

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 7 Total number of printed pages : 6

PART—A

(Answer ANY TWO questions from this part.)

1. Comment on the following :

(i) Mayank, a Company Secretary holding a certificate of practice, has accepted an assignment as a faculty member in a management institute. He is paid an honorarium of Rs.15,000 for teaching Financial Management and Economic Legislations.

He is required to take two lecture sessions of two hours each every week. Mayank has neither obtained the prior approval of the Council of the ICSI nor after accepting the assignment.

(ii) Rao, a Company Secretary holding a certificate of practice, engages himself in activities pertaining to a business concern owned by his family. Rao is entitled to receive 30% of net profits after tax of the family business concern under reference.

(iii) Fast Movers Ltd. is making a public offer of its equity shares at an issue price of Rs.390 per share. The company has proposed to fix the minimum number of shares per application as 20 and thereafter in multiples of 20.

- (iv) Smart Ltd. has an authorised share capital of Rs.20 lakh and paid-up share capital of Rs.9.50 lakh as on 31st March, 2005, the last day of the financial year 2004-05. Management of Smart Ltd. is of the opinion that it need not obtain a compliance certificate from the Company Secretary in whole-time practice.
- (v) Yellow Ltd. has paid-up share capital of Rs.150 lakh as on 31st March, 2005, the last day of the financial year 2004-05. Yellow Ltd. has employed a whole-time Company Secretary within the meaning of the Company Secretaries Act, 1980. Management of Yellow Ltd. is of the opinion that it need not submit a compliance certificate signed by the Company Secretary in whole-time practice.

(4 marks each)

2. (a) Secretarial audit could reduce the number of prosecutions by Government and improve investors' confidence, thereby resulting in a healthy and orderly development of the corporate sector. Explain.

(5 marks)

- (b) How would you verify the statutory compliance in respect of the following :
- (i) Default in payment of interest/principal amount of debentures; and
 - (ii) Office of profit by a relative of a director of a private limited company ?

(5 marks each)

- (c) State briefly the prominent services which can be rendered by a Company Secretary in whole-time practice in the matter of corporate restructuring.

(5 marks)

3. (a) Managing director of Xavier Ltd. is of the opinion that the relevant forms in respect of charges should be filed with the Registrar of Companies within the stipulated time. Clarify the position to the managing director of Xavier Ltd. regarding the relevant time limits for filing prescribed forms and the consequences in case of default.
- (b) Securities audit acts as a powerful mechanism to prevent fraudulent and unfair trade practices. Elucidate.
- (c) Under the Employees Stock Option Scheme, on 1st April, 2005 a company issues 1,000 shares of nominal value of Rs.10 per share at Rs.40 per share when the market value of the shares is Rs.160 per share. As a consequence of this, the equity share capital will go up by Rs.40,000 and Rs.1,20,000 is treated as discount on shares and share premium account will also go up by an equal amount. Examine the statement and state whether it is true or false giving reasons in support of your answer.
- (d) What are the important points that are to be examined by a Company Secretary in practice while conducting internal audit of depository participants in respect of 'account opening' ?

(5 marks each)

PART—B

(Answer Question No.7 which is compulsory and any two of the rest from this part.)

4. Critically examine *any four* of the following :
- (i) Management audit is a comprehensive critical review of all aspects on processes of management.
 - (ii) Management audit begins when a statutory financial audit ends.
 - (iii) Operational audit is a scientific tool and technique adopted by the auditor in a progressive business concern.
 - (iv) An operational auditor has to review and analyse the control measures in operations in an organisation.
 - (v) Efficiency audit is to ensure that every rupee invested in capital or other field gives the optimum return.

(5 marks each)

5. (a) The chief of an internal audit department has been asked by the managing director of the company to ensure that no qualifications are made by the statutory auditor in his report under the Companies (Auditor's Report) Order, 2003. What are the points that need to be examined and reported to the managing director by the chief of internal audit in respect of the following items :
- (i) fixed assets;
 - (ii) inventory; and
 - (iii) loans granted or taken ?

(4 marks each)

- (b) Discuss the advantages and limitations of inter-firm comparison.

(8 marks)

6. (a) Draft an internal control questionnaire on purchases.

(8 marks)

- (b) Comment on the following :

(i) Zutshi Ltd. appointed Mohan as cost auditor on 15th June, 2005 only. His acceptance was however received on 20th July, 2005. The company furnished cost accounting records for the year ended 31st March, 2005 to the cost auditor on 15th September, 2005. The report was eventually submitted on 25th October, 2005 resulting in delay.

(ii) Cost auditor of Anand Ltd. furnished the clarifications on the cost audit report for the year ended 31st March, 2004 on 10th December, 2004. The communication from the Central Government seeking clarifications was received by the cost auditor on 16th October, 2004.

(iii) The annexure and proforma prescribed was signed by the managing director. The Company Secretary was on leave. Other directors were not available and approval of the Board of directors could not be obtained as required under the Cost Audit (Report) Rules, 2001.

(4 marks each)

7. (a) What is meant by 'systems effectiveness' ? What are the points which an information systems auditor should take into consideration to ensure systems effectiveness ?

(6 marks)

- (b) Briefly discuss the types of control established to counter/tackle 'exposures' in an organisation. Also indicate the role of information systems auditor in such circumstances.

(6 marks)

- (c) Examine the purpose of 'logical security' and points to be considered by information systems auditor in this regard.

(4 marks)

- (d) What is meant by 'patch program' ? What are the checks which are required to be exercised by the information systems auditor ?

(4 marks)

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