

# AUDITING

## SYLLABUS

Course no. : MGT 313  
Nature of the course : Concentration Area (Account)

Full Marks: 100  
Pass Marks: 35

### Course objectives

The objective of the course is to provide the students with the knowledge and skills required to conduct auditing by enabling them to handle internal audit and investigation works of different organizations and in various situations independently.

### Contents

#### Conceptual Foundation LH 10

Nature and scope, Evolution of auditing practices in Nepal, objectives of audit, Detection and prevention of frauds and errors with practical dealings. Scope of audit, advantages of audit. Accounting, auditing and investigation

#### Planning an Audit LH 10

Audit programme, contents of audit programme, techniques and preparation of audit programme. Audit notebooks, objectives, procedures and techniques of audit notebook contents of audit note books. Organization of audit staff, job description, responsibility assigned and liabilities defined, conduct of an audit work, continuous audit, periodical audit, interim audit, partial audit. Tax audit, cash audit, cost audit, management audit, scope of work to be determined, instruction to the client, knowledge about business, preparation by the auditor, division of work, audit files, audit working papers.

#### Internal Check and Control LH 8

Concept, object, essential characteristics, advantages and disadvantages. Internal check and internal audit, effects of internal control and internal audit (auditor's duties as regard internal check and internal control), test check and its use/adoption of distinctive ticks, routine checking, difference in balancing books, concept of test checks, advantage and limitation. Difference between statutory audit and internal audit

#### Vouching LH 15

Concept, importance, objectives of vouching, vouching of cash transactions, vouching of payments, vouching of receipt, vouching of sales, credit and cash sales, internal checks as regard to cash sale, cash discount allowed and return, credit sales, review of internal check system as regard to credit sales, sales on approval basis, sales under hire purchases system, goods on consignment, goods sent on package and containers, return, vouching of purchase, cash purchase, internal check as regard to cash purchase, discount received and return, credit purchase, internal check as regard to credit purchase, discount received and return.

#### Audit of Impersonal Ledgers LH 8

Capital expenditure, revenue expenditure and

deferred expenditure, outstanding expenses and income, repairs and renewals, Prepaid expenses, contingent liabilities and asset

#### Verification and Valuation of Asset and Liabilities LH 15

Concept, importance, distinction between verification and vouching, verification and valuation of assets, methods of valuation, vouching and valuation, valuation of fixed assets, current assets and washing assets, auditor's position as regards to verification and valuation of assets, verification of liabilities, capital loans and long-term loans, trade creditors, outstanding liabilities for expenses, bills payable, contingent liabilities, confirmation and verification.

#### Depreciation, Reserve and Provision LH 5

Depreciation, concept and causes for depreciation, methods of depreciation, difference between fluctuation and depreciation, difference between obsolescence and depreciation, Auditor's duty in connection with depreciation, Reserve: concept of reserve and provision, need for reserve and provision, types of reserve and provision, Auditor's duty in connection with different provision and reserves.

#### Appointment, Remuneration and Right and Duties of an Auditor LH 5 (According to Nepal Company Act and other legislations governing audit)

Qualification of an auditor of a company, appointment and remuneration of an auditor, Qualities of an auditor, rights and duties of an auditor, removal of an auditor.

#### Audit of a Limited Company LH 15

Nature of company audit, preliminaries before company audit, statutory audit, audit of preliminary expenses, audit of statutory general meetings, review of memorandum of association and articles of association, audit of shares capital, issue of shares at par, premium and discount, issue of share for other than cash, bonus share, calls in arrear and calls in advance, forfeiture and re-issue of forfeiture shares, transfer and conversation of shares, alternation of share capital, Audit of underwriting commission, transfer fees, brokerage and commission, Audit of debentures: debentures issued at par, discount and premium, redemption of debentures, regular

redemption, and redemption at par, premium and discount, redemption through purchase in open market, conversion of debentures into shares.

### Audit Report LH 6

Meaning of audit report, content of audit report, Types of audit report: statutory report, general report, qualified report, tax audit report.

### Audit of Divisible Profits and Dividends LH 10

Concept of profit and divisible profit, consequences of incorrect valuation of profit, Factors affecting dividend: capital profit and revenue profit, dividend by appreciating assets including intangible assets, loss on fixed assets and dividend pre-operating profit and dividend, Dividend on preference shares: cumulative and non-cumulative preference shares, unclaimed dividend.

### Liabilities of an Auditor LH 12

Legal provision regarding liability of an auditor, auditor appointed by a private business concern, liability of a limited company auditor, civil liability, negligence and misfeasance criminal. **Joint audit:** Meaning, liability of joint auditor and branch auditor, liability of an honorary auditor, auditor's liability to third party.

### Different Classes of Audits LH 8

Audit of educational institutions, audit of charitable institutions and NGO's, Audit of partnership firm: concept of partnership firm audit, procedures to be followed by a newly appointed auditor, audit on behalf of different types of partners, performance audit.

### Investigation LH 8

Concept of investigation, difference between investigation and audit, causes, for investigation and methods of investigation, identification of objectives of investigation, formulation of programme, collection and examination of records and evidence. Types of investigation, investigation on behalf of incoming partners, prospective shareholders, prospective, moneylenders and suspected frauds, duties and liabilities of an investigator.

### Government Audit in Nepal LH 7

Concept, objectives, natures and evolution, difference between government audit and commercial audit, **Internal audit:** Concept, objectives and advantages, Misappropriation and procedure for regularization, roles comptroller general, final audit, audit of expenditure, debts, deposit, remittance and stores, audit report, Roles of auditor General in government audit, and public account committee, Directives of Office of Auditor General, Government auditing standard.

### Recent Trends in Auditing LH 3

Concept in management audit, concept of cost audit, audit of electronic data procedures tax audit (Only concept), Auditing Standard.

#### Basic Books:

1. Ramaswamy, M.S., *Auditing*, S. Chand and Co., New Delhi.
2. Saxena, R.G., *Principles of Auditing*, Himalayan Publishing House, Bombay.

#### References

1. Tandon, B.N., *Practical Auditing*, S. Chand and Co., New Delhi.
2. Amata, S.K., Pandey, D.L. and Luintel, B.R., *Lekha Parikshan*, Asia Publication, Kathmandu.
3. *Auditing Act, 2048 (with amendments)*
4. Bigg, W.W., *Practical Auditing (Revised)*, Allied Publishing Ltd, Bombay.
5. Carwin, James, A Neuwirth, P.D. and Levy, J.F., *Cashin's Handbook for Auditors*, McGraw Hill, International Edition.
6. *Government Auditing Standard, Nepalese Journal of Government Auditing Year 14, No. 44*, Office of the Auditor General, Babar Mahal, Kathmandu.
7. Kumar R., and Sharma V., *Fundamental of Practical Auditing*, Prentice-Hall of India Pvt. Ltd., New Delhi.
8. Lamichhane B., *Auditing*, Neeru Lamichhane, Kathmandu
9. *Nepalese Standards on Auditing, The Institute of Chartered Accountants of Nepal*, Kathmandu.
10. गैर सरकारी संस्थाको लेखापरीक्षण विधिकान - ICAN, Kathmandu.

## Model Question

1. What do you mean by continuous audit? Give reasons why the business houses conduct this type of audit. 2+3
2. Briefly explain with suitable examples about the different types of error. 5
3. What information should an auditor collect before commencing a new audit? 5
4. What are the basic differences between internal check and internal audit? 5
5. What do you mean by test check? On which ground is it helpful to an auditor? 5
6. "Vouching is the essence of auditing." Justify this statement reasoning the importance attached to vouching. 5
7. Briefly explain the term 'Deferred Revenue Expenditure' giving three suitable examples. 5
8. How would you verify the following assets:  
(a) Investment  
(b) Stock in trade 4+4
9. "Dividends should be paid only out of profit." Explain this statement in brief citing relevant case law on this matter. 7

10. Can dividend be paid without providing depreciation on wasting assets? Justify this statement in Nepalese context. 5
11. What are the various provisions underlying regarding removal of an auditor in the prevailing laws of Nepal? 5
12. What do you mean by 'a qualified report'? State the various circumstances why the auditor qualifies his report. 5
13. Giving reasons for the effects of the following transactions in the total profitability, suggest rectifying entries for each of the transaction. 5
- Rs. 2,000 wages incurred for erecting the firm's new machinery charged to wages account.
  - A purchase of goods from A amounting to Rs. 3,000 has been wrongly posted through sales book.
  - Rs. 200 paid for repairs, written as Rs. 250 in repair account. 2.5x4
14. Distinguish, whether the following are capital or revenue expenditures. 1x5
- Rs. 3,000 incurred for shifting the place of business.
  - Discount on issue of debenture amounting to Rs. 5,000 charged fully to revenue account in the years of issue. The debentures are subject to redeemable in five years.
  - A firm signed a contract with Nepal Televisions to display its product advertisement for a period of 5 years. The cost involved in this package deal was Rs. 100,000 and was paid in advance. The firm charged the whole amount in the current year's profit and loss account.
  - Firm incurred an abnormal loss of Rs. 5,000 due to fire in the current year, and whole of the amount was charged to current P/L a/c.
15. Make comment, as an auditor, on the following cases, declaring the amount of depreciation. 2.5x2
- A machine with a book of Rs. 200,000 and with a remaining life of five years was restated with a renewal cost of Rs. 100,000. This renewal has enhanced the production capacity. Therefore, management decided not to charge depreciation of machine this year.
  - Company suffered a loss of Rs. 30,000 before charging depreciation on a machine of Rs. 400,000 at the rate of 10% p.a. The management decided not to charge depreciation because it will further aggregate the loss of the company.
16. 'Prevention and detection of errors and frauds are the two fundamental purposes of an audit.' Discuss this statement clearly.
- Or, 'Investigation of account is not an audit of Account. Its objectives are specific and limited.' Discuss them with the type of investigations they are made. 10+5

## 1. CONCEPTUAL FOUNDATION

### 1. 2069 Q.No. 16

Describe briefly the classes of errors and frauds. Is the auditor expected to detect all errors and frauds? [10+5]

### 2. 2068 Q.No. 1

What are the differences between Accounting and Auditing? [5]

### 3. 2067 Q.No. 1

Define audit. Mention any three objectives of auditing. [2+3]

### 4. 2066 Q.No. 1

"Two main objectives of auditing are prevention and detection of errors and frauds." Explain. [5]

### 5. 2065 Q.No. 1

What are frauds? Give any three suitable examples of frauds. [3+2]

### 6. 2064 Q.No. 1

What are errors of principle? Give any two examples. [3+2]

### 7. 2064 Q.No. 2

Define a detailed audit. Mention its three advantages. [2+3]

8. 2063 Q. No. 1  
What do you mean by "Embezzlement of Cash"? State any three methods of embezzlement of cash. 2+3
9. 2063 Q. No. 2  
Define fraud. Give three examples of fraud. 2+3
10. 2063 Q. No. 8  
The work of an auditor starts where the work of an accountant ends. Explain in brief. 5
11. 2062 (C) Q. No. 1  
Give the meaning of audit. Explain in brief any three advantages of audit. 2+3
12. 2062 (C) Q. No. 2  
Explain in brief the object of audit. 5
13. 2062 (F) Q. No. 1  
Give the meaning of 'auditing'. Also state any three advantages of auditing. 2+3
14. 2062 (F) Q. No. 2  
Write in brief any two points of differences between auditing and investigation. 2.5+2.5
15. 2062 (F) Q. No. 3  
Define the term 'Error'. State any three tests that an auditor applies to detect errors. 2+3
16. 2061 (C) Q. No. 1  
What is audit? State any two advantages of audit. 2+3
17. 2061 (C) Q. No. 2  
State the meaning of error. How would you distinguish an error with that of a fraud? 2+3
18. 2061 (C) Q. No. 16  
'Prevention and detection of errors and frauds are the two purpose of an audit.' Discuss in detail. 8+7
19. 2061 (F) Q. No. 1  
Define audit. Do you think that auditing is necessary after preparing the final accounts? 2+3
20. 2061 (F) Q. No. 2  
Give the meaning of fraud. Who commit such frauds? Give three examples of fraud. 1+1+3
21. 2060 (C) Q. No. 1  
'Verification of accounts and (financial) statements is the main object of auditing.' Explain. Also define auditing. 3+2
22. 2060 (C) Q. No. 2  
Define 'Fraud'. Give three examples of fraud. 2+3
23. 2060 (F) Q. No. 1  
State the meaning of audit. Give its three advantages in modern days. 2+3
24. 2059 (C) Q. No. 1  
'The work of an auditor starts where the work of an accountant ends.' Explain in brief. 5
25. 2059 (C) Q. No. 2  
'The only object of an auditing is to check the correctness of receipts and payments of cash.' Do you agree with this statement? Explain in brief. 5
26. 2059 (C) Q. No. 3  
What do you mean by 'embezzlement of cash?' Also state any three methods of embezzlement of cash. 2+3
27. 2059 (C) Q. No. 4  
Write the meaning of fraud and error. Also state whether the following are frauds or errors. 4+4  
(a) Concealing the receipts (b) Over valuation of stock  
(c) Showing loss to avoid tax (d) Posting to wrong side of an account
28. 2059 (F) Q. No. 1  
Auditing is a good attempt to check the fraud and error. Explain the statement in 5 to 7 effective sentences. 5
29. 2059 (F) Q. No. 4  
Distinguish a fraud with an error. Also state whether the following are fraud or error?  
i. Wrong totalling of subsidiary book  
ii. Entry for purchase omitted from the account of supplier.

iii. Falsification of accounts to deceive creditors.

iv. Recording fictitious purchases.

4+4

**30. 2058 (C) Q. No. 1**

The main objectives of an audit are detection and prevention of frauds and errors. Explain briefly. 5

**31. 2058 (C) Q. No. 2**

What do you mean by manipulating of accounts? How accounts are manipulated? 2+3

**32. 2058 (F) Q. No. 1**

Define 'Auditing'. Explain any three advantages of auditing. 2+3

**33. 2058 (F) Q. No. 2**

What are the different types of 'frauds' associated with accounts? State any three examples of fraud. 2+3

**34. 2057 (C) Q. No. 1**

What is an audit? Explain any three advantages of audit. 2+3

**35. 2057 (C) Q. No. 2**

Write what you know about "Errors of Principles"? Give any three examples how such errors can arise? 2+3

**36. 2057 (F) Q. No. 1**

What is an audit? Is it necessary to conduct audit after preparation of accounts? 2+3

**37. 2057 (F) Q. No. 2**

Give the meaning of 'Fraud'. State any three examples of fraud. 2+3

**38. 2056 (C) Q. No. 1**

Define the term audit and write its two advantages. 3+2

**39. 2056 (C) Q. No. 2**

What do you mean by errors of commission? How is an auditor able to locate this type of error? Explain briefly giving suitable example. 2+3

**40. 2056 (C) Q. No. 16**

Define auditing. State its objective and scope. 4+8+3

**41. 2056 (F) Q. No. 1**

Define the term audit. Distinguish audit from accountancy. 2+3

**42. 2056 (F) Q. No. 2**

What do you mean by compensating error? Explain briefly how an auditor detects this type of error giving suitable example. 2+3

**43. 2056 (F) Q. No. 16**

'Prevention and detection of errors and frauds are the two fundamental purposes of an audit.' Discuss this statement clearly.

**RECTIFICATION OF ERRORS****44. 2069 Q.No. 11**

Rectify the following errors and show their impact on profitability: [2.5×4=10]

- Received Rs. 400 from Dinesh but the same was wrongly credited to Ganesh's account.
- Rs. 550 paid on account of wages for the erection of a plant were entered in wages account.
- Rs. 200 were received on account of interest was credited to commission account.
- Laxmi's account was debited by Rs. 2,000 instead of Rs. 3,000

**45. 2068 Q.No. 9**

Rectify and state the effect on profitability of the following incorrect entries: [2.5×4]

- Debited a repair account by white washing expenses of Rs. 5,000 incurred to a newly constructing building.
- Repair of machinery of Rs. 25,000 was debited to machinery account.
- A sale of goods to Sudip worth Rs. 12,000 was entered in purchase book.
- Rs. 20,000 received from Sujata was posted to her account as Rs. 2,000.

**46. 2067 Q.No. 15**

Write the effect of the following transactions on the total profitability and suggest rectifying entries for each of the transaction, where necessary. [4x2.5=10]

- A sale of goods to Shyam of Rs.2,000 was entered through purchase book.
- Interest of Rs.2,000 paid to bank was credited to bank account.
- A purchase of motor cycle worth Rs. 120,000 was debited to the purchase account.
- A credit sale of Rs.5,000 to Ram was debited to Ram.

**47. 2066 Q.No. 12**

Mention the impact of the following incorrect entries. Also suggest rectifying entries for each of the following:

- The merchant has purchased furniture for Rs. 50,000 but it has been wrongly debited to Repairs Account.
- Goods purchased on credit from Mahesh Pudasaini for Rs. 100,000 but it has been wrongly entered in the Sales Book.
- An amount of Rs. 25,000 received from Ram has been entered in the books as Rs. 15,000.
- An amount of Rs. 200,000 withdrawn by the proprietor for his personal use has been debited to Trading Expense Account. [2.5x4=10]

**48. 2065 Q.No. 12**

Point out where the mistake lies in the following transactions. Also suggest the rectifying entries for each of the transactions.

- An amount of Rs. 15,000 a credit sale to Suresh Dhakhwa correctly entered in the sales book, has been debited to his account as Rs. 15,500.
- Discount allowed by Pramod Shakya of Rs. 40 on payment to him of Rs. 960 has been entered in the discount column of the cash book. The debit to Pramod Shakya's account stands at Rs. 1,000.
- An amount of Rs. 4,000 paid by B. Bajracharya has been credited to the amount of G Bajracharya.
- Office furniture purchased for Rs. 8,000 on credit has been passed through the purchase book. [2.5x4]

**49. 2062 (C) Q. No. 12**

Giving reasons for the effects of the following transactions on the profitability suggest rectifying entries of each of the transactions where necessary.

- A purchase of computer of Rs.5,000 was debited to the purchase account.
- A sale of goods worth Rs. 5,000 was entered in purchase book.
- An amount of Rs. 5,000 received from Shyam on account of credit sale to him was posted to the debit of his account.
- A bill of Rs. 10,000 paid for the installation of plant was debited to wages account. 2.5x4

**50. 2061 (C) Q. No. 12**

Giving reasons for the effects of the following transactions on the profitability, suggest rectifying entries for each of the following transactions where necessary.

- A sale of Rs. 1,000 to S. stores was credited to their account.
- A purchase of goods from Asan Stores for Rs. 1,500 was posted in sales book.
- Salary of Rs. 3,000 paid to Gopal, wrongly debited to his personal a/c
- TADA paid of Rs. 1,500 was recorded into Allowance Account. 4x2.5

**51. 2061 (F) Q. No. 12**

Giving reasons for the effects of the following transaction where necessary. 4x2.5

- A purchase of computer of Rs. 60,000 was debited to purchase account.
- Rent received of Rs. 10,000 from X, was posted to the Debit of his account.
- A purchase of goods from Ram of Rs.5,000 was entered into sales book.
- A builder's bill of Rs. 30,000 paid for the construction of a new Canteen debited to Building Repair Account.

**52. 2060 (C) Q. No. 12**

Giving reasoning of the effect of the following transactions on the total profitability, suggest rectifying entries for each of the transactions where necessary.

- A sale of goods to Ram for Rs. 2,500 was passed through purchase book.
- Salary of Rs. 8,000 paid to Hari was wrongly debited to his personal account.
- Rs. 5,000 spent on the extension of Building was debited to the Building Repair Account.
- A sale of goods worth Rs. 300 for cash wrongly entered in Sales Book as Rs. 3,000. 4×2.5

**53. 2060 (F) Q. No. 12**

Giving reasons for the effects of the following transactions on the profitability, suggest rectifying entries for each of the following transactions where necessary.

- A purchased of furniture worth Rs. 10,000 was debited to purchase account.
- Interest of Rs. 1,000 received from a debtor was debited to interest account
- Wages of Rs. 3,000 paid for installation of machine was debited to wages account.
- A purchase of goods from South worth Rs. 2,000 was entered through sales book. 4×2.5

**54. 2059 (C) Q. No. 12**

Giving reasons for the effects of the following transactions in the total profitability, suggest rectifying entry for each of the transaction where necessary.

- An income tax of Rs. 2,500 paid for the current year is charged to profit and loss account.
- A credit sale for Rs. 2,000 is credited in the name of a customer.
- A rent of Rs. 5,000 received from a tenant is debited to rent account.
- A purchase of a machine of Rs. 10,000 is debited to purchase account. 4×2.5

**55. 2059 (F) Q. No. 12**

Giving reasons for the effects of the following transactions on the profitability, suggest rectifying entries for each of the following transactions where necessary.

- Goods worth Rs. 3,000 sold to Prakash were posted to the debit of Kumar.
- Machinery sold for Rs. 5,000 was posted as cash sales.
- Rs. 250 cost of repairing the rod of a shed wrongly charged to building account.
- Goods worth Rs. 1,000 returned by Jai Prakash were received in stock, but no entry was made in the accounts books. 4×1.25

**56. 2058 (C) Q. No. 12**

Giving reasons for the effects of the following transactions in the total profitability, suggest rectifying entries for each of the transactions where necessary. 4×2.5

- Discount of Rs. 1,000 on issue of shares charged to regular discount account.
- A credit purchase of Rs. 1,500 debited in the name of the creditors.
- A commission earned of Rs. 4,000 debited to Commission Account
- A loan of Rs. 5,000 received from Nepal Bank Ltd. was debited to Bank Account.

**57. 2058 (F) Q. No. 12**

Giving reasons for the effects of the following transactions in the total profitability, suggest rectifying entries for each of the transactions where necessary.

- The sales book was over cast by Rs. 500
- Rent received from a tenant Rs. 5,000 was debited to rent account.
- Paid Rs. 2,000 for salaries were debited to salaries account as Rs. 200 only.
- Goods worth Rs. 5,000 sold to Mr. Sharma has been entered through purchase book. 4×2.5

**58. 2057 (C) Q. No. 12**

Giving reasons for the effects of the following transactions on the total profitability, suggest rectifying entries for each of the transactions where necessary.

- Goods worth Rs. 2,000 sold to Mr. Gopal has been entered in the purchase book.
- A sale of furniture of Rs. 5,000 was credited to Sales Account.
- Furniture of Rs. 6,000 purchased for personal use was debited to Purchase Account.
- Carriage on Machinery for Rs. 600 has been debited to Carriage Account. 4×2.5

**59. 2057 (F) Q. No. 12**

Giving reasons for the effects of the following transactions on the profitability, suggest rectifying entries for each of the transactions where necessary.

- A purchase of Furniture of Rs. 10,000 was debited to Purchase account.
- A purchase of goods from Ganesh worth Rs. 4,000 was entered into sales book.
- Rs. 1,080 received from Mohan was posted to the debit of his account.
- A builder's bill of Rs. 4,000 paid for the erection of a small shed was debited to repairs account.

4x2.5

**60. 2056 (C) Q. No. 12**

Giving reasons for the effects of the following transactions in the total profitability suggest rectifying entries for each of the transaction where necessary.

- Rs. 1,500 materials used for making of loose tools was charged to production account.
- A sales of Rs. 2,000 was wrongly debited to purchase account.
- A credit purchase of Rs. 2,400 was charged as Rs. 42,000.
- Amount paid to Mr. X was wrongly credited to his account.

2.5x4

**61. 2056 (F) Q. No. 12**

Giving reasons for the effects of the following transactions in the total profitability, suggest rectifying entries for each of the transactions where necessary.

- A sale of investment of Rs. 10,000 was credited to sales account.
- Rent received from office building (sublet out) was debited to office rent account Rs. 3,000
- Wages paid of Rs. 45,000 was debited to wages a/c by Rs. 5,400
- Rs. 8,000 purchase of Furniture charged to equipment account.

2.5x4

**2. PLANNING AN AUDIT****1. 2069 Q.No. 1**

What is audit note book? Enlist the contents of it.

[2+3]

**2. 2069 Q.No. 2**

Write note on management audit and cost audit.

[5]

**3. 2069 Q.No. 4**

State the works which are to be performed by an auditor before starting audit of a company.

[5]

**4. 2068 Q.No. 2**

List out the instructions that should be given by an auditor to his client before commencing the audit work?

[5]

**5. 2067 Q.No. 2**

Write the meaning of audit programme. What precautions should the auditor be taken into consideration while preparing audit programme?

[2+5]

**6. 2067 Q.No. 3**

What do you mean by continuous audit? Write in brief any three advantages of continuous audit.

[2+3]

**7. 2066 Q.No. 4**

Point out the contents of audit note book.

[5]

**8. 2066 Q.No. 9**

Distinguish between cost audit and management audit.

[5]

**9. 2065 Q.No. 2**

Before commencing an audit what enquiries should an auditor make from his client?

[3+2]

**10. 2063 Q. No. 3**

Is it necessary for an auditor to make notes in course of the conduct of audit? Comment briefly?

5

**11. 2062 (F) Q. No. 4**

'Continuous audit is suitable only for certain big organization.' Explain the statement giving two advantages of continuous audit.

3+2



12. 2062 (F) Q. No. 5  
What is an 'audit programme'? Give any three limitations of audit programme. 2+3
13. 2062 (F) Q. No. 6  
What is an 'audit note book'? How an audit note book helps and auditor? 2+3
14. 2062 (C) Q. No. 3  
What are the advantages of periodical audit? Explain its advantages in brief. 2+3
15. 2062 (C) Q. No. 4  
What is an audit programme? Give three disadvantages of fixed audit programme. 2+3
16. 2061 (C) Q. No. 3  
What are the disadvantages of continuous audit? Suggest any two points that could be fruitful to minimize these drawbacks. 3+2
17. 2061 (C) Q. No. 4  
Write a short note on 'audit programme'. Give two disadvantages of fixed audit programme. 2+3
18. 2061 (F) Q. No. 3  
State the advantages of continuous audit over final audit. 5
19. 2061 (F) Q. No. 4  
Do you think that audit programme is a must? Give two advantages of audit programme. 3+2
20. 2060 (C) Q. No. 3  
What is 'Interim Audit'? What are its objectives? Give any two advantages of interim audit. 2+1+2
21. 2060 (C) Q. No. 4  
Write brief note on 'Audit note Book'. What are its contents? 2+3
22. 2060 (F) Q. No. 3  
Give the meaning of continuous audit. State any three limitations of continuous audit. 2+3
23. 2060 (F) Q. No. 4  
Write short note on 'Audit Note Book' with its contents. 5
24. 2059 (C) Q. No. 5  
Why an audit programme is prepared? Is it necessary to prepare such programme? 2+3
25. 2059 (C) Q. No. 6  
Write a note on continuous audit. Also state any three reasons that makes continuous audit superior to periodic audit. 2+3
26. 2059 (F) Q. No. 2  
State the disadvantages of periodic audit. Suggest any two points that could be useful to minimize these drawbacks. 3+2
27. 2059 (F) Q. No. 3  
Write a short note on 'Audit Note Book.' Give two advantages of audit Note Book. 3+2
28. 2059 (F) Q. No. 5  
'Audit work would be lame without audit programme.' Is there any truth on this statement? Give your opinion in 5 to 7 sentences. 5
29. 2058 (C) Q. No. 3  
Write in 5 to 7 sentences, about the necessary of audit programme. 5
30. 2058 (F) Q. No. 3  
'Continuous audit is suitable only for certain organization.' Explain the statement giving two advantages of continuous audit. 3+2
31. 2058 (F) Q. No. 4  
What is an 'audit programme'? Give any three merits of audit programme. 2+3
32. 2058 (F) Q. No. 5  
Write a note on 'Audit Technique'. Also give any three techniques of audit. 2+3
33. 2057 (C) Q. No. 3  
It is often said that 'continuous audit is an expensive system of audit even though many business firms use this frequently.' Explain the statement giving reasons. 5
34. 2057 (C) Q. No. 4  
What is an 'Audit Notebook'? How far is it useful to an auditor? 2+3

35. 2057 (F) Q. No. 3

What are the disadvantages of continuous audit? Suggest any two points that could be fruitful to minimize these drawbacks. 3+2

36. 2057 (F) Q. No. 4

Write a short note on 'audit programme.' Give three advantages of audit programme. 2+3

37. 2056 (C) Q. No. 3

State the importance of audit notebook to an auditor. Write its contents. 3+2

38. 2056 (F) Q. No. 3

State any three differences between continuous audit and periodical audits. 5

### 3. INTERNAL CHECK AND CONTROL

1. 2069 Q.No. 5

Describe the duties of an auditor. [5]

2. 2069 Q.No. 8

"Auditor relies on internal check while checking books of accounts but internal check cannot ensure the accuracy of books of accounts." Justify this statement. [6]

3. 2068 Q.No. 3

What is internal control? How it differ from internal check? [2+3]

4. 2068 Q.No. 8

What is statutory audit? Point out the subject matters that should be incorporated in it. [2+3]

5. 2067 Q.No. 4

Define internal check. State any three points that are to be taken into consideration in framing a good system of internal check. [2+3]

6. 2067 Q.No. 5

State the fundamental difference between internal auditor and independent auditor. [5]

7. 2066 Q.No. 3

Differentiate between interim audit and internal audit. [5]

8. 2065 Q.No. 3

What is test checking in auditing? State what precautions should be taken in this connection? [3+2]

9. 2064 Q.No. 4

Distinguish between internal check and internal audit. [5]

10. 2063 Q. No. 4

State the objectives of internal check. Explain any two of them. 3+2

11. 2062 (F) Q. No. 7

What are the main aims of internal check? Explain in brief how it helps an auditor in his work. 3+4

12. 2062 (C) Q. No. 5

'Internal check in the absence of internal audit.' Do you agree with this statement? Also state how they affect the auditors work? 2+3

13. 2061 (C) Q. No. 5

What is meant by 'internal check'? What should be a good internal check system as regard to cash transactions. 2+3+3

14. 2061 (F) Q. No. 5

"Test checks reduces the working of an auditor." Do you agree with this statement? Also state any two points that support the existence of good internal check system in a firm. 3+2

15. 2060 (C) Q. No. 5

Give the meaning of 'Internal Check'? To what extent the auditor relies upon internal check system while performing his duties. 2+3

16. 2060 (F) Q. No. 5

What is internal check? Also state the aim of internal check. 2+3

17. 2059 (C) Q. No. 7

Define internal check. State three objectives of internal check. 2+3

18. 2059 (F) Q. No. 6

Internal check is the pre-requisite to internal control. 5

19. 2059 (F) Q. No. 16  
Define internal check. State its objectives. Also write the features of internal check system. 3+5+7
20. 2058 (C) Q. No. 4  
Explain in brief any three differences between internal check and internal audit. 5
21. 2058 (F) Q. No. 7  
"Internal check is the prime requirement of internal audit." Do you agree with this statement? Also state how they affect the work of an auditor. 2+3+3
22. 2057 (C) Q. No. 5  
Distinguish between 'Internal Check' and 'Internal Audit'. 5
23. 2057 (F) Q. No. 5  
'Most auditors rely upon test check.' Do you agree with this statement? Also state any two points that support the existence of a good internal check system. 3+2
24. 2056 (C) Q. No. 4  
Define internal audit. State any three advantages. 3+2
25. 2056 (F) Q. No. 4  
Define internal check. State any three advantages of it. 2+3

#### 4. VOUCHING

1. 2069 Q.No. 10  
How would you vouch the following items: [2×4=8]  
a. Wages  
b. Cash sales  
c. Investment  
d. Insurance premium
2. 2068 Q.No. 4  
What is vouching? How the vouching of 'wage payment' is done? [2+3]
3. 2067 Q.No. 6  
'Vouching is the essence of auditing'. Comment. Also state why such importance is attached to vouching. [5+2]
4. 2066 Q.No. 5  
How would you vouch the following:  
a. Work-in-progress  
b. Intangible assets [4+4=8]
5. 2065 Q.No. 4  
Point out any five special points that should be taken into consideration by the auditor in examining vouchers. [5]
6. 2064 Q.No. 5  
What is vouching? How does it differ from routine checking? [2.5+2.5]
7. 2064 Q.No. 12  
How would the profitability of a business be affected by the following transactions? Also suggest rectifying entries to correct them.  
a. Purchase return of Rs. 15,000 is posted to return inward account.  
b. Mr. X account which was to be debited for Rs. 20,000 has been credited for the same amount.  
c. A payment of Rs. 6,500 has been posted as Rs. 5,600.  
d. Goods purchased on credit from Sohan for Rs. 10,000 wrongly entered in the sales book. [2.5×4]
8. 2063 Q. No. 5  
As an auditor what procedures would you follow while vouching wage payments. 7
9. 2062 (C) Q. No. 6  
Define vouching. State the points you, as an auditor, should take into mind while vouching the credit sales. 5

10. 2062 (F) Q. No. 8  
Give the meaning of vouching. Explain in brief the points you would consider while auditing sales. 2+3
11. 2061 (C) Q. No. 6  
What is 'vouching'? As an auditor how would you vouch the missing vouchers? 2+3
12. 2061 (F) Q. No. 6  
Define the term 'Vouching'. Give any two points of differences between 'routine checking' and 'vouching'. 2+3
13. 2060 (C) Q. No. 6  
Explain the term 'Vouching'. Also state how would you vouch the cash collection from debtors? 2+3
14. 2060 (F) Q. No. 6  
Define a voucher. How would you vouch (a) petty cash payment (b) travelling expenses? 2+3
15. 2059 (C) Q. No. 8  
As an auditor what procedure would you follow while vouching of credit sales? Explain in brief. 5
16. 2059 (F) Q. No. 7  
Define vouching. Describe in brief how would you vouch the payment of wages in a firm. 2+3
17. 2058 (C) Q. No. 6  
Briefly write the procedures of vouching of credit sales. 5
18. 2058 (C) Q. No. 16  
Define vouching. Discuss the steps that should be taken by the auditor in vouching credit purchase and purchase return. 5+7+3
19. 2058 (F) Q. No. 8  
Define vouching. What are the objectives of vouching? 2+3
20. 2057 (C) Q. No. 6  
Give the meaning of vouching. What factors do you consider important while vouching the payment of wages? Explain in brief. 2+3
21. 2057 (F) Q. No. 6  
Give the meaning of vouching. Also describe briefly how would you vouch the payment of salaries in a firm. 2+3
22. 2056 (C) Q. No. 5  
Briefly explain the process of vouching the payments. 5
23. 2056 (F) Q. No. 5  
Give the meaning of vouching. State any two advantages of it. 3+2

### 5. AUDIT OF IMPERSONAL LEDGERS

1. 2069 Q.No. 12  
In presenting the draft balance sheet and profit and loss account of a company, you are informed that no provision has been made in the accounts for depreciation plant and machinery since the directors consider that:  
a. Company suffers loss if depreciation is charged.  
b. The market value of plant and machinery is 2 times more than book value.  
Give advice on the above matter. [2.5×2=5]
2. 2069 Q.No. 13  
As an auditor, comment on the following situations. [2.5×2=5]  
a. A company declared dividend out of the current profit without off-setting previous year's loss.  
b. A company decided to distribute dividend out of the balances of capital reserve appeared in the balance sheet.
3. 2067 Q.No. 14  
Give your opinion as an auditor, whether the following are capital expenditure or revenue expenditure: [1×5=5]  
a. Expenditure incurred in repair of Rs.200,000 to maintain the existing capacity of a machine.

- b. A TAD A. of Rs.50,000 was paid to a DGM to go to India to purchase a new plant for the company.
- c. A cost of Rs. 100,000 was spent to construct a bathroom in Manager's Cabin.
- d. A wage of Rs.20,000 was paid on the construction of the above bath room.
- e. A compensation of Rs.200,000 is received from insurance company against loss of stock by fire.

**4. 2066 Q.No. 14**

Identify the following items either as capital expenditure or revenue expenditure:

- a. Loss due to sale of stock-in-trade.
- b. Loss due to a theft in a closed shop.
- c. Advertisement expenditure
- d. Repair expenditure for furniture.
- e. Expenditure on adding a new balcony to a cinema hall.

[1×5=5]

**5. 2065 Q.No. 14**

Identify the following items either as capital or revenue expenditure

- a. Cost of goodwill
- b. Cost of goods bought for resale.
- c. Cost of trade mark
- d. Loss arising from wear and tear of assets.
- e. Architect's fees for supervision of construction

[1×5]

**6. 2064 Q.No. 7**

Explain in brief the auditing through computer.

[5]

**7. 2064 Q.No. 13**

Give your comments on the following as an auditor.

- a. The director proposes to distribute the sales revenue of Rs. 50,000 obtained from foreign branch and its goodwill.
- b. Profit of Rs. 25,000 happening after continued loss of Rs. 20,000 in previous years. The director proposes to distribute the dividend.

[2×4]

**8. 2063 Q. No. 13**

Giving reasons for the effects of the following transactions on the total profitability, suggest rectifying entries for each of the transactions where necessary:

- a. A sales of Rs. 360 to Mr. X, has been credited in his personal account.
- b. A return of goods worth Rs. 1,500 from Mr. A has not been entered in the Return Inward Book.
- c. A repair of Motor Van of Rs. 251 has been debited to Motor Van Account as Rs. 152.
- d. A sale of goods worth Rs. 2,000 was entered into Purchase Book.

2×4

**9. 2063 Q. No. 16**

Make comment, as an auditor, on the following cases:

- a. In the course of an audit work you found that your client has been charging capital expenditure to revenue since last few years, and thereby showing a heavy loss to the company. On query it revealed that this practice was introduced in the company to discourage the new competitors in the market. Now, the directors want to distribute a part of this reserve as Bonus Share and has sought your advice in this regard.
- b. A newly established company has incurred Rs. 200,000 for making a permanent hoarding board to install in the core area of the city, and desires to write off the amount in the 1<sup>st</sup> year itself as advertisement expenditure.

8

**10. 2062 (C) Q. No. 14**

Give your opinion, as an auditor, whether the following are capital or revenue expenditures.

- a. Rs. 50,000 was incurred on enamelling the office building.
- b. A part of the factors building was caught by fire. Company claimed Rs. 100,000 from insurance company as compensation and charged the entire amount in profit and loss account of the year. Insurance company admitted only Rs. 75,000.

- c. a company spent Rs. 10,000 on the repair of a machine, such repair increased the price of assets thrice.
- d. Rs. 50,000 was incurred to repair an out-model plant. This repair work not only has changed its model but also has increased its useful life.
- e. A motorcycle valued Rs. 100,000 was purchased in two installments; one of Rs. 20,000 in cash and another of Rs. 80,000 after three months with interest 20% per annum.

**11. 2062 (F) Q. No. 12**

State your opinion with reason as an auditor, whether the following belong to:

- a. Revenue expenditure
- b. Capital expenditure
- c. Deferred revenue expenditure
  - i. Under valuation of fixed assets
  - ii. Repair expenses incurred just to keep-up the asset in its working condition.
  - iii. Cost of advertisement of a substantial amount.
  - iv. Repair expenses that changed the structure/ model of the asset.
  - v. Discount on issue of debenture, to be redeemed after 10 years.

1×5

**12. 2061 (C) Q. No. 10**

Why is it important for an auditor to distinguish capital and revenue expenditure? What would be its effect if they are treated as same?

5

**13. 2061 (F) Q. No. 13**

Give your opinion as an auditor, whether the following are capital and revenue expenditure. 1×5

- a. Architect's fees of Rs. 10,000 paid for the supervision of construction of building.
- b. An annual fees of Rs. 1,000 paid for renewal of copyright.
- c. Cost of purchasing a machine worth Rs. 150,000 for resale.
- d. Legal charge of Rs. 200 and stamp charge of Rs. 10 on the purchase of a building.
- e. A loss of Rs. 10,000 was incurred on the sale of fixed assets.

**14. 2060 (C) Q. No. 13**

Give your opinion, as an auditor, whether the following are Capital expenditure or Revenue expenditure.

- i. Rs. 100,000 was spent to enlarging the sitting accommodation of a Cinema Hall.
- ii. Rs. 50,000 was spent for cement plastering the mud-mortared house.
- iii. A TADA of Rs. 10,000 was paid to a Senior Officer to go to Birgunj for custom clearance.
- iv. Rs. 50,000 was spent for making slides to be used in cinema halls.
- v. An insurance premium of Rs. 10,000 was paid against the anticipated loss in the current year trading activity.

1×5

**15. 2060 (F) Q. No. 13**

Give your opinion, as an auditor, whether the following are Capital or Revenue Expenditures:

- i. Rs. 30,000 was incurred to construct compound wall of the factory building.
- ii. A wages of Rs. 50,000 was incurred for renovation of office building.
- iii. Advertisement expenses of Rs. 20,000 was paid during the year of which Rs. 15,000 was paid for installing a permanent signboard.
- iv. A discount made on the issue of debenture of which Rs. 2,000 was written off for the current year.
- v. A cost of Rs. 50,000 was incurred for tilling the ground floor of office building.

1×5

**16. 2059 (C) Q. No. 13**

Give your opinion, as an auditor, whether the following are Capital or Revenue incomes.

- i. A compensation of Rs. 100,000 is received from insurance company against loss of merchandise.
- ii. A compensation of Rs. 50,000 is received from the supplier company for the loss suffered by the purchasing company due to wrong installation of a newly purchased machine.
- iii. A machine was purchased 5 years ago at a cost of Rs. 100,000 with its useful life of 10 years and zero salvage value. The company has already charged Rs. 50,000 as depreciation under straight-line method on this machine. At the end of 5<sup>th</sup> year the machine is disposed off at Rs. 125,000 cash.

- iv. A machine turned scrap is disposed off for Rs. 25,000 4x1.25

**17. 2058 (C) Q. No. 13**

Give your opinions as an auditor, whether the following are capital or revenue expenditure.

- Rs. 15,000 incurred for heavy repairs to alter the face of the office building was charged to Repairs Account.
- A discount on 7% Debenture of Rs. 10,000 was fully charged to revenue account. These debentures are to be redeemed at 10% premium in 5 years.
- A compensation received of Rs. 6,000 for the loss of agency business was credited to revenue account.
- A paper advertisement expenses of Rs. 4,000 was charged to revenue account.
- Rs. 50,000 incurred for repair that increased the life of assets for another 10 years charged to Repair Account. 1x5

**18. 2057 (F) Q. No. 13**

Give your opinion as an auditor, whether the following are capital or revenue expenditures: 1x5

- Wages of Rs. 10,000 was paid to workmen for installation of a new machine.
- Rs. 25,000 was incurred on whitewashing of factory building.
- A loss of Rs. 6,000 due to fire was fully charged to the profit and loss account. However, a compensation of Rs. 5,000 was realised from insurance company.
- A compensation of Rs. 100,000 was paid to an employee for being handicapped due to accident within the factory premises.
- A TADA of Rs. 20,000 paid to the General Manager on a special tour to purchase a new aircraft to the company.

**19. 2056 (C) Q. No. 6**

Briefly explain the duties of an auditor regarding deferred revenue expenditure. 5

**20. 2056 (C) Q. No. 13**

Comment as an auditor, whether the following are capital or revenue expenditures. 1x5

- Rs. 10,000 incurred for shifting a business.
- A premium of Rs. 10,000 on ordinary shares was credited to revenue account.
- A loss of Rs. 15,000 due to theft was charged to profit and loss account. The insurance company admitted the loss of Rs. 12,000 only
- Rs. 15,000 incurred to increase the production capacity of a machine was charged to repair account.
- A commission paid to an agent on purchase of a machine was charged to commission account.

**21. 2056 (F) Q. No. 13**

Give your opinion as an auditor, whether the following are capital or revenue expenditures.

- Rs. 25,000 incurred for advertisement, the benefit of which could be for many years in future.
- Discount on 10% Preference Shares of Rs. 10,000 fully charged to revenue account. These shares are redeemable at 10% premium in 5 years.
- Rs. 12,000 a loss on stock due to fire was charged to Profit and loss account ignoring the amount of compensation of Rs. 7,000 available from insurance company.
- Rs. 30,000 incurred to increase the production capacity of machine was charged to repairs account.
- A commission paid to an agent on purchase of materials for next year was charged to current revenue account. 1x5

**6. VERIFICATION AND VALUATION OF ASSETS AND LIABILITIES****1. 2069 Q.No. 15**

Identify whether the following expenditures are revenue or capital or deferred revenue expenditures: [1x5=5]

- Rs. 30,000 spent for the shifting of business in congenial building.
- Rs. 200,000 spent for changing the external model of the building.

- c. Rs. 100,000 spent on research and development work.  
 d. Rs. 20,000 paid to Kailash as commission.  
 e. Rs. 50,000 paid for overhauling of plant.

**2. 2068 Q.No. 5**

As an auditor, how do you make the verification of the following assets?

- (a) Fixed assets (b) Wasting assets (c) Tangible assets and (d) Circulating assets [2×4]

**3. 2068 Q.No. 11**

Identify whether the following costs are capital or revenue or deferred revenue expenses with appropriate reasons. [1×5]

- a. Heavy advertisement expenses of Rs. 200,000 to introduce a new product in market.  
 b. An agent was paid Rs. 100,000 for clearing the custom of Bolero Jeep.  
 c. Rs. 30,000 was paid to a furniture show-room for a Sofa purchased for administrative office.  
 d. Siddhartha shifted his shop from Indra-chowk to New Road that cost him Rs. 10,000.  
 e. Mudita Transport Co. paid compensation of Rs. 2,000 to a passenger who suffered in an accident of company's bus.

**4. 2067 Q.No. 7**

What do you mean by contingent liabilities? Give any five examples of such liabilities. [2.5+2.5]

**5. 2066 Q.No. 11**

What are the objectives of the verification of assets? How far is the auditor responsible for their verification? [4+3=7]

**6. 2066 Q.No. 16 OR**

"An auditor is not a valuer and yet is intimately concerned with proper valuation of assets and liabilities." Examine. [15]

**7. 2065 Q.No. 5**

What are the important objects of verification of assets? How far is the auditor responsible at regard to their verification? [4+4]

**8. 2065 Q.No. 13**

How would you, as an auditor, comment on the undernoted decision taken by the directors of a limited company.

- a. to distribute dividend out of the profit arising from revaluation of assets.  
 b. to declare dividend out of the profit coming from creating goodwill account that was previously written off. [2.5×2]

**9. 2064 Q.No. 6**

State the importance of verification of assets. In what way it is different from valuation of assets. [2×3]

**10. 2064 Q.No. 14**

Ascertain whether the following are capital or revenue expenditure:

- a. Cost of lease acquired and convincing charges there on.  
 b. Annual fees paid for renewal of patents, copy rights etc.  
 c. Cost of goods bought for sale.  
 d. Maintenance of electric lights and fans.  
 e. Loss arising from the sale of fixed assets. [1×5]

**11. 2063 Q. No. 7**

Write how would you verify the following assets:

- (a) Goodwill (b) Plant and machinery 5

**12. 2062 (C) Q. No. 7**

Write a note a 'Mechanized Accounting'. State any three advantages of mechanized accounting. 2+3

**13. 2062 (C) Q. No. 8**

Write in brief about verification of liabilities. Also state how an auditor, would verify the following liabilities:



(a) Trade creditors (b) Outstanding liabilities for expenses

2+1.5+1.5

**14. 2062 (C) Q. No. 16 OR**

What is meant by verification of assets? State the importance of verification and valuation of assets as an auditor of a company. 7+8

**15. 2062 (F) Q. No. 12 c**

State your opinion with reason as an auditor, whether the following belong to:  
Deferred revenue expenditure

- Under valuation of fixed assets
- Repair expenses incurred just to keep-up the asset in its working condition.
- Cost of advertisement of a substantial amount.
- Repair expenses that changed the structure/ model of the assets.

**16. 2061 (C) Q. No. 7**

How would you verify the goodwill of a company? Explain in brief.

2+3

**17. 2061 (C) Q. No. 9**

What do you mean by verification? What are the duties of an auditor regarding valuation and verification of stock in trade of a manufacturing concern? 2+5

**18. 2061 (F) Q. No. 7**

State in brief the objects of verification of assets. How far the auditor is responsible for valuation of stock in trade. 3+5

**19. 2061 (F) Q. No. 16 OR**

What is the object of verification of assets and how far the auditor is responsible for these valuations? 7+8

**20. 2060 (C) Q. No. 7**

Is it necessary to verify the assets? How would you verify the following assets?

(a) Book Debts

(b) Cash at bank

2+3+3

**21. 2060 (C) Q. No. 16**

'Financial account are largely a matter of convention, judgement and opinion, not a matter of certainly. The balance sheet can never show the real financial position but only a fairest possible estimates of the financial conditions.' Justify the above statement in consideration to 'Auditors position as regards valuation of assets. 15

**22. 2060 (F) Q. No. 8**

Define verification of assets. How, as an auditor, would you verify the following assets: (a) Book debts (b) Cash in hand 2+3+3

**23. 2060 (F) Q. No. 16 OR**

What are the objectives of verification of assets. How far the auditor is responsible for their valuation? Explain. 7+8

**24. 2059 (C) Q. No. 16 OR**

What is the object behind verification of assets? How far is the auditors responsible for over and under valuation of assets? Explain. 7+8

**25. 2059 (F) Q. No. 8**

State any three advantages of verification of assets. Also state how would you verify the following assets? 3+2+2

(a) Land and building

(b) Debtors

**26. 2058 (C) Q. No. 7**

Give the concept of 'verification' of assets and liabilities. How would you verify a credit purchase? 4+4

**27. 2058 (F) Q. No. 16 OR**

What are the objectives of verification of assets? How far the auditor is responsible for these valuations? Explain. 7+8

**28. 2057 (C) Q. No. 7**

Explain the term 'verification'. Explain in brief the duty of an auditor in connection with stock-in trade. 2+3

**29. 2057 (F) Q. No. 7**

Explain the term 'verification of assets' in brief. How would you verify the following assets?

(a) Plant and Machinery

(b) Goodwill

2+3+3

**30. 2057 (F) Q. No. 16 OR**

What is object behind verification of assets? How far is the auditor responsible for over or under valuation of these assets? Explain. 7+8

**31. 2056 (C) Q. No. 7**

How would you verify the following liabilities?

(a) Outstanding expenses

(b) Share capital

4+4

**32. 2056 (F) Q. No. 7**

How would you verify the following assets?

(a) Land and Building

(b) Cash at Bank

4+4

**33. 2056 (F) Q. No. 16 OR**

Define verification and valuation of assets. Mention how (a) plant and machinery (b) cash and (c) trade creditors are verified. 6+3+3+4

**7. DEPRECIATION, RESERVE AND PROVISION****1. 2069 Q.No. 14**

Identify whether the following are revenue reserve, or capital reserve or secret reserve. [1×5=5]

- Amount set aside to pay bad and doubtful debt.
- Reserve which is created out of profit before incorporation of a company.
- Reserve for repair and renewal.
- Reserve from revaluation of assets.
- Reserve from undervaluation of assets.

**2. 2068 Q.No. 6**

What is secret reserve? Describe the duties of an auditor on it.

[2+3]

**3. 2068 Q.No. 13**

As an auditor, what advice you would give on the following decision taken by the board of directors? [2.5+2.5]

- Depreciation on building is not charged on the ground that Rs. 50,000 has been expended for repair of the building this year.
- Depreciation of Rs. 20,000 is not charged to machinery because insufficient amount of the company to distribute dividend to shareholders.

**4. 2067 Q.No. 16**

Give your opinion, as an auditor, on the following cases:

[2×3=6]

- A company manager argues that the main aim of vouching of Purchase Book is to see that all purchase invoices are properly entered in Purchase Book.
- A company has suffered a loss of Rs.300,000 before charging depreciation. Therefore depreciation of Rs.45,000 was not charged.
- A company wants to distribute all the profit earned during the year to the shareholders as dividend.

**5. 2066 Q.No. 6**

Point out the duties of an auditor in respect of provisions for depreciation.

[5]

**6. 2065 Q.No. 6**

Distinguish between provision and reserve.

[5]

**7. 2064 Q.No. 8**

Point out the two important causes of charging depreciation.

[2.5×2]

**8. 2064 Q.No. 11**

How would you justify the provision of depreciation on fixed assets? What factors should be taken into account to that regard? [7]

**9. 2063 Q. No. 9**

What are the duties of an auditor regarding provision of depreciation on fixed assets?

5

**10. 2063 Q. No. 12**

Give your opinion, as an auditor, whether the following are provision or reserve: 1x5\*

- a. Amount kept aside to meet unknown contingency.
- b. Amount kept aside to pay outstanding wages.
- c. Amount kept aside to meet heavy repair expense.
- d. Amount kept aside to meet additional working capital.
- e. Amount kept aside to equalise the dividend.

**11. 2062 (C) Q. No. 9**

What is depreciation? Is it necessary for providing depreciation? 2+3

**12. 2062 (C) Q. No. 11**

'Provision for depreciation on fixed or wasting assets before arriving at divisible profit of a limited company is legally necessary.' Justify the statement citing case law in this regard. 7

**13. 2062 (F) Q. No. 16 OR**

What is a secret reserve? How is it created? What are the objectives behind this? State auditor's duty in this regard. 3+4+4+4

**14. 2061 (C) Q. No. 13**

Give your opinion as an auditor, whether the following are provisions or reserves.

- a. Amount kept aside to pay premium on retirement of debentures.
- b. Amount kept aside for contingencies
- c. Amount of surplus on the revaluation of fixed assets.
- d. Amount kept aside for the current year bad debts.
- e. Amount kept aside to pay compensation on a disputed land. 2.5x5

**15. 2061 (F) Q. No. 9**

Define the term 'depreciation'. Also state in brief the auditor's duty regarding depreciation of fixed assets. 7

**16. 2061 (F) Q. No. 14**

Make comment, as an auditor, on the following cases. 2x2.5

- a. A company charged less depreciation in the current year on the ground that the company's share price is declining gradually. If the dividend is not declared this year, charging depreciation by full amount would reduce the profit and company would be unable to declare dividend.
- b. A company overvalued its closing stock on the ground that if overvaluation is not done the Profit and Loss Account would show a loss for the current year and dividend would not be available.

**17. 2060 (C) Q. No. 9**

In case an auditor is of the opinion that the provision for depreciation was insufficient, what course should he adopt? 5

**18. 2059 (C) Q. No. 10**

What are the duties of an auditor with regard to provision of depreciation on fixed assets? 7

**19. 2059 (F) Q. No. 13**

Give opinion, as an auditor, whether the following are 'Reserves' or 'Provisions'

- i. Amount kept aside to renew lease.
- ii. Amount kept aside for overhauling fixed assets
- iii. Amount kept aside to pay value added tax
- iv. Amount kept aside to pay income tax 4x1.25

**20. 2058 (C) Q. No. 14**

Make comment, as on auditor on the following cases: 2.5+2.5

- i. A fully depreciated wasting assets was reinstalled for a Rs. 500,000 last year, considering the further useful life of 5 years. Thus, depreciation has not been charged this year.
- ii. A depreciation of Rs. 100,000 was not charged this year on the ground that it would make the amount of profit available to Preference shares dividend less by a sum of Rs. 60,000.

**21. 2058 (F) Q. No. 13**

Give your opinion as an auditor, whether the following are Reserves or Provisions:

- Amount set aside to meet the expenses of a legal case.
- Amount set aside to meet the expenses of repairing an engine.
- Amount set aside for redemption of debenture.
- Amount set aside for paying income tax.
- Amount set aside for dividend equalization.

1×5

**22. 2057 (C) Q. No. 16**

What is a secret reserve? How is it created? What are the objectives of creating it? State the auditors duty regarding secret reserve.

3+4+4+4

**23. 2057 (F) Q. No. 9**

What are your duties as an auditor with regards to provision for depreciation on fixed and floating assets?

7

**24. 2056 (C) Q. No. 14**

Make comment, as an auditor, on the following cases:

5

- A normal repairs of Rs. 100,000 was incurred for an asset of Rs. 1,000,000. Therefore, the company argued that depreciation has not been charged to this asset.
- The company has suffered a loss of Rs. 200,000 before charging depreciation. Therefore, depreciation of Rs. 50,000 was not charged.

**25. 2056 (F) Q. No. 10**

Can profit be paid without providing depreciation on wasting assets? Justify this citing relevant case law in this context.

7

**26. 2056 (F) Q. No. 14**

Make comment, as an auditor, on the following cases:

5

- A company did not provide depreciation on Land and Building of Rs. 1,200,000 on the ground that it was revalued to this amount from Rs. 1,000,000 last year.
- The depreciation of Rs. 100,000 on fixed assets was not charged this year giving the reason that the company did not paid dividend in the past and would not be able to pay this year also.

**8. APPOINTMENT, REMUNERATION AND RIGHT AND DUTIES OF AN AUDITOR****1. 2068 Q.No. 7**

What are the rights that can be exercised by an auditor while performing audit?

[6]

**2. 2067 Q.No. 8**

Explain in brief the duties of an auditor regarding income tax deduction at source.

[5]

**3. 2066 Q.No. 2**

Describe the responsibilities of an auditor in connection with errors.

[5]

**4. 2064 Q.No. 3**

Who is an auditor? Give his two functions.

[3+2]

**5. 2063 (C) Q. No. 10**

Write in brief about who cannot be a registered auditor though he is academically qualified for the job with reference to Company Act of Nepal, 2053

5

**6. 2061 (C) Q. No. 8**

Write in brief who cannot be a registered auditor though he is academically qualified for the job according to Auditors Related act of Nepal.

5

**7. 2061 (F) Q. No. 8**

Explain in brief the procedures to be followed in order to appoint an auditor of a company as laid down in Nepal Companies Act. 2053.

5

**8. 2061 (F) Q. No. 16**

"It is no part of an auditors' duty to give advice either to directors or shareholders as to what they ought to do". Comment.

15

**9. 2060 (C) Q. No. 8**

Write in short who cannot be a registered auditor in spite of being academically qualified for this job.

5

**10. 2060 (F) Q. No. 2**

Explain in brief the qualities of an auditor.

5

**11. 2060 (F) Q. No. 9**

Write briefly who cannot be a registered auditor though he is academically qualified for the job with reference to Company Act of Nepal, 2053.

5

**12. 2059 (C) Q. No. 9**

Explain briefly the duties of an audit regarding income tax deducting at source.

5

**13. 2059 (F) Q. No. 9**

Write briefly who cannot be a registered auditor, though he is academically qualified for the job.

5

**14. 2058 (C) Q. No. 6**

Briefly, explain the duties of an auditor regarding 'unpaid' expenses.

5

**15. 2058 (C) Q. No. 8**

Briefly explain any four qualities of an auditor.

5

**16. 2058 (F) Q. No. 6**

State briefly the essential qualities of a successful auditor?

5

**17. 2058 (F) Q. No. 10**

Write in brief how the auditor of a company in Nepal is appointed in case of the office of the auditor falls vacant due to resignation or death.

5

**18. 2057 (C) Q. No. 8**

Mention the various conditions that an academically qualified auditor may be declared disqualified according to Audit Act, 2053.

5

**19. 2057 (F) Q. No. 8**

Write briefly who cannot be a registered auditor though he is academically qualified for the job.

5

**20. 2056 (C) Q. No. 8**

What are the essential qualifications of a company auditor in Nepal?

5

**21. 2056 (F) Q. No. 6**

Briefly explain the duties of an auditor regarding capital expenditure.

5

**22. 2056 (F) Q. No. 8**

What are the procedures of appointment of company auditor in Nepal?

5

## 9. AUDIT OF A LIMITED COMPANY

**1. 2069 Q.No. 9**

How do you audit the conversion of debenture into shares?

[6]

**2. 2066 Q.No. 7**

How would you audit the following:

- a. Reduction in share capital
- b. Forfeiture of shares

[2.5×2=5]

**3. 2064 Q.No. 9**

List any two books of account kept by the company for the purpose of audit.

[2.5×2]

**4. 2062 (F) Q. No. 11**

Write in brief the meaning of 'Bonus share'. Show your acquaintance with any restriction made by Nepal Companies Act on its issue.

2+3

**5. 2060 (C) Q. No. 10**

Write what do you know about 'calls in arrear'. As an auditor what should be your duty in this regard.

2+3

**6. 2059 (F) Q. No. 10**

Write a note on forfeiture of share. As an auditor what should be your duty in this regard.

5

**7. 2058 (C) Q. No. 9**

Briefly explain the procedures followed in case of debentures issued at a discount.

5

**8. 2057 (C) Q. No. 10**

What do you mean by 'Bonus Shares'? Why does the company decide to issue bonus shares?

2+3

## 9. 2057 (F) Q. No. 10

Write what you know about 'calls in advance'. As an auditor what should be your duty in this regard? 2+3

## 10. 2056 (C) Q. No. 9

Briefly explain the procedures followed in case of shares issued at a discount. 5

## 11. 2056 (F) Q. No. 9

Briefly explain the procedures followed in case of shares issued at a premium. 5

**10. AUDIT REPORT**

## 1. 2068 Q.No. 10

What is unqualified report? Draw a specimen of unqualified report. [2+4]

## 2. 2067 Q.No. 10

Write a note on audit report. Also state any three points that differentiate unqualified report with a qualified report. [2+3]

## 3. 2066 Q.No. 10

Give a specimen of an unqualified audit report. Also mention the basic difference in the contents of qualified and unqualified audit report. [3+2=5]

## 4. 2065 Q.No. 7

Who can be and who cannot be appointed as auditor under Nepal Companies Act? [2.5+2.5]

## 5. 2065 Q.No. 10

Draw up a qualified report on the audit of a limited company giving therein the following objections:

- The provisions for depreciation on plant and machinery is inadequate.
- No provision has been made for doubtful debts when some of them are very old.
- No proper valuation has been made of assets with particular respect to stock in trade. [5]

## 6. 2064 Q.No. 10

What is meant by 'other than unqualified opinion'? Give a specimen of such report. [2×3]

## 7. 2063 Q. No. 11

Draft an 'unqualified report' incorporating the following cases which were observed during the course of audit work:

- Two bills relating to wage payment were found having to signature of the recipients.
- Some paints purchased during the year were neither recorded in the books of account nor shown in the last stock taking. 5

## 8. 2062 (C) Q. No. 10

Write a note on 'Qualified Report'. Give two examples of qualified report. 3+2

## 9. 2062 (F) Q. No. 10

Draft an 'unqualified report.' Incorporating the following facts that were observed during the audit work.

- Stock in trade has been valued at market price, which is more than cost price.
- The provision for depreciation of fixed assets is inadequate. 2+3

## 10. 2061 (C) Q. No. 11

What do you mean by a 'qualified report'? Draft a qualified report incorporating the following facts.

- Stock-in-trade has been valued at market price which is more than cost price.
- Provision for deprecation on fixed assets is inadequate.
- There is no evidence for a loan taken by the executive manager.

## 11. 2061 (F) Q. No. 11

What do you mean by 'clean report'? Make a specimen of a clean report. 2+3

## 12. 2060 (C) Q. No. 11

How would you define 'auditor's report'? What are its significances? Also give an example of a qualified report. 2+2+1

## 13. 2060 (F) Q. No. 11

Draft an 'unqualified report' incorporating the following matters observed during the course of auditing work.

- i. Two vouchers raised for advance payment of TADA were missing.
- ii. Some of the electronic items purchased during the year were neither recorded in the books of accounts nor shown in the last stock taking. 1+4

**14. 2059 (C) Q. No. 11**

Write a note on audit report. Also show your acquaintance with the type of audit reports. 2+3

**15. 2059 (F) Q. No. 11**

While auditing the books of accounts of a company, you noted that the following transactions are not incorporated.

- i. Transport expenses of Rs. 50,000 paid in connection to purchase of plant.
- ii. A sale of plant valued Rs. 20,000 has been omitted to record.

Draft a report to your client incorporating the above discrepancies.

**16. 2058 (C) Q. No. 11**

State the meaning of audit report. What are its contents? 2+3

**17. 2058 (F) Q. No. 11**

Draft an 'unqualified report' incorporating the following matters that have been arisen during the course of your examinations.

- i. Two vouchers of capital expenditures are missing.
- ii. Two errors for fictitious payments were discovered in the course of vouching wages. 3+2

**18. 2057 (C) Q. No. 11**

What do you mean by an 'unqualified report'? Why is it also called a 'clean report'? 2+3

**19. 2057 (F) Q. No. 11**

What do you mean by a 'qualified report'? State any three examples of qualified report. 2+3

**20. 2056 (C) Q. No. 11**

Draft an unqualified report in the name of shareholders. 5

**21. 2056 (F) Q. No. 11**

What do you mean by 'a qualified report'? State various circumstances why an auditor qualifies his report. 5

## 11. AUDIT OF DIVISIBLE PROFITS AND DIVIDENDS

**1. 2068 Q.No. 15**

Comment on the following decision taken by the directors of a company. [2.5+2.5]

- a. Distributing dividend to shareholders from the profit derived from the forfeiture of shares.
- b. Distributing dividend without compensating the loss of fixed assets.

**2. 2068 Q.No. 16**

What do you understand by the term "divisible profits"? Describe the auditor's duties regarding the distribution of dividend and list out the legal issues relating to it. [3+6+6]

**3. 2067 Q.No. 9**

Write in brief the meaning of unclaimed dividend. Show your acquaintance with the provisions relating to unclaimed dividend in Company Act. [2+3]

**4. 2066 Q.No. 13**

How would you, as an auditor, comment on the under noted decision taken by the directors of a limited company?

- a. To distribute dividend from capital profit.
- b. To cancel interim dividend after declaration. [2.5×2=5]

**5. 2063 Q. No. 6**

"No dividend shall be paid except out of profit." Explain the statement citing relevant case law to that context. 5

**6. 2062 (C) Q. No. 13**

Make comment as an auditor on the following cases. The Directors of the Ltd. Company want to distribute the dividend out of the profit realized as under: 2.5×2

- a. A profit of Rs. 200,000 derived on the sale of a retired plant with zero book value.
- b. A profit of Rs. 500,000 derived from the redemption of debenture in open market.

**7. 2062 (F) Q. No. 9**

'No dividend shall be paid except out of profit.' Explain the statement citing relevant cases law in this context. 7

**8. 2062 (F) Q. No. 15**

Make comment, as an auditor, on the following cases.

- The company charged the depreciation for the current year on its assets less than the prescribed rate under Income Tax Act. On a query made by you, the client said that the company is not making sufficient profit during the current year. In such case, if the depreciation on is provided with prescribed rate, it would further reduce the amount of profit. As a consequence the dividend rate would reduce, and market price of the share further go down.
- The company decided to distribute dividend out of balance of profit derived from forfeiture and reissue of shares appeared in company's balance sheet since last three years. 4+4

**9. 2061 (C) Q. No. 14**

Make comment, as an auditor, on the following cases.

- Company paid dividend on equity shares by utilizing share premium received from issue of new shares.
- Directors paid commission of Rs. 50,000 to settle a case of fraudulent manipulation. 2.5×2

**10. 2061 (C) Q. No. 16 OR**

What are the capital profits? Give the various conditions laid down in different legal cases when the capital profit can be distributed as dividend. 5+10

**11. 2061 (F) Q. No. 10**

Write what you know about 'Profit Prior to Incorporation.' As an auditor what should be your duty in this regard. 2+3

**12. 2060 (C) Q. No. 14**

Make comment, as an auditor, on the following cases:

- A large reserve has been accumulated in the company account. The Directors seek your advice as to distribution of a part there of in the shape of Bonus Share.
- The company desires to reduce its capital on the ground that the rate of return on investment is gradually decreasing for the last three years. 2×2.5

**13. 2060 (F) Q. No. 14**

Make comment, as an auditor, on the following cases:

- A company decided to issue bonus share out of the past-accumulated profit instead of declaring dividend on the ground that there is inadequacy of cash as the company used this fund towards additional working capital.
- A newly established company incurred an adequate amount in their preliminary expenses and desires to write off fully in the first year itself.

**14. 2059 (C) Q. No. 14**

Make comment, as an auditor, on the following cases:

- The company declared a dividend of Rs. 1,000,000 for the current year, on the ground that if dividend is not paid the market price of the share would decrease, through the company has incurred a loss of Rs. 200,000 in this year. On scrutiny, it was found, further that the company has charged the remodelling expenses of Rs. 200,000 of an old building in the current year P/L Account.
- The company declared a dividend of Rs. 200,000 out of the current year profit of Rs. 400,000. On query, it is found that the company has overvalued the closing stock by Rs. 500,000. 2×2.5

**15. 2059 (F) Q. No. 14**

Make comment as an auditor, on the following cases:

- A Ltd. Company distributed all the amount received from the forfeiture of shares without considering the loss that could appear on re-issue of these shares. On grounds that if dividend is not declared the value of shares would decline in the market.
- A Ltd. Company made a profit of Rs. 20,000 on sale of an old machine with book value and accumulated depreciation of Rs. 20,000 and Rs. 180,000 respectively. The directors declared and paid the dividend out of this profit fully. 2.5×2



**16. 2058 (C) Q. No. 10**

'Dividend should be paid only out of profit.' Explain this statement in brief citing relevant case law on this context. 7

**17. 2058 (F) Q. No. 9**

"No dividend shall be paid except out of profit." Justify the statement citing relevant case law in this context. 7

**18. 2058 (F) Q. No. 15**

Make comment as an auditor, on the following cases:

The directors of a Public Ltd. Company desire to distribute dividend out of the profit realised as stated below:

- Profit derived from forfeiture and reissue of shares.
- Profit realised by sale of company's fixed assets. 2.5×2

**19. 2057 (C) Q. No. 9**

Can dividend be declared without providing depreciation on wasting assets? Justify this citing relevant case law in this context. 7

**20. 2057 (C) Q. No. 13**

State whether the following are Capital Profit or Revenue Profit?

- A profit of Rs. 30,000 made from the forfeiture and reissue of shares.
- A profit of Rs. 10,000 made from Redemption of Redeemable Preferential Shares.
- A profit of Rs. 5,000 from sale of a part of plant. The depreciated value of the plant was Rs. 10,000, which was disposed off recently for Rs. 15,000. It was originally purchased for Rs. 20,000.
- The value of plant was appreciated by Rs. 25,000 at the time of revaluing the assets.
- A profit of Rs. 100,000 was made on trading of Capital Assets. 1×5

**21. 2057 (C) Q. No. 15**

Make comment, as an auditor, on the following cases:

- A company decided to distribute dividend out of the balance of share premium appeared in the balance sheet since last two years.
- As there is huge profit in the current year the company decided to depreciate the entire book value of plant. The plant was installed two years ago. The company has a practice to charge depreciation on Fixed Instalment basis. The estimated life was 10 years with zero salvage value. 4+4

**22. 2057 (F) Q. No. 14**

Make comment, as an auditor, on the following cases:

- A company paid dividend of Rs. 200,000 out of current profit of Rs. 250,000 without making good of the past losses of Rs. 400,000 on the ground that the price per share is declining gradually.
- A company declared dividend out of the current profit of Rs. 250,000 without making good the depreciation on fixed assets on the ground that if depreciation is charged, the value of assets decrease and company will be unable to obtain required amount of loan by mortgaging the aforesaid fixed asset. 2.5×2

**23. 2056 (C) Q. No. 10**

Can profit be distributed without making good the loss of fixed assets? Explain this citing relevant case law in this context. 7

**12. LIABILITIES OF AN AUDITOR****1. 2069 Q.No. 16 Or**

- Auditor is a watch dog but not a bloodhound. Elucidate the above statement stating legal cases. [7.5]
- An auditor is not an ensure; he does not guarantee that the books do correctly show the true position of the company's affairs, he does not guarantee that the balance sheet is accurate according to the books of the company. Give your comment on this statement. [7.5]

**2. 2069 Q.No. 7**

Explain the liability of an auditor to third party. [5]

**3. 2068 Q.No. 16 OR**

Distinguish between the Civil and Criminal Liability of an auditor by illustrating some important legal issues relating to them. [15]

**4. 2067 Q.No. 13**

"Auditor should verify the existence of assets as shown in the Balance Sheet. He is liable for the damage because of his omission." Comment. [15]

**5. 2067 Q.No. 13 OR**

What do you understand by 'criminal liability' of an auditor? On what ground he may be held liable for criminal offences? [7+8]

**6. 2066 Q.No. 16**

What is misfeasance? Discuss the liabilities of a company auditor on the grounds of misfeasance. [5+10=15]

**7. 2065 Q.No. 16**

Explain the civil liabilities of a company auditor. Mention some important decisions of various courts in this connection. [5+10]

**8. 2064 Q.No. 16**

Distinguish between the civil and criminal liability of an auditor and illustrate your answer by reference to legal cases. [7+8]

**9. 2063 Q. No. 15 OR**

What do you mean by 'Civil Liability' of an auditor? On what ground an auditor may be held liable for his negligence? 7+8

**10. 2062 (C) Q. No. 16**

'An auditor will be liable for any misdescription in the balance sheet only if damage is caused to the company.' Comment. 5+5+5

**11. 2062 (F) Q. No. 16**

Discuss briefly the liabilities of an auditor to a public limited company. Also mention some legal decisions you know in this connection.

**12. 2060 (C) Q. No. 16 OR**

What do you understand by 'Criminal Liability' of an auditor? On what ground he may be held liable for criminal offences? 15

**13. 2060 (F) Q. No. 10**

"It is no part of the auditor's duty to take stock, he must rely on the certified copy of other people." Justify the statement citing case laws in this connection. 7

**14. 2060 (F) Q. No. 16**

"The auditor is not a stock taker and therefore he is not guilty of negligence if he accepts the certificate of a responsible officer in the absence of suspicious circumstances." Comment. 15

**15. 2059 (C) Q. No. 16**

'An auditor is a watch dog not a blood hound.' Justify the statement citing relevant cases. 10+5

**16. 2059 (F) Q. No. 16 OR**

"An auditor is not an insurer, he does not guarantee that the books do correctly show the true position of company affairs, he does not guarantee that the balance sheet is accurate according to the books of the company." Comment. 5+5+5

**17. 2058 (F) Q. No. 16**

'An auditor has no liability for negligence in the conduct of an honorary audit.' Comment 15

**18. 2057 (C) Q. No. 16 OR**

An auditor is a watch dog but not a blood hound.' Justify this statement citing appropriate case in this context. 15

**19. 2057 (F) Q. No. 16**

'An auditor is not an insurer; he does not guarantee that the books do correctly show the true position of company affairs; he does not guarantee that the balance sheet is accurate according to the books of the company.' Comment. 5+5+5

**20. 2056 (C) Q. No. 16 OR**

Discuss the liability of an auditor under Company Act. Is an auditor personally liable for the negligence of his assistants? 7+8

**13. DIFFERENT CLASSES OF AUDITS****1. 2069 Q.No. 6**

Show the difference between the audit of NGO and Educational Institution. [5]

**2. 2068 Q.No. 14**

What are the factors to be considered while auditing the accounts of NGOs? [5]

**3. 2067 Q.No. 12**

Write about the procedure you would follow while conducting audit on behalf of retiring partner. [5]

**4. 2067 Q.No. 11**

Mention any five special points that you feel important while auditing the transactions of accounts of a cinema hall. [5]

**5. 2056 (C) Q. No. 15**

Write any five basic points necessary to conduct audit of an educational institution. 5

**14. INVESTIGATIONS****1. 2069 Q.No. 3**

Briefly explain the procedural of investigation. [5]

**2. 2068 Q.No. 12**

What is investigation? How does it differ from Auditing? [2+3]

**3. 2065 Q.No. 16 OR**

A brand is suspected in a business and you have been asked to carry out investigation. Explain how would you proceed in the matter? [15]

**4. 2064 Q.No. 15**

Mention any two situations in which an investigation into the affairs of business would be required. [2.5×2]

**5. 2064 Q.No. 16 OR**

"Investigation implies an examination of accounts and records for some special purpose." State as to how would you conduct an investigation where fraud is suspected or known to have taken place. [15]

**6. 2063 Q. No. 14**

Write in brief the procedure to be followed while investigating on behalf of bank when its client approaches for loan. 5

**7. 2063 Q. No. 15**

"An auditor has no liability for negligence in the conduct of and honorary audit." Discuss. 15

**8. 2062 (C) Q. No. 15**

What do you mean by 'Investigation'? Briefly explain your approach if you were appointed an investigator on behalf of a prospective shareholder. 2+3

**9. 2061 (F) Q. No. 15**

Define investigation. As an auditor how would you investigate on behalf of a lender of money? 2+3

**10. 2062 (F) Q. No. 14**

Write in brief the procedure to be followed while investigating on behalf of a new in-coming partner. 5

**11. 2061 (C) Q. No. 15**

Briefly explain the procedures followed while investigating on behalf of a prospective shareholder. 5

**12. 2060 (C) Q. No. 15**

What are the general factors that an investigator should take into consideration before undertaking his job? Write in brief. 5

**13. 2060 (F) Q. No. 15**

Write about the procedure that you would follow while investigating of business on behalf of an incoming partner. 5

**14. 2059 (C) Q. No. 15**

Briefly write the procedures to be followed while investigating the firm on behalf of a new partner. 5

**15. 2058 (C) Q. No. 16 OR**

Define investigation. State its objectives. Also write the process of investigation on a suspected fraud. 3+6+6

**16. 2058 (F) Q. No. 14**

Write briefly what procedures you would follow when fraud is suspected in connection to misappropriation of cash. 5

**17. 2057 (C) Q. No. 14**

Briefly write the procedure followed while investigated on behalf of a prospective shareholder. 5

**18. 2057 (F) Q. No. 15**

Briefly write the procedures followed while investigating when fraud is suspected. 5

**19. 2056 (F) Q. No. 15**

Briefly write the procedures followed while investigating on behalf of an incoming partner. 5

**15. RECENT TRENDS IN AUDITING****1. 2066 Q.No. 8**

Explain the two issues covered by auditing standards in Nepal. [2.5×2=5]

**2. 2066 Q.No. 15**

Explain the importance and working methods of management audit. [2.5×2=5]

**3. 2065 Q.No. 8**

What is cost audit? How does it differ from financial audit? [2+3]

**4. 2065 Q.No. 9**

State the purpose of auditing standard. Point out any three such standards in Nepal [2+3]

**5. 2065 Q.No. 15**

What is tax audit? How is it different from financial audit? [3+2]

**6. 2065 Q.No. 11**

What role does the distinctive feature of record keeping play in the audit of social service organization? [7]

**7. 2060 (F) Q. No. 7**

What procedures are followed to audit the mechanised accounting records? 2+3

**8. 2059 (F) Q. No. 15**

Write a note on Management Audit. 5

**9. 2058 (C) Q. No. 15**

Write in 7 to 10 sentences about Management Audit. 5