

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

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

P A R T – A

(Answer ANY TWO questions from this part.)

1. Comment on the following :

- (a) Compliance certificate casts onerous responsibility and poses a greater challenge on the professionals by the government, trade and industry.

(5 marks)

- (b) Anurag set-up practice as Company Secretary by the name Anurag & Co. He has also set-up a website in respect of his firm. Subsequently, he *inter alia* took the following steps :

- The website address was mentioned on the letter-heads and visiting-cards.
- A circular was also sent to a number of persons/ companies inviting them to visit the said website.
- Chat-room facility permitting chatting amongst members/firms of Company Secretaries and the firm's clients was provided.
- Names of some important and big clients of the firm were mentioned in the information provided on the website.

(5 marks)

- (c) A Company Secretary in Practice can perform a significant role with regard to 'intellectual property rights' and WTO issues.

(5 marks)

- (d) A Company Secretary setting-up professional practice has to necessarily develop *inter alia* the following :

- Empathy and will power to succeed; and
- Market orientation and communication system.

(5 marks)

2. (a) State, giving justification in brief, whether the following statements are correct or incorrect :

- (i) Companies issuing debentures with maturity of 18 months are required to create debenture redemption reserve (DRR).
- (ii) If a company proposes to create charge on debentures of maturity less than 18 months, it need not file the particulars of charge with the Registrar of Companies.
- (iii) Register of members and debentureholders also can be kept at any other place within the city/town/village in which registered office of the company is situated.
- (iv) Generally, it is not necessary for a company to send any document or notice under certificate of posting or by registered post to the members.

(3 marks each)

(b) What are the audit checks to be exercised by a Company Secretary in Practice before issuing certificates as per the requirements of financial institutions and other corporate lenders in respect of the following matters :

(i) Necessary powers of the company and its directors to enter into an agreement.

(ii) Borrowing limits and compliance with section 293(1) (d) of the Companies Act, 1956.

(4 marks each)

3. (a) Briefly explain the following aspects in the context of signing of an annual return of a listed company by the Company Secretary in Whole-time Practice under proviso to section 161(1) of the Companies Act, 1956 :

(i) implication of the term 'signing'; and

(2 marks)

(ii) scope and extent of work.

(3 marks)

(b) Your client wants to convert back dematerialised shareholdings into physical certificates. Advise the procedure to be followed.

(5 marks)

(c) Discuss the salient features of 'green shoe option' and the requirement of 'stabilising agent' under the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

(10 marks)

P A R T – B

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

4. (a) "Management audit, if properly undertaken, can prove to be an excellent tool of management control and highly result oriented." Substantiate the statement.
- (b) "A clear distinction between financial audit and operational audit cannot be drawn in many cases." Discuss and state the differences, if any, between the two.

(10 marks each)

5. (a) In a manufacturing company, the following procedures/rules were provided *inter alia* for payments by cheques :

(i) Cheques are to be signed by the designated accounts officers and counter-signed by an officer of the rank of senior accounts officer and higher, i.e., each cheque shall bear the signatures of two authorised officers. Board of directors has authorised the specifically named persons who can sign only; those who can sign or counter-sign also, as the case may be.

(ii) If the value of cheque exceeds Rs.1,00,000, the cheque is to be counter-signed by manager accounts or higher officer authorised in this behalf.

Company's bankers were duly intimated about resolutions of the Board of directors. Internal auditor noticed that –

(i) on 15 occasions, cheques were issued bearing two signatures of the senior accounts officer – one as the signor and second one as the

counter-signor and the payee who happened to be a friend of the senior accounts officer received the payments from the bank; and

- (ii) for the payment due to a supplier on a single invoice for Rs.1,45,000, two cheques were issued for Rs.90,000 and Rs.55,000 signed and countersigned by the accounts officer and the senior accounts officer simultaneously and delivered to the party and the said cheques were duly encashed.

Prepare a report to the managing director based on the above observations.

(9 marks)

- (b) Marketing/sales department has proposed the following changes in the credit policy :

"Credit period to be doubled from the present level of 30 days credit."

Marketing manager has estimated the effect of the above as follows :

- Sales will increase to Rs.1.10 crore from the current level of Rs.1.00 crore.
- 8% of the additional sales may turnout to be bad.
- There will be no change in the ratio of variable cost to sales 0.85 and company's cost of capital 10%.

Critically examine the above proposal and identify the items which will result in increase in profits and those that will result in reduction in profits. Calculate the exact impact of the above proposal on company's profits and advise whether the proposal is to be accepted or not.

(9 marks)

- (c) State the procedure for the authentication of annexure to cost audit report.

(2 marks)

6. (a) Define the following with reference to the Cost Audit (Report) Rules, 2001 :

- (i) Capital employed
- (ii) Net worth
- (iii) Net sales
- (iv) Value addition.

(2 marks each)

- (b) What is the significance of 'propriety audit' for public sector companies ?

(7 marks)

- (c) Explain briefly the provisions of the Companies Act, 1956 pertaining to cost audit.

(5 marks)

7. (a) (i) State, with reasons in brief, which of the following do not fall under the category of 'management controls' :

- Security controls and standards.
- Business continuity planning.
- Defining roles, responsibilities and duties within user department and IT department.

(3 marks)

(ii) State, with reasons in brief, which of the following do not fall under the category of 'application controls' :

- Controls for inputs, processing and outputs.
- Processing controls to ensure checks for legal compliance.
- Software requirement specifications and functional requirement specifications.

(3 marks)

(iii) Classify the following according to the nature of control, *i.e.*, operational, environmental and organisational controls :

- Unknown and untested floppies used without checking for virus.
- Data controls not properly checked and filed.
- Heavy duty printer kept inside server room.
- The chief information officer should have three reportee managers – one each for development team, ensuring IT centre security and managing facilities.

(4 marks)

(b) Briefly discuss the tasks to be performed by information systems auditor in the context of –

- (i) Understanding the information systems.
- (ii) Identifying the audit risks.

(5 marks each)

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