



Audit

Test Paper - 2

5 Marks

Q-1⇒ Provision :

- As per the IOR Act, if the auditor has issued limited review report of first three quarters then the auditor is under the obligation to issue limited review report of last quarter as well as audit report of that financial year.

This makes it apparent that you've been giving time to your studies.

- If the auditor is disqualified under the company's act then he should have to vacant the office.

⇒ Case :

- Mr. Ibrahim was appointed as statutory auditor of New limited & old limited.
- Mr. Ibrahim has signed limited review report for each quarter till 31st Dec 2020 for both the company.
- Due to increase in workload Mr. Ibrahim gave resignation as auditor to M/s New

limited for the remaining quarter, but management of the company did not accept the same.

→ Mr Ibrahim continue to act as auditor for His old limited. But his wife had borrowed a sum of 6 lakh from the company so Mr. Ibrahim disqualified as per company's act to act as a director auditor.

⇒ Conclusion:

(1) In case of New limited, Mr Ibrahim is under the duty to issue limited review report of last quarter as well as audit report so the contention of management is correct.

(2) In case of old limited, Mr Ibrahim is disqualified so he cannot act as auditor so he cannot issue the review report so the contention of management is not correct in this regard.

6 Marks

Q-2

- (i) It is automated control, as Price master configured in sales master by only authorised personnel
- (ii) It is automated control, Invoice cannot be booked if Purchase order are not approved
- (iii) IT dependent manual control, Inventory ageing report pulled out from the System based on provisioning calculation by the inventory personnel and approved by controller
- (iv) Manual control, As all invoice signed by warehouse personnel before goods dispatched to customer
- (v) It is Automated control, As credit limit is assigned to customer and goods cannot be sold in excess limit
- (vi) Manual control, All changes of credit limit is approved manually by sales manager
- (vii) IT dependent Manual control, Ageing Report is pulled out from SAP based on provisioning and approved by financial creditor controller.

(viii) Automated Control, Po, GRN and invoice are matched by system before it is posted in financial records.

4 Marks

Q-3

A) → Appraisal of Internal auditor of its organisation structure to ascertain whether.

(1) whether it is harmonised with the organisation structure

Your endurance has paid off.

(2) whether the responsibility are in accordance with the structure.

→ The Internal auditor should review whether the activity of Enterprise are within group of management and responsibility are proper authorised to concerned person

→ The organisation structure chart helps to determine whether work are done in accordance with the structure

→ Whether top management not overloop organisation management.

3 Marks

Q-4

Main Responsibility of Internal auditor

- To maintain adequate System of internal control to examined the accounting procedure
- This is an exhibition of your competency in this subject.
- The Internal auditor independently operate accounting staff and should not divest himself from responsibility assigned on him
- The Internal auditor observe unusual facts & circumstances and bring to the notice of management
- The Internal auditor act independently and associate with management and keeps his knowledge updated and informed all the important affects required to change in the policy

3 Marks

Q - 5

Benefits from the use of CAAIS

- (1) Understand Business environment
including IT
Your speculative approach is remarkable.
- (2) Define objectives & criteria
- (3) Identify Source & format of data
- (4) Extract Data
- (5) Evaluating the completeness of extract data
- (6) Apply the criteria on data obtained
- (7) Validate the confirm result

4 Marks

Q-6

Provision

- ⇒ As per the AS 299, The Responsibility of joint auditor
- ⇒ If one or more auditor are appointed then each of the auditor are responsible to work allocate to him in case of work divided among the joint auditor

This work stands the expectations of an examiner.

→ The Joint auditor are severally responsible for the below mention work

- (1) If work is not divided among the auditor then all auditor responsible for work
- (2) The Nature, Timing & Extent of audit procedure perform
- (3) If any notice brought by any auditor in which all auditor are responsible
- (4) Examination of Financial statement
- (5) Whether the Financial statement has made in accordance of applicable ERF

- Generally the joint auditor has to make a common report
- In case any one of the auditor is not agree regarding decision of the existing auditor then he can issue a separate audit report
- The decision regarding audit report should not taken by majority

Conclusion :

Mr. Z did not agree with Mr. Y's actuary report so he issued separate report.

~~Contention of Mr. X is invalid regarding consideration of report by majority of votes~~

Q-7 MCQ

1. (b) Auditor should highlight and report this matter in his report
2. (a) Auditor should report this matter in his report
3. (c) The internal auditor needs to highlight this in this report
4. (i) Ans (c)
5. (ii) Ans (b)
6. (iii) Ans (a)
7. Ans (d)