



# CA INTER AUDIT

NOV'23

## Chapter-10

# The Company Audit

**CORRECT INCORRECT  
QUESTIONS**



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# Preface

## Greetings students,

As the author of this question bank, I've taken a thoughtful approach to its construction, prioritizing a competitive spirit in your learning journey.

## Correct / Incorrect Questions

The Correct and Incorrect questions/answers are intentionally not kept in sequential order. Why? To encourage analytical thinking without the comfort of knowing the topic heading in advance.

## Dedication to Holistic Learning

My dedication to creating content knows no bounds. I've meticulously curated questions from over 20 years of ICAI materials, including Study Material Practice Questions, MTPs, RTPs, and Suggested Answers. The sequencing of chapter topics aligns seamlessly with the ICAI study material. For downloading Complete Question Bank [click here](#)

## ADDITIONAL INFORMATION ABOUT COMPLETE QUESTION BANK

### Insights from Examiner Comments

Moreover, the inclusion of examiner comments adds a unique dimension. Learning from the mistakes highlighted by ICAI examiners can significantly improve your understanding. This book is not just about questions and answers; it's a tool to help you comprehend common mistakes and guide you on how to avoid and rectify them.

### Comprehensive Question Selection Strategy

I've gone a step further. Not only have I kept questions directly related to the current study material, but I've also included additional ones related to previous years with some relevance to the current context. These carry relevance, but I advise focusing on them only after thoroughly covering the main syllabus according to the current study material.

### VIDEO LEARNING INITIATIVE



And here's an exciting initiative—I've started creating YouTube videos to help you understand any challenging question or topic. All you need to do is message us on WhatsApp or Telegram using the provided link at the bottom of the page, and I'll promptly create a video to address your request.

### Closing Note: Embark on Your Learning Journey

So, dive into this question bank with enthusiasm, and remember, I'm here to support your learning journey every step of the way.

Best regards,  
Prof. Vishal Atman

**If you require further assistance with your study techniques or any other aspect, don't hesitate to contact us.**

You can instantly reach out via WhatsApp by clicking this icon,  or join our Telegram group  to pose questions that could also benefit your peers.



# Chapter 10

# Company Audit

## Part A – Correct Incorrect

### Q. 1 State with reasons (in short) whether the following statements are True or False :

1.	<p><b>Mr. N, a member of the Institute of Chartered Accountants of England and Wales, is qualified to be appointed as auditor of Indian Companies.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2015)</p> <p><b>Incorrect</b></p> <p>A person shall be eligible for appointment as an auditor of a company only if he is a chartered accountant. It may be noted that a firm whereof majority of partners practising in India are qualified for appointment as aforesaid may be appointed by its firm name to be auditor of a company. Thus, Mr. N is disqualified to be appointed as an auditor of Indian Companies.</p> <p>Examiner Comment – Most of the examinees correctly concluded with valid reasoning. Few examinees referred provision of Companies Act, 2013.</p>
2.	<p><b>Where the firm is appointed as an auditor of the entity the audit report is signed only in the name of audit firm.</b></p> <p style="text-align: right;">( 2 MARKS, MAY 2019 – INTER NEW )</p> <p><b>Incorrect:</b></p> <p>Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm. The partner/proprietor signing the audit report also needs to mention the membership number assigned by the Institute of Chartered Accountants of India along-with registration number for the firm.</p> <p>Examiner Comment – Examinees did not mention that where the firm is appointed as an auditor, the report is signed in the personal name of the auditor and in the name of the audit firm along with the membership number of the signing member and registration number of the firm.</p>
3.	<p><b>Mr. X, a Chartered Accountant, is an employee of M/s M &amp; N Co., a firm of Chartered Accountants of India. The firm is the Auditors of ABC &amp; Co. Ltd. After auditing the accounts of the Company the Auditor firm allowed Mr. X, their employee, to sign the audit report which he did.</b></p> <p><b>False:</b></p> <p>An employee Chartered Accountant cannot sign the auditor's report on behalf of the auditing firm. Only a partner in the firm can sign the audit report in compliance with the provisions of Section 145 read with 141(2) of the Companies Act, 2013.</p>
4.	<p><b>A Chartered Accountant holding securities of S Ltd. having face value of ` 950 is qualified for appointment as an auditor of S Ltd.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2015) ( RTP IPCC MAY 2018 ) (RTP IPCC MAY 17) (RTP IPCC NOV 17)</p> <p><b>Incorrect</b></p> <p>As per the provisions of the Companies Act, 2013, a person is disqualified to be appointed as an auditor of a company if he is holding any security of or interest in the company.</p> <p>As the chartered accountant is holding securities of S Ltd. having face value of ` 950, he is not eligible for appointment as an auditor of S Ltd.</p>



<p>5.</p>	<p><b>Mr. Pawan, a practising Chartered Accountant, is appointed as "Tax-Consultant" of ABC Ltd., in which his father Mr. Singh is the Managing Director.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2016)</p> <p><b>Correct</b></p> <p>A Chartered Accountant appointed as an auditor of a company, should ensure the independence in respect of his appointment. In this case, Mr. Pawan is a "Tax Consultant" and not a "Statutory Auditor" or "Tax Auditor" of ABC Ltd., hence he is not subject to the above requirements.</p> <p>Examiner Comment - Examinees have fair knowledge of the concept but some of them could not distinguish between tax consultant and auditor.</p>
<p>6.</p>	<p><b>An Auditor is considered to lack independence if the partner of the audit firm deals with shares and securities of the audited entity.</b></p> <p style="text-align: right;">(2 MARKS, MAY 2019-INTER NEW)</p> <p><b>Correct</b></p> <p>As per section 141 (3)(d), a person shall not be eligible for appointment as an auditor of a company namely- a person, or his relative or partner is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company. From the above it can be concluded that if the partner deals with shares and securities of the audited entity, he would be lacking independence, hence, disqualified to be appointed as an auditor. Further, the Code of Ethics for Professional Accountants, prepared by the International Federation of Accountants (IFAC) identifies five types of threats and if partner of the firm deals with shares and securities of the audited firm then such threat is known as the Advocacy Threats and auditor will be lacking independence.</p> <p>Examiner Comment - Independence of Auditor on appointment {Sec. 141(3)(d)}: Many candidates did not discuss about disqualification and also did not mention that he would be lacking independence.</p>
<p>7.</p>	<p><b>C.A. Mr. X is the Auditor of PQ Ltd. in which one of his relative is having substantial interest, whether Mr. X is qualified to be an Auditor?</b></p> <p style="text-align: right;">(2 MARKS EACH, NOVEMBER 2008)</p> <p><b>False:</b></p> <p>CA Mr. X is not qualified to be an auditor of PQ Ltd. as he would be held guilty of misconduct if he expresses his opinion on financial statements of any business in which his relative has a substantial interest as per the Chartered Accountants Act, 1949.</p>
<p>8.</p>	<p><b>The term "relative", as defined under the Companies Act, 2013, means anyone who is closely related to another.</b></p> <p style="text-align: right;">(Inter Audit April 2022) RTP Nov 2020)</p> <p><b>Incorrect:</b> The term "relative", as defined under the Companies Act, 2013, means anyone who is related to another as members of a Hindu Undivided Family; husband and wife; Father (including step- father), Mother (including step-mother), Son (including step- son), Son's wife, Daughter, Daughter's husband, Brother (including step- brother), Sister (including step-sister).</p>
<p>9.</p>	<p><b>Rajat, an auditor recovers his fees on progressive basis is said to be indebted to company.</b></p> <p style="text-align: right;">(2 MARKS EACH, NOVEMBER, 2013)</p> <p><b>Incorrect:</b></p> <p>According to the Research Committee of the Institute, a question often arises as to whether indebtedness arises in cases where in accordance with the terms of his engagement by a client (e.g. resolution passed by the general meeting) the auditor recovers his fees on a progressive basis as and when a part of work is done without waiting for the completion of the whole job. Where in accordance with such terms, the auditor recovers his fees on a progressive basis, he cannot be said to be indebted to the company at any stage. In view of the above, Rajat cannot be said to be indebted to the company.</p>
<p>10.</p>	<p><b>Mr. 'R', a practicing Chartered Accountant, is appointed as a "Tax Consultant" of MN Ltd., in which his father Mr. 'C' is the managing director.</b></p> <p style="text-align: right;">(2 MARKS EACH, NOVEMBER, 2013)</p>



	<p><b>Correct</b></p> <p>A chartered accountant appointed as an auditor of a company, should ensure the independence in respect of his appointment as an auditor, else it would amount to "misconduct" under the Chartered Accountants Act, 1949 read with Guidance Note on Independence of Auditors.</p> <p>In this case, Mr. R is a "Tax Consultant" and not a "Statutory Auditor" of MN Ltd., hence he is allowed to accept the appointment as consultant of the company.</p>
11.	<p><b>Where a person appointed as an auditor of a company incurs any of the disqualifications after his appointment, he will still continue as an auditor.</b></p> <p style="text-align: right;">(RTP IPCC MAY 15)</p> <p><b>Incorrect:</b></p> <p>Where a person appointed as an auditor of a company incurs any of the disqualifications after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.</p>
12.	<p><b>Where a person appointed as an auditor of a company incurs any of the disqualifications after his appointment, he shall vacate his office as such auditor.</b></p> <p style="text-align: right;">(RTP IPCC NOV 15)</p> <p><b>Correct:</b></p> <p>As per section 141(4) of the Companies Act, 2013, where a person appointed as an auditor of a company incurs any of the disqualifications after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.</p>
13.	<p><b>An officer of the company is not qualified for appointment as Auditor of a Company.</b></p> <p style="text-align: right;">(MTP AUG 2018, 2 MARKS)</p> <p><b>Correct:</b></p> <p>Section 141(3)(b) of the Companies Act, 2013 evidently excludes an officer or employee of the company to be qualified for appointment as auditor of a company.</p>
14.	<p><b>An auditor appointed under the Companies Act, 2013 shall provide to the company only such other services as are approved by the company in general meeting.</b></p> <p style="text-align: right;">(RTP IPCC MAY 15)</p> <p><b>Incorrect:</b></p> <p>According to section 144 of the Companies Act, 2013, an auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee.</p>
15.	<p><b>Bhartiya Gas Ltd. a Government Company, the Comptroller and Auditor-General of India shall, in respect of a financial year, appoint an auditor duly qualified to be appointed as an auditor of companies under this Act, within a period of 180 days from the end of the financial year, who shall hold office till the end of the next Financial year.</b></p> <p style="text-align: right;">(2 MARKS, MAY 2019 – INTER NEW)</p> <p style="text-align: center;">OR</p> <p><b>As per section 139(5) of the Companies Act, 2013, in the case of a government company, board of directors shall appoint the subsequent auditor within a period of 60 days from the commencement of the financial year.</b></p> <p><b>Incorrect</b></p> <p>As per section 139(5), in the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor-General of India shall, in respect of a financial year, appoint an auditor duly qualified to be appointed as an auditor of companies under this Act, within a period of 180 days from the commencement of the financial year, who shall hold office till the conclusion of the annual general meeting.</p>
16.	<p><b>Managing director of A Ltd. himself appointed the first auditor of the company</b></p> <p style="text-align: right;">(MTP OCT 2019, 2 MARKS) (2 MARKS, NOV 2015)</p>



	<p><b>Incorrect :</b></p> <p>As per section 139(6) of the Companies Act, 2013, the first auditor of a company, other than a government company, shall be appointed by the Board of directors within 30 days from the date of registration of the company.</p> <p>Therefore, the appointment of first auditor made by the managing director of A Ltd. is in violation of the provisions of the Companies Act, 2013.</p> <p><b>Examiner Comment -</b> Examinees in general correctly mentioned the power of board but failed to mention the period of 30 days correctly. Some examinees misunderstood the question &amp; interpreted that MD himself appointed as the first auditor.</p>
17.	<p><b>The first auditors of a Government company was appointed by the Board of Directors.</b></p> <p>(2 MARKS, NOV 2016)</p> <p><b>Incorrect.</b></p> <p>Government company, the first auditor shall be appointed by the Comptroller and Auditor-General of India within 60 days from the date of registration of the company.</p> <p>Alternatively, the statement would be correct in case C&amp;AG does not appoint the first auditor within 60 days, Board of Directors of the company shall appoint the first auditor within next 30 days.</p>
18.	<p><b>If the Board of Directors fails to appoint the first auditor in case of a company other than a Government Company, then the Central Government shall appoint the auditor.</b></p> <p>(2 MARKS, MAY 2017)</p> <p><b>Incorrect</b></p> <p>As per section 139(6) of the Companies Act, 2013, if Board of Directors fail to appoint the first auditor in case of a company other than a Government company, it shall inform the members of the company. The members of the company shall within 90 days at an extraordinary general meeting appoint the auditor.</p> <p><b>Examiner Comment -</b> Most of the examinees explained that it is to be done by members of the company, but did not explain that board of directors have to inform members about failure to appoint.</p>
19.	<p><b>K Ltd., a non-government company, was incorporated on 01-10-2017. Mr. B, Managing Director of K Ltd., himself appointed the first auditor of the company on 31-12-2017.</b></p> <p>(MTP Nov., 2021)(2 MARKS, MAY 2018)</p> <p><b>Incorrect</b></p> <p>Section 139(6) of the Companies Act, 2013 lays down that the first auditor of a company shall be appointed by the Board of Directors within 30 days from the date of registration of the company. In view of the above, the appointment of first auditor made by the managing director is in violation of the provisions of the Companies Act, 2013</p> <p><b>Examiner Comment -</b> Most of the candidates correctly mentioned the relevant provision of appointment of new auditor. However, some of them wrongly interpreted it as Managing Director himself as auditor.</p>
20.	<p><b>An auditor of a company in which not less than 25% of authorized capital is held by public financial institution is to be appointed by a special resolution in general meeting.</b></p> <p>(2 MARKS EACH, JUNE, 2009)</p> <p><b>False:</b></p> <p>The auditor's appointment of such company should be made as per the provisions of the section 139(1) of the Companies Act, 2013 i.e. Appointment of Auditor which does not require the special resolution in general meeting.</p>
21.	<p><b>An auditor can be appointed as first auditor of a newly formed company simply because his name has been stated in the Articles of Association.</b></p> <p>(2 MARKS EACH, MAY, 2008)</p> <p><b>False:</b></p> <p>As per Section 139(6) of the Companies Act, 2015, first auditor of a newly formed company is to be appointed by the BOD within 30 days from the date of registration of the company. An auditor cannot be appointed as first auditor simply because his name has been stated in the articles of association.</p>
22.	<p><b>The first Auditor is generally appointed by the company at a General Meeting.</b></p> <p>(2 MARKS EACH, NOVEMBER, 2014)</p>





	<p><b>Incorrect:</b></p> <p>As per Section 139(6) of the Companies Act, 2013, the first auditor(s) of a company shall be appointed by the Board of Directors within 30 days from the date of registration of the company.</p>
23.	<p><b>The first auditor of PQR Ltd., a Government company was appointed by the board of directors of company.</b></p> <p>(2 MARKS EACH, NOVEMBER 2013)</p> <p><b>Incorrect:</b></p> <p>In the case of a Government Company, the appointment of first auditor is governed by the provisions of Section 139(7) of the Companies Act, 2013 which states that the first auditors of a Government Company shall be appointed by the Comptroller and Auditor General of India. Thus, the appointment of first auditor made by the Board of Directors of PQR Ltd., is null and void.</p>
24.	<p><b>In case of failure of the Board to appoint the first auditor, it shall inform the Central Government.</b></p> <p>(RTP IPCC MAY 15)</p> <p><b>Incorrect :</b></p> <p>According to section 139(6) of the Companies Act, 2013, in the case of failure of the Board to appoint the auditor, it shall inform the members of the company.</p>
25.	<p><b>Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company.</b></p> <p>(RTP IPCC MAY 15)</p> <p><b>Correct:</b></p> <p>As per Section 139(10) of the Companies Act, 2013, where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company.</p>
26.	<p><b>In case of failure of the Board to appoint the first auditor, it shall inform the members of the company.</b></p> <p>(RTP IPCC NOV 15)</p> <p><b>Correct:</b></p> <p>According to section 139(6) of the Companies Act, 2013, in the case of failure of the Board to appoint the auditor, it shall inform the members of the company.</p>
27.	<p><b>The company shall place the matter relating to appointment of auditors for ratification by members at 5th AGM only.</b></p> <p>(RTP IPCC NOV 16)</p> <p><b>Incorrect:</b></p> <p>The company shall place the matter relating to appointment of auditors for ratification by members at every AGM.</p>
28.	<p><b>There is no need of written consent of the auditor for appointing him as an auditor in a company.</b></p> <p>(RTP IPCC NOV 16)</p> <p><b>Incorrect:</b></p> <p>Before appointing an auditor, the written consent of the auditor to such appointment and a certificate from him that appointment shall be in accordance with the conditions as may be prescribed shall be obtained from the auditor.</p>
29.	<p><b>As per Section 139(6), the first auditor of a company, including a Government company, shall be appointed by the Board of Directors within 60 days from the date of registration of the company.</b></p> <p>(RTP IPCC NOV 19)</p> <p><b>Incorrect:</b></p> <p>As per Section 139(6), the first auditor of a company, other than a Government company, shall be appointed by the Board of Directors within 30 days from the date of registration of the company.</p>
30.	<p><b>Managing Director of Pigeon Ltd. himself wants to appoint CA. Champ, a practicing Chartered Accountant, as first auditor of the company.</b></p> <p>(MTP MAY 2020, 2 MARKS)</p>



	<p><b>Incorrect:</b></p> <p>Section 139(6) of the Companies Act, 2013 lays down that the first auditor of a company shall be appointed by the Board of Directors within 30 days from the date of registration of the company. In the instant case, the proposed appointment of CA. Champ, a practicing Chartered Accountant, as first auditor by the Managing Director of Pigeon Ltd. by himself is in violation of Section 139(6) of the Companies Act, 2013, which authorizes the Board of Directors to appoint the first auditor of the company.</p> <p>In view of the above, the Managing Director of Pigeon Ltd. should be advised not to appoint the first auditor of the company.</p>
31.	<p><b>As per Section 139(8) of the Companies Act, 2013, any casual vacancy in the office of an auditor shall in case of a company other than a company whose accounts are subject to audit by an auditor appointed by Comptroller and Auditor General of India, be filled by the Shareholders at an Annual General Meeting within 60 days.</b></p> <p>(Inter Audit Sugg, Jan. 2021) (2 Marks)</p> <p><b>Incorrect:</b></p> <p>As per Section 139(8), any casual vacancy in the office of an auditor shall in the case of a company other than a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Board of Directors within 30 days.</p>
32.	<p><b>The auditor should study the Memorandum and Articles of Association to see the validity of his appointment.</b></p> <p>(2 MARKS, NOV 2015) (2 MARKS EACH, MAY, 2010)</p> <p>OR</p> <p><b>Incoming auditor should study Memorandum of Association and Articles of Association to check the validity of his appointment.</b></p> <p>(2 MARKS, NOV 2018)</p> <p><b>False:</b></p> <p>Memorandum of Association lays down the object to be carried on and Articles of Associations reflects the regulations of the company to govern its internal management and to regulate the rights of the members. Auditor should ascertain whether the company has complied with provisions of section 139 and 140 to ensure validity of his appointment.</p> <p>OR</p> <p><b>Incorrect:</b></p> <p>The auditor should study the Memorandum of Association to check the objective of the company to be carried on, amount of authorized share capital etc. and Articles of Association to check the internal rules, regulations and ensuring the validity of transactions relating to accounts of the company.</p> <p>To see the validity of appointment, the auditor should ensure the compliance of the provisions of section 139, 140 and 141 of the Companies Act, 2013.</p> <p>Alternative reasoning: The auditor should study the appointment letter &amp; the prescribed form submitted to the Registrar of the Companies to see the validity of his appointment.</p> <p><b>Examiner Comment - Most of the examinees mentioned only half of the relevant points and did not mention the compliance of the provisions of Companies Act, 2013 relating to validity of appointment.</b></p>
33.	<p><b>Casual vacancy of a 'Cost Auditor of a Company is filled by shareholders in general meeting within one month.</b></p> <p>(2 MARKS, NOV 2017)</p> <p><b>Incorrect</b></p> <p>Any casual vacancy in the office of a Cost Auditor, whether due to resignation, death or removal, shall be filled by the Board of Directors within 30 days of occurrence of such vacancy and the company shall inform the central government in Form CRA-2 within 30 days of such appointment of cost auditor.</p> <p><b>Examiner Comment - Examinees correctly mentioned that casual vacancy is to be filled by Board of Directors but failed to write about intimation to the Central Government.</b></p>
34.	<p><b>PQR &amp; Co., Chartered Accountants, resigned from the audit of a Government Company and filed the resignation with the company and the registrar within 30 days. Comment, whether PQR &amp; Co. has complied with the provisions of the Companies Act, 2013.</b></p> <p>(MTP APRIL 2019, 2 MARKS) (2 MARKS, MAY 2018)</p>





	<p><b>Incorrect</b></p> <p>As per section 140(2) the auditor who has resigned from the company shall file within a period of 30 days from the date of resignation, a statement in the prescribed Form with the company and the Registrar, and in case of the companies referred to in section 139(5) i.e. Government company, the auditor shall also file such statement with the Comptroller and Auditor-General of India, indicating the reasons and other facts as may be relevant with regard to his resignation. In this case, the PQR &amp; Co., was also required to file prescribed Form with C &amp; AG of India but it did not file the same. Therefore, it did not comply with the provisions of the Companies Act, 2013.</p>
35.	<p><b>If appointment of a new auditor other than the existing auditor is void-ab-initio, then it should be treated as a casual vacancy.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2019)</p> <p><b>Incorrect</b></p> <p>If appointment of a person as an auditor is void ab initio, it should not be treated as casual vacancy, rather the existing auditor shall continue to be an auditor of the company as per Section 139(10) of the Companies Act, 2013.</p>
36.	<p><b>CA K has resigned as an auditor after 2 months of his appointment in NML Ltd. He needs to file ADT-3 with the Registrar within 60 days from the date of resignation.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2019 – INTER NEW)</p> <p><b>Incorrect</b></p> <p>As per section 140(2) of the Companies Act, 2013, the auditor who has resigned from the company shall file within a period of 30 days from the date of resignation, a statement in the prescribed Form ADT-3 (as per Rule 8 of CAAR) with the company and the Registrar.</p>
37.	<p><b>CA K has resigned as an auditor after 2 months of his appointment in NML Ltd. He needs to file ADT-4 with the Registrar within 60 days from the date of resignation.</b></p> <p style="text-align: right;">(MTP Nov 21, 2 Marks)</p> <p><b>Incorrect:</b></p> <p>Section 139(6) of the Companies Act, 2013 lays down that the first auditor of a company shall be appointed by the Board of Directors within 30 days from the date of registration of the company. In view of the above, the appointment of first auditor made by the managing director is in violation of the provisions of the Companies Act, 2013</p>
38.	<p><b>A casual vacancy caused by resignation of the auditor can be filled by the Board of Directors.</b></p> <p><b>False:</b></p> <p>As per section 139(8) of the Companies Act, 2013, any casual vacancy in the office of an auditor shall be filled by the Board of Directors within 30 days. However, if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within 3 months of the recommendation of the Board and he shall hold the office till the conclusion of the next annual general meeting.</p>
39.	<p><b>The Board of Directors can fill the casual vacancy caused by the resignation of an auditor, who shall hold office until the conclusion of the next annual general meeting.</b></p> <p style="text-align: right;">(2 MARKS EACH, MAY, 2014)</p> <p><b>Incorrect:</b></p> <p>As per section 139(8) of the Companies Act, 2013, any casual vacancy in the office of an auditor shall be filled by the Board of Directors within 30 days. However, if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within 3 months of the recommendation of the Board and he shall hold the office till the conclusion of the next annual general meeting.</p>
40.	<p><b>As per section 140(2) of the Act, the auditor who has resigned from the company need not inform the Registrar of Companies.</b></p> <p style="text-align: right;">(RTP IPCC NOV 19)</p> <p><b>Incorrect:</b></p> <p>As per section 140(2) of the Act, the auditor who has resigned from the company shall file within a period of 30 days from the date of resignation, a statement in the prescribed Form ADT-3 (as per Rule 8 of CAAR) with the company and the Registrar.</p>



41.	<p><b>Manner of rotation of auditor will not be applicable to company A, which is having paid up share capital of ` 15 crores and having public borrowing from nationalized bank of ` 50 crore because it is a Private Limited Company.</b></p> <p>(2 MARKS, NOV 2015) (RTP IPCC MAY 17) ( RTP IPCC MAY 2018)</p> <p><b>Incorrect</b></p> <p>According to section 139 of the Companies Act, 2013, the provisions related to rotation of auditor are applicable to all private limited companies having paid up share capital of ` 20 crore or more; and all companies having paid up share capital of below threshold limit mentioned above, but having public borrowings from financial institutions, banks or public deposits of ` 50 crore or more.</p> <p>Although company A is a private limited company yet it is having public borrowings from nationalized bank of ` 50 crores, therefore it would be governed by provisions of rotation of auditor.</p>
42.	<p><b>Audit Committee is to be formed by each and every company and the auditor has no compulsion to attend the meeting of the Audit Committee.</b></p> <p>(2 MARKS EACH, MAY, 2010)</p> <p><b>False:</b></p> <p>As per section 177 of the Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014, audit committee is to be formed by every listed companies, all public companies with a paid up capital of ` 10 crore or more, all public companies having turnover of ` 100 crore or more, all public companies having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding ` 50 crore or more. Further, the Auditor shall have the right to be heard in the meetings of the Audit Committee when it considers the Auditor's Report but shall not have the right to vote.</p>
43.	<p><b>all public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding hundred crore rupees or more shall constitute an Audit Committee.</b></p> <p>(RTP IPCC MAY 2020)</p> <p><b>Incorrect:</b></p> <p>All public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more shall constitute an Audit Committee.</p>
44.	<p><b>Audit committee is to be constituted by every public company to ensure better standards of corporate governance.</b></p> <p>(MTP OCT 2020, 2 MARKS)</p> <p><b>Incorrect:</b></p> <p>Under Section 177 of Companies Act, 2013 read together with Rule 4 of Companies (Appointment and qualification of Directors) Rules, 2014 prescribe that audit committee is to be constituted by every listed public company and following classes of public companies only:-</p> <ol style="list-style-type: none"><li>1. the Public Companies having paid up share capital of ten crore rupees or more; or</li><li>2. the Public Companies having turnover of one hundred crore rupees or more; or</li><li>3. the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees:</li></ol> <p>Hence, the statement that all public companies are required to constitute audit committee is incorrect.</p>
45.	<p><b>While conducting audit of Government Companies, the auditors are paid their Professional Fees as prescribed by the Government.</b></p> <p>(2 MARKS EACH, MAY, 2010)</p> <p><b>False:</b></p> <p>As per section 142(1) of the Companies Act, 2013, the fees of auditors of a company is fixed by the company in its general meeting or in such a manner as the company in general meeting may determine.</p>
46.	<p><b>As per section 142 of Companies Act, 2013, the remuneration to the auditor shall also include any facility provided to him.</b></p> <p>(Inter Sugg. May 2023)</p> <p><b>Correct:</b></p> <p>As per section 142 of the Act, the remuneration of the auditor of a company shall be fixed in its general meeting or in such manner as may be determined therein. However, board may fix remuneration of the first auditor appointed by it.</p>



	Further, the remuneration, in addition to the fee payable to an auditor, includes the expenses, if any, incurred by the auditor in connection with the audit of the company and any facility extended to him but does not include any remuneration paid to him for any other service rendered by him at the request of the company. Therefore, it has been clarified that the remuneration to Auditor shall also include any facility provided to him.
47.	<p><b>The remuneration of subsequent auditor appointed under the Companies Act, 2013 shall be fixed by the Board.</b></p> <p style="text-align: right;">(RTP IPCC NOV 16) (RTP IPCC NOV 15)</p> <p><b>Incorrect:</b></p> <p>According to section 142 of the Companies Act, 2013, the remuneration of subsequent auditor of a company shall be fixed in its general meeting or in such manner as may be determined therein.</p>
48.	<p><b>Central Government permission is required when auditors are to be removed before expiry of their term, but not so when auditors are changed after expiry of their term.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2016)</p> <p><b>Correct</b></p> <p>Removal of auditor before expiry of his term i.e. before he has submitted his report is a serious matter and may adversely affect his independence. Hence, the permission of the Central Government is required when auditors are removed before expiry of their term and the same is not needed when they are not re-appointed after expiry of their term.</p> <p><b>Examiner Comment -</b> Most of the examinees have no knowledge why central government permission is required for removing auditor before expiry of their term rather they explained procedure of such removal.</p>
49.	<p><b>State with reasons (in short) whether the following statements are True or False:</b></p> <p><b>Comptroller and Auditor General of India can be removed by the Prime Minister of India on the recommendation of his Council of Ministers.</b></p> <p><b>False:</b></p> <p>The Comptroller and Auditor General of India cannot be removed by the Prime Minister of India on the recommendation of his Council of Ministers. He can be removed on the ground of proven mis-behaviour or incapacity, when each House of Parliament decides to do so by majority of not less than 2/3 of the members of the house present and voting.</p>
50.	<p><b>An Auditor may be removed from Office before the expiry of his term, by the company in General Meeting.</b></p> <p style="text-align: right;">(Inter Audit RTP/ New/ Old Nov. 2021) (2 MARKS EACH, NOVEMBER, 2008)</p> <p><b>False:</b></p> <p>As per Section 140(1) of the Companies Act, 2013, the auditor may be removed from the office before the expiry of his term by the company only by a special resolution and obtaining the prior approval of the Central Government.</p>
51.	<p><b>According to Section 140(1), the auditor appointed under section 139 may be removed from his office before the expiry of his term only by a general resolution of the company.</b></p> <p style="text-align: right;">(RTP Nov 20) (RTP IPCC MAY 2020)</p> <p><b>Incorrect:</b></p> <p>According to Section 140(1), the auditor appointed under section 139 may be removed from his office before the expiry of his term only by a special resolution of the company, after obtaining the previous approval of the Central Government in that behalf as per Rule 7 of CAAR, 2014.</p>
52.	<p><b>As per sub-section (5) of the section 140, the Tribunal cannot direct the company to change its auditors.</b></p> <p style="text-align: right;">(RTP IPCC MAY 2020)</p> <p><b>Incorrect:</b></p> <p>As per sub-section (5) of the section 140, the Tribunal either suo motu or on an application made to it by the Central Government or by any person concerned, if it is satisfied that the auditor of a company has, whether directly or indirectly, acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers, it may, by order, direct the company to change its auditors.</p>
53.	<p><b>Government companies are also to be considered for the ceiling on number of audits.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2018)</p>



	<p><b>Correct</b></p> <p>As per Section 141(3)(g) of the Companies Act 2013, in calculating ceiling limit of twenty companies one person companies, dormant companies, small companies and private companies having paid-up share capital less than ₹ 100 crore are excluded. In view of above, since Government Companies are not there in exceptions, hence these are to be considered for the ceiling on number of audits.</p> <p>Examiner Comment - Examinees reasoned that Government companies should be considered in ceiling limit but did not cover the exceptions to ceiling limits correctly.</p>
54.	<p><b>Audit of Private Limited Companies are to be excluded while calculating ceiling on number of audits.</b></p> <p>(2 MARKS EACH, NOVEMBER, 2013)</p> <p><b>Incorrect:</b></p> <p>As per section 141(3)(g) of the Companies Act, 2013, audit of Private Limited Companies are not excluded while calculating ceiling on number of audits</p>
55.	<p><b>CA. X, holding appointment as auditor of 20 companies, can also accept appointment of one person company.</b></p> <p>(MTP AUG 2018, 2 MARKS)</p> <p><b>Correct:</b></p> <p>As per section 141(3)(g) of the Companies Act, 2013, one person companies shall not be included under ceiling limit on holding appointment as auditor of companies.</p>
56.	<p><b>The members of XYZ Ltd. preferred a complaint against the auditor stating that he has failed to send the auditor's report to them.</b></p> <p>(2 MARKS, NOV 2016)</p> <p><b>Incorrect.</b></p> <p>As per the provisions of the Companies Act, 2013, it is no part of the auditor's duty to send a copy of his report to members of the company. The auditor's duty concludes once he forwards his report to the company. It is the responsibility of company to send the report to every member of the company.</p> <p>Examiner Comment - Examinees in general have fair idea of the topic but some of them did not mention that sending audit report to members is the responsibility of company.</p>
57.	<p><b>Management of the organization is solely responsible for the compliance of auditing standards while preparing financial statements.</b></p> <p>(2 MARKS, NOV 2018)</p> <p><b>Incorrect</b></p> <p>As per Section 143(g) of the Companies Act, 2013, every auditor shall comply with the auditing standards.</p> <p>Examiner Comment - Many examinees wrote about responsibility of management in adhering to accounting standards and no reference of adherence to auditing standards by Auditor was given.</p>
58.	<p><b>The auditors of a company can attend only that General meeting in which accounts audited by them are discussed.</b></p> <p>(2 MARKS, NOV 2019)</p> <p><b>Incorrect</b></p> <p>According to Section 146 of the Companies Act, 2013, the auditor of a company is entitled to attend any general meeting of the company and not only those meetings at which the accounts audited by them are to be presented and discussed.</p> <p>Examiner Comment - Few examinees mixed up the answers for turnover criteria fixed for cost audit and maintenance of cost records. Examinees wrongly mentioned the monetary limit prescribed for cost audit with regard to regulated sector and unregulated sector instead of mentioning the turnover limit of ₹ 35 Crores for maintenance of cost records in their books of accounts.</p>
59.	<p><b>The auditor of a company is entitled to attend any General Meeting of the company as his duty.</b></p> <p>(2 MARKS EACH, NOVEMBER, 2008)</p>

	<p><b>True:</b></p> <p>As per Section 146 of the Companies Act, 2013, it is right of the auditor to receive notices and other communications relating to any general meeting and to be heard at such meeting, relating to the matter of his concern, however, it is duty of the auditor to attend the same or through his authorised representative unless otherwise exempted.</p>
60.	<p><b>It is the responsibility of the Auditor to ensure that Statement of Profit and Loss and Balance Sheet of the company shall comply with the Accounting Standards.</b></p> <p style="text-align: right;">(2 MARKS EACH, NOVEMBER, 2014)</p> <p><b>Incorrect:</b> It is the responsibility of the company to ensure that statement of profit and loss and balance sheet of the company comply with the accounting standards. However, according to section 143 of the Companies Act, 2013, it is the duty of the auditor to report whether, in his opinion, the financial statements comply with the accounting standards.</p>
61.	<p><b>Deviation in accounting policies are to be reported in auditor's report.</b></p> <p style="text-align: right;">(2 MARKS EACH, NOVEMBER, 2013)</p> <p><b>Incorrect:</b></p> <p>It is not that all deviations in accounting policies be reported in the auditor's report. Only those deviations in accounting policies are to be reported in the auditor's report in respect of which proper disclosure regarding such deviations in the accounting policies have not been made.</p>
62.	<p><b>Every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company kept at the registered office of the company only.</b></p> <p style="text-align: right;">(RTP IPCC MAY 15) (RTP IPCC NOV 16)</p> <p><b>Incorrect:</b></p> <p>As per Section 143(1) of the Companies Act, 2013, every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company kept not only at the registered office of the company but also at any other place too.</p>
63.	<p><b>The auditor has to report under section 143 of companies act, 2013 whether company has adequate internal controls in place and overall effectiveness of such internal controls.</b></p> <p style="text-align: right;">(MTP OCT 2020, 2 MARKS)</p> <p><b>Incorrect:</b></p> <p>Under provisions of Section 143 of the companies Act, 2013, auditor has to report whether the company has adequate internal financial controls with reference to financial statements in place and operating effectiveness of such controls. The auditor has to report on adequacy and effectiveness of internal financial controls only and not internal controls.</p>
64.	<p><b>Provision of CARO, 2020 is not applicable to ABC Pvt. Ltd., a subsidiary of XYZ Ltd. (a public company) having fully paid up Capital and Reserves &amp; Surplus of ` 50 lakhs, Secured loan from bank of ` 90 Lakhs and Turnover of ` 5 Crore, for the financial year 2018-19.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2019 - INTER NEW)</p> <p><b>Incorrect</b></p> <p>The CARO specifically exempts a private limited company, not being a subsidiary or holding company of a public company, having a paid up capital and reserves and surplus not more than rupees 1 crore as on the balance sheet date and which does not have total borrowings exceeding rupees 1 crore from any bank or financial institution at any point of time during the financial year and which does not have a total revenue as disclosed in Scheduled III to the Companies Act, 2013 (including revenue from discontinuing operations) exceeding rupees 10 crore during the financial year as per the financial statements.</p> <p>From the above, it is clear that ABC Pvt. Ltd. is a subsidiary of XYZ Ltd. and hence not exempt from CARO, 2020 although it is satisfying the conditions that allow exemption to private limited company which is not a subsidiary or holding company of a public company</p>
65.	<p><b>CARO '2015 is also applicable to the audit of branch of a company, except where the company is exempt from the applicability of the order.</b></p> <p style="text-align: right;">(2 MARKS EACH, MAY, 2008)</p> <p>This question is redundant in view of the provisions of the Companies Act, 2013.</p>
66.	<p><b>CARO, 2016, is intended to limit the duties and responsibilities of auditors.</b></p> <p style="text-align: right;">(MTP Aug 2018, 2 Marks)</p>



	<p><b>Incorrect:</b></p> <p>CARO, 2016 is not intended to limit the duties and responsibilities of auditors but only requires a statement to be included in the audit report in respect of the matters specified therein.</p>
67.	<p><b>All the joint auditors are jointly and severally responsible for the work, which is not divided and carried on jointly by all the joint auditors.</b></p> <p>(2 MARKS EACH, MAY, 2008)</p> <p><b>True:</b></p> <p>As per SA 299 on "Responsibility of Joint Auditors", all the joint auditors are jointly and severally responsible for the audit work which is not divided and carried on jointly by all the joint auditors.</p>
68.	<p><b>Branch auditor of a company should give photocopies of his working papers on demand by Company Auditor.</b></p> <p>(RTP IPCC NOV 14)</p> <p><b>False:</b></p> <p>As per SA 230 on "Audit Documentation", audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his personnel.</p> <p>Main auditor does not have right of access to the working papers of the branch auditor. In the case of a company, the main auditor has to consider the report of the branch auditor and has a right to seek clarification and to visit the branch but cannot ask for the copy of working papers and therefore, the branch auditor is under no compulsion to give photocopies of his working papers to the principal auditor of the Company.</p>
69.	<p><b>Rule 3 of the Companies (Cost Records and Audit) Rule, 2014 provides the classes of companies, engaged in the production of goods or providing services, having an overall turnover of ` 25 crore or more during the immediately preceding financial year, required to include cost records in their books of account.</b></p> <p>(2 MARKS, NOV 2019)</p> <p><b>Incorrect:</b></p> <p>Rule 3 of the Companies (Cost Records and Audit) Rules, 2014, provides the classes of companies, engaged in the production of goods or providing services, having an overall turnover from all its products and services of ` 35 crore or more during the immediately preceding financial year, required to include cost records in their books of account.</p>
70.	<p><b>The auditor appointed by a company under section 139 of the Companies Act, 2013, can be appointed for conducting the audit of cost records of the same company.</b></p> <p>(Inter Audit MTP/ New/ Old. 2021) (2 Marks)</p> <p><b>Incorrect:</b></p> <p>The cost audit shall be conducted by a Cost Accountant who shall be appointed by the Board of such remuneration as may be determined by the members in such manner as may be prescribed. It may be noted that no person appointed under section 139 as an auditor of the company shall be appointed for conducting the audit of cost records.</p>
71.	<p><b>Section 138 of the Companies Act, 2013 deals with the provisions relating to cost audit.</b></p> <p>(MTP AUG 2018, 2 MARKS)</p> <p><b>Incorrect:</b></p> <p>Section 148 of the Companies Act, 2013 deals with the provisions relating to cost audit whereas section 138 of the Companies Act, 2013 deals with the provisions relating to internal audit</p>
72.	<p><b>An auditor has nothing to do with prudence or profitability of a company.</b></p> <p>(2 MARKS, MAY 2016)</p> <p><b>Incorrect</b></p> <p>Companies Act, 2013 requires the company auditor to go beyond the functions of reporting and express an opinion about the propriety or prudence of certain transactions. Also, the auditor shall remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Therefore it would not be correct to say that an auditor has nothing to do with prudence or profitability of a company because it may impact the going concern.</p>



73.	<p><b>Under the Companies Act, 2013, the financial statements of a company must be approved by two directors out of which one shall be the managing director.</b></p> <p style="text-align: right;">(2 MARKS, MAY 2017)</p>
	<p><b>Incorrect</b></p> <p>As per section 134 of the Companies Act, 2013, the financial statements shall be approved by the board of directors before they are signed on behalf of the board at least by the following –</p> <ol style="list-style-type: none"> <li>1. The Chairperson of the company where he is authorised by the Board; or</li> <li>2. By two directors out of which one shall be managing director and</li> <li>3. The Chief Executive Officer, if he is a director in the company,</li> <li>4. The Chief Financial Officer, wherever he is appointed; and</li> <li>5. The Company Secretary of the company, wherever he is appointed.</li> </ol>
74.	<p><b>Board of Directors can contribute to any charitable and other funds any amount in a financial year.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2017)</p>
	<p><b>Incorrect</b></p> <p>Section 181 of the Companies Act, 2013 provides that the Board of Directors of a company may contribute to bona fide charitable and other funds with prior permission of the company in general meeting for such contribution in case any amount the aggregate of which, in any financial year, exceed 5% of its average net profits for the three immediately preceding financial years.</p> <p>Examiner Comment - Many examinees did not write that approval of members in general meeting is required if contribution exceeds 5%.</p>
75.	<p><b>As per section 138 of the Companies Act, 2013 private companies are not required to appoint internal auditor.</b></p> <p style="text-align: right;">(RTP IPCC MAY 17) (RTP IPCC MAY 2018 )</p>
	<p><b>Incorrect</b></p> <p>Section 138 of the Companies Act, 2013 requires every private company to appoint an internal auditor having turnover of ` 200 crore or more during the preceding financial year; or outstanding loans or borrowings from banks or public financial institutions exceeding ` 100 crore or more at any point of time during the preceding financial year.</p>
76.	<p><b>The Managing Director of a company has shifted company's books of accounts from Registered office (Mumbai) to Corporate Office (New Delhi).</b></p> <p style="text-align: right;">(2 MARKS, NOV 2017)</p>
	<p><b>Incorrect</b></p> <p>As per section 128(1) of The Companies Act 2013, every company shall keep at its registered office proper books of accounts. It is permissible, however, for all or any of the books of accounts to be kept at such place in India as the Board of Directors may decide but, when a decision in this regard is taken, the company must file within 7days of such decision with the Registrar of Companies a notice in writing giving full address of the other place.</p>
77.	<p><b>The summarized returns of the books of account of the company, kept and maintained outside India, shall be sent to the registered office at half-yearly intervals.</b></p> <p style="text-align: right;">(2 MARKS, NOV 2018)</p>
	<p><b>Incorrect</b></p> <p>As per Companies (Accounts) Rules, 2014, the summarized returns of the books of account of the company kept and maintained outside India shall be sent to the registered office at quarterly intervals, which shall be kept and maintained at the registered office of the company.</p> <p>Examiner Comment - Most of the examinees have no clear idea of the periodicity and requirement to keep the summarized returns of the books of account of the company, kept and maintained outside India, at the Registered Office.</p>
78.	<p><b>Few members of the Board of Directors oppose the appointment of Mr. N, an employee of the company, as an Internal Auditor, stating that Mr. N is not a chartered accountant and further he is an employee of the company.</b></p> <p style="text-align: right;">(MTP APRIL 2019, 2 MARKS) (2 MARKS, MAY 2019-INTER NEW)</p>



	<p><b>Incorrect</b></p> <p>As per section 138, the internal auditor shall either be a chartered accountant or a cost accountant (whether engaged in practice or not), or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the companies. The internal auditor may or may not be an employee of the company.</p> <p>Examiner Comment - Many candidates did not mention qualification and also some did not mention about that internal auditor may or may not be an employee of the company.'</p>
79.	<p><b>As defined under Companies Act, 2013, "Book and paper" and "Book or paper" include books of account only.</b></p> <p>(RTP IPCC MAY 15)</p> <p><b>Incorrect:</b></p> <p>As per section 2(12) of the Companies Act, 2013, "Book and paper" and "Book or paper" include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form.</p>
80.	<p><b>At every annual general meeting of a company, the Board of directors of the company shall lay before the company the financial statements for the financial year.</b></p> <p>(RTP IPCC MAY 15) (RTP IPCC NOV 16)</p> <p><b>Correct:</b></p> <p>As per Section 129(2), at every annual general meeting of a company, it shall be the duty of the Board of Directors of the company to lay before the company the financial statements for the financial year.</p>
81.	<p><b>An auditor has to report on the matters specified in section 143(1) of the Companies Act, 2013</b></p> <p>(Inter Audit MTP/ New/ Old. May 2022)</p> <p><b>Incorrect:</b></p> <p>The auditor is not required to report on the matters specified in section 143(1) of the Companies Act, 2013 unless he has any special comments to make on any of the items referred to therein. If he is satisfied as a result of the inquiries, he has no further duty to report that he is so satisfied. However, the auditor should make a report to the members in case he finds answer to any of these matters in adverse</p>
82.	<p><b>If auditor purchased goods on credit from the company and company allowed auditor a period of credit, this does not disqualify him to be an auditor</b></p> <p><b>Incorrect:</b></p> <p>Where an auditor purchases goods or services from a company audited by him on credit he is definitely indebted to the company and if at any point of time, the amount outstanding exceeds rupees five lakh he is disqualified for appointment as an auditor of the company and has to vacate his office. It will not make any difference if the company allows him the period of credit as it allows to other customers in the normal business. He, in fact, in such a case also has become indebted to the company and consequently has to vacate his office.</p>
83.	<p><b>According to Para 3(1)(d) of CARO, 2020, an auditor needs to report whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, if change is 5% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets</b></p> <p><b>Incorrect:</b></p> <p>According to Para 3(1)(d) of CARO, 2020, an auditor needs to report whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets.</p>
84.	<p><b>Auditor has to disclose the impact, if any, of the pending litigations on the financial position of the auditee in his audit report.</b></p> <p>(TYK)</p> <p><b>Incorrect:</b></p> <p>Rule 11 of the Companies (Audit and Auditors) Rules, 2014 prescribes the other matters to be included in auditor's report. The auditor's report shall also include their views and comments on - whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement .</p>








85.	<p><b>The first auditor of a Government company was appointed by the Board in its meeting after 10 days from the date of registration.</b></p> <p style="text-align: right;">(TYK)</p>
	<p><b>Incorrect:</b></p> <p>According to section 139(7) of the Companies Act, 2013, in the case of a Government company, the first auditor shall be appointed by the Comptroller and Auditor- General of India within 60 days from the date of registration of the company. If CAG fails to make the appointment within 60 days, the Board shall appoint in next 30 days</p>
86.	<p><b>Director's relative can act as an auditor of the company.</b></p> <p style="text-align: right;">(TYK)</p>
	<p><b>Incorrect:</b></p> <p>As per section 141(3) of the Companies Act, 2013, a person shall not be eligible for appointment as an auditor of a company whose relative is a Director or is in the employment of the Company as a director or key Managerial Personnel</p>
87.	<p><b>If an LLP (Limited Liability Partnership Firm) is appointed as an auditor of a company, every partner of a firm shall be authorized to act as an auditor.</b></p> <p style="text-align: right;">(TYK)</p>
	<p><b>Incorrect:</b></p> <p>As per section 141(2) of the Companies Act, 2013, where a firm including a limited liability partnership (LLP) is appointed as an auditor of a company, only the partners who are Chartered Accountants shall be authorised to act and sign on behalf of the firm.</p>
88.	<p><b>AB &amp; Co. is an audit firm having partners Mr. A and Mr. B. Mr. C, the relative of Mr. B is holding securities having face value of ` 2,00,000 in XYZ Ltd. AB &amp; Co. is qualified for being appointed as an auditor of XYZ Ltd.</b></p> <p style="text-align: right;">(TYK)</p>
	<p><b>Incorrect:</b></p> <p>As per the provisions of the Companies Act, 2013, a person is disqualified to be appointed as an auditor of a company if his relative is holding any security of or interest in the company of face value exceeding ` 1 lakh. Therefore, AB &amp; Co. shall be disqualified for being appointed as an auditor of XYZ Ltd. as Mr. C, the relative of Mr. B who is a partner in AB &amp; Co., is holding securities in XYZ Ltd. having face value of ` 2 lakh</p>
89.	<p><b>The auditor of a Ltd. Company wanted to refer to the minute books during audit but board of directors refused to show the minute books to the auditors.</b></p> <p style="text-align: right;">(TYK)</p>
	<p><b>Incorrect:</b></p> <p>The provisions of Companies Act, 2013 grant rights to the auditor to access books of account and vouchers of the company. He is also entitled to require information and explanations from the company. Therefore, he has a statutory right to inspect the minute book.</p>
90.	<p><b>The Board of Director of ABC Ltd., a listed company at Bombay Stock Exchange, is required to fill the casual vacancy of an auditor only after taking into account the recommendations of the audit committee.</b></p> <p style="text-align: right;">(TYK)</p>
	<p><b>Correct:</b></p> <p>Where a company is required to constitute an Audit Committee under section 177, all appointments, including the filling of a casual vacancy of an auditor under this section shall be made after taking into account the recommendations of such committee</p>
91.	<p><b>Any partner of an LLP, who is appointed as an auditor of a company, can sign the audit report.</b></p> <p style="text-align: right;">(TYK)</p>
	<p><b>Incorrect:</b></p> <p>Section 141(2) of the Companies Act, 2013 states that where a firm including a limited liability partnership is appointed as an auditor of a company, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm.</p>




<p>92.</p>	<p><b>Discovery of an offence of a fraud of Rs. 100 lakh by auditor against the company committed by its officers is to be reported to Serious Fraud Investigation office(SFIO).</b></p> <p style="text-align: right;">(TYK)</p> <p><b>Incorrect:</b> Fraud of ` 100.00 lakhs or above (i.e. ` 1.00 crore or above) has to be reported to Central government (precisely to Secretary, Ministry of Corporate affairs) in Form ADT-4.</p>
<p>93.</p>	<p><b>Where a firm is appointed as the auditor of a company, the report is signed only in the personal name of the partner signing the report.</b></p> <p style="text-align: right;">(Inter Sugg. Nov 2022)</p> <p><b>Incorrect.</b> Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm.</p>
<p>94.</p>	<p><b>Mr. T, the director of A Ltd., has purchased an old car belonging to the company against the cooling equipment belonging to the director, which is given to the company as consideration for the car. The auditor is not required to include this in his CARO report.</b></p> <p style="text-align: right;">(Inter Sugg. Nov 2022)</p> <p><b>Incorrect</b> As per CARO 2020, an auditor has to check whether the company has entered into any non-cash transaction with directors or persons connected with him and, if so, whether the provisions of section 192 of the Companies Act 2013 have been complied with. Thus, this transaction will be reported by the auditor in his audit report.</p>
<p>95.</p>	<p><b>The auditor's reporting on internal financial control will be applicable with respect to interim financial statements.</b></p> <p style="text-align: right;">(MTP May 2023)</p> <p><b>Incorrect:</b> Clause (i) of Sub-section 3 of Section 143 of the Act requires the auditors' report to state whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls. It may be noted that auditor's reporting on internal financial controls is a requirement specified in the Act and, therefore, will apply only in case of reporting on financial statements prepared under the Act and reported under Section 143. Accordingly, reporting on internal financial controls will not be applicable with respect to interim financial statements, such as quarterly or half-yearly financial statements, unless such reporting is required under any other law or regulation,.</p>

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## MJSC

96.	<p><b>A Company while preparing financial statements as prescribed under Division I of Schedule III of Companies Act, 2013 for the year ended 31.03.2019 has disclosed value of imports calculated on F.O.B. basis and earnings in foreign exchange (on exports of goods) on C.I.F. basis</b></p> <p style="text-align: right;">( 2 MARKS, MAY 2020)</p> <p><b>Incorrect</b></p> <p>As per Division I of Schedule III of Companies Act, 2013, the value of imports should be calculated on C.I.F. basis and earning in foreign exchange (on export of goods) on F.O.B. basis.</p>
97.	<p><b>A company cannot issue bonus shares if it has defaulted in payment of bonus to employees.</b></p> <p style="text-align: right;">( 2 MARKS, MAY 2016 )</p> <p><b>Correct</b></p> <p>A company cannot issue bonus shares if it has defaulted in respect of the payment of statutory dues of the employees, such as contribution to provident fund, gratuity and bonus.</p> <p>Examiner Comment - Many examinees mentioned only requirement of complying with other statutory liabilities as a pre-condition instead of clearly mentioning the details regarding employees dues.</p>
98.	<p><b>Any item of income or expenditure which exceeds 1% of the net profit of the company or ` 2 lakh whichever is lower, is required to be disclosed in Profit &amp; Loss A/c.</b></p> <p style="text-align: right;">( 2 MARKS, MAY 2018 )</p> <p><b>Incorrect</b></p> <p>A Company shall disclose by way of notes additional information regarding any item of income or expenditure which exceeds one per cent of the revenue from operations or ` 1,00,000, whichever is higher;</p>
99.	<p><b>A government company which is in existence since 5 years cannot make political contributions.</b></p> <p style="text-align: right;">( 2 MARKS, MAY 2018 )</p> <p><b>Incorrect:</b></p> <p>Section 182 of the Companies Act 2013 deals with prohibition and restriction regarding political contributions. According to this section, a government company or any other company which has been in existence for less than three financial years cannot contribute any amount directly or indirectly to any political party.</p>
100.	<p><b>A Company having an average Net profit of ` 100 lakhs during the three immediately preceding financial years can make a political contribution of ` 6 lakh.</b></p> <p style="text-align: right;">( 2 MARKS, MAY 2019 )</p> <p><b>Correct</b></p> <p>Section 182 deals with prohibition and restriction regarding political contributions. According to this section, a government company or any other company which has been in existence for less than three financial years cannot contribute any amount directly or indirectly to any political party. Notwithstanding anything contained in any other provision of this Act, a Company, other than a Government Company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party.</p> <p>Examiner Comment - Many examinees failed to correctly answer with respect to the amended provisions of sec. 182 regarding contribution to political party.</p>

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