any four of the following: (g) Provisions for applicability of Internal Audit as per Companies Act, 2013. (g) Prohibition to Buy–Back its own Securities in certain circumstances. (g) Advantages of CAAT. (g) Changes in Accounting Policies. [N 91, M 97, N 07, N 08, M 10, M 14 Qn.] See Page 11.9, Para 11.1.8, Point 4 6 See Page 3.13, Q.11, Page 3.4, Para 3.1.7 [M 94, N 05, M 14 Qn.] See Page 3.13, Q.11, Page 3.4, Para 3.1.7 [M 94, N 05, M 14 Qn.] 4 See Page 4.24, Point 8 See Page 4.24, Point 8 See Page 13.17, Q.No.19 [N 00 Qn.] Also refer Points below. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] See Page 3.27, Q.8 – Refer AS–1, 5 [M 94, N 02, N 05, N 07 Qn.]			[Similar to RTP, M 10, M 14 Qn.] Note: Students may draft an Audit Programme, covering the major audit points in Local Bodies, viz. Revenue, Expenses, Special Funds, Assets, Loans	6
(a) Responsibility Statement? 6 Discuss the provisions of Section 134 of the Companies Act, 2013 regarding the authentication of Financial Statements. 6 State the factors to be considered to verify the validity of any transaction. 7 Write short notes on any four of the following: (a) Provisions for applicability of Internal Audit as per Companies Act, 2013. (b) Prohibition to Buy–Back its own Securities in certain circumstances. (c) Advantages of CAAT. (d) Changes in Accounting Policies. See Page 11.9, Para 11.1.8, Point 4 See Page 11.9, Para 11.1.8, Point 4 See Page 3.13, Q.11, Page 3.4, Para 3.1.7 [M 94, N 05, M 14 Qn.] See Page 3.13, Q.11, Page 3.4, Para 3.1.7 [M 94, N 05, M 14 Qn.] See Page 4.24, Point 8 4 See Page 13.17, Q.No.19 [N 00 Qn.] Also refer Points below. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] See Page 3.27, Q.8 – Refer AS–1, 5 [M 94, N 02, N 05, N 07 Qn.]				4
(b) 2013 regarding the authentication of Financial Statements. 6 State the factors to be considered to verify the validity of any transaction. 7 Write short notes on any four of the following: (a) Provisions for applicability of Internal Audit as per Companies Act, 2013. (b) Prohibition to Buy-Back its own Securities in certain circumstances. (c) Advantages of CAAT. (d) Changes in Accounting Policies. See Page 11.8, Para 11.1.7 8 See Page 3.13, Q.11, Page 3.4, Para 3.1.7 [M 94, N 05, M 14 Qn.] 4 See Page 4.24, Point 8 See Page 4.24, Point 8 See Page 13.17, Q.No.19 [N 00 Qn.] Also refer Points below. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] See Page 3.27, Q.8 - Refer AS-1, 5 [M 94, N 02, N 05, N 07 Qn.]			See Page 11.9, Para 11.1.8, Point 4	6
(c) any transaction. [M 94, N 05, M 14 Qn.] 7 Write short notes on any four of the following: (a) Provisions for applicability of Internal Audit as per Companies Act, 2013. (b) Prohibition to Buy–Back its own Securities in certain circumstances. (c) Advantages of CAAT. (d) Changes in Accounting Policies. [M 94, N 05, M 14 Qn.] See Page 4.24, Point 8 4 4 See Page 13.17, Q.No.19 [N 00 Qn.] Also refer Points below. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] See Page 3.27, Q.8 – Refer AS–1, 5 [M 94, N 02, N 05, N 07 Qn.]	-		See Page 11.8, Para 11.1.7	6
(a) Provisions for applicability of Internal Audit as per Companies Act, 2013. (b) Prohibition to Buy-Back its own Securities in certain circumstances. (c) Advantages of CAAT. (d) Changes in Accounting Policies. See Page 4.24, Point 8 See Page 4.24, Point 8 4 See Page 13.17, Q.No.19 [N 00 Qn.] Also refer Points below. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] See Page 3.27, Q.8 - Refer AS-1, 5 [M 94, N 02, N 05, N 07 Qn.]	-			4
(a) Companies Act, 2013. (b) Prohibition to Buy–Back its own Securities in certain circumstances. (c) Advantages of CAAT. (d) Changes in Accounting Policies. See Page 4.24, Point 8 4 See Page 13.17, Q.No.19 [N 00 Qn.] Also refer Points below. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] See Page 3.27, Q.8 – Refer AS–1, 5 [M 94, N 02, N 05, N 07 Qn.]	7	Write short notes on any four of the following:		
circumstances. Also refer Points below. Advantages of CAAT. See Page 5.11, Q.23, Page 5.10, Para 5.3.3 [M 06, N 07 Qn.] Changes in Accounting Policies. See Page 3.27, Q.8 – Refer AS–1, 5 [M 94, N 02, N 05, N 07 Qn.]	(a)		See Page 4.24, Point 8	4
(d) Changes in Accounting Policies. [M 06, N 07 Qn.] See Page 3.27, Q.8 – Refer AS–1, 5 [M 94, N 02, N 05, N 07 Qn.]	(b)			4
(d) Changes in Accounting Policies. [M 94, N 02, N 05, N 07 Qn.]	(c)	Advantages of CAAT.		4
(e) Recognition of Interest on Deposits Refer AS-9 / Recognition on Time basis. 4	(d)	Changes in Accounting Policies.	•	4
	(e)	Recognition of Interest on Deposits	Refer AS-9 / Recognition on Time basis.	4

Q.7(b) See Padhuka's Law, Ethics and Communication – A Referencer – For CA Inter (IPC) – Prohibition for Buy–Back [Sec. 70]: A Company should not, directly or indirectly, purchase its own Shares or other Specified Securities –

- (a) Through any Subsidiary Company including its own Subsidiary Companies, or
- (b) Through any Investment Company or Group of Investment Companies, or
- (c) During the continuance of default in -
 - Repayment of Deposits or Interest thereon, or
 - Redemption of Debentures / Preference Shares, or
 - Payment of Dividend, or
 - Repayment of a Term Loan or interest thereon to any Financial Institution or Bank,

Buy–Back is not prohibited, if the default is remedied, and a period of **3 years has elapsed** after such default ceased to subsist.

(d) **Non–compliance** with – (i) Sec.92 – Filing of Annual Return, (ii) Sec.123 – Declaration of Dividend, (iii) Sec.127 – Distribution of Declared Dividends, (iv) Sec.129 – Financial Statement.

Q.7(d) & (e): See Padhuka's Ready Referencer on Accounting for CA Inter (IPC) - Accounting Standards