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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27** |
| **B.COM - VI SEMESTER** |
| **SEMESTER EXAMINATION: APRIL 2018** |
| **BC 6416 – Auditing Principles and Practice** |
|  |  |  |  |  |  |  |
| **Time- 2 1/2 hrs** |  | **Max Marks-70** |  |
|  |  |  |  |  |  |  |
| **This paper contains two printed pages and four parts** |

**Section A**

1. Answer any **five** from the following: **2X5=10**
2. Name the errors under the following circumstances:
3. Sales day book is totalled Rs.100 short and accordingly posted to the ledger.
4. Ram’s A/c is debited with Rs.90 short and credit side of his A/c in under-totalled by Rs. 90.
5. State any two differences between internal audit and external audit.
6. What is routine checking?
7. What is meant by investigation?
8. Mention any four types of audit report?
9. Name the components to be verified by an auditor with regards to Plant.
10. How is an auditor penalised as per Income tax Act?

**Section B**

1. Answer any **three** from the following: **5X3=15**
2. Explain the secondary objectives of an auditor.
3. What preparation is expected from an auditor before the commencement of a new audit?
4. Explain the objectives of vouching.
5. Differentiate between Auditing and Accounting.
6. “Auditor is a watchdog, but not a blood-hound”- comment.

**Section C**

1. Answer any **three** from the following: **10X3=30**
2. Explain the rights and duties of an Auditor as per Companies Act, 2013.
3. Brief out the procedure involved in verification and valuation of:
4. Sundry debtors b) Contingent liabilities
5. What are auditor’s responsibility towards detection and reporting as per SA240?
6. Explain the principles of Internal Control.
7. Explain the procedures of auditing of an insurance company.

**Section D**

1. **Compulsory question:**  **15X1=15**

18.

***Improper accounting for sales***

You are one of three partners in an auditing firm. Five years ago the firm was appointed as external auditors to a young, successful and fast-growing company, engaged to examine and verify the books of accounts. The business had started trading with a handful of employees but now has a workforce of 200, while still remaining below the size of company requiring a statutory audit.

Due to your close relationship with the directors of the company (who are its owners) and several of its staff, you become aware that staff purchases of goods manufactured by the company are authorised by production managers, and then processed outside the accounting system. The proceeds from these sales are used to fund the firm’s Christmas party.

Questions:

1. What are the fundamental key principles of professional ethics? **(5)**
2. What should have been done as the part of internal check to avoid this situation**?(10)**

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