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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2021 Question Paper · Paper 6 Auditing and Assurance

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2021	Question Paper	Paper 6 Auditing and Assurance

DATE

January 2021

IPCE (New Syllabus)
Paper - 6
Auditing and Assurance

JAN 2021

JKP2

Roll No. .....

Total No. of Printed Pages – **4**

Total No. of Questions – **6**

Maximum Marks – **70**

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 marks

1. Question paper comprises **6** questions. Answer Question No. 1 which is compulsory and any **4** out of the remaining **5** questions.
2. Working notes should form part of the answer.
3. Answers to the 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 evaluated.

JKP2 **P.T.O.**

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PART – II

1. Explain whether the following statements are correct or incorrect, with reasons/ explanations/ examples (Answer any **seven** out of **eight**) **2×7 = 14**

   (a) The Complexity of a business environment depends on the level of automation i.e., if a business environment is more automated, it is likely to be less complex.

   (b) The Auditor is expected to, reduce audit risk to zero and can therefore obtain absolute assurance that the financial statements are free from material misstatement due to fraud or error.

   (c) Determining materiality involves the exercise of professional judgement.

   (d) The objectives and scope of internal audit functions are restricted to activities relating to evaluation of internal control only.

   (e) If the purpose of an audit procedure is to test for understatement in the existence or valuation of accounts payable then testing the recorded accounts payable may be relevant audit procedure.

   (f) As per Section 139(8) of the Companies Act, 2013, any casual vacancy in the office of an auditor shall in case of a company other than a company whose accounts are subject to audit by an auditor appointed by Comptroller and Auditor General of India, be filled by the Shareholders at an Annual General Meeting within 60 days.

   (g) Sufficiency is the measure of the quantity of audit evidence.

   (h) Communicating Key Audit Matters is a substitute for the auditor expressing a modified audit opinion when required by the circumstances of a specific audit engagement in accordance with SA 705.

2. (a) Explain the fundamental principles of professional ethics relevant to the auditor when conducting an audit of financial statements in accordance with Code of Ethics issued by ICAI. **4**

   (b) CA Raj, an auditor was removed by PQR Ltd. before the expiry of his term. Discuss the procedure to be taken by PQR Ltd to appoint an auditor other than retiring auditor U/Sec. 140(4) of the Companies Act, 2013. **4**

   (c) "Theft of an entity's assets is often perpetrated by employees in relatively small and immaterial amounts." Explain the various ways in which the same can be accomplished ? **3**

   (d) Explain the objectives of the auditor regarding written representations. **3**

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3. (a) Depreciation and amortisation expense generally constitute an entity's significant part of overall expenses and have direct impact on the profit/loss of the entity. What are the attributes, the Auditor needs to consider while verifying Depreciation and amortisation expenses. **4**

(b) Explain how Internal Financial Control and Internal controls over financial reporting differ ? **4**

(c) As an Auditor of XYZ Bank Limited, how would you assess the Risk of Fraud including Money Laundering in line with SA 240 ? **3**

(d) ABC Limited has a closing balance of work in progress of inventories aggregating ₹ 850 lakhs in their balance sheet as at March 31, 2020. As Statutory Auditor of ABC Limited, explain various audit procedures which needs to be performed to confirm Work-in-progress of inventories have been valued appropriately and as per generally accepted accounting policies and practices. **3**

4. (a) In the context of SA 530 'Audit Sampling', explain the terms 'Sampling Risk' and 'Non-Sampling' risk. **4**

(b) Discuss the common methods applied by the auditor when testing in an automated environment is done by him. **4**

(c) As a Statutory Auditor of the company list out audit procedure required to be undertaken for the recognition of following other income : **3**

i. Interest income from fixed deposit

ii. Dividend income

iii. Gain/ (loss) on sale of investment in mutual funds.

(d) Explain any three ways where cash receipts are suppressed. **3**

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5. (a) Management's assessment of the entity's ability to continue as a going concern involves making a judgement about inherently uncertain future outcomes of events or conditions. What are relevant factors to that judgement ? **4**

(b) What an auditor should state in "Basis for opinion" section of auditor's report and when the auditor modifies the opinion on the financial statements, what amendments he should make in this section ? **4**

(c) Explain the techniques available as Substantive Analytical procedures. **3**

(d) What are the prohibited services for auditor as per Companies Act, 2013 ? **3**

6. (a) As an Auditor of NGO, how do you check/ verify atleast four receipts of income during the year ? **4**

(b) You have been appointed as internal auditor of 'City Club' in Delhi. The receipts of the club were 50 lakhs during the previous year ending 2019-20. You are required to mention special points of consideration while auditing such receipts of the club. **4**

OR

Explain "Advances under Consortium" in the context of Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances.

(c) Discuss the objectives and scope of internal audit functions with respect to activities relating to internal control. **3**

(d) XYZ Ltd. which is in the business of trading of automobile components is following Cash Basis of Accounting for sale of spare parts. As Statutory Auditor of XYZ Ltd. explain the reporting requirements, manner of qualification and disclosure, if any, to be made in the auditor's report in line with AS-1 Disclosure of Accounting Policies. **3**

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