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**PRESIDENCY UNIVERSITY
BENGALURU**

**SCHOOL OF COMMERCE
END TERM EXAMINATION - JUN 2023**

Semester : Semester IV - 2021

Course Code : COM2017

Course Name : Sem IV - COM2017 - Principles and Practices of Auditing

Program : BCM&BCH

Date : 9-JUN-2023

Time : 1.00PM - 4.00PM

Max Marks : 100

Weightage : 50%

Instructions:

- (i) Read all questions carefully and answer accordingly.
 - (ii) Question paper consists of 3 parts.
 - (iii) Scientific and non-programmable calculator are permitted.
 - (iv) Do not write any information on the question paper other than Roll Number.
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PART A

ANSWER ALL THE QUESTIONS

(10 X 2 = 20M)

1. State with reasons (in short) whether the following statement is correct or incorrect:
Discovery of an offence of a fraud of Rs.100 lakh by auditor against the company committed by its officers is to be reported to ICAI.
(CO5) [Comprehension]
2. What you mean by Professional skepticism?
(CO2) [Knowledge]
3. State with reasons (in short) whether the following statement is correct or incorrect:
One of the directors of Very Fresh Fruits Limited was of the view that internal auditor to be appointed must be an employee of Very Fresh Fruits Limited.
(CO2) [Knowledge]
4. Explain the significance of confirmation of balances from debtors for valuation of book debts?
(CO4) [Comprehension]
5. The auditor of a Ltd. Company wanted to refer to the minute books during audit but board of directors refused to show the minute books to the auditors. Comment.
(CO5) [Comprehension]
6. Explain the different types of vouchers with example.
(CO3) [Comprehension]
7. Explain valuation of assets.
(CO4) [Comprehension]

8. What do you understand by audit evidence?
(CO1) [Knowledge]
9. What are the objectives of audit?
(CO1) [Knowledge]
10. Explain the significance of sales invoices while vouching for cash sales.
(CO3) [Knowledge]

PART B

ANSWER ALL THE QUESTIONS

(4 X 10 = 40M)

11. An auditor is a watchdog, and not a bloodhound." - Examine the validity of this statement with reference to SA 240.
(CO1) [Comprehension]
12. How does contingent liabilities impact the decision of stakeholders? Highlight the role of an auditor in valuation and verification of such contingent liabilities.
(CO4) [Comprehension]
13. Discuss how an auditor would vouch these transactions:
(a) Cash Sales
(b) Wage Payments
(CO3) [Comprehension]
14. The auditor shall make a report to the members of the company on the accounts examined by him. Explain the auditor's duty to enquire and to report with reference to relevant provisions of the Companies Act, 2013.
(CO5) [Comprehension]

PART C

ANSWER ALL THE QUESTIONS

(2 X 20 = 40M)

15. (a) M/s. ABC & Co. is an Audit firm, having partners CA. A, CA. B and CA. C. The firm has been offered the appointment as an Auditor of XYZ Ltd. for the Financial Year 2017-18. Mr. D, the relative of CA. A, is holding 25,000 shares (face value of Rs. 10 each) in XYZ Ltd. having market value of Rs. 90,000. Are M/s. ABC & Co. qualified to be appointed as Auditors of XYZ Ltd.? Discuss.
(b) Mr. M, has served as an auditor in the Co-Operative Department of a Government, is appointed as a statutory auditor by a Co-Operative Society that has receipts over Rs. 3 crores during the financial year. He is not a Chartered Accountant. Mr. D, Chartered Accountant is appointed to conduct tax audit of the society under section 44AB of the Income Tax Act, 1961. Comment.
(CO5) [Application]
16. (a) "Valuation is a part of verification". Elucidate its relationship in connection with Audit of Financial Statements.
(b) Explain how an auditor would verify its Plant & Machinery and Goodwill.
(CO4) [Comprehension]