

INTERMEDIATE EXAMINATION

December 2013

I-P6(CIA)

Syllabus 2008

Commercial and Industrial Laws and Auditing

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

*Please : (i) Answer all bits of a question at one place
(ii) Open a new page for answer to a new question
(iii) Attempt the required number of question only.*

Answer Question No. 1 and Question No. 5 which are compulsory and attempt any two from the rest in Section-I and any two from the rest in Section-II.

Section-I (50 Marks)

(Commercial and Industrial Laws)

1. Comment on the following based on legal provisions (no mark for wrong reasons or justification) 2×7
- (a) 'A' authorised 'B' to buy 1000 Bales of cotton for 'A' and to pay out of A's fund remaining in B's hand. B buys 500 bales and paid from A's fund. On 20.11.13 'A' revoked the Authority given to 'B'. Intimation of revocation was received on 24.11.13. A refused to accept 500 bales so purchased because it was revoked.
 - (b) A Bill dated 01.01.2012 was accepted on 02.01.2012 is made payable 90 days after date. Hence its due date is 6th April, 2012.
 - (c) In every factory wherein more than 150 workers are ordinarily employed, provision shall be made for cooling drinking water during hot weather. — Comment.
 - (d) Mr. Arun a supervisor in a factory submitted disputes for settlement under Industrial Disputes Act, 1947— comment.
 - (e) Two bodies Corporate can not form Limited liability partnership—Comment.
 - (f) Mrs. Loreto drawing salary of Rs. 9,500 who joined the Company on 20.01.2013, availed maternity leave from 08.02.2013 to 04.04.2013. Is she eligible for Bonus for 2012-13?
 - (g) It is the seller who is to bear the cost of delivery, (Sales of Goods Act) State the correct position.
2. (a) Define Sales (Sales of Goods Act). 3
- (b) Condition can be treated as warranty under a contract of sale. 2
- (c) Mr. Pandit delivers Steel plate to Mr. Bahl for fabrication. Bahl refused to deliver the fabricated item and residual steel rejects till the payment was made by Mr. Pandit. Whether Mr. Bahl has Authority to refuse. 2
- (d) (i) The occupier himself shall be deemed to be the Manager of the factory for the purpose of Factories Act, 1948. State the validity of this Statement. 2
- (ii) As per the Factories Act, Canteen is mandatory in all the factories. Offer your views based on Rules. 1
- (e) While going to his work place riding on his bicycle Mr. Ram met an accident. Is the employer liable to pay Compensation under the Workmen's Compensation Act.? 2

Please Turn Over

- (f) The Employer has no authority to pay Part Bonus before the date on which such bonus becomes payable. Answer based on Payment of Bonus Act, 1965. 2
- (g) Every person is competent to make a contract. Answer if this is wrong. 2
- (h) Who are authorised to appear before the Commission (the Competition Act, 2002)? 2
3. (a) Risk is transferred only on delivery—Comment. 2
- (b) Mr. Asim enters into a contract with Mr. Basu to sell 200 Tonnes Rice to Asim. It was revealed that Mr. Basu was agent of Mr. Roy. Who can be sued by Mr. Asim in case of failure to execute the contract? 2
- (c) X offers to sell to Y a painting which X knows is a copy of a well known Master piece. Y thinking that the painting is an original one and that X must be unaware of this accept Y's offer. State the validity of the contract. 2
- (d) A on Board an English Ship on high seas, causes 'B' to enter into an agreement by an act amounting to criminal intimidation under the Indian Penal Code. 'B' subsequently refused to execute the said agreement. 'A' afterwards sues 'B' for breach of contract at Kolkata. Whether 'A' can succeed. 2
- (e) There is no time limit for payment of bonus under payment of Bonus Act 1965. Whether this is correct. 2
- (f) Sale of Goods Act is applicable to both movable and immovable goods. Offer your views. 2
- (g) Gratuity shall be payable to an employee only on completion of five years—Comment. 2
- (h) Mr. Amar of his own agrees to sell his house to Mr. Biman at Rs. 5 Lakh whereas the fair value is Rs. 15 Lakh. Hence the agreement is invalid as the consideration being inadequate. Offer your views. 2
- (i) Mr. Sunil deposited Rs. One Lakh with a company for 3 years. On maturity the company did not pay the Principal & interest inspite of demand. Mr. Sunil approached Consumer forum—Will he succeed? 2
4. (a) Answer any four : 4×4
- (i) Effect of coercion.
- (ii) Essential of a Contract of sale.
- (iii) Consequences of misrepresentation.
- (iv) Disposal of wastes and effluents (Factories Act, 1948).
- (v) Rights of Consumers (Consumers Protection Act, 1986).
- (b) Bonus under payment of Bonus Act 1965 is payable to all the employees by the Employer. State the correct position. 2

Section -II (50 Marks)

(Auditing)

5. Comment on the following statements based on legal provisions: 2×7
(No mark for wrong reasons or justification)
- (a) Test checks may be applied to all transactions.
- (b) There is no need to design better "Internal Control" in an EDP or Computerized system.

- (c) Management audit concerns with the appraisal of Management policies methods etc. to determine better means of control only.
- (d) CAS-10 provides the standard cost Audit practice in respect of Material cost.
- (e) M/s. X Associates were appointed in AGM held on 30.09.13 as auditor for 2013-14 but the auditor who was present in the Annual General Meeting declined to accept the appointment. Board of Directors thereafter passed a Resolution on 10.10.13 to appoint M/s. A. Associates as Auditor in place of M/s. X Associates.
- (f) Besides Public Limited Company, Companies Auditors' Report Order 2003 (CARO) is applicable to all Private Companies.
- (g) Under GAAP/GAAS, what are the Reporting Standards in respect of "DISCLOSURES"?
6. (a) Although Audit Report on the Accounts for Financial year ending 31.03.13 was addressed to share-holders, but Auditor did not send such Report to the share-holders, who therefore, preferred a complaint against the Auditor. Advise the share-holders as to their Right. 2
- (b) What are the points Auditor shall state in his report when he discovers that loan has been given by a limited company during the year. 2
- (c) When Gross Profit for 2011 42,000
and for 2012 45,000
Current Assets for 2012 16,000
Current Liabilities for 2012 20,000
Sales for 2011 60,000
Sales for 2012 75,000
- Then (i) Calculate the Gross Profit ratio for 2011 & 2012.
(ii) State the effect of rise or fall in G. P. ratio. 2
- (d) How an auditor shall report in his Audit Report to comply with CARO in respect of 4
(i) "Transaction in which Directors are interested"
(ii) "Internal control on purchase of assets and sale of goods".
- (e) What are the essentials of good working papers? State at least 4 points. 2
- (f) As in the case of other audits, the information technology audit too take some basic steps—what are such basic steps? 4
- (g) Management Audit can be conducted by the Chartered Accountant only—Comment. 2
7. (a) What are the difference between IFRS, US GAAP and Indian GAAP in respect of "Interest paid". 2
(b) How you will adjust the expenses relating to previous year but disclosed in current year. 2
(c) Contingent liabilities for bill discounted has not been disclosed inspite of Auditor's advice. How an Auditor shall dealt with such situation. 2
(d) H. Ltd., is the Holding Company of both ADC Ltd. and ZYZ Ltd. Mr. Saxena a Chartered Accountant having a certificate of practice is a part time employee of XYZ Ltd. Can Mr. Saxena be appointed as Auditor of ADC Ltd. in its AGM. 2
(e) Explain Compliance Audit 4
(f) Explain Computer Auditing 4

Please Turn Over

- (g) Management Audit concerns with the review, appraisal of an organisation, management policies etc. Why review and appraisal are necessary? 2
8. (a) How the verification of "Know-how" will be conducted by you? 2
- (b) Explain the circumstances of materiality according to ICFAI 2
- (c) The company auditor incurred liability for defending against a civil proceedings although the Auditor worked honestly while performing his audit work. Whether such liability is to be borne by the Auditor? 2
- (d) State the correct position if following statements are wrong:
- (i) Only Chartered Accountants are eligible for appointment as internal Auditor. 1
- (ii) To comply with Corporate Governance, a listed company shall submit quarterly compliance report to the Registrar of Companies within 30 days? 1
- (e) A company licensed to operate as per provision of Sec. 25 of Companies Act, 1956. How an auditor shall report in his audit report to comply with CARO in respect of Fixed Deposit. 2
- (f) What is Voucher Audit? 2
- (g) As an Auditor what are the points/areas, you will consider while auditing in the case of data processing through computer service centre. 4
- (h) Why the company itself feels the need of management audit? 2
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