

# M.K.G CA EDUCATION

9811429230 / 9212011367

WEBSITE : [WWW.MKGEDUCATION.COM](http://WWW.MKGEDUCATION.COM)

EMAIL : [MKCAEDUCATION@GMAIL.COM](mailto:MKCAEDUCATION@GMAIL.COM)

Youtube channel : MKG CA EDUCATION

Facebook Page : <https://www.facebook.com/mkgcaeducation/>

Instagram : <https://www.instagram.com/mkcaeducation/>

## TEST-1

### CA INTERMEDIATE

### CORPORATE AND OTHER LAWS

#### Topics Covered:

**Audit and auditor**

**QUESTION PAPER BOOKLET NO. 1092023**

**(23-09-2023 11:15 A.M. TO 2:30 P.M.)**

**Roll No .....145687.....**

**Time allowed: 3 hours**

**Total No. of Printed Pages: 10**

**Maximum Marks: 100**

#### **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**
- 4. TIME ALLOWED 180 MINUTES**
- 5. MAXIMUM MARKS 100**

## **DIVISION A**

### **MULTIPLE CHOICE QUESTIONS**

**Each question consists of 1 mark**

1. The word 'firm' for the purpose of section 139 shall include -
  - (a) An individual auditor
  - (b) A Limited Liability Partnership
  - (c) An individual auditor and LLP both
  - (d) A company
  
2. \_\_\_\_\_ his appointment as auditor under section 139(1), the auditor shall furnish to the company his written consent.
  - (a) Within 7 days of
  - (b) Within 15 days of
  - (c) Within 30 days of
  - (d) Before
  
3. \_\_\_\_\_ the meeting in which the auditor is appointed under section 139(1), the company shall inform the auditor concerned of his or its appointment.
  - (a) Within 7 days of
  - (b) Within 15 days of
  - (c) Within 30 days of
  - (d) Before
  
4. \_\_\_\_\_ the meeting in which the auditor is appointed under section 139(1), the company shall file a notice of such appointment with the Registrar.
  - (a) Within 7 days of
  - (b) Within 15 days of
  - (c) Within 30 days of
  - (d) Before
  
5. The provisions contained in section 139(1) are not applicable to
  - (a) Government companies
  - (b) One person companies and small companies
  - (c) Dormant companies
  - (d) All of these
  
6. At the \_\_\_\_\_ every company shall appoint an individual or a firm as an auditor, who shall hold office till the conclusion of
  - (a) 1st EGM; 6th EGM
  - (b) 1st AGM; 6th AGM
  - (c) 1st AGM; 1st AGM
  - (d) 1st EGM; 6th AGM
  
7. X Ltd. was incorporated on 15th April, 2012. The company ended its first financial year on 31st March, 2013, and held its first AGM on 30th September, 2013 wherein Mr. A was appointed as an auditor. In the AGM held on 30th September, 2014 for the financial year 2013-2014, Mr. A was reappointed as auditor. Mr. A shall hold his office till the conclusion of AGM held for the financial year
  - (a) 2017-2018

- (b) 2018-2019
- (c) 2019-2020
- (d) 2023-2024

8. The Audit committee of X Ltd. recommends to the Board, the name of Mr. A, for appointment as auditor from the conclusion of 1st AGM till the conclusion of 6th AGM. The Board disagrees with the recommendation of the Audit Committee. The Board shall
  - (a) Recommend to the members in the AGM, the name of Mr. A, for appointment as auditor
  - (b) Refer back the recommendation of Mr. A to the Audit committee for reconsideration citing reasons for such disagreement
  - (c) Send its own recommendation for consideration of the members in the AGM
  - (d) Either (a) or (b) or (c), at the discretion of the Board
9. The Audit committee of Y Ltd. recommends to the Board, the name of Mr. B, for appointment as auditor from the conclusion of 1st AGM till the conclusion of 6th AGM. The Board agrees with the recommendation of the Audit Committee. The Board shall
  - (a) Recommend to the members in the AGM, the name of Mr. B, for appointment as auditor
  - (b) Refer back the recommendation of Mr. B to the Audit committee for reconsideration citing reasons for such disagreement
  - (c) Send its own recommendation for consideration of the members in the AGM
  - (d) Either (a) or (b) or (c), at the discretion of the Board
10. A company to which the concept of rotation is applicable, shall not appoint or reappoint any individual as an auditor for more than \_\_\_\_\_ of 5 consecutive years, and such individual shall not be eligible for reappointment as auditor in the same company for \_\_\_\_\_ from the completion of his term.
  - (a) 1 term; 10 years
  - (b) 2 terms; 10 years
  - (c) 1 term; 5 years
  - (d) 2 terms; 5 years
11. A company to which the concept of rotation is applicable, shall not appoint or reappoint any firm as an auditor for more than \_\_\_\_\_ of 5 consecutive years, and such firm shall not be eligible for reappointment as auditor in the same company for \_\_\_\_\_ from the completion of its term.
  - (a) 1 term; 10 years
  - (b) 2 terms; 10 years
  - (c) 1 term; 5 years
  - (d) 2 terms; 5 years
12. M/s XYZ and Associates, a partnership firm having 3 partners, viz. X, Y and Z, has completed 2 consecutive terms of 5 years each as auditors of A Ltd., a listed company. Mr. Y is also a partner in REX and Associates, a partnership firm having R, E and X as partners. REX and Associates is not eligible to be appointed as auditor in \_\_\_\_\_ for a period of 5 years.
  - (a) A Ltd.
  - (b) Any subsidiary of A Ltd.
  - (c) Any holding company of A Ltd.
  - (d) All of these
13. M/s PQR and Associates, a partnership firm having 3 partners, viz. P, Q and R, has completed 2 consecutive terms of 5 years each as auditors of B Ltd., a listed company. The 2 firms, viz. PQR and Associates and ST & Associates, operate under the same brand name. ST & Associates, being the \_\_\_\_\_ and associated with PQR & Associates, being the \_\_\_\_\_, under the \_\_\_\_\_, is not eligible for appointment in B Ltd. for a period of 5 years.

- (a) Outgoing audit firm; incoming audit firm; same network of audit firms
  - (b) Incoming audit firm; outgoing audit firm; same network of audit firms
  - (c) Incoming audit firm; outgoing audit firm; common partners
  - (d) Outgoing audit firm; incoming audit firm; common partners
14. M/s ABC & Associates has completed 2 consecutive terms of 5 years each, as auditors of EF Ltd., a listed company. Six months before the completion of 2nd term, one of the partners of M/s ABC & Associates, viz. Mr. A, retired from M/s ABC & Associates and joined another firm of chartered accountants, viz. GH & Associates. The firm GH & Associates shall be ineligible to be appointed as auditor of EF Ltd. for a period of 5 years, if \_\_\_\_\_
- (a) Mr. A was in charge of M/s ABC & Associates
  - (b) Mr. A used to certify the financial statements of EF Ltd.
  - (c) Both (a) and (b)
  - (d) Either (a) or (b)
15. The concept of rotation is applicable to GHI Ltd. The audit committee of GHI Ltd. shall \_\_\_\_\_ to the Board the name of make its the auditor or an audit firm who may replace the auditor on expiry of term of such auditor, and the Board \_\_\_\_\_ make its own recommendation for appointment of the next auditor by the members in the AGM.
- (a) Recommend; shall not
  - (b) Order; shall not
  - (c) Recommend; shall
  - (d) Order; shall
16. In the case of Government company, the appointment of first auditor shall be made by the Comptroller and Auditor General of India, within \_\_\_\_\_
- (a) 30 days
  - (b) 60 days
  - (c) 90 days
  - (d) 120 days
17. Statement (1): In the case of a Government company, if the Comptroller and Auditor General of India fails to appoint the first auditor, the Board shall appoint the first auditor within next 60 days.  
Statement (2): In the case of a Government company, if the Board fails to appoint the first auditor, the Board shall inform the members of the company who shall appoint the first auditor within 60 days at the Annual General Meeting.
- (a) Only Statement (1) is correct
  - (b) Only Statement (2) is correct
  - (c) Both the statements are correct
  - (d) None of the statements is correct
18. The first auditor shall hold office till -
- (a) The conclusion of first AGM
  - (b) The conclusion of 6th AGM
  - (c) He submits his audit report
  - (d) None of these
19. In the case of a Government company, appointment of an auditor, other than the first auditor, shall be made \_\_\_\_\_
- (a) By the Comptroller and Auditor General of India, at an AGM
  - (b) By the members, at an AGM

- (c) Within 180 days from the commencement of the financial year, by the Comptroller and Auditor General of India
- (d) Within 180 days from the commencement of the calendar year, by the Comptroller and Auditor General of India

20 . In the case of a Government company, an auditor, other than the first auditor, shall hold his office till \_\_\_\_\_

- (a) The conclusion of 6th AGM
- (b) The conclusion of the AGM
- (c) He submits his audit report
- (d) He is removed

21. In the case of a Government company, any casual vacancy that arises in the office of an auditor shall be filled \_\_\_\_\_

- (a) Within 30 days by the Comptroller and Auditor General of India
- (b) Within 60 days by the Comptroller and Auditor General of India
- (c) Within 30 days, by the Board of directors
- (d) Within 60 days, by the members, at an EGM

22. An auditor appointed to fill a casual vacancy shall hold office his office till \_\_\_\_\_

- (a) The conclusion of 6th AGM
- (b) The conclusion of next AGM
- (c) He submits his audit report
- (d) He is removed

23. Mr. Raman holds equity shares of nominal value of Rs. 20 lakh in Prakash Ltd.

Consider the following Statements:

Statement (1) Mr. Raman is disqualified for appointment as auditor in Prakash Ltd.

Statement (2) Mr. Raman is disqualified for appointment as auditor in any holding, subsidiary or associate company of Prakash Ltd.

Statement (3) Mr. Raman is not disqualified for appointment as auditor in a subsidiary of holding company of Prakash Ltd.

- (a) Only one of the above Statements is correct
- (b) Only two of the above Statements is correct
- (c) All the above Statements are correct
- (d) None of the above Statements is correct

24. A person shall not be disqualified for appointment as an auditor if his relative holds any security in the company of \_\_\_\_\_ not exceeding Rs. \_\_\_\_\_

- (a) Market value; Rs. 1 lakh
- (b) Face value; Rs. 1 lakh
- (c) Market value; Rs. 10,000
- (d) Face value; Rs. 10,000

25. If a relative of an auditor acquires any security exceeding the prescribed limit in the company, the auditor shall take corrective action within \_\_\_\_\_

- (a) 15 days
- (b) 30 days
- (c) 60 days
- (d) 120 days

26. For the purpose of determining as to whether a person is disqualified for appointment as auditor, 'business relationship' means any transaction entered into for a commercial purpose except \_\_\_\_\_
- (a) Commercial transactions which are in the nature of professional services permitted to be rendered by an auditor
  - (b) Commercial transactions which are in the ordinary course of business of the company at arm's length price
  - (c) Both (a) and (b)
  - (d) None of these
27. An auditor shall report to the Central Government, every fraud involving an amount of \_\_\_\_\_
- (a) Rs. 10 lakh or more
  - (b) Rs. 1 crore or more
  - (c) Rs. 10 crore or more
  - (d) Rs. 100 crore or more
28. When an auditor comes to know about a fraud in the company, he shall report such fraud to the Board / Audit Committee within –
- (a) 1 day
  - (b) 2 days
  - (c) 3 days
  - (d) 7 days
29. The provisions with respect to reporting of fraud shall apply to -
- (a) Statutory auditor appointed under section 139
  - (b) Cost auditor appointed under section 148
  - (c) Secretarial auditor appointed under section 204
  - (d) All of these
30. The auditor of the company shall not \_\_\_\_\_
- (a) Provide advice on taxation matters
  - (b) Review interim financial information
  - (c) Provide actuarial services
  - (d) All of these

**DIVISON B****(70 Marks)****SUBJECTIVE QUESTIONS**


---

*Note: Question no. 1 is compulsory. Answer any three questions from the rest.*

---

**Question 1(a)**

Examine the following: "Section 139(1) of the Companies Act, 2013 provides that every company shall, at the first annual general meeting appoint an auditor who shall hold office till the conclusion of its sixth annual general meeting".

**(4 Marks)****Question 1(b)**

At the AGM of HDB Pvt. Ltd., Mr. R was appointed as the statutory auditor. He, however, resigned after 3 months since he wanted to pursue his career in banking sector. The board of director has appointed Mr. Las the statutory auditor in board meeting within 30 days. Comment on the matter. With reference to the provisions of companies Act, 2013.

**(4 Marks)****Question 1(c)**

Clue Ltd. is a Public unlisted company having paid-up share capital of 9 crores and public borrowings from the financial institutions of 51 crores. They appointed M/s Pray and Co., a Chartered Accountant firm as the statutory auditor in its annual general meeting for 11 years.

(a) Is the manner of rotation of auditor applicable in case of Clue Ltd.?

(b) Whether the appointment of M/s Pray and Co. is valid?

**(6 Marks)****Question 1(d)**

Board of Directors of "XYZ Ltd." found the auditors of the Company acted in a fraudulent manner, and decided to remove the auditors in board's meeting. Comment on the action of Board of Directors and describe correct procedure to be followed for removal of auditors before expiry of their term.

**(5 Marks)****Question 2(a)**

The first auditor of M/s Healthy Wealthy Ltd., a Government company, was appointed by the Board of Directors.

**(4 Marks)****Question 2(b)**

CA. Donald was appointed as the auditor of PS Ltd. at the remuneration of 30,000. However, after 4 months of continuing his services, he could not continue to hold his office of the auditor as his wife got a government job at a distant place and he needs to shift along with her to the new place. Thus, he resigned from the company and did not perform his responsibilities relating to filing of statement to the company and the registrar indicating the reasons and other facts as may be relevant with regard to his resignation.

How much fine may he be punishable with under section 140(3) for non-compliance of section 140(2) of the Companies Act, 2013?

**(3 Marks)**

**Question 2(c)**

Mr. Y was appointed as an auditor of PQR Ltd. for the year ended 31-3-2021 at the AGM held on 16-8-2020. Mr. Y has been indebted to the company for sum of 5,10,000 as on 1-4-2020, the opening date of accounting year which has been subject to his audit. However, Mr. Y having come to know that he might be appointed as auditor, he repaid the amount on 10-8-2020. One of the shareholders, complains that the appointment of Mr. Y as an auditor was invalid because he incurred disqualification u/s 141 of the Companies Act, 2013. Comment. **(4 Marks)**

**Question 2(d)**

“ABC & Co.” is an Audit Firm having partners “Mr. A”, “Mr. B” and “Mr. C”, Chartered Accountants. “Mr. A”, “Mr. B” and “Mr. C” are holding appointment as an Auditor in 4, 6 and 10 Companies respectively.

- (i) Provide the maximum number of Audits remaining in the name of “ABC & Co.”
- (ii) Provide the maximum number of Audits remaining in the name of individual partner i.e. Mr. A, Mr. B and Mr. C.
- (iii) Can ABC & Co. accept the appointment as an auditor in 60 private companies having paid-up share capital less than ₹100 Cr., which has not committed default in filing its financial statements u/s 137 or annual return u/s 92 of Companies Act with the Registrar, 2 small companies and 1 dormant company?
- (iv) Would your answer be different, if out of those 60 private companies, 45 companies are having paid-up share capital of ₹110 crore each? **(6 Marks)**

**Question 3(a)**

M/s. ABC & Co. is an audit firm, having partners CA. A, CA. B and CA. C. The firm has been offered the appointment as an auditor of XYZ Ltd. for the financial year 2020-21.

Mr. D, the relative of CA. A, is holding 25,000 shares (face value of ₹10 each) in XYZ Ltd. having market value of ₹ 90,000. Are M/s. ABC & Co. qualified to be appointed as auditors of XYZ Ltd. **(5 Marks)**

**Question 3(b)**

State the matters to be specified in Auditor's Report in terms of provisions of Section 143 (3) of the Companies Act, 2013. **(6 Marks)**

**Question 3(c)**

SSR & Co. (Statutory Auditors) while conducting audit for financial year 2021-22, find out some manipulative entries in books of accounts of ASR Ltd. Auditors told the MD that internal control system of company is not reliable. The Board of Directors of ASR Ltd. asked them to accept the assignment of designing and implementation of suitable financial information system to strengthen the internal control mechanism of the Company. The Company offered them a fee of ₹10 lakh plus taxes for this assignment for betterment of company. But Statutory Auditor refused to take the assignment. What are the consequences if they accept this assignment? **(6 Marks)**

**Question 4(a)**

As one of the Joint auditors of X Ltd. a non listed company not covered u/s 139(2) for the immediately preceding five financial years, you have been considered for re-appointment by the members in the AGM as the sole auditor, while the said Joint auditors are not re-appointed. Comment. **(6 Marks)**

**Question 4(b)**

Yellow Private Limited is engaged in the business of manufacturing premium quality rattle toys. They have a huge market for their toys all over India. The company has appointed its statutory auditors for the financial year 2022-2023. The engagement letter of the auditors was signed with a clause that fee to be mutually decided. Directors of the company have approached you to seek your advice for provisions related to remuneration of auditors as per the provisions of the Companies Act, 2013. **(4 Marks)**



**Question 4(c)**

Mr. A is appointed as statutory auditor of a company for the financial year ended 31<sup>st</sup> March, 2019. During the course of audit, it was found that few doubtful transactions had been committed by finance manager who retired in March, 2019. The fraud was going on since last 3 years and the total amount misappropriated exceeding ₹100 lakhs. As a statutory auditor, what would be reporting responsibilities of Mr. A? **(7 Marks)**

**Question 5(a)**

The auditor is not required to report on the matters specified in sub-section (1) of Section 143 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. Explain clearly stating the matters for which the auditor has to perform his duty of inquiry under this section. **(6 Marks)**

**Question 5(b)**

According to Companies Act, 2013, the person appointed as an auditor of the company shall sign the auditor's report in accordance with the relevant provisions of the Act. Explain clearly the relevant provisions relating to signing of report. **(5 Marks)**

**Question 5(c)**

“Mr. A is offered by ABC Ltd. for appointment as cost auditor and asked to certify certain requirements before such appointment.” Discuss those requirements with reference to the provisions of the Companies Act, 2013. **(6 Marks)**

<b>SPACE FOR ROUGH WORK</b>
-----------------------------