

Date:18-03-2022

Registration number:

ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU-27

B.COM IFA – V SEMESTER

SEMESTER EXAMINATION: OCTOBER 2021

(Examination conducted in February-March 2022)

**BC IFA DEB 5619 - Advanced Audit and Assurance I**

Time- 2 ½ hrs Max Marks-70

This question paper contains two printed pages and four parts

**Section A**

1. Answer **any five** of the following. **(2X5=10 marks)**
2. What are the fundamental principles of code of ethics?
3. State the need for assurance services.
4. What is meant by lowballing?
5. Enlist any two reasons for corporate governance failure.
6. What is an audit plan?
7. How is auditor’s opinion formed?

**Section B**

1. Answer **any three** of the following. **(5X3=15 marks)**
2. Highlight the composition of an audit committee.
3. Summarise the benefits of code of ethics and conduct.
4. Analyse the functioning of an accountancy firm.
5. Write an analytical note on planning procedures of initial audit engagement.

**Section C**

1. Answer **any two** of the following. **(15X2=30 marks)**
2. Describe the contents of an audit report.
3. Elucidate the reasons for change of auditors.
4. Explain the audit procedures for obtaining sufficient appropriate evidence.

**Section D**

1. Answer the following. **(15X1=15 marks)**
2. The audited financial statements of Lambo Trading were approved by the shareholders at the AGM on 3 June 2015. On 7 June 2015 the managing director of Lambo Trading discovered a petty cash fraud by the cashier. Investigation of this fraud has revealed that it has been carried out over a period of a year. It involved the cashier making out, signing and claiming petty cash expenses which were charged to motor expenses. No receipts were attached to the petty cash vouchers. The managing director signs all cheques for reimbursing the petty cash float. Lambo Trading has revenue of $2 million and the profit before tax is $150,000. The cashier prepared the draft financial statements for audit. Your firm was responsible for the audit of Lambo Trading. No audit work was carried out on petty cash as the risk of material misstatement was considered low given the low level of petty cash expenditure.

**Note:** Misstatements of > 5% profit before tax and > ½ % revenue is considered material.

**Required:**

(a) Briefly state the auditor’s responsibilities for detecting fraud and error in financial statements. (**10 marks)**

(b) Consider whether your firm is negligent if the fraud amounted to $5,000. Justify.

**(5 marks)**

**\*\*\*\*\*\*\*End of the paper\*\*\*\*\*\*\*\***