INTERMEDIATE EXAMINATION

SET - 1

MODEL ANSWERS

TERM – DEC 2024

PAPER – 10

SYLLABUS 2022

CORPORATE ACCOUNTING AND AUDITING

Time Allowed: 3 Hours **Full Marks: 100**

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

SECTION – A (Compulsory)

1) Choose the correct option: **[15 x 2 = 30]**

(i) Which of the following is correct?

(a) Debenture carries a fixed rate of dividend

(b) A company limited by shares may issue irredeemable preference shares

(c) Unmarked applications are those applications that bear the stamp of the underwriter

(d) Except as provided in Section 54, a company shall not issue shares at a discount.

(ii) In a Balance Sheet prepared under Schedule III of Companies Act, 2013, 'Share application money pending allotment' shall be shown

(a) under Shareholder's Fund

(b) under Non-Current Liabilities

(c) under Current Liabilities

(d) as a separate line item

(iii) Under which of the following, a business must generate positive net cash flow for it to survive in the long run?

(a) Investing activities

(b) Financing activities

(c) Operating activities

(d) Non cash activities

(iv) Losses of theft are covered by_____insurance policies.

(a) Burglary

(b) Fire

(c) Marine

(d) None of the above

(v) The expected sales value of stock is ₹20 lakhs and a commission at 10% on sale is payable to the agent. Calculate NRV.

(a) ₹ 12 lakh

(b) ₹ 14 lakh

(c) ₹18 lakh

(d) ₹16 lakh

(vi) SA 230 stands for –
(a) Quality control for an audit of Financial Statements
(b) Agreeing the terms of Audit Engagements
(c) Audit Documentation
(d) Responsibility of Joint Auditor

(vii) Secretarial Audit is applicable to the Public Company having the paid-up share capital of ₹______.
(a) 50 crore
(b) 75 crore
(c) 100 crore
(d) 200 crore

(viii) Form for Secretarial Audit Report is _____________.
(a) MR-2
(b) MR-3
(c) MR-4
(d) MR-5

(ix) Unpaid dividend standing at the credit of Unpaid Dividend A/C should be transferred to Investor Education and Protection Fund _______________after years of its remaining unpaid.
(a) six
(b) eight
(c) seven
(d) five

(x) Which of the following services cannot be rendered by an auditor as per Companies Act 2013?
(a) Vouching
(b) Verification of assets and liabilities
(c) Issuing certificates on relevant matters
(d) Providing investment advisory services

(xi) An individual auditor who has completed his term shall not be eligible for reappointment as auditor in the same company for ______________________.
(a) Next 3 Years
(b) Next 5 Years
(c) Next 7 Years

(d) Next 8 Years

(xii) Which of the following is not an audit risk?
(a) Inherent Risk
(b) Detection Risk
(c) Control Risk
(d) Omission Risk

(xiii) An audit which is conducted considering the particular area of accounting which the owner thinks essential is known as -
(a) Complete Audit
(b) Partial Audit
(c) Balance Sheet Audit
(d) Cost Audit

(xiv) A company auditor resigning from his post shall inform the same to the Registrar in:
(a) Form No. ADT - 1
(b) Form No. ADT - 2
(c) Form No. ADT - 3
(d) Form No. ADT – 4

(xv) Which of the following is not a part of rural self-governance system in India?
(a) Gram Panchayat
(b) Gram Parishad
(c) Panchayat Samiti
(d) Zilla Parishad

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
d	d	c	a	c	c	a	b	c	d
(xi)	(xii)	(xiii)	(xiv)	(xv)					
b	d	b	c	b					

SECTION – B

Answer any 5 questions out of 7 questions given. Each question carries 14 marks.

[5 x 14 = 70]

2. (a) Jhakas Ltd. issued 1,00,000 shares of ₹10, each payable as under:
On Application: ₹ 1
On Allotment: ₹ 2
On First Call: ₹ 3

On Final Call: ₹4

All moneys payable on application, allotment and calls has been received with the following exceptions: Bheem who holds 1,000 shares has not paid the money due on allotment and calls. Ram who holds 500 shares has not paid the money due on the first and final calls. Sam who holds 300 shares has not paid the due on the final call. The shares of Bheem, Ram and Sam were, therefore, forfeited. These shares were subsequently reissued for cash at a discount of 5 per cent. Pass journal entries recording the above transactions from the stage of receipt of application money till the reissue. [7]

(b) XYZ Ltd. is issuing 20,00,000 shares of Rs.10 each to the public. N Ltd. has been appointed as the underwriter for 5% of the issue size. The commission payable to the underwriter is 5% of the issue price. Calculate the amount of underwriting commission payable to N Ltd. if the shares are issued at par. How will your answer change if the shares are issued at 20% premium? [7]

Answer:

2 (a)

In the Books of Jhakas Ltd.
Journal

Particulars	Dr. ₹	Cr. ₹
Bank A/c Dr. To Share Application Account [Being Receipt of application money on 1,00,000 shares @ ₹ 1 per share]	1,00,000	1,00,000
Share Application A/c Dr. Share Allotment A/c Dr. To Equity Share Capital A/c [Being Application money @ ₹ 1 received and allotment money @ ₹ 2 due on 1,00,000 shares transferred to share capital account as per resolution no....dated...)	1,00,000 2,00,000	3,00,000
Bank A/c Dr. To Share Allotment A/c [Being Allotment money @ ₹ 2 received on 99,000 shares]	1,98,000	1,98,000
Share First Call A/c Dr. To Equity Share Capital A/c [Being First call money @ ₹ 3 due on 1,00,000 shares vide resolution no....dated,.]	3,00,000	3,00,000
Bank A/c Dr. To Share First Call A/c [Being First call money received on 98,500 shares @ ₹ 3 per share]	2,95,500	2,95,500
Share Second and Final Call A/c Dr. To Equity Share Capital A/c [Being Second call due on 1,00,000 shares @ ₹ 4 per share vide resolution no…dated]	4,00,000	4,00,000
Bank A/c Dr. To Share Second and Final Call A/c	3,92,800	3,92,800

[Being Final call money @ ₹ 4 per share received on 98,200 shares]		
Share Capital A/c Dr. (1,800 x ₹ 10) To Share Forfeited A/c (1,000 x ₹ 1) + (500 x ₹ 3) + (300 x ₹6) To Share Allotment A/c(1,000 x ₹ 2) To Share First Call A/c(1,500 x ₹ 3) To Share Second and Final Call A/c (1,800 x ₹ 4) [Being forfeited of shares for non-payment of instalments]	18,000	 4,300 2,000 4,500 7,200
Bank A/c (1,800 x ₹ 9.50) Dr. Share Forfeited A/c (1,800 x ₹ 0.50) Dr. To Equity Share Capital A/c [Being Reissue of forfeited shares at ₹ 9.50 per share]	17,100 900	 18,000
Share Forfeited Account Dr. To Capital Reserve Account [Being transfer of the credit balance in the share forfeited account to the capital reserve account, being the profit on reissue]	3,400	 3,400

(b) When shares have been issued at par:

Gross Liability = 5% of 20,00,000 = 1,00,000 shares.
Issue price = Face Value = ₹ 10 per share
Underwriting Commission
= [Gross Liability (in shares) × Issue price per share] × Rate of Commission
= [1,00,000 × 10] × 5% = Rs. 50,000

When shares have been issued at a premium of 20 %:

Gross Liability = 5% of 20,00,000 = 1,00,000 shares.
Issue price = Rs.10 × 120% = Rs.12 per share
Underwriting Commission
= [Gross Liability (in shares) × Issue price per share] × Rate of Commission
= [1,00,000 × 12] × 5% = Rs. 60,000

3. (a)

Trial Balance of Balu Ltd.

Debit Balances	**₹**
Opening stock	**30,000**
Rent and Taxes	**6,000**
Purchases	**60,900**
Wages	**55,200**
Discount	**1,500**
Fuel	**2,570**
Building	**70,000**
Carriage inward	**1,175**

Sundry Debtors	**20,000**
Goodwill	**28,000**
Plant and Machinery	**25,000**
Loose Tools	**6,000**
Advertisement	**3,000**
General expenses	**4,400**
Bad debts	**1,030**
Debenture interest (Half year interest up to 30/9/2023)	**625**
Miscellaneous Expenses	**3,000**
Insurance	**1,000**
Cash and bank	**5,000**
Total	**3,24,400**
Credit Balances	
Equity share capital (1000 shares of 100 each)	**1,00,000**
5% Debentures	**25,000**
Sales	**1,75,000**
Sundry creditors	**10,000**
Bank overdraft	**12,000**
Discount	**2,200**
Transfer fee	**100**
Return outward	**100**
Total	**3,24,400**

Prepare Statement of Profit & Loss as per Division I of Schedule III of the Companies Act 2013 for the year ended 31.03.2024 and Balance sheet at that date. Take into consideration the following adjustments:

a. The authorized capital of the company is ₹2,00,000.
b. Stock on 31.03.2024 was ₹35,000.
c. Depreciate plant and machinery by 9% and revalue loose tools at ₹4,400.
d. Provide 2% as bad debt reserve and 2.5% discount on debtors.
e. Final dividend at 10% was proposed by the Board of Directors. **[14]**

Answer:

I. Statement of Profit and Loss for the year ended on 31 March 2024.

Particulars	Note No	Amount (₹)
Income		
Revenue from Operations		1,75,000

Other Income (2200 + 100)		2,300
Total Income		**1,77,300**
Expenses		
Purchase of Stock-in-Trade (60900 + 1175 - 100)		61,975
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade		(5000)
Employee Benefits Expense		55,200
Finance Costs	5	1250
Depreciation Expenses	6	2250
Other Expenses	7	24,990
Total Expenses		**1,40,665**
Profit Before Tax		36,635
Current Tax		
Profit for the Year		36,635
Other Comprehensive Income		
A i. Items that will not be reclassified to Profit or Loss		
ii. Income tax relating to items that will not be reclassified to Profit or Loss		
B. iii. Items that will be reclassified to Profit or Loss		
iv. Income tax relating to items that will be reclassified to Profit or Loss		
Total Other Comprehensive Income/(Loss) for the Year (Net of Tax)		
Total Comprehensive Income for the Year		36,635
Earnings Per Equity Share of Face Value of ₹ 10 each		36,635

II. Balance sheet as on 31 March 2024

Particulars	Note No	Amount (₹)
Assets:		
Non-Current Assets		
Property, Plant and Equipment	1	92,750
Goodwill		28,000
Total Non-Current Assets (a)		**1,20,750**
Current Assets		
Inventories	2	39,400
Trade Receivables	3	19,110
Cash and Cash Equivalents		5,000
Other Current Assets		-
Total Current Assets (b)		**63,510**
Total Assets (a+b)		**1,84,260**
Equity and Liabilities:		
Equity		

Equity Share Capital		1,00,000
Other Equity		36,635
Liabilities:		
Non-Current Liabilities		
5% Debentures		25,000
Total Non-Current Liabilities (a)		**25,000**
Current Liabilities Financial Liabilities **Bank Overdraft** Trade Payables		 12,000
Other Current Liabilities		10,625
Total Current Liabilities (b)		**22,625**
Total Liabilities (a+b)		**45,625**
Total Equity and Liabilities		**1,84,260**
Contingent Liabilities and Commitments (Dividend)		**10,000**

Notes:

Note -1 Property, Plant and Equipment

Particulars	**Amount (₹)**
Building	70,000
Plant and Machinery	22,500

Total	**92,750**

Note 2-Inventories

Particulars	**Amount (₹)**
Closing stock	35,000
Loose Tools	4,400

Total	**39,400**

Note 3-Trade receivables

Particulars	**Amount (₹)**
Debtors	20,000
Less: Provision for bad debts	400
Less: Provision for discount on debtors	490

Total	**19,110**

Note 4: Other Current Liabilities

Particulars	**Amount (₹)**
Sundry Creditors	10,000

Debenture Interest outstanding	625
Total	**10,625**

Note 5: Finance Cost

Particulars	Amount (₹)
Interest on Debentures	1,250

Total	**1,250**

Note 6: Depreciation Expenses

Particulars	Amount (₹)
Depreciation on Plant and Machinery	2,250
=25,000 × 0.09	---------
Total	**2,250**

Note-7: Other Expenses

Particulars	Amount (₹)
Rent and taxes	6,000
Discount	1,500
Fuel	2,570
Advertisement	3,000
General expenses	4,400
Bad debts	1,030
Depreciation of loose tools	1,600
Miscellaneous expenses	3000
Insurance	1000
Provision for bad debts	400
Provision for discount on debtors	490
19,600 × 2.5 / 100	------------
Total	**24,990**

4. (a) The following figures are extracted from the Trial Balance of a Bank as on 31/3/2024.

Discount Received (Cr.)	**₹ 4,80,000**
Rebate on Bills Discounted (1/4/2023)	**₹27,500**

No .	Date of Bill	Term	Amount (₹)	Rate
1	02/01/2024	3 months	4,00,000	5%
2	10/01/2024	4 months	2,00,000	4%
3	05/02/2024	2 months	1,00,000	4%
4	03/03/2024	4 months	3,00,000	5%

You are required to:

i. **Calculate the rebate on Bills discounted as on 31/03/2024 and show necessary journal entries.**

ii. **Compute the amount of discount credited to profit and loss account.** **[7]**

(b) Model Insurance Company's Fire Insurance division provide the following information, show the amount of claim at it would appear in the Revenue Account for the year ended 31st March, 2024.

Particulars	Direct Business ₹	Re-insurance ₹
Claim paid during the year	35,30,000	8,20,000
Claim received		3,20,000
Claim payable:		
1st April 2023	8,23,000	58,000
31st March, 2024	8,75,000	87,000
Claim Receivable:		
1st April, 2023		85,000
31st March, 2024		1,42,000
Expenses of Management	3,45,000	

[7]

Answer:

4 (a)

i. Rebate on Bills Discounted on 31/03/2024

No	Due date	Unexpired days	Amount (Rs.)	Rebate
1	05/04/2024	5	4,00,000	274
2	13/05/2024	43	2,00,000	942
3	08/04/2024	8	1,00,000	88
4	06/07/2024	97	3,00,000	3986
			Total	**5290**

ii. Discount received during the year	480,000
Less: Rebate at the end	5,290

	474,710
Add: Rebate at the beginning	27,500

Amount to be credited to P&L A/C	**5,02,210**

Discount Received Account

Particulars	Amount ₹	Particulars	Amount ₹
To Rebate on bills discounted	5,290	By Customer	4,80,000
To Profit and loss	5,02,210	By Rebate on Bills discounted	27,500

	5,07,500		**5,07,500**

(b)Net claims incurred:

		₹
Claims paid on direct business (35,30,000 + 38,000 + 42,000)		**36,10,000**
Add: Re-Insurance		8,20,000
Add: Outstanding as on 31.3.2024		87,000
Less: Outstanding as on 1.4.2023	(58,000)	8,49,000
	----------------	---------------
	44,59,000	
Less: Claims received from re-insurance	(3,20,000)	
Add: Outstanding as on 31.3.2024	1,42,000	
Less: Outstanding as on 1.4.2023	(85,000)	(3,77,000)
	------------	---------------
		40,82,000
Add: Outstanding direct claims at the end of the year	8,75,000	
Less: Outstanding claims at the beginning of the year	(8,23,000)	52,000

Net claims incurred		**41,34,000**

5. **(a) KK Ltd. had 10,00,000 ordinary shares outstanding on 01.04.2022. Profit for 2023-24 was ₹24,00,000. Average fair value per share during 2023-24 was ₹20. KK Ltd. has given share option to its employees of 2,00,000 shares at option price of ₹15. Calculate basic EPS and diluted EPS.**

[7]

(b) The comparative balance sheets of a company are given below:

Liabilities	2023 ₹	2024 ₹	Assets	2023 ₹	2024 ₹
Share Capital	35,000	52,000	Cash at bank	5500	18,900
12%Debentures	7000	3000	Book debts	7450	8850
Creditors	5180	5920	Stocks	24600	21,350
Provision for doubtful Debts	350	400	Land	10000	15,000
Profit and loss A/C	5020	5280	Goodwill	5000	2500
	52,550	66,600		52,550	66,600

Additional Information

i. **Dividends paid amounted to 1,750**

ii. **Land was purchased for 5,000 and amount provided for the amortization of**

goodwill amounted to ₹2,500.

iii. Debentures were repaid to the extent of 4,000.

You are required to prepare Cash flow statement as per AS-3 (Indirect Method). [7]

Answer:

5. (a) Profit for the year = ₹24,00,000

Weighted average number of shares = 10,00,000

Basic EPS = 24,00,000/10,00,000 = ₹2.40

No. of shares under option = 2,00,000

No. of shares that would have been issued at fair value = 2,00,000 x 15/20 = 1,50,000

Weighted average number of shares = 10,00,000 + (2,00,000 – 1,50,000) = 10,50,000

Adjusted earnings = ₹24,00,000

Diluted EPS = 24,00,000/10,50,000 = ₹2.29

(b)

Land Account

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	10,000	By balance	15,000
To cash (Purchase)	5,000		
	15,000		**15,000**

Good will Account

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	5,000	By P/L a/c	2,500
		By balance c/d	2,500
	5,000		**5,000**

Share Capital Account

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance c/d	52,000	To balance b/d	35,000
		By Cash	17,000
	52,000		**52,000**

Debentures Account

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)

To Cash	4,000	To balance b/d	7,000
To balance c/d	3,000		
	7,000		**7,000**

Cash Flow Statement (Indirect Method)

I. Cash Flow from Operating Activities		**Amount (₹)**
Net Profit before Tax (5280-5020)		260
Add: Non-Cash and Non-Operating items		
Goodwill written off		2,500
Dividend paid		1,750
Less: Non-Cash and Non-Operating Income		-
Operating profit before Working Capital Changes		
Add: Decrease in stock	3,250	
Increase in creditors	740	
Increase in provision for bad debts	50	
Less: Increase in book debts	1,400	4,510
Net Cash from Operating Activities		7,150
II. Cash flow from the Investing activities		
Purchase of Land		(5,000)
Net cash from investing activities		(5,000)
III. Net Cash from Financing activities		
Issue of Shares		17,000
Repayment of Debentures		(4,000)
Dividend Paid		(1,750)
Net Cash from Financing Activities		11,250
Net Increase in cash and cash equivalents		13,400
Add: Opening Cash and Cash Equivalents		5,500
Cash and Cash Equivalents at the end		18,900

6. (a) Distinguish between Audit and Investigation. [7]

(b) Discuss the rights of a company auditor. [7]

Answer:

6. (a) It is to be noted that both Both Auditing and Investigation have a fact-finding character. Both involve a systematic and critical examination of the available evidence, yet these are quite distinct from each other as follows:

	BASIS	AUDIT	INVESTIGATION
1.	Meaning	Auditing is an independent and systematic examination of the evidence underlying the accounting or other data in	An investigation may be defined as an examination of accounts and records with a view to ascertain any fact for some special purpose which

		accordance with the generally accepted auditing practices to ascertain the true and fair view of the financial statements of an enterprise.	varies from assignment to assignment.
2.	Scope	The audit has a wide scope. In statutory audit, the scope is determined by the relevant law andin case of a private audit (e.g., management audit) by a client.	The scope of investigations, on the other hand, is limited as regards the period or areas to be covered.
3.	Objective	ln audit, the accounts and records are verified as to their truth and fairness.	Investigation is for special purpose (e.g., investigation on the behalf of incoming partner)
4.	Audit Procedure	The audit is conducted in accordance with the generally accepted auditing principle.	Investigations involve an extended auditingprocedure.
5.	Evidence	An auditor will evaluate the accounting records predominantly based on persuasive evidence.	An investigator can draw his conclusions only on the basis of substantial or sometimes conclusive evidence.
6.	Approach	Auditor is skeptical and not suspicious.	Whereas an investigator starts with suspicion and collects evidence to either confirm or dispel that suspicion.
7.	Periodicity	Auditing is a routine exercise (normally conducted annually).	Investigation may spread over a period longer than one year.

(b) The Companies Act, 2013 provides the following statutory rights to a company auditor:

i. **Inspect Books of Accounts and Vouchers:** Every auditor of a company shall have the right of access, at all times, to the books of account and vouchers of the company, whether kept at the registered office of the company or at any other place. In addition, auditor of a holding company shall also have the right of accessto the records of all its subsidiaries and associate companies in so far as it relates to the consolidation of its financial statements with that of its subsidiaries [Section 143(1)].

ii. **Obtain Information and Explanations:** The auditor shall be entitled to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as the auditor [Section 143(1)].

iii. **Inspect Branch Offices and Branch Accounts:** The company auditor is also entitled to inspect the accountsof any branch office in case he considers it necessary in order to discharge his duties as the company auditor.He can do so, even if a separate auditor has already been appointed to audit the branch accounts [Section 143(8)].

iv. **Receive the Report of Branch Audit from the Branch Auditor:** In case a separate auditor has been appointed to audit the branch accounts, the company auditor has the right to receive the branch audit report from the branch auditor so appointed and use it to prepare the overall audit report [Section 143(8)].

v. **Sign the Audit Report and Other Documents:** The company auditor also has the right to sign the auditor's report or sign or certify any other document of the company in accordance with the provisions of sub-section (2) of Section 141 [Section 145].

vi. **Have Audit Report Read at the AGM:** The company auditor has the right to have the report read before the company in the General Meeting (especially in case the qualifications, observations or comments on financial transactions or matters, mentioned in the auditor's report, have any adverse effect on the functioning of thecompany) and the same shall be open to inspection by any member of the company [Section 145].

vii. **Receive Notices and Attend General Meetings:** The company auditor is entitled to receive all notices of, and other communications relating to, any general meeting and to attend such meetings either by himself orthrough his authorised representative, who shall also be qualified to be an auditor. The auditor shall also have the right to be heard at such meeting on any part of the business which concerns him as the auditor [Section 146].

viii. **Attend the Meeting of the Audit Committee:** The auditors of a company shall have a right to attend the meetings of the Audit Committee and to be heard in the meetings when the Committee considers the auditor's report, but shall not have the right to vote [Section 177(7)].

ix. **Right to be Indemnified:** The auditor of a company shall also have the right to be indemnified for any expensesincurred by him in defending himself in case the judgement in any law suit (whether civil or criminal) against the company goes in favour of the auditor.

7. (a) Demonstrate the audit procedure to be followed for the audit of Property, Plant and Equipment. [7]

(b) Discuss the role of National Financial Reporting Authority (NFRA) in monitoring and enforcing compliance with Auditing Standards. [7]

Answer:

7. (a) Property, Plant and Equipment constitute a significant portion of total assets of an entity. audit process for PPE is governed by the relevant Accounting Standard (AS 10 or Ind AS 16) in organisations which are required to comply with Accounting Standards.

Audit Procedure to be Followed:
The auditor shall resort to the following audit procedure:

(1) Existence

i. The auditor must ensure physical verification of the assets to confirm that they exist and are under the possession of the client.

ii. He shall demand explanations for any discrepancies found in the above process.

iii. He shall specifically ensure that assets that are not in the working condition have been accounted for as deletions.

(2) Rights and Obligations

i. The auditor should verify that PPE additions have been approved by the responsible official and such additions are as per the capital expenditure budget approved by the board for the financial year concerned.

ii. The auditor shall check that PPE purchase invoices are in the name of the client that entails the legal ownership.

(3) Cut-off

i. The auditor shall see that the Net Block of assets shown in the Balance Sheet comprises all assets existed and under the ownership of the company on the reporting date and depreciation pertains to the current period only.

(4) Completeness

i. He shall also verify the PPE schedule (asset class wise) maintained by the management and tally the closing balances to the entity's books of accounts.

ii. He should check the arithmetical accuracy of the movement in PPE schedule and reconcile the opening balance with the closing balance of each class of asset by considering the additions and disposals during the year.

(5) Valuation

i. The auditor shall see that all items of PPE have been carried at cost less accumulated depreciation less accumulated impairment1 loss. The auditor shall verify whether depreciation has been charged on all items except the freehold land.

ii. He shall also verify the installation certificate to know the date of installation of the asset.

(6) Presentation and Disclosure

i. In case of a company, the auditor should ensure that the all items of PPE have been disclosed in the balancesheet of the company under the head 'Non-current Assets' and sub head 'Fixed Assets' as 'Tangible Asset' asper Schedule III of the Companies Act 2013.

ii. He shall also ensure that all the relevant information has been disclosed in the 'Notes to Accounts' section.

(b) Role of NFRA in Monitoring and Enforcing Compliance with Auditing Standards:

(1) For the purpose of monitoring and enforcing compliance with auditing standards under the Act by a company or a body corporate governed under Rule 3, the Authority may:

(a) review working papers (including audit plan and other audit documents) and communications related to the audit;

(b) evaluate the sufficiency of the quality control system of the auditor and the manner of documentation of the system by the auditor; and

(c) perform such other testing of the audit, supervisory, and quality control procedures of the auditor as may be considered necessary or appropriate.

(2) The Authority may require an auditor to report on its governance practices and internal processes designed to promote audit quality, protect its reputation and reduce risks including risk of failure of the auditor and may take such action on the report as may be necessary.

(3) The Authority may seek additional information or may require the personal presence of the auditor for seeking additional information or explanation in connection with the conduct of an audit.

(4) The Authority shall perform its monitoring and enforcement activities through its officers or experts with sufficient experience in audit of the relevant industry.

(5) The Authority shall publish its findings relating to non-compliances on its website and in such other manner as it considers fit, unless it has reasons not to do so in the public interest and it records the reasons in writing.

(6) The Authority shall not publish proprietary or confidential information, unless it has reasons to do so in the public interest and it records the reasons in writing.

(7) The Authority may send a separate report containing proprietary or confidential information to the Central Government for its information.

(8) Where the Authority finds or has reason to believe that any law or professional or other standard has or may have been violated by an auditor, it may decide on the further course of investigation or enforcement action through its concerned Division.

8. (a) Discuss the audit procedure for receipts – related transactions of a Healthcare Organisation. [7]

(b) Discuss the essential characteristics of a good audit report. [7]

Answer:

8 (a) Audit Procedure for Receipts-Related Transactions of a Healthcare Organisation:

i. In case of a hospital run by State Government or any local authority, vouch the grants received from
the state or the local authority based on Govt. Orders, sanction letters, counterfoil of receipts.

ii. Vouch collection from patients admitted to the paying beds based on the Patient Admission Registrarand counterfoil of receipts/ copies of bills.

iii. Vouch collection from various pathological tests based on the counterfoils of receipts/ copies ofbills.

iv. Vouch donations based on the counterfoils of receipts.

v. In case hospitals having guest houses, assess the collections based on the register, counterfoils ofreceipts and accounting entries.

vi. Interest and/ or dividend income should be vouched with reference to the Investment Register andInterest and Dividend warrants.

vii. In case of legacies and donations which are received for specific purposes, it should be ensured that any income there from is not utilized for any other purposes.

(b) The following are the essential characteristics of a good audit report:

i. **Simplicity:** An audit report should be simple and easily understandable to the users. It should be written in simple language and should be self-explanatory.

ii. **Clarity:** The audit report should be clear and unambiguous. The auditor must clearly mention, in his report, the purpose of audit, sources of information, his findings and overall opinion.

iii. **Brevity:** The report should be brief and specific. While everything relevant must be disclosed, the reportshould avoid unnecessary detailing.

iv. **Firmness:** The report should firmly state whether, in the opinion of the auditor, the financial statements represent the true and fair view of the performance and state of affairs of the business.

v. **Objectivity:** The audit report should always be based on objective evidences. It is very much required toreduce or eliminate biases, prejudices, or subjective evaluations by relying on verifiable data.

vi. **Disclosure:** The audit report should properly disclose all relevant facts and the truth. The relevance shouldbe decided based on materiality of the concerned item.

vii. **Impartiality:** The report should be unbiased. The recommendations must be impartial and objective.

viii. **Information-based:** Only relevant and accurate information should be included in the audit report.

ix. **Timeliness:** The report should be prepared and presented within the stipulated time. This will help in timely decision-making.