

Roll No.

Total No. of Printed Pages – 8

Total No. of Questions – 6

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written on the same descriptive type answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book only will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs and (b) the answer book in respect of descriptive type answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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PART – II

1. Answer the following :

- (a) Ace Limited (manufacturer of textile goods) got an order of manufacturing of PPE kits in December 2020. But there was shortage of machinery and manpower to accomplish the ordered requirement of PPE kits. Ace Ltd. approached another manufacturing unit Jack Limited for purchase of the unit. Jack Limited was interested in the sale of unit, so the deal went through and Ace Limited acquired ninety five percent shares of Jack Limited. The new management of Jack Limited proposed and appointed NKB Associates, Chartered Accountants, (already auditors of Ace Limited) as new auditors of Jack Limited. NKB Associates accepted the assignment without considering information whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate. Comment with respect to appropriate Standard of Auditing what type of information assists the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate or not ? 5
- (b) You as a statutory auditor had audited the financial statements of A Ltd., a listed company, for F.Y. 2019-2020. The company has included the comparative financial information in the financial statements prepared for the current F.Y. 2020-2021. You as an auditor want to obtain sufficient appropriate audit evidence that comparative financial information has been presented, in all material aspects, in accordance with the requirements in the applicable financial reporting framework. List out audit procedures, as specified in relevant SA, which you are required to follow for the purpose. 5

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- (c) You are an auditor of KAL Ltd., a multinational company dealing in auto parts. The company is operating in a CIS environment comprising of hardware, software, people and transmission media and has implemented an internal control. Different types of controls are used to enhance the reliability of basic components with respect to each type of error. List down major classes of controls that you must evaluate as an auditor. 4

2. Answer the following :

- (a) While auditing the complete set of consolidated financial statements of J Ltd., a listed company, using a fair presentation framework, PQR & Co., a Chartered Accountant firm, discovered that the consolidated financial statements are materially misstated due to the non-consolidation of one of the subsidiary. The material misstatement is deemed to be pervasive to the consolidated financial statements. The effects of the misstatement on the consolidated financial statements could not be determined because it was not practicable to do so. Thus, PQR & Co. decided to provide an adverse opinion for the same and further determined that, there are no key audit matters other than the matter to be described in the Basis for Adverse Opinion section. Comment whether PQR & Co. need to report under SA 701 'Communicating Key Audit Matters in the Independent Auditor's Report' ? 5
- (b) While conducting the tax audit of PJP Ltd. you observed that company has timely filed ETDS return for TDS deducted on salary u/s 192 of The Income Tax Act, 1961 in form 24Q in respect of fourth quarter period from 1st January 2021 to 31st March 2021. The company has not furnished list of details which are not reported in the statement of tax deducted at source under the pretext that TDS statements are furnished within the prescribed time. As a Tax Auditor of PJP Ltd. how you would deal and report ? 5

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- (c) CA S has been appointed as peer reviewer of JS & Associates, a Level-I CA Firm. CA S wants to appoint CA K as his assistant, as he has working experience in a Level-I CA Firm. What aspects CA S should take care of before appointing CA K as Assistant, for the peer review of JS & Associates ? 4

3. Answer the following :

- (a) AB & Associates, a chartered accountant firm, was appointed auditors of KEY Company Ltd. for the financial year ended 31st March 2021. Being the first year of audit, the audit firm AB & Associates, as per its system of quality control, involve senior partner of the firm to review the overall audit strategy prepared by the team members. What additional matters would be considered in initial audit engagement by the senior partner in establishing the overall audit strategy and audit plan of KEY Company Ltd. ? 5
- (b) HG & Co. is the statutory auditor of KFN NBFC Ltd. While planning the audit procedures to be done during the audit of entity, there was a difference of opinion between Mr. H and his partner Mr. G. Mr. G is of the opinion that evaluation of Internal control system and verification of registration with RBI should not be the part of audit procedure, as it is the part of internal audits only. Is the contention of Mr. G correct ? Also state what broad areas should mandatorily become part of the audit procedure of HG & Co. for conducting the audit of KFN NBFC Ltd. ? 5
- (c) Mr. Joe, a practicing chartered accountant, has accepted an appointment as auditor of cooperative society and agreed to charge fees @ 7% of the profits of the society during the financial year 2020-21. Comment on action of Mr. Joe with reference to the Chartered Accountants Act, 1949 and Schedules thereto. 4

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4. Answer the following :

- (a) You are an auditor of XYZ Insurance Company Ltd. which offers variety of risk management products to business entities wishing to protect their business activities against losses due to various probable risks. XYZ Insurance Company Ltd. is in the process of offering to ABC Ltd., a multinational group having worldwide market, "Trade Credit Insurance Policy" to cover domestic risk, export risk and political risk. You as an auditor of Insurance Company have been requested to ensure that all the requirements have been met by XYZ Insurance Company Ltd. before Trade Credit Insurance Product is offered to ABC Ltd. List down those requirements. **5**
- (b) "What constitutes a 'true and fair view' is the matter of an auditor's judgement in particular circumstances of a case." Do you agree ? Enlist the requirements you as an auditor will observe to ensure true and fair view. **5**
- (c) AJ & Associates and PK & Co., chartered accountant firms have joined the Network firm A to Z & Affiliates registered with Institute. AJ & Associates was statutory auditor of B Ltd. for last 10 years. Due to rotation of auditor as per section 139(2) of Companies Act, 2013, B Ltd. retires AJ & Associates and appoints PK & Co. as auditor for the year 2020-21. Comment as per Chartered Accountant Act, 1949 - Guidelines for Networking. **4**

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5. Answer the following :

- (a) TEA Ltd., FMCG Company having its tea gardens in north eastern states of the country is exclusively dealing in blending, processing, packing and selling of various brands of Tea. During the year under audit, the company entered into joint venture for purchasing Tea Gardens in Sri Lanka and Kenya. M/s GN & Associates are the statutory auditors of the company for the financial year 2020-21. During the course of audit, the audit team was unable to obtain sufficient appropriate evidence about a single element of the consolidated financial statements being Joint venture investment in Kali Ltd. representing over 90% of the group's net assets having both material and pervasive possible effect to the consolidated financial statements. The group's investment in Kali Ltd. is carried at ₹ 100 crores in the group's consolidated balance sheet. Draft the opinion paragraph and basis of opinion paragraph to be included in the Independent Auditor's report. 5
- (b) What will be the liability of Mr. X, an auditor in the following situations ? Support your views :
- (i) Mr. X has appeared before the Income Tax Authorities as an authorized representative of his Auditee and submitted to the Income Tax Authorities a false declaration. 2
- (ii) As an auditor, not appropriately dealing with a misstatement appearing in financial statements amounting to ₹ 9.84 lakhs. Misstatement does not involve public interest. 3
- (c) "In reviewing any System or Procedure, the management auditor must concern himself with its purpose as well as its design." Elucidate how you as a management auditor will study system and procedural functions. 4

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6. Answer the following :

- (a) C&AG appointed a chartered accountant firm to conduct Performance audit of COP Ltd., a PSU of Govt. of India. The firm conducted the audit with a view to check all the expenses of the unit are in conformity to the public interest and publicly accepted customs. The audit report submitted by audit firm was rejected by C&AG. Give your opinion on the action of C&AG. **5**
- (b) Your firm has been appointed as a statutory auditor of a nationalised bank which has multiple banking accounts and consortium accounts of corporate borrowers and of which many accounts are falling within the purview of CDR (Corporate Debt Restructuring) mechanism. Enumerate the audit procedure to be carried out for assessing such borrowers' accounts. **5**
- (c) You are appointed as an auditor of BHK Ltd., a company engaged in export of agricultural equipment. During the course of audit, your audit team informed you regarding non-deduction of TDS on huge payments made to legal counsel of BHK Ltd. You want to alert your team on the possibility of non-compliance with Laws and Regulations by BHK Ltd. Help your audit team in identifying any other indications of non-compliance with Laws and Regulations particularly related to payments made by the company. **4**

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(c) As a tax auditor of RM & Co. for the assessment year 2021-22, how would you deal and report the following :

(i) RM & Co. has borrowed ₹ 75 lakhs from a bank @10% p.a. for purchase of machinery. The machinery was purchased on 30.09.2020, but was put to use on 10.04.2021. The interest paid to bank for the year 2020-21 was charged to Profit and Loss Account. 2

(ii) RM & Co. is a trading concern and maintains the quantitative details of items traded. The said details have been provided to you by the company for meeting reporting requirements, if any. 2

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