

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 7

Total number of printed pages : 5

**P A R T – A**

(Answer ANY TWO questions from this part.)

1. (a) Choose the most appropriate answer from the given options in respect of the following :
- (i) Debentures with voting rights –
    - (a) Cannot be issued
    - (b) Can be issued only if permitted by the articles of association of the company
    - (c) Can be issued only with the sanction of the Central Government
    - (d) Can be issued only with the sanction of the court.
  - (ii) A voluntary winding-up is deemed to commence from the date –
    - (a) Of passing a resolution to this effect
    - (b) The liquidator takes charge of the company
    - (c) The liquidator notifies his appointment to the Registrar of Companies
    - (d) The declaration of solvency is made by the Board of directors.
  - (iii) A person who is already a manager of two companies can be appointed as the manager of a third company only if such company –
    - (a) Passes a special resolution to this effect
    - (b) Passes a unanimous Board resolution to this effect
    - (c) Obtains the permission of the Central Government
    - (d) Passes a special resolution and obtains the Central Government's permission.
  - (iv) A public company can be converted into a private company–
    - (a) By passing a special resolution to alter the articles of association to include the restrictions on private companies
    - (b) By passing an ordinary resolution
    - (c) By passing a special resolution
    - (d) By passing a special resolution to alter the articles of association and obtaining the approval of the Central Government.

- (v) Doctrine of constructive notice means –
- Notice of alteration of objects clause to the Registrar of Companies
  - Notice of change of company's name to members
  - Notice to the outsiders dealing with the company as to the contents of memorandum and articles of association
  - Notice to public about the issue of prospectus.
- (1 mark each)*
- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- As per the Companies (Compliance Certificate) Rules, 2001, every company not required to employ a Whole-time Secretary under section 383A(1) of the Companies Act, 1956 and having a paid-up capital of \_\_\_\_\_ or more shall obtain a certificate from a Practising Company Secretary.
  - MCA-21 offers viewing of public documents only within \_\_\_\_\_ days after payment of fees.
  - \_\_\_\_\_ office facilitates online filing of the e-forms under MCA-21.
  - In the case of listed companies for the purpose of closing the transfer books or fixing record date, intimation has to be given to the concerned stock exchange at least \_\_\_\_\_ days in advance.
  - A listed company is required to intimate the stock exchange atleast \_\_\_\_\_ in advance, the date on which the dividend is payable.
- (1 mark each)*
- (c) Distinguish between 'securities audit' and 'share transfer audit'.
- (5 marks)*
- (d) Summarise the guidelines for pre-certification in respect of Form-5.
- (5 marks)*
2. (a) State, with reasons in brief, whether the following statements are correct or incorrect :
- Approval from the Regional Director is required for exemption from attaching annual accounts of subsidiary companies.
  - Buy-back is to be completed within six months from the date of passing appropriate resolution at a meeting of the Board of directors.
  - If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of Rs.25 crore or three times the amount of profit made out of such practice, whichever is higher.
  - The eligibility norms prescribed for public issue by unlisted companies and listed companies are not applicable to infrastructure companies.
  - Withdrawal of rights issue after announcement of record date in relation to such issue is not permitted.
- (2 marks each)*

- (b) Your client has recently completed the buy-back of its shares by an offer document. You have been retained to carry out the secretarial audit of the buy-back. Prepare a check-list for such an audit.

(10 marks)

3. (a) A company has a large balance to the credit of general reserve account built-up out of the following :
- (i) Appropriation from profit and loss account.
  - (ii) Profit on sale of fixed assets from time-to-time.
  - (iii) Liabilities waived voluntarily by creditors due to the company's financial condition in earlier years.

The company during the year under review has made a small profit and the directors decide to recommend the payment of dividend involving an amount exceeding the profit of the year. For this purpose they propose to transfer from the general reserve account, sufficient balance to meet the dividend payment. Give your opinion on the propriety of the above proposal.

(8 marks)

- (b) Securities audit starts from scrutiny of various registers, records and documents maintained by the company and its Registrar and Transfer Agent. In this regard explain -- (i) scope of securities audit; and (ii) how it ensures compliance of various provisions of the Companies Act, 1956 ?

(8 marks)

- (c) Summarise the guidelines for pre-certification in respect of Form-17.

(4 marks)

#### P A R T – B

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

4. (a) Comment on the following statements :
- (i) Internal audit acts as an aid to management.
  - (ii) Internal audit is a thankless job.
- (3 marks each)
- (b) Mention the important matters contained in the annexure to cost audit report under the Cost Audit Report Rules, 2001 which are subject to cost auditor's observations in respect of the following activities :
- (i) Production;
  - (ii) Power and fuel; and
  - (iii) Royalty/technical aid and payment.
- (3 marks each)

- (d) You are the Company Secretary of Bipasha Ltd., which has almost same turnover as that of Aasha Ltd. The number of employees in invoice section of both companies are as follows :

Aasha Ltd. : 5 employees.

Bipasha Ltd. : 25 employees.

The managing director of your company feels that invoice section is over staffed. Prepare a note explaining the reasons for such difference.

(5 marks)

5. (a) There has been a significant growth in the volume of sales but there has not been commensurate growth in profits of the company. Prepare a note for consideration of the Board of directors analysing the possible factors that have contributed to this situation.

(8 marks)

- (b) State briefly the techniques of audit testing in management audit.

(6 marks)

- (c) Your client company suspects that its management receives unlawful gratification, i.e., monetary benefits from the suppliers while purchasing goods for the company. As the Practising Company Secretary, state how you will detect such a fraud.

(6 marks)

6. (a) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) Management audit means that the auditors have a right to influence the management.
- (ii) Operational auditor has to report to the statutory auditor the various activities commented upon in his report.
- (iii) The internal auditor is not responsible for prevention of frauds.
- (iv) Statistical sampling as an auditing technique is of great significance in internal control system.
- (v) Cost audit and financial audit are two sides of the same coin so far as the provisions of the Companies Act, 1956 are concerned.

(2 marks each)

- (b) "Efficiency audit is to ensure that every rupee invested in capital or other field gives the optimum return." Critically examine.

(4 marks)

- (c) (i) "A person who is acquainted with day-to-day operations of business can do justice while conducting operational audit." Justify.
- (ii) "Operational auditor is vested with the responsibility of ensuring not only the presence of controls but also their adequacy and efficacy." Explain.

(3 marks each)

7. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) The computer system refers to complete ensemble of the business rules incorporated through inter-related sets of programmed instructions which are called \_\_\_\_\_.
  - (ii) The application server and the web server, which act in the middle between the client and the data base server are termed \_\_\_\_\_.
  - (iii) \_\_\_\_\_ is an important test to be performed anytime a programme has been modified.
  - (iv) A major concern in carrying out commercial activities over the internet or any public network is \_\_\_\_\_.
- (1 mark each)*
- (b) In a computerised environment, classify the following actions under appropriate heads of control :
- (i) Systems development methodology.
  - (ii) Monitoring of physical assets.
  - (iii) Defining roles, responsibilities and duties within the IT department, such as -- developers, operators and administrators.
  - (iv) Processing controls should ensure checks for legal compliance.
- (1 mark each)*
- (c) Write short notes on the following :
- (i) Debugging
  - (ii) Effect of computer on auditing.
- (2 marks each)*
- (d) Your company is very often facing problems regarding (i) stealing of data; (ii) breakdowns; and (iii) failure of software due to lack of coordination among various departments. The management is concerned about this. Prepare a note for submission to your Managing Director suggesting the steps to be taken to set right the situation.
- (4 marks)*
- (e) What is the significance of Information Systems (IS) audit ?
- (4 marks)*

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