

Roll No. ....

Total No. of Questions – 7

Total No. of Printed Pages – 7

Time Allowed – 3 Hours

Maximum Marks – 100

## **EAF**

Answers to 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 valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **five** questions from the remaining **six** questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the respective answers.

Wherever necessary, candidates are permitted to make suitable assumptions which should be disclosed by way of note.

### **Marks**

1. (a) As an auditor of a company registered under section 8 of the Companies Act, 2013 you find that as per the notification of the Ministry of Corporate Affairs regarding applicability of Indian Accounting Standards (Ind-AS), the company has to prepare its financial statements for the year ended 31<sup>st</sup> March, 2017 under Ind-AS. The management of the company is however of the strong view that being a section 8 company having charitable objects, Ind-AS cannot apply to the company. The financial statements are therefore prepared by the management under the earlier GAAP and a note for the same is given in the financial statements. How would you report on these financial statements?
- 5×4  
= 20**

**EAF**

**P.T.O.**

- (b) You have been appointed statutory auditor of a company for the financial year ended 31<sup>st</sup> March, 2017 in place of the retiring auditor. During the course of audit, you observe that a fraud had been committed by a general manager who retired in March 2017. While going into further details, it was found that the fraud was going on since last 2-3 years and the total amount misappropriated was likely to exceed ₹ 100 lakhs. As statutory auditor, what would be your reporting responsibilities to the government ?
- (c) D Ltd., a Delhi based company having turnover of ₹ 25 crores, has a branch at USA having a turnover of ₹ 10 lakhs (as converted from US dollars). The area where the branch office is located in USA was severely affected by storms and the office alongwith all accounting records was completely destroyed. Due to the unavailability of records, the financial statements of D Ltd. for the financial year 2016-17 did not include the figures pertaining to the said branch. As the statutory auditor of D Ltd., how will you report on the same ?
- (d) G Ltd. has paid up capital of ₹ 20 crores divided into equity shares of ₹ 10 each on 31<sup>st</sup> March, 2016. During the year 2016-17, the company issued bonus shares in the ratio of 1:1. The net profit of the company for the financial years 2015-16 and 2016-17 was ₹ 10 crores and ₹ 15 crores respectively. The Earnings per share (EPS) as disclosed by the company for the 2 years was ₹ 5 and ₹ 3.75 respectively. As the statutory auditor of G Ltd., comment on the above.

(3)

EAF

Marks

2. (a) CA X is a chartered accountant in practice. He has an articled trainee H. X has informed H that since his practice and receipt of fees is seasonal, the stipend would not be paid in the months of April to December, but would be paid from January to March and the shortfall for the earlier 9 months will be made good in these 3 months alongwith interest @ 5% p.a. Comment with reference to the Chartered Accountants Act, 1949. 4×4  
=16
- (b) CA D, a chartered accountant in practice availed of a loan against his personal investments from a bank. He issued 2 cheques towards repayment of the said loan, as per the instalments due. However, both the cheques were returned back by the bank with the remarks "Insufficient funds". Comment with reference to the Chartered Accountants Act, 1949.
- (c) A CA firm M/s GST & Associates, has sent a letter to the Goods and Service Tax Council stating that the firm has 2 partners who specialise in the law of Goods and Service Tax and asked the said Council to include their name in the panel, whenever formed, for providing advisory and audit services for Goods and Service Tax. Comment with reference to the Chartered Accountants Act, 1949.

EAF

P.T.O.

- (d) A Co-operative society having receipts over ₹ 2 crores has appointed Mr. D as the statutory auditor – Mr. D is eligible to do the same under the state Co-operative Societies Act. Mr. D is not a chartered accountant. Mr. D is also appointed to conduct the tax audit of the society under section 44 AB of the Income Tax Act, 1961. Comment.
3. (a) Explain the circumstances which require a modification to the Auditor's Opinion. **6+5  
+5**
- (b) Under what heads can the frauds committed by Non-Banking Financial Companies (NBFCs) be classified ?
- (c) The auditor of XY & Co. Ltd. has intimated the management that certain misstatements identified during the course of audit need to be corrected. As an auditor, discuss the impact of such misstatements in case the management does not carry out the said corrections.
4. (a) Mr. Q is the proprietor of a very profitable business dealing in speciality chemicals. Due to his old age, Mr. Q wants to sell his business and has approached XYZ Pvt. Ltd., a competitor, for the same. As an advisor to XYZ Pvt. Ltd., you are appointed to do a 'Due Diligence' of the business. Enumerate the points which you would look into as part of the Due diligence exercise. **6+4  
+6**

(5)

EAF

Marks

- (b) A Ltd. has paid Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act, 1961 for the year ended 31<sup>st</sup> March, 2017. The company wants to disclose the same as an 'asset' in the balance sheet since the company contends that it is eligible to claim credit for the same in future years. As the auditor of the company, comment on the above.
- (c) Discuss the points and indications to be noted while examining and evaluating the 'Going Concern' assumption for an entity.

5. (a) As an auditor of DEF Ltd., you notice certain differences in the figures between the books of account and the 'Offer document' for the proposed issue of securities. The company explains that the same is due to certain adjustments as per the SEBI (Disclosure and Investor Protection) Guidelines. What are such disclosures and adjustments to be incorporated in the financial statements included in the 'Offer document' ?

6+6  
+4

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P.T.O.

(6)

**EAF**

**Marks**

(b) As an auditor appointed under section 44AB of the Income Tax Act, 1961, how would you verify and report on the following :

(i) The assessee has borrowed ₹ 50 lakhs from various persons – partly in cash and partly by account payee cheque.

(ii) The assessee has paid rent of ₹ 5 lakhs for premises to his brother.

(c) JKH Pvt Ltd. who is into the business of imparting coaching to CA students did not appoint any internal auditor for the year ended 31<sup>st</sup> March, 2017. As on 31<sup>st</sup> March, 2016, the company had paid up capital of ₹ 50 lakhs and reserves of ₹ 10 crores. Its turnover for the 3 years preceding the year ended 31<sup>st</sup> March, 2017 was ₹ 75 crores, ₹ 145 crores and ₹ 260 crores respectively. As an auditor of the company for the year ended 31<sup>st</sup> March, 2017, how would you deal with the above ?

6. (a) Enumerate the specific risks that Information Technology (IT) systems can pose to an entity's internal control. **5+6**  
**+5**
- (b) What are the types of Operational Audits ?
- (c) What is 'Other Comprehensive Income' as per Ind-AS ? What are its components ?

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(7)

**EAF**

**Marks**

7. Write short notes on any **four** of the following :

**4×4**

**=16**

- (a) Requirement for Audit Committee as per Companies Act, 2013
- (b) Areas not to be examined in Peer Review
- (c) Format of audit report for a Stock broker
- (d) Financial vs. Operational Audit
- (e) Contents of audit report given by Comptroller & Auditor-General of

India

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