

MEPL CLASSES**INTER – AUDIT****TOPIC - AUDIT OF ITEMS OF FINANCIAL STATEMENTS & AUDIT OF BANKS**

1) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank .

Define the criteria for classification of non-performing assets (3)

2) Examine with reason (in short) whether the following statement is correct or incorrect:

Banks recognize income on Non-Performing Assets on accrual basis. (2)

3) Your firm of Chartered Accountants has been appointed as the Auditor of two branches of OBC which are located in the Industrial area. Considering that the location of the branches of bank in industrial area, these would be “advances oriented branches and audit of advances would require the major attention of the auditors. Advise how would you proceed to obtain evidence in respect of audit of advances. (5)

4) Mr. A approaches a bank for financial assistance for his upcoming project. The Bank Branch Manager, after verifying the proposal, is agreeable to financing Mr. A, but asks for the security to be offered to the bank. Discuss the nature of securities required to be offered to the bank. (3)

5) While conducting the audit of Amrit Ltd. the auditor A of ABC and Associates, Chartered Accountants observes that there are a large number of trade receivables standing in the books of account as on 31st March. The auditor wanted to send confirmation request to a few large trade receivables but the management refused the auditor to send confirmation request. How would the auditor proceed? (4)

6) How would you verify the Leasehold property. (5)

7) How will you vouch and verify the following? Remuneration paid to directors. (4)

8) While the auditor may choose to analyse the monthly trends for expenses like rent, power, and fuel but for other expenses, an auditor generally prefers to verify other attributes.” Mention those attributes. (4)