

ASSURANCE

Time allowed – 2:15 hours

Total marks – 100

[N. B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

	Marks
1. a) Write short notes on the types of assurance engagements that are covered in the International Framework for Assurance.	4
b) How would you explain a structured approach to planning an audit?	6
2. Audit and assurance, like many other services, encounter certain limitations due to perception gaps in the minds of the seekers of all these services.	
a) ‘Auditors cannot issue absolute assurance certificate.’ Describe this statement indicating the limitations as mentioned above.	5
b) What is expectation gap? Identify and discuss briefly three indicators that create expectation gap in the minds of the assurance users.	5
3. Business risk and underlying mitigations are very commonly talked about phrases. In an audit engagement, an audit team is expected to assess the business risk applicable to the audit entity and the measures built therein in terms of internal control system to mitigate/control those risk. How do you define business risk? How would you assess risk in an entity?	10
4. a) For each of the following controls, state whether they are general or application control; Segregation of duties, Review of master files, Back-up copies, Virus checks, Passwords, Record counts, Hash totals, Program libraries, Controls over account deletions and Back-up power source.	6
b) Briefly discuss about the limitations of internal control.	6
5. What purpose does working paper serve in an assurance engagement? What are the contents of Permanent Audit File and Current Audit File?	3+7
6. Strong & Partners, Chartered Accountants has very good reputation in the market for their good quality professional services on various matters. Over the years, they were a regular advisor to Rupali Fibres Ltd. to provide consultation on their investment and various financial matters. On a specific engagement in 2016, they had developed Standard Operating Procedures (SOP) on financial management and financial reporting matters for Rupali Fibres Ltd. The company management on the ground of their long-standing relationship appointed Strong & Partners as its auditor in the respective AGM for the year ending 31 December 2018. Evaluate this situation with respect to applicable code of ethics, as adopted by ICAB, which Strong & Partners should take into consideration.	8

7. a) The root of the growth of business activities in the today's world lies in the charismatic use of advertisement and promotion activities.
- What are the provisions cited in IESBA Codes of Ethics and ICAB Bye Laws as regards marketing of professional services? 5
- b) Discuss about the provisions as regards 'Custody of Clients' Assets' as per IESBA Codes of Ethics. 5
8. Write short notes on the following: 10
- (i) Internal control.
 - (ii) Control environment.
 - (iii) Application controls.
 - (iv) Audit committee.
9. a) While checking cash and bank balances, care must be taken to ensure that there is no window dressing, by checking cut-off carefully.
- How companies may attempt to overstate the liquidity position and what should the auditors do in this regard? 5
- b) Poly is carrying out a non-current asset assurance engagement at Mahmud Company Limited (MCL). MCL owns the property from which it operates and has a number of non-current assets comprising Plant and Machinery (replaced 3 years ago), industrial vehicles for moving inventory between locations at it's premises, cars (used by staff as company cars), office furniture & fittings and computers.
- How will Poly conclude that the non-current assets declared in the financial statements are owned by the company and are valued properly? 5
10. Long-term liabilities comprising debentures, loan stock and other loans repayable at a date more than one-year after the yearend may constitute substantial amount in the financial statements and thus are required to be tested carefully.
- What are the different possible ways to confirm that long-term liabilities are reported properly? 10

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