

# M.K.G CA EDUCATION

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## TEST-1

### CA INTERMEDIATE

### AUDIT & AUDITORS & ACCOUNTS OF COMPANIES

(10-04-2022 3:00 P.M. TO 6:00 P.M)

#### GENERAL INSTRUCTIONS TO CANDIDATES

1. The Question Paper comprises two parts, Division A & Division B
2. Division A comprises Multiple choice Questions
3. Division B comprises questions which require descriptive type answers 5 marks each
4. TIME ALLOWED 180 MINUTES
5. MAXIMUM MARKS 100

## DIVISION A

### Multiple Choice Questions

30 MARKS

1. Among the following documents, which one is not prepared by the company?
  - (a) Books of accounts
  - (b) Books of papers
  - (c) Financial statements
  - (d) Incorporation certificate
2. As per \_\_\_\_\_ the financial statements shall give a true and fair view of the state of affairs of the company or companies.
  - (a) Section 129(1)
  - (b) Section 129(2)
  - (c) Section 129(3)
  - (d) Section 129(4)

3. NFRA Stands for?
- (a) Nation finance Reporting Authority
  - (b) National financial Reporting authority
  - (c) National financial Recasting authority
  - (d) National financial Reporting association.
4. The statutory provision and provisions of CRS Rules, 2014, is to ensure that while activities undertaken, in pursuance of the CSR policy must be relatable to schedule \_\_\_\_\_ of the Companies Act, 2013 the entries in the said schedule must be interpreted liberally so as to capture the essence of the subjects.
- (a) V
  - (b) VI
  - (c) VII
  - (d) VIII
5. The documents duly adopted at the annual general meeting of the company shall be filed with the registrar within \_\_\_\_\_ days of the date of annual general meeting in such manner, with such fees or as may be prescribed.
- (a) 7 days
  - (b) 15 days
  - (c) 30 days
  - (d) 45 days
6. The financial statements shall be sent in not less than \_\_\_\_\_ days before the date of the meeting.
- (a) 14 days
  - (b) 15 days
  - (c) 21 days
  - (d) 30 days
7. Is a person appointed under Section 139 as an auditor of the company shall be appointed for conducting the audit of cost records.
- (a) True
  - (b) False
  - (c) Partially True
  - (d) none
8. Auditor conducting the cost audit shall comply with \_\_\_\_\_.
- (a) Ind AS
  - (b) AS
  - (c) Cost auditing standard
  - (d) IFRS
9. Cost Audit Report Submitted by the cost accountant to the \_\_\_\_\_.
- (a) Shareholder of the company
  - (b) Board of directors of the Company

- (c) Central Government
- (d) CAG

10. When any default is made in complying with the provision of Section 148, then the \_\_\_\_\_ shall be punishable in the manner as provided in section 147(1)
- (a) Board of Directions
  - (b) Cost Auditor of the Company
  - (c) Company and every officer of the Company
  - (d) None of the above
11. Any auditor has been removed before the expiry of his term only when
- (a) A resolution was passed by the company after obtaining the previous approval of the Central Government.
  - (b) A special resolution was passed by the company after obtaining the previous approval of the Central Government by making an application in Form ADT-2, accompanied with the prescribed fees.
  - (c) A special resolution was passed the company after tacking an approval of CAG, in Form ADT-2, along with the prescribed fees.
  - (d) None of the above
12. "Audi Alteram Partem" means
- (a) Giving opportunity to work
  - (b) Giving opportunity to quit.
  - (c) Giving opportunity of being heard.
  - (d) Any of the above.
13. What are procedure has resigned from the At the time of resignation of the an auditor, auditor should:
- (a) File with 30 days from the date of resignation of a form ADT- 3 with the company and Registrar.
  - (b) File with 60 days, from the date of resignation in a form ADT-2 with the Registrar only.
  - (c) File within 45 days from such resignation in a form ATD-4 with the company and registerar.
  - (d) None
14. An auditor, whether individual or firm, against final order has been passed by the Tribunal under Section 140 (5) shall not be eligible to be appointed as an auditor of any company for the period of
- (a) Two years from the date of such offence,
  - (b) Five years from the date of such offence
  - (c) Five years from the date of passing of the order,
  - (d) Ten years from the date of passing of the order.
15. Section 142 of the Companies Act, 2013 provides for remuneration except:
- (a) In the case of first auditor, remuneration may be fixed by the Board
  - (b) The remuneration of the auditor of company shall be fixed by the company in general meeting or in such a manner as the company in the general meeting may determine.
  - (c) The remuneration mentioned aforesaid shall, in addition to the fees payable to an auditor in connection with audit of the company and any facility extended to him.
  - (d) None of the above

**DIVISION B****Question :1****All parts carry 5 marks each****(a)**

Mr. Raman, a Chartered Accountant, was appointed as an auditor of Surya Distributors Ltd., in the AGM of the company held in August, 2020, in which he accepted the assignment. Later on, in November, 2020, he joined as a partner in the Consultancy firm where Mr. Som is also a partner. Mr. Som is also working as a Finance executive of Surya Distributors Ltd. Explaining the provisions of the Companies Act, 2013, decide whether Mr. Raman is required to vacate the office as an auditor.

**(b)**

Managing Director of ABC Ltd. himself appointed Mr. Aakash, a practicing chartered accountant as first auditor of the company. Is it a valid appointment? Also explain the provisions of the Companies Act, 2013, in this regard?

**(c)**

Diya Limited, incorporated under the provisions of the Companies Act, 2013, has two subsidiaries – Jai Limited and Vijay Limited. All the three companies have prepared their financial statements for the year ended 31<sup>st</sup> March, 2021. Examining the provisions of the Companies Act, 2013, explain in what manner the subsidiaries– Jai Limited and Vijay Limited shall prepare their Balance Sheet and Statement of Profit & Loss?\*

**Question :2****All parts carry 5 marks each****(a)**

The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board's Report a 'Directors' Responsibility Statement'. Briefly explain any three matters to be furnished in the said statement.

**(b)**

Mr. Kamal is the auditor of XYZ Limited, which is a Government company. He has resigned on 31<sup>st</sup> December, 2020 while the financial year of the company ends on 31<sup>st</sup> March, 2021. Explain the provisions regarding filling or such vacancy. Would your answer differ if it is other than a Government company?

**(c)**

The Board of Directors of Amit Ltd. requested its Statutory Auditor to accept the assignment of designing and implementation of suitable financial information system to strengthen the internal control mechanism of the Company. How will you approach to this proposal, as an Statutory Auditor of Amit Ltd., taking into account the consequences, if any, of accepting this proposal?

**Question :3****All parts carry 5 marks each****(a)**

The Income Tax Authorities in the current financial year 2019-20 observed, during the assessment proceedings, a need to re-open the accounts of Qurie Ltd. For the financial year 2008-09 and, therefore, filed an application before the National Company Law Tribunal (NCLT) to issue the order to Qurie Ltd. For re-opening of its accounts and recasting the financial statements for the financial year 2008 -09. Examine the validity of the application filed by the Income Tax Authorities to NCLT.

**(b)**

Shekhar Limited appointed an individual firm, Suresh & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30 th September, 2019. Mrs. Kamala, wife of Mr. Suresh, invested in the equity shares having face value of ₹ 1 lakh of Shekhar Limited on 15th October, 2019. But Suresh & Company continues to function as statutory auditors of the company. Advice.

**(c)**

Mr. Yash is a partner and in charge of PQR firm. The firm is appointed as an auditor firm of A. K. Company limited (listed company). Mr. Yash retires from PQR firm and after some time join Gupta & Gupta firm as a partner, on 20/05/21. In the general meeting of the company held on 15/06/21, the company appointed Gupta & Gupta firm as next auditor of the company. Do you think the company has adhered to the provision of appointing Gupta & Gupta as auditor for the company under the Company Act 2013, Explain?

**Question :4****All parts carry 5 marks each****(a)**

Examine whether the following persons are eligible for being appointed as auditor under the provisions of the Companies Act, 2013:

- (i) Mr. Ray is a practicing Chartered Accountant indebted to ABC Ltd. for rupees 6 lakh. Directors of ABC Ltd. want to appoint Mr. Ray as an auditor of the company. Can ABC Ltd. do so?
- (ii) Mrs. Kavita spouse of Mr. Kumar, a Chartered Accountant, is the store- keeper of PRC Ltd. Directors of PRC Ltd. want to appoint Mr. Kumar as an auditor of the company.

**(b)**

Three chartered accountants, Mr. Robert, Mr. Ram and Mrs. Rohini, formed a Limited Liability Partnership under the Limited Liability Partnership Act, 2008 in the name of 'R & Associates LLP', practicing chartered accountants. SR Ltd. intends to appoint 'R & Associates LLP' as auditors of the company.

Examine the validity of the proposal of SR Ltd. to appoint 'R & Associates LLP', a body corporate, as an auditor of the company as per the provisions of the Companies Act, 2013.

**(c)**

The Board of Directors of Dilip Telelinks Ltd. consists of Mr. Choksey, Mr. Patel (Directors) and Mr. Shukla (Managing Director). The company has also employed a full time Secretary. The Profit and Loss Account and Balance Sheet were signed by Mr. Choksey and Mr. Patel. Examine whether the authentication of financial statements of the company is in accordance with the provisions of the Companies Act, 2013 ?

**Question :5**

**All parts carry 5 marks each**

**(a)**

X Ltd. is a listed company having a paid-up share capital of ₹ 25 crore as at 31st March, 2019 and turnover of ₹ 100 crore during the financial year 2018-19. The Company Secretary has advised the Board of Directors that X Ltd. is not required to appoint 'Internal Auditor' as the company's paid up share capital and turnover are less than the threshold limit prescribed under the Companies Act, 2013. Do you agree with the advice of the Company Secretary? Explain your view referring to the provisions of the Companies Act, 2013.

**(b)**

Explain the following in brief with reference to Companies Act 2013:

National Financial Reporting Authority (NFRA)

Corporate Social Responsibility (CSR) Committee

**SPACE FOR ROUGH WORK**