

SECRETARIAL, MANAGEMENT AND SYSTEMS AUDIT

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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. (a) Choose the most appropriate answer from the given options in respect of the following :
 - (i) Doctrine of constructive notice means —
 - (a) Notice of alteration of objects clause to the Registrar
 - (b) Notice of change of name to members
 - (c) Notice to outsiders dealing with the company as to contents of memorandum and articles
 - (d) Notice to public as to issue of prospectus.
 - (ii) A bearer of a share warrant of a company is —
 - (a) A member of the company
 - (b) Not a member of the company
 - (c) A member of the company subject to certain conditions
 - (d) A creditor of the company.
 - (iii) A special resolution is not necessary to —
 - (a) Issue shares at a discount
 - (b) Reduce share capital
 - (c) Appoint an auditor other than the retiring auditor
 - (d) Pay interest out of capital where articles are silent.
 - (iv) Unless it has filed a letter of offer with SEBI, a listed company cannot make any issue of security through a rights issue where the aggregate value of securities including premium, if any, exceeds —
 - (a) Rs.25 lakh
 - (b) Rs.50 lakh
 - (c) Rs.75 lakh
 - (d) Rs.100 lakh.

(1 mark each)

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- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) A company is required to file e-Form _____ under section 192 of the Companies Act, 1956 for appointing a managing director.
 - (ii) A public company should seek approval of the Central Government to provide loan to its director by filing e-Form _____ under the Companies Act, 1956.
 - (iii) Stamp duty payable on transfer of shares is _____ for every Rs.100 or part thereof of the value of shares on share transfer deed.
 - (iv) In respect of each special business, an explanatory statement containing full particulars thereon under section _____ of the Companies Act, 1956 needs to be given alongwith notice.
- (1 mark each)*
- (c) Inter-corporate loans and investments are strictly governed by section 372A of the Companies Act, 1956. However, there are certain exceptions where said provisions shall not apply. Mention five such exceptions.
- (5 marks)*
- (d) Enumerate the guidelines for pre-certification in respect of e-Form 5.
- (7 marks)*
2. (a) State, with reasons in brief, whether the following statements are true or false :
- (i) Appointment of a person as managing or whole-time director, who has not completed the age of 25 years, but has attained the age of majority requires approval of the Central Government.
 - (ii) The particulars of every investment or loan made or guarantee given or security provided should be entered chronologically in the register of investment within 15 days of making that investment or loan or giving of such guarantee or provision of such security.
 - (iii) The power to invest the funds of a company can be exercised by a committee of directors.
 - (iv) Under specific circumstances, all the directors of a company become liable to punishment and/or penalty as if they fall in the category of 'officer who is in default'.
 - (v) An application for winding-up of a company can be presented to the court by the Registrar of Companies.
- (2 marks each)*
- (b) A company had paid dividend without making due provision for bad debts which if provided for would not have left any surplus profit to declare dividend therefrom. An action was brought against the directors seeking to hold them liable for breach of duty which resulted in dividend having been paid out of capital. The court of appeal decided in favour of the directors. Comment.
- (5 marks)*

- (c) Prepare a check-list for issue of compliance certificate by the Practising Company Secretary relating to 'holding office or place of profit by a relative of a director'.
(5 marks)
3. (a) Innovative Ltd. proposes to provide as security some of its assets in favour of People's Bank Ltd. to secure the repayment of loans provided by the said bank to another company. Describe the procedure to be adopted by Innovative Ltd. for creating the charge.
(6 marks)
- (b) A company had a large bank balance. It purchased Rs.9 lakh worth of securities at Rs.85 as against the face value of Rs.100 per share. Afterwards, Rs.3 lakh worth of shares were sold at Rs.80 per share. The market price on the date of balance sheet was Rs.87 and the investment appeared at Rs.5,25,000. How would you deal with this item ?
(6 marks)
- (c) Anil, who was appointed as an additional director in a public company, is holding the position as such upto the date of ensuing annual general meeting. The company receives a notice to propose him as a director on its Board. Draft the requisite resolution and relevant explanatory statement, if required.
(8 marks)

PART—B

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

4. (a) Critically examine **any two** of the following :
- (i) Management audit is a comprehensive critical review of all aspects on processes of management.
 - (ii) An operational auditor has to review and analyse the control measures in operations in an organisation.
 - (iii) Efficiency audit is to ensure that every rupee invested in capital or other field gives the optimum return.
- (5 marks each)
- (b) Distinguish between **any two** of the following :
- (i) 'Inter-firm comparison' and 'intra-firm comparison'.
 - (ii) 'Internal audit' and 'internal check'.
 - (iii) 'Cost audit' and 'financial audit'.

(5 marks each)

5. (a) Comment on the following observations made by the internal auditor in his report to the management of Daisy Ltd. :
- (i) Full payments were made to the supplier for computer tables received in damaged condition and for UPS system which works for 35 minutes only as against the assured stand-by time of 120 minutes.
 - (ii) Funds specifically made available for Project-X were utilised for Project-Y without proper authorisation and no action was contemplated to set right the wrong drawals.
- (4 marks each)*
- (b) “The management’s task of developing an effective workforce is dependent upon good personnel administration.” Explain the important points to be kept in mind for review of personnel policies of a company.
- (8 marks)*
- (c) Write a brief note on the functional areas to be reviewed for efficacy of the MIS and the aspects to be examined in respect of production and sales.
- (4 marks)*
6. (a) State, with reasons in brief, whether the following statements are true or false :
- (i) If a business has all the latest tools and techniques of business functioning but lacks in control, it will be able to achieve its objectives satisfactorily.
 - (ii) The overriding objectives of internal audit have to provide the management with a re-assurance about the efficiency and effectiveness of operations that lead to the achievement of goals of the organisation.
 - (iii) For introducing any system of internal check, the work should be allotted on the basis of specialisation.
 - (iv) The management auditor should look into the symptoms and the causes before recommending any change.
 - (v) Precision, confidence level and sample size are imperative in the application of statistical sampling.
- (2 marks each)*
- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) The chief internal auditor should ensure that internal and external audit efforts are _____.
 - (ii) The proper functioning of any system depends on the _____ of those operating it.
 - (iii) Cost audit helps in framing _____ to individual managers which in turn facilitates management by exception.

(iv) The management's task of developing an effective workforce is dependent upon good _____.

(v) An appraisal of management methods and performance is to probe the balance between _____ and responsibility.

(1 mark each)

(c) Can external auditors rely on the work of internal auditor ? Explain.

(5 marks)

7. (a) Choose the most appropriate answer from the given options in respect of the following :

(i) Information Systems (IS) audit is primarily required as —

- (a) IT is becoming more and more complex
- (b) IT controls are not reliable
- (c) A tool for providing only assurance to management
- (d) IT security is not a success.

(ii) Task of post-implementation review is —

- (a) To ensure correctness of design, appropriate test of controls and other objectives of system
- (b) To secure reliability in the system
- (c) To understand measure of accuracy
- (d) To have trouble-free design of system.

(iii) Prime objective of IS audit is —

- (a) Improved safeguarding of assets and data integrity
- (b) Collaboration with external auditors
- (c) Training members of the information service function department
- (d) Validation of controls of the system development life cycle.

(1 mark each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

(i) Systems and _____ are built upon the assumption that the staff and management are totally honest in using the system.

(ii) Database management system allows copying the data into another archive called _____.

(iii) Evaluating effectiveness can imply _____ of user needs.

(1 mark each)

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(c) Explain the following terms in connection with systems audit :

- (i) Smaller sub-systems
- (ii) Object-oriented methodology
- (iii) Software testing
- (iv) Functions of operating system.

(2 marks each)

(d) Write short notes on **any two** of the following :

- (i) Application software
- (ii) Development of software code
- (iii) Sub-optimization.

(3 marks each)

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