

INTERMEDIATE EXAMINATION

June 2015

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 questions 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 marks for wrong reasons or justification):
2×7=14
 - (a) Mr. Rana parks his car at a parking place with parking fees. Locks it and keeps the key with himself. This constitutes a contract of bailment as per contract Act, 1872.
 - (b) Risk is transferred only on delivery.
 - (c) An employee governed by the Payment of Gratuity Act, 1972 committed a theft in the course of his employment and consequently his services was terminated. Hence, he is not entitled to gratuity.
 - (d) Limited Liability Partnership (LLP) is governed by the provisions of the Companies Act, 2013 and a Limited Company can not become a Partner of a LLP.
 - (e) Transport Company accepted goods of Mr. X for delivery at Mumbai. When the driver of the truck went for lunch, the goods were stolen. Hence, Driver is liable to pay to Mr. X.
 - (f) Agreement in restraints of marriage is voidable.
 - (g) As per Factories Act 1948, no adult worker shall be required or allowed to work in a factory in any day for more than 8 hours.
2. State with reasons, if the followings are correct. Give correct answers:
 - (a) A threat to commit suicide does not amount to 'coercion'. 2
 - (b) Intentional misrepresentation is 'fraud'. 2
 - (c) 'A' sells by auction to 'B', a horse which 'A' knows to be unsound. 'A' says nothing to 'B' about the horse's unsoundness. This is a 'cause' of 'fraud'. 2
 - (d) Mr. Shuvam sold his car to Mr. Ram for INR 50000/-. After inspection and satisfaction, Mr. Ram paid INR 30000/- and took the possession of car. He promised to pay the balance amount within next ten days, but he subsequently refused to pay. Advise Mr. Ram as to remedy. 2
 - (e) A company to which the Payment of Bonus Act 1965 applies suffered heavy loss. The company decided not to pay any bonus, whether the company is justified? 2

Please Turn Over

- (f) Mr. Arun after working for 25 years 6 months and 10 days superannuated on 31.11.2015, when his salary was INR 70000/- per month, calculate the amount of Gratuity. 2
- (g) Fill in the blanks based on Factories Act, 1948: 2
- (a) As per Factories Act 1948, specified factories which employ _____ or more workers are to provide Canteen or Canteens.
- (b) In every factory wherein _____ or more workers are employed, the occupier shall employ Welfare Officers.
- (c) Every adult worker who has worked at least _____ days in a calendar month in a factory is allowed one day leave for every _____ days of work performed during the previous calendar year.
- (h) What are the death benefits allowed under Employees' Provident Fund & Misc. Provision Act, 1952? 2
- (i) A bill dated 6th February, 2015 was made payable 90 days after date. Determine the due date for payment. 2
3. (a) Agreements without consideration are also valid. If you agree state the circumstances. 3
- (b) Arun authorizes Barun to buy 100 Kgs. Potato on account of Arun and to pay from Arun's fund which Arun given to Barun in the past. Barun buys 100 Kgs. of potato in his own name, so as to make himself personally liable for the price. State whether Arun can revoke the Barun's authority? 2
- (c) Which is unpaid seller's lien on goods i.e. Right of Lien (Seller's Lien) (Sale of Goods Act, 1930)? 2
- (d) (a) Bill of Lading is signed by the seller – is it correct? If not, give who signs the Bill of Lading. 1
- (b) When Sales Contract is silent as to place of delivery of goods, what will be the place of delivery? 1
- (e) The Charitable Institutions are not industry (Ind. Disputes Act, 1947). Do you agree? Give answer with reason. 2
- (f) When the Gratuity is paid to the employees under Payment of Gratuity Act, 1972? 2
- (g) Give correct answer based on Factories Act, 1948.
- (a) Young person is a person who has not completed fourteenth year of age. 1
- (b) Adolescent is a person who has completed fourteenth year of age. 1
- (c) No child worker shall be required or allowed to work in any day for more than 9 hours. 1
- (d) Overtime Wages payable to workers provided they work more than 8 hours in any day or more than 48 hours in any week. 1
- (h) Is it correct that the provisions of Indian Partnership Act, 1932 are applicable to Limited Liabilities Partnership? 1
4. (a) Who can file complaints? (Consumer Protection Act, 1986) 2
- (b) Who is the occupier of a factory under Factories Act, 1948 (excepting the Ship & Ship related business). 3

- (c) Gratuity can not be forfeited in any circumstances. Do you agree? Answer based on payment of Gratuity Act, 1972. 3
- (d) What do you understand by the 'free consent'. 2
- (e) A deceit which does not deceive is not fraud. Give answer based on Contract Act, 1872. 2
- (f) When communication of an acceptance is complete as against the acceptor? 1
- (g) In what ways 'Sale' differs from 'Hire' Purchase? 4
- (h) Fill in the blanks based on Negotiable Instrument Act, 1881: $\frac{1}{2} + \frac{1}{2}$
- (a) When a bill is drawn, accepted or endorsed without consideration is known as _____.
- (b) Instrument incomplete in some respect is known as _____.

SECTION II (50 Marks)**(Auditing)**

5. Comment on the following based on legal provisions (No mark for wrong reasons or justification): $2 \times 7 = 14$
- (a) Accounting standard 2 is dealt with interim financial reporting while AS9 deals with construction contracts.
- (b) By vouching we mean preparation of voucher for payment of petty expenses to staff and customers.
- (c) Audit Report on the Accounts of the Company can be signed by any persons of the Audit Firm.
- (d) There is no justification to conduct propriety audit to govt. companies and govt. departments.
- (e) Internal check is said to have some fundamental aims (only indicate 4 points without details).
- (f) Password is one of the controls in computer information system (CIS) and Internal Control.
- (g) Scope of Management Audit can be as broad as the management process itself.
6. (a) Why does an Auditor need evidence? 2
- (b) To comply with the provisions of Companies Act, 2013, constitution of Audit Committee can not be avoided by certain class of companies. State the legal provisions. 3
- (c) As an Internal Auditor, how you will verify the 'petty cash'? 2
- (d) What are the liabilities of the Auditor for misfeasance? 2
- (e) Mr. P. S. Sarkar, a practicing chartered accountant, is the Auditor of 10 Private Companies and 10 Public Companies. On receipt of two offers, he has accepted the same thereby raising the number of companies to twenty-two. Offer your views based on Companies Act, 2013 as to validity. 2
- (f) Describe the impact on Audit in the case Data Processing through computer service centre. 2
- (g) Explain the following which are part of control measures under computer information system. $1+1=2$
- (a) Audit Trails
- (b) Edit Test
- (h) Why bank likes to get the management audit conducted? 1
- (i) As an Internal Auditor how you will verify the purchase relating to inventory (Excluding receiving control etc. relating to inventory). 2

Please Turn Over

7. (a) Net Profit before Interest & Taxes 1,00,000/-
Net Capital Employed 20,00,000/-
Sales 10,00,000/-
Current Assets 15,00,000/-
Current Liabilities 5,00,000/-
From the above information determine
(i) The current ratio and
(ii) Comment on the result i.e. the ratio. 1+1=2
- (b) How you will review and conduct physical verification of stores? 4
- (c) What are the basic documents you as an internal auditor, check for review of 'Fixed Capital Assets'? 2
- (d) What are documents and records the Auditor need to check for issue of certificates required for compliance of corporate governance and clause 49 of listing agreements. 2
- (e) In the AGM one of the share holders wanted to inspect the Auditors Report on the Accounts but the company secretary denied as this was already forwarded to him along with notice for AGM. State the correct position based on provisions of Companies Act. 2013. 2
- (f) What are the three systematic approaches to carryout the information system audit? 3
- (g) What is 'System' under information system audit? 1
- (h) Management Audit is useful for society at large comment. 2
8. (a) What is compliance Audit? 2
- (b) How you will audit the sales return? 2
- (c) CFO of a Ltd. Co. proposes to transfer unclaimed dividend to the credit of Profit & Loss Account for the year ending 31.03.2015. As auditor, how you will deal with the same? 2
- (d) State two important reporting standards in respect of GAAP. 2
- (e) XYZ Ltd. is a holding company of ABC Ltd. appointed Mr. S. K. as Auditor of ZYZ Ltd. In course of audit, Mr. S. K. wanted to visit the office of ABC Ltd. for verification of certain documents relating to holding co. CFO objected auditors visit but supplied him with financial statement of ABC Ltd. Offer your views as to Auditor's demand for the said visit. 2
- (f) Auditor noticed that the Contingent Liability for the bills discounted has not been disclosed. Inspite of requesting the Directors, this was not set right. What action Auditor can take in this situation? 2
- (g) What is an information technology audit? 2
- (h) What is the purpose of 'file libraries'. Which is one of the controls under computer information and internal control? 2
- (i) Who can conduct management audit? 2