

Test Paper 4

National Test Series

Test Instruction:

1. Please write your solution in new sheets of paper. It is advisable to create a separate notebook for writing test.
2. You have to give the test between 2 PM to 5 PM .
3. Suppose, if you are not able to complete the test (or any part of the test) in prescribed time, then please draw line in the sheet whenever the prescribed time is getting over and clearly mention "Time Over". But keep writing the remaining part we will check that. We want to check your accuracy.
4. Include all rough work in your answer sheet only. Don't use separate pages for rough work.
5. Start different part of the test paper in new pages. Properly mention **page number** on your every answer sheet.
6. For instruction on how to submit the test please watch <http://bit.ly/CA Inter Test>
7. Send us your answer sheets by way of email on paper@konceptca.com.
8. Make sure pictures are sharp, also make sure that you send single email for the whole paper after converting them into PDF for instructions how to make PDF watch <https://youtu.be/q2hzXylye0o>
9. If your PDF size is greater than 25 MB, then please compress it using this link- <https://pdfcompressor.com/>
10. Email received after **5th May evening 7 PM** will not be assessed.
11. Do mention your KE-ID, name of the test series you are attempting for and name of the test in your answer sheet as well as in the subject of the mail while submitting your answer sheet.
12. Today Youtube live at 7:30 evening, result of National Test - 3 will be declared + Giveaway + Hacks for improving your Auditing and Assurance score.

We will share your results and score only if you are able to send the answer sheets by **5th May evening 7 PM**

Youtube Live at 7:30 pm
Lets Discuss Today's exam Paper



Subject: Auditing and Assurance.

Marks: 100 Marks

Duration: 3 Hrs.

Part – I

Multiple Choice Questions:

(30×1 Mark each = 30 Marks)

Case Study based MCQs

Case Study 1

M/s NSG & Associates have been appointed as auditors of Viaan Ltd. for the financial year 2019-20. The processes, operations, accounting and decisions are carried out by using computers in Viaan Ltd. The auditors understand that there are several aspects that they should consider to determine the level of automation and complexity in the business environment of Viaan Ltd. While planning the audit work, the engagement partners discussed with the audit staff about the various types of controls in the automated environment.

The different types of audit tests that can be used in audit of an automated business environment were also discussed within the engagement team. The responsibility regarding the Internal Financial Controls was also discussed in detail. Further the tools and techniques that can be used to deal with the enormous data and information of Viaan Ltd. were briefed to the audit staff by the engagement partners.

Based on the above facts, answer the following: -

1. _____ are the manual controls that make use of some form of data or information or report produced from the IT systems and applications.
 - (a) Application Controls
 - (b) IT dependent Controls
 - (c) Automated Controls
 - (d) General IT Controls

2. Statement 1: Application controls include both manual and automated controls that operate at a business process level.
Statement 2: General IT Controls apply to mainframe, miniframe as well as end user environment.
 - (a) Only Statement 1 is correct
 - (b) Only Statement 2 is correct
 - (c) Both Statements 1 & 2 are correct
 - (d) Both Statements 1 & 2 are incorrect

3. _____ are also known as pervasive or indirect controls :-
 - (a) General IT Controls
 - (b) Application Controls
 - (c) IT dependent Controls
 - (d) None of the above

4. Which of the following are not the types of audit tests that can be used in the audit in an automated environment?
- (a) Observation
 - (b) Inspection
 - (c) Re performance
 - (d) None of the above
5. _____ is the combination of processes, tools and techniques that are used to tap vast amounts of electronic data to obtain meaningful information: -
- (a) Computer Assisted Audit Techniques
 - (b) Automated Controls
 - (c) Data Analytics
 - (d) None of the above

Case Study 2

M/s JK & Associates have been appointed as auditors of Venus Ltd. for the financial year 2019-20. The team consist of Mr. J & Mr. K both Chartered Accountants as also the engagement partners and the audit staff consisting of 2 article assistants. While starting the audit work of Venus Ltd, the engagement partners briefed the audit staff about the audit work, areas to be covered and the various auditing concepts and their application in the audit of Venus Ltd along with applicable Standard on Auditing.

Various topics like audit planning, overall audit strategy, audit programme were discussed in detail. The team was told about the purpose and implication of various statements and guidance notes issued by the Institute of Chartered Accountants of India (ICAI) from time to time. Mr. K also briefed the team about the concept of materiality to be applied while planning and performing audit. The team was also explained in detail about the area where benchmark materiality can be applied in case of Venus Ltd.

Based on the above facts, answer the following:-

6. sets the scope, timing & direction of the audit and guides the development of the more detailed plan.
- (a) Audit Programme
 - (b) Overall Audit Strategy
 - (c) Completion Memorandum
 - (d) Audit Plan
7. Statement 1: The establishment of the overall audit strategy and the detailed audit plan are not necessarily discrete or sequential process but are closely inter -related.
Statement 2: The auditor shall establish an overall audit strategy that guides the development of audit plan.
- (a) Only Statement 1 is correct
 - (b) Only Statement 2 is correct
 - (c) Both Statements 1 & 2 are correct
 - (d) Both Statements 1 & 2 are incorrect

8. _____ means the amount set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatement exceeds materiality for the financial statements as a whole :-
- (a) Benchmark Materiality
 - (b) Materiality in Planning
 - (c) Performance Materiality
 - (d) Materiality.
9. Which of the following is not an example of benchmark that can be used in determining the materiality in the case of financial statements:-
- (a) Total Revenue
 - (b) Profit before tax
 - (c) Net Asset Value
 - (d) None of the above
10. (i) Guidance notes issued by ICAI provide guidance to members on matters which may arise in the course of their professional work.
(ii) Statements are issued by ICAI with a view to secure compliance by members on some matters.
(iii) Guidance notes are recommendatory in nature.
(iv) Statements are mandatory in nature.
- (a) All the above statements are correct.
 - (b) Statements 1 & 2 are correct
 - (c) Statements 1, 2 & 3 are correct
 - (d) Statements 1,2 & 4 are correct

MCQs not based on Case Study

11. State the retention period of working papers as per SA 230
- (a) Six years
 - (b) Eight years
 - (c) Seven years
 - (d) Five years
12. There are different board approaches to the Auditor's reporting responsibilities in respect of comparative information.
- (a) Five
 - (b) Two
 - (c) Four
 - (d) Three
13. The overall audit strategy and the audit plan remains the ____ responsibility.
- (a) Auditor's
 - (b) Management's
 - (c) Those changed with governance
 - (d) All of the above
14. An auditor of a co-operative society is appointed by
- (a) Particular state government
 - (b) Registrar of Co-operative
 - (c) Member of Co-operative society
 - (d) Any of the above can appoint

- 15.** Who shall fix the remuneration of first auditor in cash of non-government company
- (a) Board
 - (b) Members
 - (c) Both a and b
 - (d) CAG
- 16.** Internal check is meant for
- (a) Prevention of frauds
 - (b) Detection of frauds
 - (c) Helping audit in depth
 - (d) Detection of error
- 17.** Surprise checks are part of
- (a) an auditor's working papers
 - (b) an audit programme
 - (c) an auditor's report
 - (d) an accounting standards
- 18.** Which of the following CAATs allow fictitious transactions planted by the auditor to be processed along with real ones on client's system?
- (a) Integrated test facility
 - (b) Test data approach
 - (c) Generalized audit software
 - (d) Parallel simulation
- 19.** First auditor or auditors of a multi-state co-operative society shall be appointed by
- (a) Registrar
 - (b) Board
 - (c) Members
 - (d) Central government
- 20.** SQC 1 requires firms to establish policies and procedures for the retention of
- (a) Audit file
 - (b) Engagement documentation
 - (c) Final Audit file
 - (d) Audit Documentation
- 21.** Mano Ltd. Conducts quarterly review of operations. It discovers that unrest in a Middle East company may affects the supply of raw materials to it the next quarter. This is an example of :
- (a) Risk assessment
 - (b) Control procedure
 - (c) Supervision
 - (d) control environment
- 22.** The Opinion section of the auditor's report shall:
- (a) Identify the entity whose financial statements have been audited;
 - (b) State that the financial statements have been audited;
 - (c) Identify the title of each statement comprising the financial statements;
 - (d) All of the above

- 23.** SA 220 sets out the ___ responsibilities with respect to relevant ethical requirements.
- (a) Firm's
 - (b) Senior audit assistant
 - (c) engagement partner's
 - (d) all of the above
- 24.** If board fails to appoint first auditor, then member shall appoint within..... days at EGM
- (a) 30
 - (b) 60
 - (c) 18
 - (d) 90
- 25.** Audit programme is prepared by
- (a) The auditor
 - (b) The client
 - (c) The audit assistants.
 - (d) The auditor and his audit assistants.
- 26.** The auditor should examine subsequent realization of revenue such as dividends, interest, commission, etc to
- (a) Identify cases of unrecorded revenue.
 - (b) Ensure proper disclosure in the balance sheet.
 - (c) Recompute accrual income on the date of balance sheet.
 - (d) Any of the above
- 27.** Where the amount involved in fraud is of RS. 1 crore or above then, the auditor shall report to the government
- (a) Within 45 Days
 - (b) Within 60 Days
 - (c) Within 15 days
 - (d) Within 75 days
- 28.** What is the primary objective of analytical procedures used in the overall review stage of an audit ?
- (a) To help to corroborate the conclusions drawn from individual components of financial statements.
 - (b) To reduce specific detection risk.
 - (c) To direct attention to potential risk areas.
 - (d) To satisfy doubt when questions arise about a client's ability to continue.
- 29.** The auditor shall determine a sample size sufficient to reduce sampling risk to.....
- (a) An acceptable level.
 - (b) An acceptably low level
 - (c) Reasonable level.
 - (d) Zero
- 30.** Misappropriation of assets may occur because there is-
- (a) Adequate record keeping with respect to assets.
 - (b) Known history of violations of securities laws.
 - (c) Lack of complete and timely reconciliations of assets.
 - (d) Dispute between shareholders in a closely held entity.

USE CODE : JUN20

**Single Subject
@ 3,540**

**Single Group
@ 7,670**

**Both Groups
@ 15,340**

Part - II

Question 1 is compulsory.

Answer any four from remaining five questions

Question 1.

Examine with reasons whether the following statements are correct or incorrect. (Answer any **seven** out of eight)

- (a) Where the firm is appointed as an auditor of the entity the audit report is signed only in the name of audit firm.
- (b) According to Section 140(1), the auditor appointed under section 139 may be removed from his office before the expiry of his term only by a general resolution of the company.
- (c) Judgemental matters are transactions that are unusual due to either its size or nature and that therefore occur infrequently.
- (d) Government audit does not serve as a mechanism or process for public accounting of government funds.
- (e) Management of the organization is solely responsible for the compliance of auditing standards while preparing financial statements.
- (f) Few members of the Board of Directors oppose the appointment of Mr. N, an employee of the company, as an Internal Auditor, stating that Mr. N is not a chartered accountant and further he is an employee of the company.

- (g) An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 180 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.
- (h) Risk assessment procedures are not performed to obtain an understanding of the entity and its environment.

(7 × 2 Marks each = 14 Marks)

Question 2.

- (A) "The utility of the audit programme can be retained and enhanced only by keeping the programme and also the client's operations and internal control under periodic review so that inadequacies or redundancies of the programme may be removed"

Discuss stating clearly the advantages of an audit programme.

(5 Marks)

- (B) As per SA 220, "Quality Control for an Audit of Financial Statements" the auditor should obtain information considered necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement and when considering acceptance of a new engagement with an existing client. Explain

(4 Marks)

- (C) Explain the meaning of automated environment. Also discuss the key features of an automated environment.

(5 Marks)



USE CODE : NOV20

**Single Subject
@ 5,900**

**Single Group
@ 11,800**

**Both Groups
@ 21,240**

Question 3.

(A) Ram and Hanuman Associates, Chartered Accountants in practice have been appointed as Statutory Auditor of Krishna Ltd. for the accounting year 2017-2018. Mr. Hanuman holds 100 equity shares of Shiva Ltd., a subsidiary company of Krishna Ltd. Comment.

(5 Marks)

(B) “Even when information to be used as audit evidence is obtained from sources external to the entity, circumstances may exist that could affect its reliability”. Explain. Also state clearly generalisations about the reliability of audit evidence.

(5 Marks)

(C) The sample size can be determined by the application of a statistically-based formula or through the exercise of professional judgment. When circumstances are similar, the effect on sample size of factors will be similar regardless of whether a statistical or non-statistical approach is chosen.

Explain stating the examples of factors (any four) that the auditor may consider when determining the sample size for tests of controls.

(4 Marks)

Question 4.

(A) IT poses specific risks to an entity’s internal control. Explain

(4 Marks)

(B) Define Emphasis of Matter paragraph. When the auditor shall include an Emphasis of Matter paragraph in the auditor’s report? Also explain how the auditor would include an Emphasis of Matter in the auditor’s report?

(5 Marks)

(C) Ratio analysis is useful for analysing asset and liability accounts as well as revenue and expense accounts. An individual balance sheet account is difficult to predict on its own, but its relationship to another account is often more predictable (e.g., the trade receivables balance related to sales).

Explain stating the techniques available as substantive analytical procedures.

(5 Marks)

Question 5.

(A) The auditor should examine the efficacy of various internal controls over advances in case of Banks to determine the nature, timing and extent of his substantive procedures. Explain what is included in the internal controls over advances.

(5 Marks)

(B) There are many ways for cash defalcation, one of which is by suppressing cash receipts. List out few techniques of how the receipts are suppressed.

(4 Marks)

(C) ABC Ltd. has issued shares for cash at a premium of Rs 450, that is, at amount in excess of the nominal value of the shares which is Rs 10 for cash. Section 52 of the Companies Act, 2013 provides that a Company shall transfer the amount received by it as securities premium to securities premium account. Advise the means in which the amount in the account can be applied.

(5 Marks)

Question 6.

(A) Discuss the matters which should be specially considered in the audit of accounts of a partnership.

(5 Marks)

(B) The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. Discuss

(5 Marks)

(C) Under what circumstances the retiring Auditor cannot be reappointed?

(4 Marks)



USE CODE : JUN20

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