Roll No. .... Total No. of Printed Pages – **7**

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 only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The barcoded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No barcode sticker is to be affixed on the OMR answer sheet.
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, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book 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. 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.

PART – II

Answer Question No. 1 which is compulsory and ANY 4 out of remaining 5 questions.

1. Answer the following :

   (a) During the audit of Data Solutions Ltd., a listed company, your audit manager observed that several estimates are made by the Company. He seeks your guidance to know areas of accounting estimates that may give rise to lower level of risk of material misstatement. Guide him with examples. 5

   (b) Excellent Bank Ltd. is a Public Limited Company. The said Bank has various branches all over India. The Bank appoints 3 Joint Auditors for the financial year ending 31/03/2019. All the 3 Joint Auditors divide the work with mutual consent. Verification of Consolidation, however, remained undivided. All branches and zones were divided amongst the 3 Joint Auditors. During audit of zones, CA. Z, one of the joint auditors expressed a concern about internal control in one of the large corporate branches situated in his zone. The irregularity was not reported in the final accounts as the other 2 Joint Auditors were not in favour of reporting and decision of not reporting the same was taken on the basis of majority. Subsequently, fraud has been detected in the said branch which was audited by CA. Z. 5

   The Bank seeks your advice about the responsibility of the 3 Joint Auditors in the above situation.

(c) A is the proprietor of a firm M/s ABC & Co. The firm has a turnover of ₹ 500 lakhs during the financial year ended 31/03/2019. The firm sold land and building during the year for a consideration of ₹ 15 lakhs, whose value for stamp duty purposes was ₹ 16 lakhs. As the Tax Auditor of the said firm, is the above to be reported ? If yes, how will you report the same ? **4**

2. Answer the following :

(a) A listed entity has to obtain a compliance certificate from either the statutory auditors or practicing company secretaries regarding compliance of conditions of corporate governance and annex it to the Directors' Report. Discuss some situations which may require an adverse or qualified statement in respect of the above certificate. **5**

(b) Enumerate certain important matters which can be included in 'Emphasis of Matter paragraph' in an Auditors Report. **5**

(c) A, a member of the Institute of Chartered Accountants of India not holding certificate of practice, is employed with a firm of Chartered Accountants. He recommends a particular lawyer to his firm for some client related litigation being handled by the firm. The lawyer, out of the professional fee received by him from the said client, paid a certain sum as referral fee to A. Is A guilty of misconduct under the Chartered Accountants' Act, 1949 ? **4**

3. Answer the following :

(a) You have been appointed as Concurrent Auditor of a nationalized bank branch. The main business at the branch is dealing in foreign exchange. Suggest the main areas of coverage in regard to foreign exchange transactions of the said branch under concurrent audit. **5**

(b) In a Public Limited Company, it is suspected by the Management that there has been embezzlement in supplier's ledger. As an auditor of the Company, you have been asked to investigate the matter. What are the major areas that you would verify in this regard ? **5**

(c) CA. P is a newly qualified Chartered Accountant in practice and in order to increase his professional practice and client base, entered into an agreement with Mr. A, a qualified and experienced registered valuer to share 20% professional fees for all cases of valuation referred to him by CA. P. Based on this, CA. P received ₹ 1,20,000 during the year 2018-19 from Mr. A. Is CA. P guilty of misconduct under the Chartered Accountants' Act, 1949 ? **4**

4. Answer the following :

(a) You have been appointed as statutory auditor of M/s Moon Ltd. for the year financial year 2018-19. As the auditor of the Company you want to ensure that closing balances of previous year have been correctly brought forward as opening balances in the current year. State the audit procedures for the same to ensure that there is no-misstatement. 5

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(b) The financial statements of Beta Ltd. have been prepared by the Management with due disclosures for related parties and transactions with them. However, as the auditor of the Company, you are not sure of the reliability of the said disclosures. Mention the documents and records that may be helpful in gathering information about related party relationships and transactions. 5

(c) M/S PQR & Co. is a partnership firm of 3 partners P, Q and R. All partners are exclusively associated with the firm in practice and are not doing practice in individual capacity. For the year ended 31st March, 2019, the partners have undertaken audits and signed audit reports under section 44AB / 44AD of the Income Tax Act, 1961 as under : 4

Under section →	44AB	44AD
P	10	15
Q	60	5
R	100	5

Discuss whether there is any professional misconduct by the firm in regard to the aforesaid audits.

5. Answer the following :

(a) How will you verify the Income & Expenditure of earlier years credited/debited in current year for reporting under clause 27(b) of 3CD while carrying out Tax Audit u/s 44AB of the Income Tax Act, 1961 ? 5

(b) You have been appointed as an auditor of a General Insurance Company. In this context, explain Unexpired Risks Reserve and audit procedures for the same. 5

(c) M Ltd. acquired 51 % shares of S Ltd. on 01-04-2018 and sold 25% of these shares during the financial year 2018-19. M Ltd. did not prepare Consolidated Financial Statements for the financial year 2018-19 on the plea that the control was only temporary. Do you agree with the view of M Ltd. ? Decide, assuming that M Ltd. is required to prepare its financial statements under Ind AS. 4

6. Answer the following :

(a) On a complaint and request from a Federal Co-operative to which a Multi-State Co-operative Society is affiliated, you have been appointed by the Central Registrar to conduct an enquiry into working and financial condition of the Society. What shall be your powers in this regard ? 5

(b) On the advice of Management of M/s Quick Ltd., the auditor of the Company overlooked and did not report on shifting of certain current year's sales transactions to the next year. The National Company Law Tribunal (NCLT) wants to take action against you. Describe the powers of the NCLT under Section 140(5) of the Companies Act, 2013 for such action and consequences to the auditor. **5**

(c) What are the factors that an auditor has to consider while using Computer Assisted Auditing Techniques (CAATs) ? **4**

OR

Write a short note on reversal of income under bank audit. **4**
