

Section A Multiple Choice Questions

MCQs 1-6 carry 1 mark each and MCQs 7-8 carry 2 marks each. (Total 10 marks)

1. _____ of the profits of a co-operative society should be transferred to reserve fund before distribution to members. Registrar may reduce it but at least _____ is even then required to be transferred to reserve fund.
(a) 50%, 20%
(b) 50%, 10%
(c) 25%, 20%
(d) 25%, 10%
2. Public money should not be utilized for the benefit of a particular person or a section of the community or for the person who is sanctioning the expenditure. These are the principles covered in _____.
(a) Performance Audit
(b) Audit against rules and orders
(c) Propriety Audit
(d) Efficiency Audit
3. Which of the following matter is not required to be inquired by auditor of multi-state co-operative society under Sec. 73(2) of Multi-State Co-operative Societies Act, 2002:
(a) Whether loans and advances made on the basis of security have been properly secured and whether the terms on which they have been made are not prejudicial to the interests of the society or its members;
(b) Whether transactions which are represented merely by book entries are not prejudicial to the interest of Society;
(c) Whether personal expenses have been charged to revenue account; and
(d) Whether loans and advances shown as deposits.
4. The appointment of first auditor of a multi-state cooperative society is made by: -
(a) Central Registrar
(b) Board of society
(c) Members of society
(d) Central Government
5. LLP, whose turnover does not exceed ` _____ or whose contribution does not exceed ` _____, is not required to get its accounts audited.
(a) 40 Lakhs, 25 Lakhs
(b) 50 Lakhs, 25 Lakhs
(c) 40 Lakhs, 20 Lakhs
(d) 60 Lakhs, 30 Lakhs
6. The Comptroller and Auditor General of India shall hold office –
(a) For 6 years
(b) Upto the age of 65 years
(c) Either (a) or (b), whichever is earlier
(d) Either (a) or (b), whichever is later
7. Statement 1. Special audit of multi-state co-operative society can be conducted by central registrar when he is of the opinion that the financial position therefore is such as to endanger its solvency.
Statement 2. Central government may on request from at least one-third of members of board hold an enquiry into constitution, working and financial condition of multi-state co-operative society.
(a) Only statement 1 is true
(b) Only statement 2 is true
(c) Both the statements are true
(d) None of the statement is true

8. As per Rule 24 of LLP Rules, 2009, Statement of Account and Solvency shall be filed in _____ with the _____, within a period of _____.
- (a) Form 5, SEBI, 30 days from the end of 3 months of the financial year to which the Statement of Account and Solvency relates.
- (b) Form 5, Registrar, 30 days from the end of 6 months of the financial year to which the Statement of Account and Solvency relates.
- (c) Form 8, SEBI, 30 days from the end of 3 months of the financial year to which the Statement of Account and Solvency relates.
- (d) Form 8, Registrar, 30 days from the end of 6 months of the financial year to which the Statement of Account and Solvency relates

Section B: Descriptive Questions

Question 1: The external control of municipal expenditure is exercised by the state governments through the appointment of auditors to examine municipal accounts. State the objective of Audit of Local Bodies. (4 marks)

Answer 1: The *important objectives of audit are:*

- reporting on the **fairness** of the content and presentation of financial statements;
- reporting upon the **strengths and weaknesses** of systems of financial control;
- reporting on the **adherence to legal and/or administrative** requirements;
- reporting upon whether **value is being fully received** on money spent; and
- detection and prevention** of error, fraud, and misuse of resources.

Question 2: Briefly state the Advantages of Audit of LLP. (4 marks)

Answer 2:

- Detection of Errors:-** Auditing the accounts of a LLP helps in detecting errors & frauds & verification of financial statements.
- Disputes:-**Disputes, if any between any partners in the matter of accounts can be settled with the help of audited accounts.
- Reliability:-** Banks & financial institutions lend money to the firms only on the basis of audited accounts.
- Better Compliance and Management:-**Periodical visits & suggestions by the auditor will be helpful in improving the management of the LLP.
- Reconstitution:-** For settling accounts between partners at the time of admission, death, retirement, insolvency, insanity, etc. audited accounts are accepted by those concerned who have dealings with the LLP.

Question 3: Discuss, in what circumstances, Central Registrar can hold an inquiry into working and financial condition of a multi-state cooperative society. (3 marks)

Answer 3: The Central Registrar may, on a request from:-

- a federal co-operative to which a Multi- State Co-operative society is affiliated or
- a creditor or not less than one-third of the members of the board or
- not less than one-fifth of the total number of members of a Multi-state co-operative society, hold an inquiry or direct some person authorized by him by order in writing in his behalf to hold an inquiry into the constitutions, working and financial condition of a Multi-State Co-operative society.

Question 4: “Constitutional Provisions relating to CAG are given in the Articles.” Comment. (4 marks)

Answer:

1. The *Comptroller and Auditor General (CAG) of India* is the Constitutional Authority in India, established under Article 148 of the Constitution of India.

2. **Article 148** deals with the appointment, oath, removal and conditions of service of CAG.
3. **Article 149** deals with Duties and Powers of the Comptroller and Auditor-General of India.
4. **Article 150** states that the accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the CAG, prescribe.
5. **Article 151** requires that the reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the president, who shall cause them to be laid before each House of Parliament.

Question 5: CA. Adheer is appointed as the auditor of a charitable institutions. Discuss the audit procedure undertaken by him while auditing the Subscription and Donation received by the charitable institution. (5 marks)

Answer 5: CA. Adheer shall specifically undertake the following procedures with respect to subscription and donations received by the charitable institution being audited by him:

- (i) Ascertain the changes made in amount of annual or life membership subscription during the year, if any.
- (ii) Check whether official receipts are issued;
 - (a) confirm that adequate control is imposed over unused receipt books;
 - (b) obtain all receipt books covering the period under review;
 - (c) test check the counterfoils with the cash book, any cancelled receipts being specially looked into;
 - (d) obtain the printed list of subscriptions and donations and agreeing them with the total collections shown in the accounts;
- (e) examine the system of internal check regarding moneys received from box collections and the amount received from representatives, with the correspondence and the official receipts issued. He shall pay special attention to the system of control over collections and the steps taken to ensure that all collections have been accounted for; and
- (f) verify the total subscriptions and donations received with any figures published in reports, etc. issued by them.

Question 6: You have been appointed as an auditor of APJ School. Discuss the points which merit your consideration as an auditor while verifying Assets and Liabilities of APJ School. (5 marks)

Answer 6: In particular, the auditor shall consider the following:

1. Report any old heavy arrears on account of fees, dormitory rents, etc. to the Managing Committee.
2. Confirm that caution money and other deposits paid by students on admission, have been shown as liability in the balance sheet not transferred to revenue, unless they are not refundable.
3. See that the investments representing endowment funds for prizes are kept separate and any income in excess of the prizes has been accumulated and invested along with the corpus.
4. Ascertain that the system ordering inspection on receipt and issue of provisions, foodstuffs, clothing and other equipment is efficient and all bills are duly authorised and passed before payment.
5. Verify the inventories of furniture, stationery, clothing, provision and all equipment etc. These should be checked by reference to Inventory Register or corresponding inventories of the previous year and values applied to various items should be test checked.

Question 7.

As an auditor, what would be your areas of consideration while auditing the element of ROOM SALES during the audit of a 4-Star Hotel. (5 marks)

Answer 7:

- The charge for room sales is normally posted to guest bills by the receptionist.
- The source of these entries is the guest register and audit tests should be carried out to ensure that the correct numbers of guests are charged for the correct period.

- Any difference between the charged rates used on the guests' bills and the standard room rate should be investigated to ensure that they have been properly authorised.
- In many hotels, the housekeeper prepares a daily report of the rooms which were occupied the previous night and the number of beds kept in each room.
- This report tends not to be permanently retained and the auditor should ensure that a sufficient number of reports are available for him to test both with the guest register and with the individual guest's bill.
- The auditor should ensure that proper valuation of occupancy-in-progress at the balance sheet date is made and included in the accounts.

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