

Your overall performance is good. Revise all your previous topics at least once in a week rather allocate a day in a week for revision and evaluating your performance. This will help you memorize topics and bind out shortcomings in your preparation.

Advanced Auditing and Professional Ethics.

An 7: 1. (c) The Auditor contends that last year the inventory levels in Kochi was not in the sampling materiality level and therefore, the issue was not identified. This is a part of audit risk.

10 Marks

2. (b) Control Risk & Detection Risk - Control risk due to inappropriate design and ineffective implementation of internal controls and audit detection risk due to possibility of auditor not identifying risk of misstatement.

3. (c) Segregation of Duties.

4. (i) (c) Narang & Co needs to assess the materiality of the figure, and degree of subjectivity involved. If it considers that safeguards like using separate personnel, performing a second partner review, could reduce the threat to an acceptable level, then it can go ahead with both the audit and the valuation service.

(ii) (c) Clause (ix) of Paragraph 3 of CARO 2020

(iii) (a) The first auditor of VAS Ltd shall be appointed by CAG within 60 days from the date of registration.

(iv) (c) Acceptable but incomplete as CA Mahesh has not given any audit programme to the audit assistants to follow.

4.5 Marks

Qn 6:

As per SA 610 "Using the work of Internal Auditor", the external auditor shall not use the work of internal auditor that provide direct assistance to perform procedures that:

(a) involve significant judgement in audit.

Your speculative approach is remarkable.

(b) Relate to higher assessed risk of material misstatement where judgement required in providing relevant audit procedures & evaluating evidences obtained is limited.

(c) Relate to work already performed by the internal auditor and available to be evaluated by external auditor.

(d) Relate to decision the external auditor makes in accordance with this standard.

In the instant case, where the valuation of accounts receivable is assessed as an area of higher risk, the statutory auditor could assign the checking of accuracy of ageing to the internal auditor providing direct assistance.

However, since the above case would involve limited judgement, it would not be appropriate to assign the work to internal auditor to provide direct assistance.

3.5 Marks

Date: / /

Ans:

As per S.139(8)(i) of the Companies Act 2013, in case of a non-government company, the casual vacancy shall be filled by the Board of Directors within 30 days.

If such casual vacancy is on account of resignation of auditor, then such appointment shall be approved by the members in general meeting convened within 3 months from the date of recommendation of Board.

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

Such auditor shall hold the office till the conclusion of next annual general meeting.

In the instant case, CA Max has resigned from the office of auditor. The Board of Director itself appointed CA Mini, as the statutory auditor till the conclusion of 6th meeting.

Thus, the casual vacancy shall be filled by Board of Directors subject to the approval of members in general meeting convened within 3 months.

Hence, appointment of CA Mini shall be valid only after obtaining the approval of members in general meeting.

However, CA Mini can hold the office only upto the conclusion of next annual general meeting.

2.5 Marks

Date: / /

Qn4:

Improvements to be made in Internal control:

- (i) To ensure that all scrap have been put into the bin by the work force. This can be achieved by documenting the scrap
- (ii) Ensure the quantity of the scrap generated & collected is paid for
or quantity for which payment is received.
- (iii) Ensure that merchant is paying the best price for scrap by getting quotes from other dealers.
- (iv) Independent official should attend weighing and enter in the book.

2.5 Marks

Key Audit Procedures to Mitigate Audit Risk:

- (i) Budget should be prepared for waste and compare actual with budgeted.
- (ii) Ensure all entries in weight book are paid for.
- (iii) Reconcile the quantity of scrap with remittance quantity & gate keeper's book.
- (iv) Ensure remittances are properly accounted for.

4.5 Marks

~~Ques:~~

As per Sec 141(3)(d)(i) of the companies Act 2013, read with Rule 10(i) of the companies (Audit and Auditors) Rules 2014, a person shall not be eligible to be appointed as an auditor of the company, if he or his partner or relatives hold securities in the such company or its holding or subsidiary or associate or subsidiary of such holding company.

This is an exhibition of your competency in this subject.

However, relative can hold securities upto face value of ₹1,00,000.

Corrective action has to be taken by him, within 60 days of such acquisition by the relative.

Relative means includes daughter and daughter's husband.

In the instant case, Daughter of Ms. Y purchased securities on 10th Sept 2018 of face value of ₹45,000 and husband of daughter of Ms. Y purchased on 10th Dec 2018, of face value of ₹90,000. Aggregate of such holding exceeds ₹1,00,000 as mentioned u/s 141(3)(d)(i)

Thus, CA Y shall be disqualified to be appointed as the auditor since he incurred disqualification on 10th Dec 2018.

corrective action cannot be taken by the daughter of M/s. Y since 60 days has elapsed.

As per S.141(4) of the Companies Act 2013, if auditor incurs disqualification u/s 141(3) after his appointment, he has vacate his office and such vacancy shall be deemed to be casual vacancy in the office of the auditor.

3.5 Marks

Qn 2: As per Rama clause (v) of Para 3 of CARO 2020, the auditor should comment "whether maintenance of cost record has been specified u/s 148(1) of the companies Act 2013" and whether such records are so made and maintained".

This work stands the expectations of an examiner.
the auditor should obtain written representation from the management stating:

(i) whether cost records are required to be maintained u/s 148 of the companies Act 2013,

(ii) whether cost records are being made and maintained properly.

It is important to clearly state in his report, the extent upto which examination of records has been conducted.

The report should state :

"We have examined the books of accounts maintained by company as required u/s 148 of the companies Act read with relevant Rules of Companies (Cost Record and Audit) Rules 2014, and are opinion that prescribed records have been made and maintained".

1.5 Marks

Qn 1: Objectives of Audit Planning:

- (i) To ensure that appropriate attention is devoted to important areas of audit by formal written plan, laying down objectives and procedures to be followed.
- (ii) To facilitate review : work should be delegated to staff with appropriate level of experience. It should be properly supervised and reviewed.
- (iii) To ensure that potential problems are identified - The auditor must ensure that resources are directed toward high risk areas.
- (iv) To assist in proper assignment of work - to member of audit team or experts or other auditors to conduct audit efficiently and in timely manner.