

CA (Intermediate-New Syllabus)

AUDITING AND ETHICS



TEST PAPER- 8

QUESTION PAPER

CHAPTERS- 9

MARKS- 30

DURATION- 50 Mins

INSTRUCTIONS:

1. All the questions are compulsory.
2. Properly mention Test no. on First Page and Page no. on every answer sheet.
3. In case of multiple choice questions, mention option number only.
4. Working Notes are compulsory wherever required in support of your solution.
5. Do not copy any solution from material.
6. Attempt as much as you know to fairly judge your performance.
7. Please upload your Answer Sheet Horizontally.
8. Copy once get evaluated by Evaluator cannot be re-uploaded by the student.
9. Always check correct Test No. of your subject while uploading answer sheet.
- 10 Handwriting should be clean.

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ANSWER ALL QUESTIONS

PART A - MCQ (2 marks each x 5 Ques= 10 marks)

Consider the following five descriptions: -

- A) Audit of “Implementation of Nagpur Metro Rail Project” was conducted by the Comptroller and Auditor General of India.

Following is extract of few audit findings placed on website cag.gov.in. “The location of New Airport station was not ideal from the view point of ridership due to sparse population in and around the station and also from the accessibility point of view.

Cotton Market station, the second additional station was projected to have high peak hour peak direction trips but the work was kept on hold midway citing fund crunch due to non-release of pending contribution from stakeholders.

However, the situation could have been managed through prioritization of works.”

- B) Another set of audit findings in respect of audit of Haryana Power Generation Corporation Limited, a wholly owned government company responsible for operation of power generation plants in state of Haryana is as under: -

“The main reason for low generation was higher variable cost of thermal power stations which resulted in backing down of plants.”

- C) A report was tabled in Parliament highlighting main features of direct taxes administration of country as mandated in Constitution of India. This report primarily discussed compliance to the provisions of the Income Tax Act, 1961 and the associated rules and procedures etc. as applied to administration of direct taxes including irregularities noticed in finalizing assessments etc.
- D) Radial finance corporation Limited is a government company. The audit of the company is conducted by statutory auditors appointed by Comptroller and Auditor General of India.
- E) Bharat Insurance Company Limited is a general insurance government owned company. The statutory auditor is appointed by Comptroller and Auditor General of India.

The annual report for a particular year also contains comments of statutory auditors on matters such as whether company has carried out reconciliations in respect of its inter-company balances with other government owned insurance companies

Based on above, answer following questions:

1. Based upon plain reading of audit findings stated at Para (A), identify type of audit carried out by office of the Comptroller and Auditor General of India.

- a) Audit against provision of funds
 - b) Propriety audit
 - c) Performance audit
 - d) Compliance audit
2. Keeping in view audit findings in respect of Haryana Power Generation Corporation Limited, identify type of audit carried out.
- a) Audit of Government Company
 - b) Audit against rules and orders
 - c) Compliance audit
 - d) Performance audit
3. Which of the following is the most appropriate statement in context of report tabled in Parliament regarding administration of direct taxes?
- a) It is likely to be a report prepared for submission to the President under Article 151 of the Constitution of India by Comptroller and Auditor General of India.
 - b) It is likely to be a report prepared for submission to the Prime Minister under Article 151 of the Constitution of India by an independent task force of experts.
 - c) It is likely to be a report prepared for submission to the President under Article 151 of the Constitution of India by Central Board of Direct Taxes.
 - d) It is likely to be a report prepared for submission to the Prime Minister under Article 151 of the Constitution of India by Central Board of Direct Taxes.
4. Who is empowered to conduct “supplementary audit” in case of Radial finance Corporation Limited, a government company?
- a) Central Government
 - b) Another independent auditor appointed by CAG
 - c) CAG
 - d) Another independent auditor appointed by Ministry of Corporate Affairs
5. As regards comments of auditors specified in respect of audit report of above insurance company, which of the following is likely to be most appropriate statement?
- a) Such are likely to be comments of test audit carried out by CAG.
 - b) Such are likely to be comments in respect of directions to statutory auditor by CAG for reporting on specific aspect of their audit work.
 - c) Such are likely to be comments of supplementary audit carried out by CAG

- d) Such are likely to be comments of statutory auditors in accordance with requirements of Standards on Auditing

PART B

(DESCRIPTIVE QUESTIONS 5 marks each x 4 ques= 20 marks)

QUESTION 1

You are auditing the Books of accounts of Karla Multiplex which runs 15 Film shows everyday. One of the major issues which are of concern to you as an auditor is the Agreement entered into the Multiplex owners with the Film Distributors. State what points would you check as an auditor in this respect.

QUESTION 2

An NGO operating in Delhi had collected large scale donations for Tsunami victims. The donations so collected were sent to different NGOs operating in Tamil Nadu for relief operations. This NGO operating in Delhi has appointed you to audit its accounts for the year in which it collected and remitted donations for Tsunami victims. Draft audit programme for audit of receipts of donations and remittance of the collected amount to different NGOs. Mention six points each, peculiar to the situation, which you will like to incorporate in your audit programme for audit of said receipts and remittances of donations.

QUESTION 3

You have been appointed as an auditor of VJM Schools. Discuss the points which merit your consideration as an auditor while verifying Assets and Liabilities of VJM Schools.

QUESTION 4

The general transactions of a hospital include patient treatment, collection of receipts, donations, capital expenditures. You are required to mention special points of consideration while auditing such transactions of a hospital?