



GRAPH PAPER IS ON THE PENULTIMATE PAGE

Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

IPC Examination

Group No. V Paper No. 6

Subject Auditing and Assurance

Number of Answer Books used : Main + additional sheets

For use by ICAI only

445954



6626111-6157

Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (to be filled by Examiner)					Total
		a	b	c	d	e	
1	✓	2	4	4	4		14
2	✓						10 9
3	✓	4	4	4	4		16
4	✓	3	6	6			15
5	✓	3/4	6	5			15 14
6							
7	✓	4	4	3	4		15 15
8							
9							
10							
Total							81 7983A

Use only Blue / Black Ball Point to write and shade the circles. **VOID RED PEN.** The marks in the boxes before filling the respective circles.

Total Marks awarded

83 ← 83

0	0
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9

Total Marks awarded (in words)

EIGHTY THREE SEVENTY NINE ONLY

Examiner's Signature

INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

- Roll number should be written in figures and words in the allotted space at the right hand corner of the Attendance sheet only and nowhere else including additional answer book/s and graph paper.
- Roll number should be written in the box in numbers and darken the appropriate circles of the OMR portion provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
3. Fill particulars such as name of Examination, Group No., Paper No. and subject at the appropriate space at the left hand upper corner.
 4. Remove the Bar Code sticker of the particular paper from the Attendance sheet, and affix the same on the box provided in the right hand corner of the cover page.
 5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
 6. The answers should be written neatly and legibly.
 7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
 8. The answer to each question in all parts should be fully completed in one page, or in a consecutive set of pages, before the next question is taken up.
9. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
10. Before submission of answer book to the invigilator after completion of the exam, take care to score out (X) blank pages, if any, that you might have left.

2A)

(a) True ^{Correct!} As per SA 200 "The overall objective of audit and conduct of Audit in accordance with Standard of Audit states that the basic objective of Auditor is to express an opinion it does not change with reference to nature, size and form of an entity only the audit-procedures may change however.

(c) Incorrect! The casual vacancy of a Cost Auditor of a company is filled by Board of directors within 30 days of such vacancy not by Shareholders in general meeting as given.

(e) Incorrect! Shifting of Company's books of accounts from Registered office to any place other than registered office is done only with the approval of (ROC) on application made by company. Mg. director cannot however shift without prior approval.

(ii) Incorrect! written representation obtained from management by the auditor does not reliably be taken as a substitute for other audit evidence if such audit evidence is however available. Only Mgt. responsibilities, other matters restricting auditor to obtain evidence must be taken from Mgt. representation.

2 Ans

(1) Incorrect: As per disclosure requirements of Schedule III of Co. Act 2013 the "Reserves & Surplus" negative balance must be disclosed separately in brackets indicating the negative balance clearly on face of financial statement.

(9) Correct: There is no need to issue new Audit engagement letter if there are no changes in previous engagement.

Incorrect: however engagement letter is to be entered every year if change in nature, size, complexity of business etc.

(f) Correct: Vouching of Payments also ensure that authorisation, approval, occurrence of payment made & accrued by the entity.

(d) ^{Incorrect:} false. There is 5% limit for Board of Directors to contribute of to any charitable and other funds. However after approval of members in excess of 5% can be made as required. Recent notified that any amount can be paid to only political parties.

(h) Incorrect: Inherent, Detection, Control risk are interrelated in effective internal control system.

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks⁰⁵ in IPCC Audit in NOV 1
exams

3A)

(a) Expenditure Incurred for Promotion of a Product

- ✓ - vouch the expenses relating to Promotion expenses with relevant supporting documents.
- ✓ - Verify the receipt of vouchers in relation to expenses incurred.
- ✓ - Verify the expenditure is properly authorised.
- Check the amounts are matched with vouchers produced.
- o/ - Check no personal expenses are included in ledger.
- o/ - Test check the total, arithmetical accuracy, - Check the expenditure is incurred relating to business.
- ✓ - Check the period falls in respective f.y.
- Check adequate disclosures have been made as required in P&L.
- Check whether such expenses for promotion of a new product may be considered as deferred.

✓✓

3A)
(b)

Inventories - work In Progress.

- Obtain the Certificate of work in Progress manager.

- Ensure all the Cost have been Properly recognised for material, Labour, Overhead expenses separately.

- Check the unit Cost Compared with Actual/ Standard Cost regularly and ascertain any differences are Properly dealt.

- Enquire the stage of Completion of such inventory is Properly recognised.

- Check the Cost of Processing, Unit Cost are readily & reasonably ascertained.

- Check no finished goods are included.

- Check the Internal Control system regarding such Inventory.

- Check Proper disclosure as Per Schedule III has been made.

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

3A)

(C)

Purchase returns

- Check the debit note is properly raised and relating to purchases made including seasons.
- ✓ - check the stock register for movement of goods out of the godown.
- ✓ - Perform Analytical Procedures for Purchase returns with previous year.
- Ensure proper disclosure, accounting is made for such Purchase returns. Debiting the creditor and crediting the stock.
- ✓ - check whether too many purchase returns are relating to year end.
- check that year end purchase returns are properly accounted.
- ✓ - check the ledger accounts details.
- check disclosure as per schedule II is made in P&L.

✓

VEE ACADEMY, HYDERABAD 8019162918

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV '1
exams

3A1)

(d) Discounted Bills receivable Dishonoured

- ✓ - Obtain the Confirmation from Bank.
- Check the bank Reconciliation Statement.
- ✓ - Check the bank has debited the clients
o account.
- ✓ - Check that Company has properly accounted
in its books for such transactions.
- o - Check whether intimation to party is
regularly made.
- Check that the discount charges has
✓ been deducted by bank and accounted by
Company.
- ✓ - Ensure that noting charges have been
adequately recovered.
- Check the ledger of Bills receivable
o dishonoured.
- ✓ - Check the proper authorisation is made.

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

4A)

(b) Sec-144 states the auditor shall not be eligible for appointment if following services are rendered

- Internal Audit
- Accounting & book keeping services
- Design & implementation of Accounting system.
- Investment Banking services
- Investment Advisory services
- Actuarial services.
- Managerial services.
- Outsourced financing services
- Any other services as may be prescribed

(no services have been specified yet)

for the Company and not for subsidiary (or) associate company or other form of entity.

So, person shall be eligible for appointment as an auditor if such services are rendered for subsidiary, associate company etc.

VEE ACADEMY, HYDERABAD 8019162918

4A)

(a) As Per SA-315- Assertions refers to management representations explicit/otherwise embodied in the Preparation of Financial Statements used by the Auditor. The following are assertions used by Auditor at Class of transaction level:-

- ✓ - Occurrence - the transactions, events actually occurred
- ✓ - Completeness - transactions has been recorded in full
- ✓ - Authorisation - transactions occurred under proper authority.
- ✓ - Cutoff - Cutoff procedures have been followed for purchases, sales, inventories etc.
- Compliance - Complied with all applicable laws & regulations.

* Assertions at Account balance level includes

- - Existence - physical existence of Assets & liabilities
- - Rights & obligations - regarding title have been compiled.
- Completeness - Disclosure & omissions have been compiled
- - valuation - properly valued and recorded.

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

4)
(CA)

Audit of Receipts from Patients of a
Hospital -

Collection from Inpatients

- Check the x-rays, operation receipts have been properly recorded.
- Check the Internal control systems exists in proper realisation, Collection of such receipts.
- Ensure proper authorisation is followed for the person receiving.
- Ensure proper rates have been applied as predetermined by the management.
- Emergency services have been properly accounted.
- Pharmacy receipts have been collected.
- Verify any discount allowed are properly authorised by the members.

Collection from outpatients

- Check the rates applied are proper and predetermined.
- Check the register of outpatients maintained.
- Check proper Internal control system exists.
- Check any discounts allowed under proper authority and accounted.
- Check the money is properly deposited in bank.
- Check the Bank statements for income received & reconcile.

VEE ACADEMY, HYDERABAD 8019162918

15

5 Ans)

(a) Computer Audited Audit Techniques is a software programme used by auditor to conduct audit in CIS environment includes audit procedures to be performed by test checking and other to express an audit opinion.
The following are the Advantages of CAAT:-

✓ Audit Effectiveness:- CAAT enables auditor to perform all procedures required enabling to achieve audit effectiveness.

✓ Test-checking & examination in depth:- CAAT enables to test check, examine in depth the transactions in CIS environment recorded enabling to construct a bridge of lost audit trail.

✓ Time & cost saving:- CAAT provides best audit outcome in CIS environment enabling auditor to save time & cost of audit.

✓ Others:-
• Changes in programmes
• Lack of visible input, output, audit trail
• Higher level languages.

CA. LOKESH CV sir's student A. NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

5A)

(b) The overall Audit plan includes obtaining knowledge of clients business in following way:

- * Relevant Industry information in which the business exists to analyse the Analytical Procedures to be performed
- * understanding the structure of organisations including the directors, TCG, employees etc.
- * understanding the Accounting Policies, Procedures, estimates followed by the management in preparation of financial statements.
- * Read the Company's recent reports, statements, manuals issued.
- * Enquire the management, TCG the significant decisions taken during the year.
- * Read the Companies minutes conducted.
- * Read report of various audits, authorities given on Company.

By obtaining the relevant knowledge the auditor can ascertain - Nature, timing & extent of audit procedures to be performed

- Audit requiring special attentions.
- Time to be devoted to major areas.
- Additional, Alternative procedures when the knowledge obtained differs from actual.
- To assess Risk - If risk is risk of fraud, complexity of transaction, subjectivity involved, related party transaction could be ascertained.

5 Ans)

(CA) - As per SA 200 the overall objective of audit is to prevent/detect fraud/error in financial statements - Secondary objective.

2) The primary responsibility for prevention & detection of fraud/error rests with management internal control systems.

3) The Auditor could only obtain reasonable assurance not conclusive due to inherent limitations of Audit

4) The risk of not detecting management fraud is greater than other because mgmt may conceal the fraud committed.

5) Auditor's duty is to express an opinion after making reasonable skill, competence & due care.

6) Auditor is held duty of negligence for not detecting the frauds/error (London v. Kilgob)

7) Auditor must have professional skepticism throughout the audit.

8) Auditor is not a Blood hound just a Watchdog (Kings v. Eton Mills) where auditor is not negligent management concealed.

9) Risk of not detecting fraud is greater than that of error.

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

Therefore the primary responsibility is management & the auditor must have reasonable assurance relating to Audit & Audit risk. It is duty of Auditor to bring to notice of management frauds/errors occurred, management must consider & rectify the same.

7A)

bAs)

• Narrative record refers to clear description of clients Internal Control system. This is suitable for small businesses.

• The Auditor must get clear knowledge of the Policies & Procedures that are in existence.

• This is suitable where there is no formal system of Internal Control in existence.

• This is clear, simple way of understanding the Internal Controls in existence.

• The Auditor gives clear, exhaustive report in textual form describing all the procedures, structures existing in business.

Disadvantages:-

* Not suitable for larger businesses.

* Too detailed record must be studied.

* Regular updation is required whenever changes in roles/responsibilities take place.

Advantages:-

* It is lower level description i.e. complete description

* Simple to understand, applied by small businesses.

VEE ACADEMY, HYDERABAD 8019162918

(a) Propriety Audit :-

- In this the Auditor tries to bring out the improper, avoidable expenditures incurred to the notice of management.
- It is different from Regular Audits.
- It is more concerned on substance than over the form of expenditure.
- Ensures efficient utilisation of resources by the Government.

The following are Propriety norms:-

- * No expenditure must be incurred prima facie more than occasional/demands.
- * Expenditure must not be incurred for the benefit of person authorising.
- * Expenditure must not be incurred for benefit of few people/section of society unless:-
 - * It is approved custom followed
 - * Amount is insignificant.
 - * Such expenditure is out of Courts approval.
- * No provision must be incurred for appropriation of profits.

CA LOKESH CV sir's student A.NIKHIL (H.T
17
195545) got 83 marks in IPCC Audit in NOV 1
exams

(CA) Responsibility of Joint Auditors :-
As per SA 299 -

- * Joint Auditors are responsible for the areas which are divided among them.
- * Frauds / errors occurring out of specific division is responsibility of the auditor concerned.
- * Joint auditors are jointly & severally responsible for the areas not divided.
- * If any circumstances brought to notice of other Joint Auditors not included / considered are liable for such negligence.
- * Jointly responsible for significant items not considered by all.
- * Responsible for joint frauds / commissions done by all the Auditors.
- * Responsible for the Audit Report given by them.
- * NOT responsible for report differently given by one of joint auditors.
- * NOT responsible for frauds by management concealment.

VEE ACADEMY, HYDERABAD 8019162918

dA) Applicable Financial Reporting Framework-

* Refers to framework followed by the
BoD / members.

* Refers to framework as prescribed
by applicable laws & regulation.

* framework as required by Accounting
Standard.

* As per SA-700 the auditor must
satisfy the framework followed is
applicable financial reporting framework if

- All the legal rules / regulations followed
- Accounting policies followed
- Disclosure requirements followed
- Reflect the true & fair view.

Hence the framework can be reliable if
all the conditions are satisfied. If no
Auditor must recommend General framework.

- Management is responsible for selection &

Disclosure of Proper Financial Reporting Framework

- If management takes additional
responsibilities as to disclosure it includes
fair presentation framework.

- Duty of Auditor to check whether financial
statements as per applicable FRF & FPF
as per SA 700.

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

1A)

2A) Circumstances other than unqualified opinion.

* As per SA-705

• If Auditor concludes that frauds/errors resulting in material misstatement is material but not pervasive issue a qualified opinion.

1) • If such misstatement is both material & pervasive issue a adverse opinion stating the financial statements are not as per FRF, FPF.

1) • If Auditor is unable to obtain sufficient & appropriate audit evidence issue a disclaimer of opinion.

Qualified/Disclaimer - Auditor must state - Except for or subject to matters specified the f/s are as per FRF, FPF.

o * As per SA-240 if Auditor could not resign after obtaining evidence as per law issue a modified opinion.

o * If financial statements are not in accordance with laws, regulations, rules, Accounting standards issue a modified opinion.

o * As regarding to materiality also issue modify opinion if required

o * As per SA-450 if misstatements individual/aggregate exceeds materiality issue modify opinion.

o * As per SA-720 management refuses to correct modify

o * As per SA-510 if the previous auditor report is modified the current year is not yet corrected issue a modified report.

2/1
VEE ACADEMY, HYDERABAD 8019162918

(1)

bA)

As per Companies Act 2013 Securities Premium can be utilised only for the following purposes:-

- * for Issue of bonus to share holders (only if such premium is received in cash)
- * for redemption of Preference Shareholders at a premium.
- * for writing off preliminary expenses shown in balance sheet as not written off.
- * for the expenses, commission incurred at time of issue of shares.
- * for the purpose of Buyback of Shares

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

(1)

(Ans) Auditors lien in respect of working papers:-

* Working papers are the sole property of auditor and need not be given to any person unless required by law.

* The Auditor enjoys the whole responsibility in respect of working papers.

* Branch Auditor need not disclose the working papers to Principal Auditor.

* The client cannot demand working papers from Auditor.

* The auditor can have lien of working papers:-

* If such working papers relate to the auditor

* If such working papers relate to the work done by him.

* If there is a fee recoverable in respect of such work done.

* If such working papers are properly ~~acquired~~ ^{acquired} under proper authorisation

* Auditor is responsible to maintain working papers for a period of 7 years from completion of audit

* Auditor must assemble the working papers within 60 days of report given.

VEE ACADEMY, HYDERABAD 8019162918

QAs / SA-560 Subsequent events.

Type-1 - Events that do not effect the f/s.

Type-2 - Events that effect the f/s - Adjusting events.

- The Auditor must enquire

* The recent contracts entered by management for purchasing / selling or any fixed contracts entered

* The transactions which need to be disclosed in f/s which effect the decision making of users like

- Litigations & claims.

- Fire breakout damaging

- Buying/selling agreements.

The Auditor Considerations are as follows:-

* If insignificant fact came to notice of Auditor before issuing audit report inform the management and issue the report accordingly.

* If such matters arise after financial statements are approved but before audit report

- Enquire management & if management accepts to modify - provide new audit report and new audit procedures must be followed.

CA LOKESH CV sir's student A.NIKHIL (H.T
195545) got 83 marks in IPCC Audit in NOV 1
exams

* If management refuses to rectify issue a modified audit Report.

* If Circumstances arise after AR is given and management refuses to rectify before sending to members issue Dual dated Audit Report.

* If both Circumstances arise after sending to members take necessary steps & advised not to consider the Audit report given.

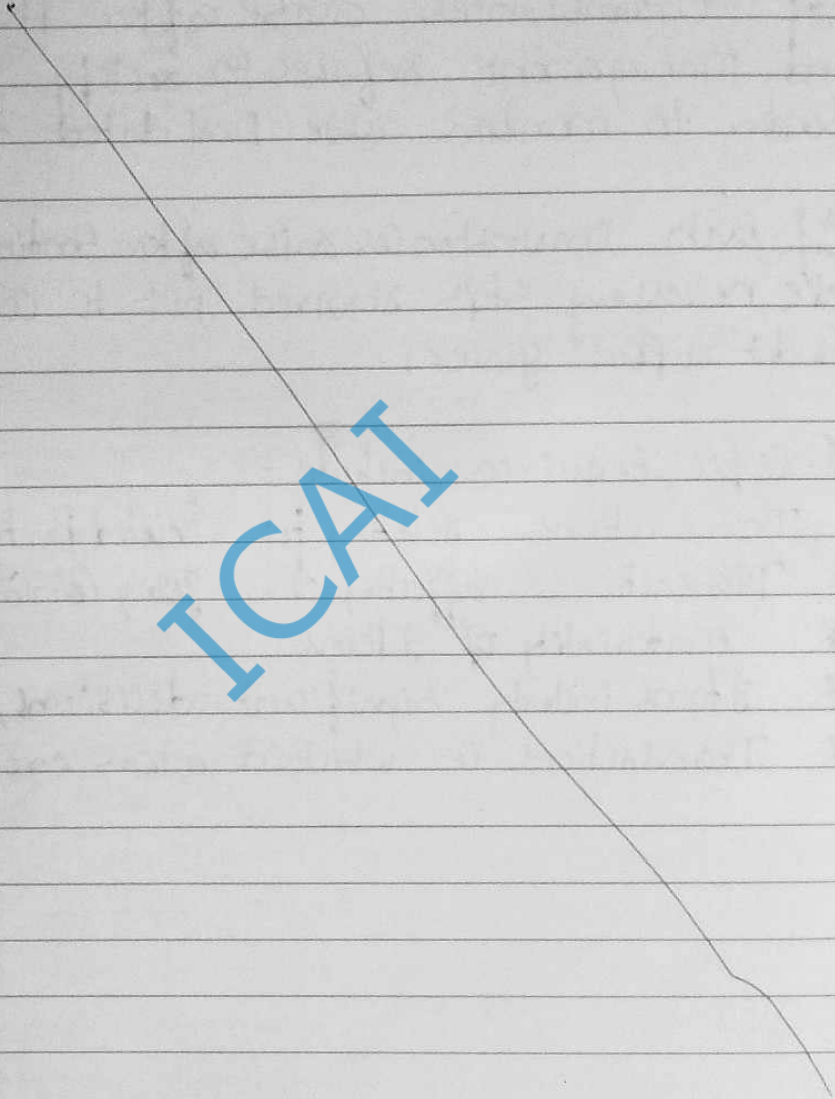
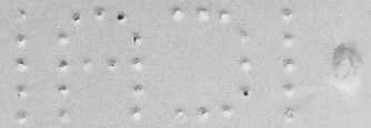
Specific Inquiries include -

- o * Transactions relating to Related Party
- ✓ * Transactions affecting the going concern
- o * materiality of items.
- ✓ * Items include significant decisions, estimates.
- o * Transactions in which directors are interested.

14

14

VEE ACADEMY, HYDERABAD 8019162918

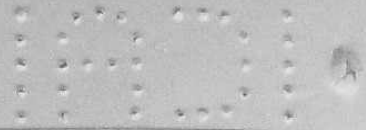


ICAI

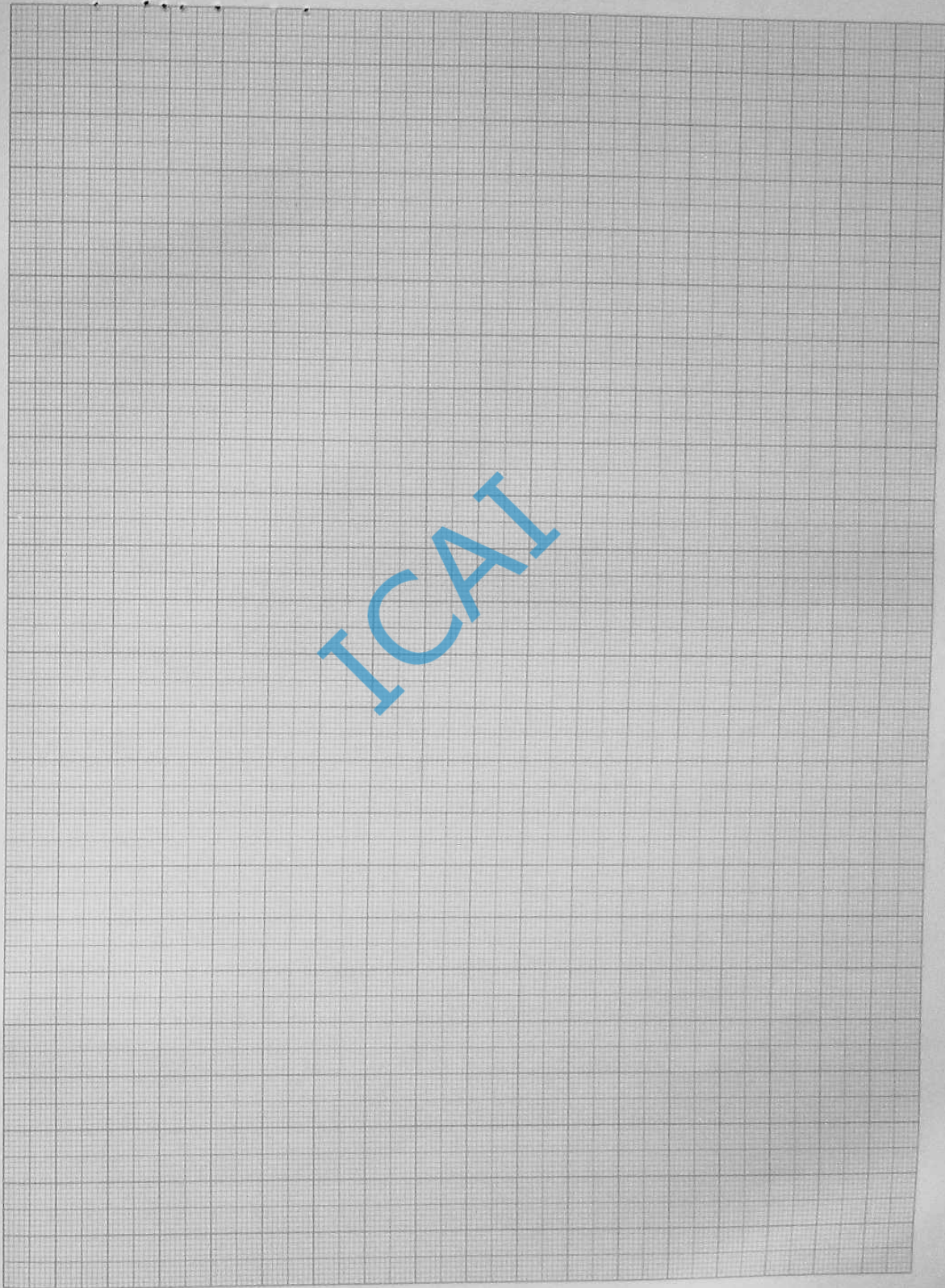


ICAI





ICAI



ICAI



ICAI