

AUDITING

AUDITING BASICS-I

- Q1. Auditor can avoid checking of records where good internal check system exist.
[Ref: Q5. (c), Dec '08 / Paper-6] 2
- Q2. Auditor's primary responsibility is to detect errors and frauds.
[Ref: Q5. (e), June '09 / Paper-6] 2
- Q3. Auditors are to observe certain standards in field work and reporting under GAAP/GAAS.
– Explain. [Ref: Q6. (e), June '09 / Paper-6] 4
- Q4. Find out the difference between Indias' GAAP & US GAAP is respect of :
(i) Pre-operative Expense.
(ii) Foreign currency transaction. [Ref: Q7. (e), June '09 / Paper-6] 2+2

AUDITING BASICS-II

- Q1. State the particulars which are to be included in the balance sheet of holding company of its subsidiary.
[Ref: Q6. (d), Dec '08 / Paper-6] 4
- Q2. How as an Auditor you will verify the "contingent liability"?
[Ref: Q7. (a), Dec '08 / Paper-6] 4
- Q3. How as an Auditor you will treat the amount received after 2 years? This was written off as Bad Debt.
[Ref: Q7. (c), Dec '08 / Paper-6] 2
- Q4. Auditors are not required to get Inventory Valuation Certificate by the Company's Management as he himself is qualified to ascertain the value. State the position.
[Ref: Q8. (d), Dec '08 / Paper-6] 2
- Q5. As an Auditor how you will verify the "investment"? [Ref: Q8. (g), Dec '08 / Paper-6] 4
- Q6. When assets are revalued, the increase or decrease in value of fixed assets need not be shown in the Balance Sheet but should be adjusted in the Profit & Loss Account.
[Ref: Q5. (b), June '09 / Paper-6] 2

- Q7. State in brief the important points that should be considered by an Auditor while conducting vouching. [Ref: Q6. (b), June '09 / Paper-6] 4
- Q8. State what aspects should be checked while conducting audit of 'Bills receivables'. [Ref: Q6. (d), June '09 / Paper-6] 4
- Q9. How as an Auditor you will verify the 'Sales Tax/VAT'? [Ref: Q7. (b), June '09 / Paper-6] 2
- Q10. How you will conduct the :
(i) Physical verification of Fixed Capital Assets.
(ii) Idle facilities. [Ref: Q8. (b), June '09 / Paper-6] 2+2

COMPANIES ACT PROVISIONS RELATING TO AUDITS

- Q1. Reserve not appearing on the balance sheet is a Secret Reserve and an Auditor is not supposed to verify it. Comment. [Ref: Q5. (b), Dec '08 / Paper-6] 2
- Q2. ABC Ltd. in its meeting held on 30.09.08 appointed Mr. X as Auditor of the company. Mr. X is holding Securities Valuing Rs. 500/- in that company from 01.01.07. Can he accept the appointment? [Ref: Q5. (g), Dec '08 / Paper-6] 2
- Q3. What are the contents of good Audit Report? [Ref: Q6. (a), Dec '08 / Paper-6] 4
- Q4. As an Auditor, mention the points and books to be checked in connection with issue of Corporate Governance Report. [Ref: Q6. (b), Dec '08 / Paper-6] 4
- Q5. Risk occurring due to insufficient or incompetent evidence collected by the auditors to express his opinion on the financial statement is called an Audit Risk. Is the statement correct? [Ref: Q6. (e), Dec '08 / Paper-6] 2
- Q6. Statutory Auditor can be appointed as Internal Auditor of the same company for the same period. — Do you agree? [Ref: Q7. (d), Dec. '08 / Paper-6] 2
- Q7. Audit Committee is only luxury to the company. Do you agree? [Ref: Q8. (f), Dec '08 / Paper-6] 2
- Q8. It is mandatory that provisions of Audit Committee is applicable to all the companies. [Ref: Q5. (a), June '09 / Paper-6] 2
- Q9. When Chairman of a Company is also a Mg. Director, the Companies Act provides the constitution of Board of Directors. [Ref: Q5. (c), June '09 / Paper-6] 2

- Q10. State the components of Audit risk. [Ref: Q6. (c), June '09 / Paper-6] 2
- Q11. Under certain circumstances the accounts of Branches may not be audited. Comment citing rule position. [Ref: Q7. (a), June '09 / Paper-6] 4
- Q11. Explain how the following are dealt with under CARO :
- (i) Transactions in which Directors are interested.
 - (ii) Internal Audit System. [Ref: Q7. (d), June '09 / Paper-6] 2+2
- Q12. (i) Ray & Bose, Chartered Accountants, who were appointed as Auditor for Financial Year 2008-09 were removed during the month of December 2008. Whether the said Auditor can claim any compensation?
- (ii) Statutory Auditor of the company is legally bound to attend the AGM of the company. State correct position.
- (iii) Auditor has no liability under Companies Act, 1956. Do you agree? Answer citing Rules. [Ref: Q8. (d), June '09 / Paper-6] 1+1+4

REVIEW AND AUDIT OF INTERNAL CONTROL SYSTEM

- Q1. US-GAAP is not different that of India. [Ref: Q5. (a), Dec '08 / Paper-6] 2
- Q2. To comply with the CARO in respect of LOAN the Auditor is to comments on certain points. [Ref: Q5. (e), Dec '08 / Paper-6] 2
- Q3. Explain how the following are dealt with under the CARO :
- (i) Fixed Assets.
 - (ii) Deposit of Statutory Dues. [Ref: Q6. (c), Dec '08 / Paper-6] 2+2
- Q4. What are the objectives of Operational Audit? [Ref: Q7. (e), Dec '08 / Paper-6] 4
- Q5. Auditor in his Report is to comment whether the company has Internal Audit System commensurate with size and nature of its business. Whether this is applicable for all companies? [Ref: Q7. (f), Dec '08 / Paper-6] 2
- Q6. How Internal Audit become an important Management tool. — Answer with reasons. [Ref: Q8. (c), June '09 / Paper-6] 4
- Q7. While auditing in computerised environment, overall objective and scope of audit remains same as for auditing in non-computerised environment. [Ref: Q5. (e), June '09 / Paper-6] 2
- Q8. An information system audit is entirely similar to that of financial audit. [Ref: Q5. (f), June '09 / Paper-6] 2

- Q9. As an Auditor, how you will audit in the case of data processing through computer service centre? [Ref: Q7. (c), June '09 / Paper-6] 4
- Q10. State the basic items which the Auditor should be familiar to understand the computer system used by the Client. [Ref: Q8. (a), June '09 / Paper-6] 4

INFORMATION SYSTEM AUDIT

- Q1. When Information System Audit is an Information Technology Audit, the Auditor is required to have detailed knowledge of Auditing rather than information system. [Ref: Q5. (d), Dec '08 / Paper-6] 2
- Q2. What is Computer Assisted Audit Technique? [Ref: Q7. (b), Dec '08 / Paper-6] 4
- Q3. In connection with Audit Risk information system Auditor is concerned with certain objectives. What are those? [Ref: Q8. (a), Dec '08 / Paper-6] 2
- Q4. Auditor should test check controls established to reduce the risk associated with e-commerce transactions. State the position. [Ref: Q8. (b), Dec '08 / Paper-6] 2
- Q4. Auditor while undertaking Audit of environment of personal computer should know that inadequate control measures may create serious problems. What are those? [Ref: Q8. (e), Dec '08 / Paper-6] 2

MANAGEMENT AUDIT

- Q1. Management Audit is conducted by Statutory Auditor of the Company. [Ref: Q5. (f), Dec '08 / Paper-6] 2
- Q2. State the need for Management Audit. [Ref: Q8. (c), Dec '08 / Paper-6] 4
- Q3. Management emphasises on problem identification rather than problem solving. [Ref: Q5. (g), June '09 / Paper-6] 2
- Q4. What are the limitation of Management audit? [Ref: Q6. (a), June '09 / Paper-6] 4