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Time : 2 Hours**PRINCIPLES & PRACTICE OF AUDITING****Subject Code**

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Total No. of Questions : 5**(Printed Pages : 5)****Maximum Marks : 50**

- INSTRUCTIONS :**
- (i) Answer each question on a fresh page.
 - (ii) Write the number of each question and sub-question clearly.
 - (iii) All questions are compulsory.
 - (iv) Figures to the right indicate full marks.

1. (A) Complete the following statement by choosing the correct option given below : 1

The procedure of establishing the accuracy and authenticity of an entry recorded in the books of account by examining the documentary evidence is termed as

- Vouching
- Surveying
- Valuing
- Verifying

- (B) Answer the following in a word, phrase or figure : 1
Which documentary evidence must the auditor rely upon, for confirming the opening balances ?
- (C) Mention any *three* points involved in the vouching procedure for amount paid towards 'Insurance Premium'. 3
- (D) Explain the procedure that needs to be followed while vouching the amount received towards 'Rent'. Write *five* points. 5

OR

Explain the procedure for vouching the receipts from 'Sale of Investment'. Write *five* points.

2. (A) Complete the following statement by choosing the correct option given below : 1

The auditor while vouching the expenses incurred towards 'Extra Ordinary Travelling Allowance' must insist upon the sanction from

- Registrar of Companies
- Shareholders
- Board of Directors
- Companies Trade Unions

(B) Answer the following in a word, phrase *or* figure : 1

Which documentary evidence needs to be verified by an auditor in order to understand the Drawing limits of a partner ?

(C) Explain any *three* steps that need to be incorporated for an efficient internal check system with respect to 'Credit sales'. 3

(D) As an auditor, mention any *five* steps that you will follow to vouch the expenses incurred towards 'Wages'. 5

OR

As an auditor, how will you vouch the expenditure incurred on purchase of 'Plant and Machinery' ? Write *five* points.

3. (A) Complete the following statement by choosing the correct option given below : 1

An intangible asset includes

- Goodwill and Bank
- Patents and Cash
- Goodwill and Trademark
- Copyrights and Machinery

- (B) Answer the following in *one* sentence : 1
- What principle should be followed in valuation of closing stock when market as well as cost price of the stock is given ?
- (C) Mention any *three* duties that an auditor has to follow while vouching 'Credit Purchases'. 3
- (D) As an auditor, what procedure will you undertake for the verification of 'Cash in hand'. Write *five* points. 5
4. (A) Answer the following in *one* sentence : 1
- What is verification of asset ?
- (B) Explain in brief the concept of 'Fixed assets'. 2
- (C) As an auditor, how will you verify 'Book Debts' ? Write *two* points. 2
- (D) Explain any *two* points to be followed by an auditor while verifying and valuing 'Loose Tools, Patterns and Dyes'. 2
- (E) Explain any *three* points to be adopted in the verification of 'Trade Creditors'. 3

5. (A) Answer the following in a word, phrase *or* figure : 1
- What type of Audit report does an Auditor present in the case, where he fully accepts all the figures of financial statement without any adverse remarks or reservation ?
- (B) Explain in brief any *two* elements of Audit Report. 2
- (C) Explain in brief the concept of 'Electronic Data Processing'. 2
- (D) Explain *two* advantages of auditing under 'Electronic Data Processing' system. 2
- (E) Distinguish between Audit report and Audit certificate. Write *three* points. 3