# Sanjay Ghodawat University, Kolhapur

2020-21

Established as State Private University under Govt. of Maharashtra. Act No XL, 2017

EXM/P/09/00

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| **Year and Program: 2121/TYBCOM** | **School of Commerce and Management** | **Department: B.Com.** |
| **Course Code: CBC302** | **Course Title: Auditing** | **Semester :VI** |
| **Day and Date: Thursday,27.05.2021** | **End Semester Examination** | **Time:2 Hrs. Max Marks:50** |

**Instructions**: 1) All Questions are compulsory.

| | | | Marks | Bloom's Level | CO |
|---|---|---|---|---|---|
| **Q.1** | **Answer the following (any Two)**– | | | | |
| | a) | Imagine that you are working as an Auditor. One of your clients brought his financial statements i.e. Profit and Loss Account and Balance Sheet for the year end and asked you to give audit certificate. You denied certifying the financial statements without vouching process and actual verification. Your client was surprised by your denial. Explain him that Auditing is not limited only to certification of financial statements. Support your opinion by explaining various objectives of Audit. | 8 | 3 | 1 |
| | b) | Suppose you are appointed as a first auditor of XYZ Ltd. The directors of Company have misconception that Auditing is a perfect process and does not contain any error. Guide him about the various loopholes and limitations of Audit Process. | 8 | 3 | 1 |
| | c) | If you are an Auditor of '*Food Plaza Restaurant'* what different considerations you will undertake while vouching their Cash Book (Receipts and Payments)? | 8 | 3 | 2 |
| **Q.2** | **Answer/Solve the following (any two) –** | | | | |
| | a) | Differentiate between Audit and Investigation. | 8 | 2 | 3 |
| | b) | Write a note on Audit of Banking Company. | 8 | 2 | 3 |
| | c) | Explain which points should be clearly stated in an Audit Report to be given to the members of Company. | 8 | 2 | 4 |
| **Q.3** | **Answer/Solve the following (Q.a is compulsory ) –** | | | | |
| | a) | Statutory Audit of Abhijeet Pvt. Ltd could not detect the Fraud in the company due to lack of time and sample checking. Give suggestion to them to improve internal control and start internal audit. | 9 | 3 | 5 |

b) **Read the following case and answer the question.** 9 4 6

Sulekha is a college graduate with accounting as her major and is planning to take the CA exam. She recently accepted the Staff Accountant's position with the ZZ Cinema Franchise. There are 20 theatres that are owned by the Franchise in a widely spread geographic area.

Kumar is manager of all the locations of the theatre franchise and Jeevan, distantly related to him, is the Assistant Manager working solely at his location. Shree sells tickets from a glass cage and collects the cash from patrons. At the end of the last show, he adds up the cash receipts, reconciles his sales and hands over unsold tickets and cash to Jeevan. Bob, the doorman, collects the tickets from incoming patrons, tears the tickets into two, hands over one to the patron and drops the second half into a little locked box which Jeevan picks up at the end of the day. Jeevan prepares the bank deposit slip, deposits the cash in the bank, and keeps the bank receipts and the unsold tickets in the office safe to which he has the only key. Jeevan also prepares the bank reconciliation statements and submits weekly sales reports to Sulekha.

Of late, Jeevan has volunteered quite frequently to speed up ticket sales on crowded days by working Shree's station at the sales counter. Kumar has not objected to this practice. During the past month Jeevan has been seen driving a fancy new Skoda to work and seen dining at the town's expensive restaurants. Sulekha finds from Jeevan's reports that sales have shown no change from previous weeks, even though there appears to be an obvious and significant increase in movie theatre attendance during the summer season. This puzzles Sulekha, who suspects this apparent discrepancy is being pocketed by Jeevan. More puzzling, why hasn't Kumar also noticed this problem? Sulekha wonders if she should report her suspicions to someone in authority. After all, she has no proof. More importantly, should she go to Kumar? He might be involved in this possible scam.

**Analyse above situation and give your suggestion to Ms. Sulekha along with its possible consequences.**

**OR**

c) As a result of work undertaken during the planning stage and audit evidence collected for the tests of controls stages of the audit, Robert Smith has determined that there is a low risk of material misstatement (low inherent and control risk) for thefollowing account balances: 9 4 6

1. Wages and salaries
2. Electricity
3. Repairs and maintenance

Due to the expected reliability of these controls, Robert has undertaken extensive testing of the controls regarding these account balances, and has concluded that the controls are reliable.

**Required:** Identify one substantive audit procedure for each of the account balances above that will provide sufficient appropriate audit evidence regarding the accuracy of that account balance.

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