

## CA Final Audit- Brahmastra!!

New Module Question Pocket Notes as per May 25 amended modules. All questions have been covered.

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Sure Shot Questions are asked from ICAI Module. So please go through these pocket notes that have summarized answers with main key words used by examiner to give marks.

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This is Part II of ICAI Module question pocket notes containing all module descriptive questions related to Chapter 12 to 19 i.e. all NON SA Chapters. If you like our effort then do leave a comment on our youtube channel 'The Audit Academy'- <https://www.youtube.com/channel/UC57hM1jeO3KdRQSQx71C> Q

Q	Ch	Question	Answer (key points)
172)	12	Sukanya, a CA final student, is of the view that cyber risks are issues of IT and result only in information loss to an entity. She also feels that many cyber-attacks are not directly targeted at financial systems and do not pose risk of material misstatements to financial statements of an entity. Is her view proper?	<b>Impact of Cyber Risks:</b> a) Regulatory cost b) Business interruption c) Intellectual property theft
173)		CA Y is planning to use CAATs extensively in audit of a company-be it for compliance tests or substantive tests. Can you list out examples of few situations (in brief) of tests performed by him using CAATs?	<b>Examples of tests through CAATs:</b> a) Identify exceptions- cash transactions > Rs. 10,000 b) Identify errors- account number which is not numeric c) Verify calculations- TDS rate as per applicable criteria etc.
174)		A company is planning to use Robotics process automation (RPA) to streamline its hiring process. Earlier, the company used to hire from campuses of various management institutes leading to high RPA in hiring process? recruitment costs, inefficient hire yield and resultant lack of diversity. How RPA can be used to automate the hiring process? List out tentative few such steps. What could be likely benefits of using	<b>Possible steps for such RPA could include:</b> a) Place advertisements on social media/career advice sites b) Link redirects to company's website c) Company's website pulls candidate information d) Scanning CVs through algorithm e) Selected candidates are asked to play online games f) From above, some % candidates are selected for video interview.
175)		Briefly describe the advantages and challenges of Auditing digitally.	<b>Advantages- EQCR- Efficiency, Quality, Cost reduction, Risk assessment improves.</b>  Challenges- Reluctance to change, challenges with data security and governance, choosing the right tool and automating the right process etc.

176)	What are the stages involved in understanding the IT environment and what key considerations auditor should consider?	<b>Code word- Control the Flow of Complex Technologies.</b> a) Identification of controls b) Flow of transaction and processing c) Complexity of IT environment d) Identification of technologies implemented.
177)	Auditor should scope in ITGCs to tests when there are IT dependencies identified in the system. Briefly describe the types of IT dependencies.	<b>Code Word- Secure CA Inter Report</b> a) Secure- Security is done by IT environment b) C- Calculations done by IT c) A- Automated controls are designed d) Inter- Interfaces between system are computerized e) Report- Reports generated by System are used in executing manual control.
178)	What does cyber risk explain it with some examples.	<b>Cyber risk examples</b> 1) DOS- denial of service attack- flooding network with queries to interrupt business 2) Identity theft- Stealing User ID and Password 3) Malware- inserting a program or code to harm the system and gain access to it.
179)	Briefly describe the cyber security Framework.	<b>CSF:</b> 1) Identify the risk 2) Protect the risk (training and preventive controls) 3) Detect the Risk 4) Respond to the Risk 5) Recover from the Risk.
180)	What are the advantages and disadvantages of remote audit?	<b>Advantage- Cost saving, comfort, flexibility, direct access to data etc.</b> <b>Disadvantage-</b> Data could be compromised, network interruptions, limited visualization about the client etc.
181)	In an automated environment, the data stored and processed in systems can be used to get various insights into the way business operates. This data can be useful for preparation of management information system (MIS) reports and electronic dashboards that give a high level snapshot of business performance. In view of above you are required to briefly discuss the meaning of data analytics and example of such data analytics techniques.	<b>Data analytics-</b> Generate meaningful information from a large amount of raw data. <b>Examples-</b> 1) ACL- Audit command language, 2) <b>POWER BI-</b> Business Intelligence etc.
182)	Enterprises are adopting emerging technologies at a rapid pace to create synergies and harness the latest technologies. Give 3 examples of automated tools used as a part of emerging technologies along with the risk and audit considerations associated with these tools	<b>3 examples of automated tools used as a part of emerging technologies- NABI</b> N- Non fungible tokens- ownership of digital assets A- Artificial intelligence- machine learning/thinking through algorithms B- Block-chain- decentralized or distributed ledger that is secured through encryption.

			<p>I- Internet of things- connecting any device to the internet</p> <p>Risk considerations- auditor should understand it properly, risk of security etc.</p>
183)		<p>Emerging technologies can bring great benefits, but they also come with a varied set of substantial risks. Give some examples of technology risks of digital system and the control considerations to consider while assessing technology risk.</p>	<p><b>Technology Risks:</b></p> <p>A) Unauthorised access/changes to data system B) Data loss/data theft etc..</p> <p>Control considerations while assessing technology risk:</p> <p>a) Get Holistic understanding of changes industry b) consider risks resulting from new technologies c) Upskilling audit team</p>
184)		<p>Give example of emerging technologies available for Next Generation Audit along with the risks associated with it.</p>	<p><b>MAD VIRTUAL</b></p> <p><b>M- Metaverse-</b> 3D Digital space with VR and AR integrated to allow people to have lifelike business and personal experiences.</p> <p>A- Augmented Reality- real world plus augmented (added) elements. D- Drone Technology- use the flying device in remote locations to take photos and videos V- Virtual reality- Replacing real world with simulation</p>
185)		<p>CA Kabir, an auditor assigned to conduct a remote audit of Beetal Limited. The audit will be conducted virtually using online platforms, with the client sharing documents and participating in video conferences. What key considerations should CA Kabir address to ensure the effectiveness and security of the remote audit?</p>	<p><b>Considerations for remote audit</b></p> <p><b>FCR</b></p> <p>a) Feasibility and Planning b) Confidentiality, Security and Data protection c) Risk Assessment</p> <p>To ensure data security and confidentiality, access to the document sharing platform should be restricted and data encrypted. Reviewed information is removed and stored per archiving standards and data protection requirements. Auditors must consider legislation and regulations, avoid screenshots of auditees, and get authorization for any evidence. Use of VPN ensures safe and encrypted connections, prevents unauthorized access, and supports remote work.</p>
186)		<p>Certain studies have suggested that the increase in cyber-attacks and rise in global payment processing cost have hit global banking and finance industries enormously. Therefore, such industries are going to place reliance on new technologies such as Blockchain. Blockchain is based on a decentralized and distributed ledger that is secured through encryption. Each transaction is validated</p>	<p><b>Risks in Block chain technology:</b></p> <p>Blockchain strengths like irreversibility and key-based access increase security, but require protocols, management processes, and contingency plans. Network nodes may expose the system to cyber-attacks, so security is critical.</p>

		by the blockchain participants, creating a block of information that is replicated and distributed to all participants. However, such technology comes with its weaknesses and associated risks. What are common risks for Blockchain technology? Also discuss probable audit implications where such technology can be used.	Auditors should assess <b>governance</b> and <b>security</b> around <b>transactions</b> . Auditors must determine if <b>blockchain data</b> could lead to <b>noncompliance</b> with <b>laws and regulations</b> .
187)		IT dependencies also arise due to “system generated reports” and “interfaces”. How do such IT dependencies arise? Why it is important to identify IT dependencies to develop an effective and efficient audit approach?	<b>IT dependencies</b> arise when IT is used to <b>initiate, authorize, record, process, or report</b> transactions. They result from <b>system generated reports</b> (e.g., <b>vendor master report, customer ageing report</b> ) and <b>interfaces</b> (e.g., from <b>payroll subledger</b> to <b>general ledger</b> ). Identifying IT dependencies helps understand <b>IT reliance</b> , integration in the <b>business model</b> , <b>risks</b> , <b>IT General Controls</b> , and supports an <b>efficient audit approach</b> .
188)		Mr. Karan is a consultant tasked with helping a mid-sized manufacturing company modernize its operations by integrating Internet of Things (IoT) technology. The company wants to connect various devices such as manufacturing equipment, smart home security systems for their facility, and inventory management systems. They aim to leverage IoT to improve operational efficiency, predict equipment maintenance needs, and enhance overall security. However, they are concerned about the potential risks and the impact on their audit processes. Describe the key components and benefits of IoT, the risks associated with IoT implementation, and the implications for the company's audit processes. How should the company address these concerns to ensure a smooth transition?	<b>IoT</b> connects devices to the <b>internet</b> and involves <b>data collection, analytics, connectivity, and people and process</b> . It impacts <b>business models, strategic objectives</b> , and changes the <b>risk profile</b> due to <b>new laws and regulations</b> .  <b>Audit implications:</b> Auditors may need to include <b>new systems</b> , assess <b>automated controls</b> , and adapt to <b>consumer-facing tools</b> like <b>mobile payment systems</b> . They must evaluate <b>transaction volume, processes, and controls</b> .  Common <b>IoT risks</b> : <b>Device hijacking, data siphoning, denial of service, data breaches, and device theft</b> .
189)		Gravity Ltd. is a medium-sized manufacturing company that is planning to implement a new digital system to streamline its production processes and improve efficiency. The company appointed Mr. Ravi as IT manager. However, he is aware that emerging technologies can bring significant benefits but also pose various risks to the organization. In this context, he needs to identify examples of technological risks associated with the implementation of the new digital system and the control considerations necessary to mitigate these risks effectively.	Examples of technological risk <b>Inaccurate processing, unauthorized access, insufficient segregation of duties, unauthorized changes to data, systems, or programs, failure to update systems, manual intervention, data loss, third-party service provider risks, and cybersecurity risks.</b>  Control considerations necessary to mitigate these risks: Auditors should:

			<p>1. Gain a holistic understanding of IT and industry changes to evaluate management's process and design audit procedures.</p> <p>2. Consider risks from new technologies vs. legacy systems.</p> <p>3. Assess need for digital upskilling or specialists (e.g., cybersecurity, IT experts) for evaluating controls.</p>
190)		<p>Remote audit is an audit where the auditor uses online or electronic means to conduct the same. It could be partially or completely virtual, auditor engages using technology to obtain the audit evidence or to perform documentation review with the participation of the auditee. For example, an auditor might use video conferencing and cloud-based file sharing to review financial records remotely. What are the advantages and disadvantages of remote auditing?</p>	<p><b>Advantages of remote audit</b>→ Cost and time effective, Comfort and flexibility, first-hand evidence directly from the IT system etc.</p> <p><b>Disadvantages</b>→ Due to network issues, interviews and meetings can be interrupted, no ability to visualize facility culture of the organization, opportunity to present doctored documents and to omit relevant information is increased etc.</p>
191)		<p>MNC Limited is engaged in manufacture &amp; sale of FMCG products. It has manufacturing locations across various states in India and engages dealer channels to sell its products. One dealer is appointed for each district within the state and products are despatched from the nearest manufacturing location to the dealer. Considering the voluminous transactions, MNC Limited has a robust ERP network, for recording the transactions. As statutory auditors of MNC Ltd., your firm is about to commence the current year's audit. The audit team includes certain IT experts and discussions are underway amongst the team members. As an IT manager of the engagement team, explain the key areas for an auditor to understand IT environment.</p>	<p>Same as Q176.</p>
192)	13	<p>CA. Mukund is in the second year of his term as statutory auditor of Style Marks Limited (Holding company), its subsidiaries and joint ventures. At the time of planning audit, he wants to be sure that all the components have been included in the consolidated financial statements. List out some procedures he should perform to verify completeness of this information.</p>	<p><b>Completeness of CFS</b></p> <p>a) Review PY audit documentation and inquire about changes in shareholdings and investments</p> <p>b) Review joint venture and other joint arrangements, if any.</p> <p>c) Review shareholders and investment register.</p> <p>d) Review statutory records maintained under Companies Act, 2013.</p>
193)		<p>CA. Kajal Gupta is nearing completion of audit of consolidated financial statements of Rubic Paints and Chemicals Limited. She requires written representations from the parent's management on matters material to the consolidated financial statements. What specific matters such written representations can include?</p>	<p><b>Content of WR in case of CFS</b></p> <p>a) Completeness of components included</p> <p>b) Identification of reportable segments</p> <p>c) identification of related parties</p> <p>d) Appropriateness of consolidation adjustments</p>



194)	<p>CA.MV Chitale is auditor of consolidated financial statements of “D and D Limited” for year 2022-23. The consolidated financial statements consist of financial statements and financial information of 8 subsidiaries audited by other auditors. Such financial statements, financial information and auditor’s reports of subsidiaries have been furnished by management of the “D and D Limited” to him. Following further information is also available in respect of these 8 subsidiaries for year 2022-23: -</p> <p>Total assets ` 1500 crore Total revenues ` 1000 crore Net cash outflows ` 10 crore</p> <p>Two of these subsidiaries are located outside India whose financial statements have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries.</p> <p>Where and how such information should be included in independent auditor’s report on consolidated financial statements of company? Also draft a suitable para by making necessary assumptions.</p>	<p><b>CFS- Audit reporting by Principal Auditor</b></p> <p>a) Components audited under a foreign accounting framework:</p> <p>i) Either component shall convert such FS into Indian GAAP by conversion adjustments and those adjustments shall be audited by Principal auditor or</p> <p>ii) Component may have prepared a separate set of FS under Indian GAAP as per Group accounting manual then such FS shall be audited.</p> <p>b) Component auditor follows auditing standards that is different than Indian GAAS- Generally accepted auditing standards. Principal auditor would want FS to be audited under Indian GAAS.</p> <p><b>Other Matter Para to be drafted to explain all of the above as per SA 706</b></p>
195)	<p>Whether preparation of consolidated financial statements is mandatory? If yes, please elaborate on the requirements under the statute.</p>	<p>Section 129 of Companies Act, 2013 to be referred.</p>
196)	<p>Please elaborate on the situations wherein the requirement related to preparation of consolidated financial statements may not apply.</p>	<p><b>3 exemptions</b></p> <p>1) Intermediary holding exemption as per Sec 129 of Companies Act, 2013 if such company is not listed and its shareholders don’t object.</p> <p>2) Investment entity exemption under Ind AS 110</p> <p>3) AS 21 has 2 exemptions</p> <p>a) Temporary control of subsidiary</p> <p>b) Subsidiary is placed under severe long term fund transfer restrictions.</p>
197)	<p>While doing the audit of Consolidated Financial Statements, which current period consolidation adjustments are to be taken into account?</p>	<p>Current period consolidation adjustments are the adjustments made in the accounting period for which CFS is done.</p> <p>E.g. a) Intra group interest paid b) Unrealised intra-group profits</p>

198)	<p>Write a short note on:</p> <p>(a) Responsibility of holding company for preparation of Consolidated Financial Statements.</p> <p>(b) Permanent Consolidated Adjustments.</p>	<p><b>a) Responsibility of parent entity</b> → Identify components/ related parties / reportable segment Obtain information from such components Make CFS with appropriate Adjustments</p> <p><b>b) Permanent Consolidation adjustments</b>- made only on the first occasion or subsequent occasions in which there is a change in the shareholding of a particular entity which is consolidated. E.g. 1) Determination of goodwill or capital reserve, 2) Determination of amount of equity attributable to minority interests.</p>
199)	<p>R Ltd. owns 51% voting power in S Ltd. It however, holds and discloses all the shares as "Stock-in-trade" in its accounts. The shares are held exclusively with a view to their subsequent disposal in the near future. R Ltd. represents that while preparing Consolidated Financial Statements, S Ltd. can be excluded from the consolidation. As a Statutory Auditor, how would you deal?</p>	<p><b>Exemption from preparation of CFS</b> AS 21 gives an exclusion of such components whose shares are held with an intention to sell i.e. temporary control. IND AS 110 does not provide such exclusion wrt temporary control. Sec 129 of Companies Act, 2013 states that if exemption as given in Accounting standards/Ind AS is applied then company shall disclose such fact adequately in the notes to accounts.</p> <p>IF R Ltd is preparing FS as per IND AS then such S Ltd cannot be excluded from consolidation.</p>
200)	<p>A Ltd. holds the ownership of 10% of voting power and control over the composition of Board of Directors of B Ltd. While planning the statutory audit of A Ltd., what factors would be considered by you as the statutory auditors of A Ltd for the audit of its consolidated financial statements prepared under Ind AS?</p>	<p><b>1) Verify control whether A Ltd. Actually controls the composition of mgmt. of B Ltd. as per IND AS 110.</b></p> <p>2) Verify the adjustments required by IND AS 110 have been made and authorized.</p> <p>3) Plan to understand accounting policies of all components and parent to determine NTE of audit procedures.</p> <p>4) In order to form an opinion evaluate whether RPR and RPT have been appropriately identified accounted and disclosed as per IND AS and Schedule III</p>
201)	<p>You are appointed as an auditor of Nawab Limited, a listed company who is a main supplier to the UK building and construction market. With a turnover of ` 2.9 billion, the company operates through 11 business units and has nearly 180 branches across the countries .</p> <p>As an auditor, how will you draft the report in case:</p> <p>(a) When the Parent's Auditor is also the Auditor of all its Components?</p> <p>(b) When the Parent's Auditor is not the Auditor of all its Components?</p>	<p>a) Issue separate audit report for parent and component and a report on CFS</p> <p>b) SA 600- mention the work of other auditor used by Principal auditor in audit report- OM Para</p> <p>c) and d) discussed earlier</p> <p>e) If component is material then modify opinion- Either Q or D opinion.</p>

		<p>(c) When the Component(s) Auditor Reports on Financial Statements under an Accounting Framework Different than that of the Parent?</p> <p>(d) When the Component(s) Auditor Reports under an Auditing Framework Different than that of the Parent?</p> <p>(e) Where the financial statements of one or more components is not audited?</p>	
202)		<p>M Ltd. acquired 51 % shares of S Ltd. on 01-04-2019 and sold 25% of these shares during the financial year 2019-20. M Ltd. did not prepare Consolidated Financial Statements for the financial year 2019-20 on the plea that the control was only temporary. Do you agree with the view of M Ltd.? Decide, assuming, that M Ltd. is required to prepare its financial statements under Ind AS.</p>	<p><b>Exemption from Consolidation</b>- discussed earlier.</p> <p>CFS is required to be prepared in this case because as per IND AS 110- Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee</p>
203)		<p>H Limited is an Investment Company preparing its Financial Statements in accordance with Ind AS. The Company obtains funds from various investors and commits its performance for fair return and capital appreciation to its investors. During the year under audit, it had been observed that the Company had invested 25% in S1 Ltd., 50% in S2 Ltd. and 60% in S3 Ltd. of the respective share capitals of the Investee Companies. When checking the investment schedule of the Company, an issue cropped as to whether there would arise any need to consolidate accounts of any such investee companies with those of H Limited in accordance with section 129(3) of the Companies Act, 2013 which contains no exclusion from consolidation. Analyse the issues involved and give your views.</p>	<p><b>IND AS 110- Investment entity exemption available to H Ltd because it satisfies Investment entity conditions.</b></p> <p>However, H Ltd needs to disclose such fact of applying exemption in the notes to accounts to satisfy the requirements of Sec 129 and schedule III of Companies Act, 2013.</p>
204)		<p>Venus Ltd. is a company engaged in the manufacture of stainless steel items. The company operates through 5 business units and has 35 branches across India. Manglam &amp; Associates are being appointed as the principal auditor of the company. While accepting the audit assignment as the principal auditor, what will be the points of consideration for the principal auditor of the company?</p>	<p><b>SA 600- Accepting position as a principal auditor- MR. BP</b></p> <p>M- Materiality determination R- RoMM in the FS of the components B- Business of the components knowledge P- Performing procedures as per this SA</p>
205)		<p>Venus Ltd. is a curtain manufacturing company having its corporate office in Punjab. The company is in the process of expansion and has acquired four companies during the year. Pradyuman &amp; Co. is the principal auditor of the company while the audit of all the companies acquired during the year is being conducted by Jha &amp; Jha Associates. During the course of audit, CA Pradyuman, the</p>	<p><b>SA 600- Rights and Obligations of PA.</b></p> <ol style="list-style-type: none"> <li>1) PA can visit the component and perform the audit as per his statutory rights.</li> <li>2) PA is not responsible for the work given to other auditor. PA can use the work performed by other auditor and rely upon his work unless there are circumstances suggesting otherwise.</li> </ol>



	<p>engagement partner asked the management of Venus Ltd. at the corporate office that in order to conduct the audit of the consolidated financial statements, his audit firm is required to conduct audit of the financial statements of all the components also (Companies acquired during the year). To this, the management asked CA Pradyuman to consider the audit reports of the component auditor already provided to his audit team and to communicate with the component auditor for any discussion they wish to have. CA Pradyuman contended that for the purpose of audit of consolidated financial statements either his firm is required to conduct an audit of all the component's financial statements or he needs the working papers of the component auditors. Is the contention of CA Pradyuman correct?</p>	<p>3) PA cannot establish his right over the working papers of other auditor because working papers are property of auditor unless required by law (SQC-1 principle). PA can send questionnaire and discuss the procedures applied by other auditor.</p>
206)	<p>Kukreja &amp; Associates is the principal auditor of MN Ltd. The company is engaged in the manufacture of sports items and operates through its 14 branches all over India. With respect to the audit of branches, the company has appointed seven Chartered Accountant firms, each firm conducting the audit of two branches. The audit reports in respect of accounts of branches have already been sent to the principal auditor. While analysing the work of the branch auditors, CA Kukreja, the engagement partner, asked the branch auditors to share with him a summary of the audit procedures and findings in respect of the accounts of the branches examined by them. CA Kukreja also asked one of the branch auditor to share his working paper with respect to the two branches examined by that branch auditor for his review and return. Is the principal auditor correct in asking the branch auditors for sharing the summary and the working papers for his review.</p>	<p>SA 600- same as above</p>
207)	<p>R Limited is a listed company engaged in manufacture of round bars. The company is having investment in the following components:</p> <ul style="list-style-type: none"> <li>i) 2 Subsidiary Companies</li> <li>ii) 1 Joint Venture Company</li> <li>iii) 2 Associate Companies</li> <li>iv) 3 Business entities under common control</li> <li>v) Interest in assets, liabilities, revenues, and expenses in a joint operation with 1 Company</li> </ul> <p>R Limited and all its components are required to present their accounts as per Ind AS. While preparing consolidated financial statements, R</p>	<p>R Limited, a listed company, correctly used line-by-line consolidation for its subsidiaries, but the same treatment is not correct for its joint venture, associates, entities under common control, and joint operation.</p>

		<p>Limited consolidated its components on a line-by-line basis by adding together like items of assets, liabilities, income, expenses, and cash flows. R Limited seeks your advice on the accounting treatment in respect of the above components for consolidation in accordance with the Companies (Indian Accounting Standards) Rules, 2015.</p>	
208)		<p>CA H was appointed as a Statutory Auditor of MNL Limited, a listed company, which has three subsidiaries namely M Ltd., N Ltd., L Ltd. and also 15 branches across India.</p> <p>The Auditors are duly appointed for all the subsidiaries and branches. What should be the considerations of CA H regarding determination of materiality during the audit of consolidated financial statements? How he should deal in his report if there are observations (for instance modification and/or emphasis of matter paragraph in accordance with SA 705/706) made by component auditors?</p>	<p>CA H should compute materiality for the group as a whole to assess consolidation adjustments. He can use group materiality to determine component materiality and whether to scope in more components. He communicates component materiality, obtains confirmations from component auditors (like independence, ethics), and considers their observations per SA 600.</p>
209)	14 a Ba nk	<p>CA. Harshit is conducting statutory audit of branch of a public sector bank. On examining 20 large advances of the branch, he finds that in 5 examined cases, loan applications have been filled up scantily with important details left out. In these cases, it is also noticed that cash credit limits to the borrowers were enhanced during the year but there are no records pertaining to assessment of enhanced working capital requirements in respective borrower files. The branch is unable to show such assessments/workings in system either. However, all the five accounts are operating satisfactorily. These accounts have been classified as standard assets by branch. Would above information prompt auditor to suggest change in asset classification of above accounts? What does depicted situation reflect?</p>	<p>An account becomes NPA when it ceases to generate income for bank. <b>In the given situation, all the examined five accounts are operating satisfactorily.</b></p> <p>Therefore, no need to change classification of asset.</p> <p>There is a deficiency in internal control which needs to be highlighted in LFAR (LONG FORM AUDIT REPORT) reporting.</p>
210)		<p>You are conducting concurrent audit of branch of a public sector bank. It is a large branch having advances of about ` 500 crores including export advances of ` 300 crores. Some borrowers also get LCs issued from branch for importing raw diamonds from diamond hubs of Belgium. You want to be sure that there is no revenue leakage in branch. For the time being, you are focusing upon advances. Discuss any five areas pertaining to advances of the branch which you would verify to ensure no revenue leakage.</p>	<p><b>Audit of advances at branch level to ensure no revenue leakage:</b></p> <ul style="list-style-type: none"> <li>a) Interest rates fed into the system- verify accuracy</li> <li>b) Processing fees in respect of freshly sanctioned loans- limit? Accurate?</li> <li>c) Sanction of CC/OD as per stock statements</li> <li>d) Overdue interest to be verified on export bills</li> <li>e) Charges/Commission to be verified w.r.t letter of credit.</li> </ul>

211)	<p>CA. Seema is appointed as stock auditor of Bhawani Rice Mills Pvt. Ltd. availing credit facilities from R.K. Puram Branch, Near Tamil Educational Society, New Delhi. The borrower is enjoying cash credit limit of ` 12 crore from branch against security of paid stocks and debtors up to 90 days against margin of 25%. She proceeds to visit premises of Bhawani Rice Mills Pvt. Ltd. located on outskirts of Delhi. She verifies books of accounts and stock records of the company and also test checks quantity of paddy and rice of 20000 quintals and 8000 bags lying in premises of the company. Drawing power of ` 12.05 crore is computed in stock audit report and report stands submitted to bank. After about a week, regular internal inspector appointed by Inspection department of bank also happened to visit premises of the borrower and found that rice contained in about 5000 bags included in stocks having approx. value of ` 1.50 crore was fungus ridden. The company was holding this stock for last 15 months. How do you view the above situation? Discuss.</p>	<p>1) professional work of stock audit was not performed diligently by stock auditor  2) Value of such rice should have been excluded while arriving at value of stocks  3) drawing power calculated in the report submitted to bank is not proper</p>
212)	<p>Your firm has been appointed as Central Statutory Auditors of a Nationalised Bank. The Bank follows financial year as accounting year. Your Audit Manager informed that the bank has recognised on accrual basis income from dividends on securities and Units of Mutual Funds held by it as at the end of financial year. The dividends on securities and Units of Mutual Funds were declared after the end of financial year. Comment.</p>	<p><b>Apply Accounting standard (NOT IND AS as it is a banking industry).</b> Revenue recognition of dividend income when declared/credited- as it establishes right to receive.</p>
213)	<p>As statutory central auditors of a Nationalized bank, what special points are to be borne in mind in the audit of compliance with "Statutory Liquidity Ratio" (SLR) requirements?</p>	<p><b>Audit of SLR compliance</b>  <b>a) Check calculation of consolidated</b> DTL i.e. demand and time liabilities as per RBI circular  b) 12 dates in different months of a fin. year not being Friday  c) Check the maintenance of liquid asset as per RBI circular i.e. Gold, cash and approved Government securities.  d) Co-ordinate with the branch auditor.</p>
214)	<p>Explain the scope of concurrent audit of a bank with reference to Reserve Bank of India guidelines.</p>	<p><b>Scope of Concurrent Audit</b>  It is an audit or verification of transactions or activities of an organisation concurrently as the transaction/activity takes place.  Scope of Concurrent Audit:  - determined by Audit Committee and Board of Directors.  - Areas covered by concurrent audit:  HODIAFC</p>

		House keeping (documents), Other Items, Deposits, Investments, Advances, Cash, Forex
215)	<p>In course of audit of Good Samaritan Bank as at 31st March, 23 you observed the following:</p> <p>(a) In a particular account there was no recovery in the past 18 months. The bank has not applied the NPA norms as well as income recognition norms to this particular account. When queried the bank management replied that this account was guaranteed by the central government and hence these norms were not applicable. The bank has not invoked the guarantee. Please respond. Would your answer be different if the advance is guaranteed by a State Government?</p> <p>(b) The bank's advance portfolio comprised of significant loans against Life Insurance Policies. Write suitable audit program to verify these advances.</p>	<p><b>a) NPA classification for central government guaranteed advances-</b> CG guaranteed advances are not to be considered as NPA for asset provisioning purpose. However, there will be no exception for income recognition principle i.e. income accrued but not realized must be fully provided. FOR SG guaranteed advances there is no exemption.</p> <p><b>b) Loan against LIFE POLICIES</b> Check assignment of Life policy is proper or not Surrender value is the security value. If surrender value is subject to payment of some amount then deduct that amount while calculating security value. Check whether policy is legally enforceable or not.</p>
216)	<p>Your firm has been appointed as Central Statutory Auditors of a Nationalised Bank. The bank is a consortium member of Cash Credit Facilities of ` 50 crores to X Ltd. Bank's own share is ` 10 crores only. During the last two quarters against a debit of ` 1.75 crores towards interest the credits in X Ltd's account are to the tune of ` 1.25 crores only. Based on the certificate of lead bank, the bank has classified the account of X Ltd as performing. The Bank follows financial year as accounting year. Advise your views on the issue which were brought to your notice by your Audit Manager.</p>	<p><b>CC/OD account will be classified as NPA if</b> a) Outstanding balance is in excess of the limit for 90 days as on balance sheet date. Or b) Deposits/Credits in the account are not sufficient to cover the interest charged during that period and it remains for more than 90 days. Or In the given case → account is NPA due to above. Lead bank certification is irrelevant.</p>
217)	<p>You have been appointed as an auditor of LCO Bank, a nationalized bank. LCO Bank also deals in providing credit card facilities to its account holder. The bank is aware of the fact that there should be strict control over storage and issue of credit cards. How will you evaluate the Internal Control System in the area of Credit Card operations of a Bank?</p>	<p><b>Internal control over credit card operation of the bank</b> a) authority for issuance b) Screening of applications c) Payment process and statements sent to customers etc.</p>
218)	<p>You have been appointed as Concurrent Auditor of a nationalized bank branch. The main business at the branch is dealing in foreign exchange. Suggest the main areas of coverage with regard to foreign exchange transactions of the said branch under concurrent audit.</p>	<p>a) Check foreign bills negotiated under letters of credit. b) Check whether inward/outward remittance have been properly accounted for c) Ensure verification/reconciliation of Nostro and Vostro account transactions/balances</p>
219)	<p>While auditing FAIR Bank, you observed that a lump sum amount has been disclosed as contingent liability collectively. You are, therefore, requested by the management to guide them about the</p>	<p><b>- Claims against the bank not acknowledged as debts</b> - Liability for partly paid investments - Liability on account of outstanding forward exchange contracts &amp; Derivative Contracts</p>

		<b>disclosure requirement of Contingent Liabilities for Banks. Kindly guide.</b>	<ul style="list-style-type: none"> <li>- Guarantees given on behalf of constituents (within India; outside India)</li> <li>- Acceptances, endorsements and other obligations</li> <li>- Other items for which the bank is contingently liable</li> </ul>
<b>220)</b>		<b>ABC Chartered Accountants have been appointed as concurrent auditors for the branches of Effective Bank Ltd. for the year 2022-23. You are part of the audit team for Agra branch of the bank and have been instructed by your senior to verify the advances of the audit period. You are required to guide your assistant about the areas to be taken care while doing verification during the concurrent audit.</b>	<b>Audit of advances</b> (4-5 points discussed in many of the above questions)
<b>221)</b>		<b>In the course of audit of Skip Bank Ltd., you found that the Bank had sold certain of its non performing assets. Draft the points of audit check that are very relevant to this area of checking.</b>	<b>Audit of Sale of NPA</b> <ul style="list-style-type: none"> <li>-only such NPA has been sold which has remained NPA for atleast 2 years in bank's books.</li> <li>- on the sale of the NPA, the same has been removed from the books of selling banks.</li> <li>- shortfall to be debited</li> <li>- value higher than net book value then excess provision shall not be reversed but retained to meet future shortfall on sale of NPA</li> <li>- sale should be done on 'without recourse basis' only and on cash basis.</li> </ul>
<b>222)</b>		<b>Banks, because of certain characteristics, are distinguished from other commercial enterprises and hence it needs special audit consideration. As an auditor of a bank, specify the various peculiarities which may necessitate special audit consideration to be taken care by you?</b>	<b>Special characteristics-</b> <b>V- volume</b> C- Complexity R- Risks associated are unique R- Regulation driven industry T- Technology is extensively used
<b>223)</b>		<b>ABC Bank had sanctioned credit limits of ` 100 lakh to M/s Volkart Ltd on 1st September 2021. The renewal of limits was due on 1st September 2022. While doing the statutory branch audit for the year ended 31st March 2023, you find that the renewal has not been done even though 180 days are over. The bank says that the renewal process has been initiated on time and most of the document are received. The account is operated regularly and is in order; balance is maintained within drawing power. It also shows a letter from Volkart stating that due to a sudden death of their auditor, a new auditor had to be appointed. Procedure for appointment took some time and the new auditor was doing the audit all over again. The limit was not renewed till 31/3/2023. However, the</b>	<b>As per RBI guidelines- the account should be classified as NPA if renewal is not done in 180 days.</b> <b>But in the current case operations are excellent and there are exceptional reasons for delay. It can be treated as a temporary exception as per RBI guidelines.</b> <b>Also the audited FS received on 10th April 2023 can be considered as an event of FY 22-23 itself as the conditions were existing as on 31st March 23 as per AS-4.</b>  <b>Therefore, Volkart = standard asset.</b>



		audited financials are received on 10th April 2023 and the renewal letter was issued immediately. Your assistant is insisting that the account must be classified as NPA since the limit was not renewed as on 31/3/2023. What is your opinion?																			
224)		<p>You are auditing a small bank branch with staff strength of the manager, cashier and three other staff S1 ,S2 and S3. Among allocation of work for other areas, S1 who is a peon also opens all the mail and forwards it to the concerned person. He does not have a signature book so as to check the signatures on important communications. S2 has possession of all bank forms (e.g. Cheque books, demand draft/pay order books, travelers' cheques, foreign currency cards etc.). He maintains a record meticulously which you have test checked also. However, no one among staff regularly checks that. You are informed that being a small branch with shortage of manpower, it is not possible to always check the work and records. Give your comments.</p>	<p><b>Weak internal control</b></p> <p>Banks are required to implement and maintain a system of internal controls for mitigating risks, maintain good governance and to meet the regulatory requirements.</p> <p>1) S1 is doing multiple activities 2) S1 doesn't have signature book 3) S2's work is not being checked by another person etc..</p> <p>The auditor should report the same in his report accordingly</p>																		
225)		<p>NRF Bank Ltd. is suffering from huge number of NPAs. During the month of April 2024, the management of the bank decided to sell some of its NPAs. Bank is doing this exercise for the first time. The management has selected following NPA accounts for sale:</p> <table><tr><th>Name</th><th>NPA since F.Y.</th><th>Amount (₹ In La</th></tr><tr><td>Fin Pvt. Ltd.</td><td>2020-21</td><td>36.55</td></tr><tr><td>Dairy Works</td><td>2022-23</td><td>55.24</td></tr><tr><td>Book Store</td><td>2019-20</td><td>29.85</td></tr><tr><td>Fancy Corp.</td><td>2018-19</td><td>61.42</td></tr><tr><td>RSM and Associates</td><td>2021-22</td><td>19.25</td></tr></table> <p>Being internal auditor of the bank, you are required to scrutinize the proposal made by the branch and help them by providing specific points to be considered.</p>	Name	NPA since F.Y.	Amount (₹ In La	Fin Pvt. Ltd.	2020-21	36.55	Dairy Works	2022-23	55.24	Book Store	2019-20	29.85	Fancy Corp.	2018-19	61.42	RSM and Associates	2021-22	19.25	<p>Refer Q221- Sale of NPA.</p> <p>the auditor is required to ensure that only such NPA has been sold which has remained NPA in the books of the bank for at least 2 years. Considering the facts given in the question all the NPAs, except for Dairy Works, are prior to April 2021 i.e., 2 years prior to April 2024. In view of the above provisions, management of NRF Bank Ltd. can sell all the NPAs except for NPA of 55.24 lakh rupees of Dairy Works as it has remained NPA in the books of the banks less than 2 year duration.</p>
Name	NPA since F.Y.	Amount (₹ In La																			
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RSM and Associates	2021-22	19.25																			
226)		<p>PDSJ &amp; Associates are Statutory Auditors of a scheduled Commercial Bank for the year 2023-24. While evaluating internal control over advances, it came to their notice that classification of term loan borrower accounts into SMA as well as NPA is done in the system on the following lines:</p> <p>- In case full dues are not received on a particular due date, a borrower account is immediately considered as overdue on the very next day. For example, if due date of loan account is 31st March, 2023 and dues are not received on 31st March,</p>	<p><b>Overdue, SMA and NPA classification</b></p> <p>The bank's control design is not aligned with regulatory guidelines. An amount is 'overdue' if not paid on the due date fixed by the bank, and classification as SMA/NPA is based on the day-end process of that specific due date. For a due date of March 31, 2024, if unpaid by day-end, the account is overdue from March 31, 2024—not April 1. It becomes SMA-1 on April 30, SMA-2 on May 30, and NPA on June 29, if it remains continuously overdue.</p>																		

	<p>2023, it shall be considered as overdue on 1st April, 2023.</p> <ul style="list-style-type: none"><li>- If it continues to remain overdue, then account is tagged as SMA-1 on 1st May, 2023.</li><li>- If it continues to remain overdue further, then account is tagged as SMA-2 on 31st May, 2023.</li><li>- If it continues to remain overdue even after being tagged as SMA-2, it is classified as NPA on 30th June, 2023.</li></ul> <p>Evaluate above control designed by bank in the system for the purpose of exercising control over such advances in compliance with regulatory guidelines.</p>																									
227)	<p>RML &amp; Associates are one of the joint auditors of IND Bank for the year 2023-24. While auditing IND Bank, they are analysing industry data relating to NPAs in select public sector banks as part of risk assessment procedures:</p> <table><thead><tr><th>Name of Bank</th><th>Gross NPAs (in ₹ crore)</th><th>Net NPAs (in ₹ crore)</th><th>Ratio of NPAs to advan</th></tr></thead><tbody><tr><td>BIC Bank</td><td>55,000</td><td>13,000</td><td>1.</td></tr><tr><td>ABD Bank</td><td>45,000</td><td>10,000</td><td>2.</td></tr><tr><td>RIN Bank</td><td>55,000</td><td>18,000</td><td>2.</td></tr><tr><td>IND Bank</td><td>28,000</td><td>6,500</td><td>3.</td></tr><tr><td>CRB Bank</td><td>35,000</td><td>8,800</td><td>2.</td></tr></tbody></table> <p>In the above context, what do you understand by “Gross NPAs” and “Net NPAs” as on reporting date in the context of financial statements of a Bank? As an auditor of IND Bank, what inference would you draw by comparing the “Ratio of net NPAs to net advances” with other public sector banks?</p>	Name of Bank	Gross NPAs (in ₹ crore)	Net NPAs (in ₹ crore)	Ratio of NPAs to advan	BIC Bank	55,000	13,000	1.	ABD Bank	45,000	10,000	2.	RIN Bank	55,000	18,000	2.	IND Bank	28,000	6,500	3.	CRB Bank	35,000	8,800	2.	<p>Gross NPAs are opening NPAs plus fresh additions, minus upgradations, recoveries, and write-offs.</p> <p>Net NPAs are derived after deducting provisions, interest suspense, and adjustments.</p> <p>IND Bank's higher Net NPAs to Net advances ratio compared to peers suggests possible under-provisioning, requiring focused audit procedures.</p>
Name of Bank	Gross NPAs (in ₹ crore)	Net NPAs (in ₹ crore)	Ratio of NPAs to advan																							
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228)	<p>CA J is the statutory auditor of the branch of a nationalized bank. During the audit, he is also focusing upon verification of Current Accounts &amp; Savings Accounts (CASA) maintained at the branch. Suggest a few audit procedures he should follow.</p>	<p><b>Audit of Current and Savings Account – Summary:</b></p> <ul style="list-style-type: none"><li>• Check new accounts for KYC compliance; savings accounts must be for individuals, HUFs, etc., not businesses.</li><li>• Verify account balances and interest calculations on a sample basis.</li><li>• Ensure no interest is paid on current accounts.</li><li>• Review periodic balance confirmations and related procedures.</li><li>• Debit balances in current accounts must be classified under ‘advances’, not netted.</li><li>• Inoperative accounts (no activity &gt;2 years) are fraud-prone—review</li></ul>																								

			reactivation/closure with proper authorization.
<b>229)</b>	14 b NB FC	<p><b>“Fin crazy” is a P2P online platform owned by Future Technologies Pvt Limited which is registered with RBI as NBFC. Peer to Peer Platform (P2P) means an intermediary providing the services of loan facilitation via online medium or otherwise to the participants. Participants have to enter into an arrangement with NBFC-P2P to lend on its platform or avail loan facilitation services provided by it. It provides only as a medium connecting lenders and borrowers. outside purview of upper layer. It also carries out the credit assessment and risk profiling of the participants on the platform. It also provides services relating to loan documentation and loan recovery. The company falls Where does such NBFC fit into in accordance with scale-based regulations? Suggest few audit procedures for above NBFC-P2P.</b></p>	<p><b>NBFC – Layer Based classification</b>  <b>Base Layer (BL)</b>  i) NBFC- ND below asset size of Rs. 1000 cr  ii) NBFC P2P (always BL)  iii) NBFC AA (always BL)  iv) NOFHC (always BL)  v) NBFC not availing public funds and not having public interface. (always BL)  Audit procedures  Understand business, verify registration certificate, board approved policy for P2P lending, RBI reporting requirement compliance etc.</p>
<b>230)</b>		<p><b>Sugam Housing Finance Limited is in the business of housing finance activities having asset size of ` 800 crores. Its principal business is of providing finances for housing mainly to individuals. It is not identified by RBI in upper layer. Under scale-based regulations introduced by RBI, what should be appropriate classification for such a company? Is there any specific reporting requirement under CARO, 2020 for statutory auditor of a company engaged in housing finance activities?</b></p>	<p><b>Middle Layer (ML)</b>  i) All deposit taking NBFCs  ii) NBFC ND with asset size of Rs. 1000 cr or more  iii) NBFC SPD (always ML)  iv) NBFC IDF (always ML)  v) NBFC CIC  vi) NBFC HFC  vii) NBFC IFC  In the given case→ Middle Layer  CARO 2020 for housing finance company→  xvi(b)→ HFC without Certificate of Registration (COR)?</p>
<b>231)</b>		<p><b>You are auditor of a deposit taking NBFC (NBFC-D). The NBFC is identified by RBI in its upper layer and its financial statements are required to prepared in accordance with requirements of Ind AS. The following is extract of statement of profit and loss for year ending 31StMarch, 2023 in accordance with Division III of Schedule III of Companies Act, 2013. Previous year figures are ignored.</b></p>	<p><b>NBFC preparing as per Division III of Schedule III has to separately disclose by way of note any item of “other expenditure” exceeding 1% of total income.</b></p> <p>The said expenditure of `99.50 crore does not exceed 1% of total income. Hence, it meets requirements of Division III of Schedule III of Companies Act, 2013.</p>

		<table><tr><th>Particulars</th><th>Note No.</th><th>Figures for year ended March, 2023 (in ₹ Cr)</th></tr><tr><td colspan="3"><b>Revenue from Operations</b></td></tr><tr><td>(i) Interest income</td><td>15</td><td>9500</td></tr><tr><td>(ii) Dividend income</td><td></td><td>-</td></tr><tr><td>(iii) Rental Income</td><td></td><td>150</td></tr><tr><td>(iv) Fees and commission income</td><td>16</td><td>100</td></tr><tr><td>(v) Net gain on fair value changes</td><td>17</td><td>150</td></tr><tr><td>(vi) Net gain on derecognition of financial instruments under amortised category</td><td></td><td></td></tr><tr><td>(I) Total revenue from operations</td><td></td><td>9900</td></tr><tr><td>(II) Other Income</td><td>18</td><td>100</td></tr><tr><td>(III) Total Income</td><td></td><td>10000</td></tr></table> <p><b>On going through details of head “other expenditure” in expenses side of statement of profit and loss, it is noticed that there is an expenditure relating to manpower outsourcing cost amounting to ` 99.50 crores included under “other expenditure”</b></p> <p><b>Does it meet the requirements of Division III of Schedule III of Companies Act, 2013?</b></p>	Particulars	Note No.	Figures for year ended March, 2023 (in ₹ Cr)	<b>Revenue from Operations</b>			(i) Interest income	15	9500	(ii) Dividend income		-	(iii) Rental Income		150	(iv) Fees and commission income	16	100	(v) Net gain on fair value changes	17	150	(vi) Net gain on derecognition of financial instruments under amortised category			(I) Total revenue from operations		9900	(II) Other Income	18	100	(III) Total Income		10000	
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232)	<p><b>Define NBFC. Also give a brief description about types of NBFCs covering any five NBFCs.</b></p>	<p><b>NBFC definition</b></p> <p>(i) financial institution which is a company; (ii) A non-banking institution which is a company and which has as its principal business the receiving of deposits, or lending in any manner; iii) Such other non-banking institution or class of such institutions, as the RBI with approval of CG may notify.</p> <p>Types of NBFC covered under above questions</p>																																		
233)	<p><b>Shubham &amp; Associates are going to start the audit of NBFCs. They have not performed much work for the NBFCs in the past years. You are required to explain the requirements related to registration and regulation of NBFCs which an auditor needs to keep in his mind while planning the audit of NBFC which would help this firm.</b></p>	<p>A) Certificate of Registration from RBI is required to carry out business of NBFC. B) NOF i) For new applications- Net owned fund requirement currently is of Rs. 10 cr ii) NBFC-P2P, NBFC-AA, and NBFCs with no public funds and no customer interface, the NOF shall continue to be INR 2 Crore. iii) For certain existing NBFCs NOF of Rs. 10 cr to be achieved by 31<sup>st</sup> March 2027. c) NBFC cannot accept public deposits unless permitted by RBI.</p>																																		
234)	<p><b>Satyam Pvt Ltd is a company engaged in trading activities, it also has made investments in shares of other Companies and advanced loans to group companies amounting to more than 50% of its total assets. However, trading income constitutes majority of its total income. Whether the Company is an NBFC?</b></p>	<p><b>50-50 Rule to determine NBFC</b></p> <p>A company = NBFC if it fulfills 2 conditions given below as per last audited B/S: I) Financial assets &gt; 50% of the total assets (netted off by intangible assets) AND II) Income from financial assets &gt; 50% of gross income</p>																																		

			In the given case→ only one criteria is fulfilled and hence not a nbfc
235)		Shivam & Co LLP are the auditors of NBFC (Investment and Credit Company). Some of the team members of the audit team who audited this NBFC have left the firm and the new team members are in discussion with the previous team members who are still continuing with the firm regarding the verification procedures to be performed. In this context, please explain what verification procedures should be performed in relation to audit of NBFC - Investment and Credit Company (NBFC-ICC).	Audit procedures for NBFC (10-15 points in module)- How to write? Think about a company giving loans and making investments. a) Verify loan sanctioning, documents, compliance etc. b) Verify investments, valuation etc.
236)		You are appointed as the auditor of a NBFC registered with the RBI and which is accepting and holding public deposits. You are considering your reporting requirement in addition to your report made under Section 143 of the Companies Act, 2013 on the accounts of this NBFC as per the prescribed Directions. Please explain what points are required to be known in respect of separate report to be given by you to the Board of Directors of this NBFC.	<b>NBFC- accepting public deposits- reporting requirement</b> i) Whether credit rating is above min. investment grade rating? ii) Whether PD accepted is as per limits set based upon credit rating? iii) Whether CRAR (Capital Risk Adequacy ratio) maintained? iv) Whether regulatory returns have been filed with RBI?
237)		Kamna & Co LLP, a firm of Chartered Accountants, was appointed as auditor of an NBFC. The audit work has been completed. The audit team which was involved in the fieldwork came across various observations during the course of audit of this NBFC and have also limited understanding about the exceptions which are required to be reported in the audit report. They would like to understand in detail regarding the obligations on the part of an auditor in respect of exceptions in his report so that they can conclude their work. Please explain.	<b>Exception Reporting to RBI:</b> a) In addition to audit report u/s 143 of Companies Act, 2013, in case of NBFC, there is an additional report which needs to be submitted to the BOD of NBFC. Matters to be reported are given under RBI circular. b) If there is any exception/negative remark in the above report only then auditor needs to report to department of non-banking supervision of RBI and such report is called as an exception report.
238)		The Statutory Auditor of the NBFC company is required to give a report to the Board of Directors. What shall be the content of the Auditor's Report to the Board.	Total 21 clauses in such report. Ignore this answer. It is covered properly in above questions.
239)		Krishna Pvt Ltd is primarily into the business of selling computer parts. However, the company is fulfilling the Principal Business Criteria as at the balance sheet date i.e. Financial Assets are more than 50 % of total assets and Financial Income is more than 50% of Gross Income. What shall be the obligation of the Statutory Auditor in such a scenario?	1) Satisfies 50-50 rule of NBFC definition and hence it s a NBFC. 2) Company has not taken any Certificate of Registration (COR) from RBI. 3) As per RBI directions auditor needs to inquire upon COR of NBFC and report exceptions to department of non-banking supervision of RBI and hence auditor needs to submit a report accordingly.



		(Read with Clause XVIa of CARO 2020)
240)	Mr. G. has been appointed as an auditor of LMP Ltd., a NBFC company registered with RBI. Mr. G is concerned about whether the format of financial statements prepared by LMP Ltd. is as per notification issued by the Ministry of Corporate Affairs (MCA) dated October 11, 2018. The notification prescribed the format in Division III under Schedule III of the Companies Act, 2013 applicable to NBFCs complying with Ind-AS. Mr. G wants to know the differences in the presentation requirements between Division II and Division III of Schedule III of the Companies Act, 2013. Help Mr. G.	<p>Major differences between Division II of Schedule III (IND AS- COMPANY) and Division III of Schedule III (IND AS- NBFC):</p> <ul style="list-style-type: none"> <li>i) NBFCs allowed to present items in balance sheet in order of their liquidity which is not allowed under DIV II</li> <li>ii) NBFCs need to separately disclose the following: <ul style="list-style-type: none"> <li>a) Debts due from LLP in which director is a partner/member</li> <li>b) Show 'RFO' and 'Other Income' on face of P&amp;L and not just notes.</li> <li>c) trade receivable with high credit risk</li> <li>d) conditions attached to statutory reserves.</li> </ul> </li> </ul>
241)	Abhimanyu Finance Ltd. is a Non-Banking Finance Company and was in the business of accepting public deposits and giving loans since 2015. The company was having net owned funds of ₹ 1,50,00,000/-(one crore fifty lakhs) and was not having registration certificate from RBI and applied for it on 30th March 2023. The company appointed Mr. Kabra as its statutory auditors for the year 2022-23. Advise the auditor with reference to auditor procedures to be taken and reporting requirements on the same in view of CARO 2020?	<p><b>As per Clause (xvi) of Paragraph 3 of CARO 2020, the auditor is required to report that "whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained."</b></p> <p><b>Audit procedures:</b></p> <ul style="list-style-type: none"> <li>a) examine transactions of the company</li> <li>b) Examine compliance with 50-50 rule</li> <li>c) Examine Net Owned fund compliance.</li> </ul>
242)	Yo-Yo Finance Limited is NBFC-ML as per the revised categorisation of NBFC done by RBI. YAK & Associates, a firm of chartered accountants, are appointed as Statutory Auditors of the Company for the year 2023-24. The audit team consists of CA Y, 1 Audit Manager and 3 junior assistants. The Audit Manager has been recently appointed, who does not have much exposure in the field of Auditing of NBFCs. During the engagement team meeting, the Audit Manager asked CA Y, regarding the audit procedures to be undertaken to verify whether the aforesaid Company has followed Prudential Norms? As an Engagement partner suggest any four procedures to the Audit Manager.	<p>Audit procedures- prudential norms</p> <p>Auditor must check NBFC compliance with prudential norms on income recognition, investments, asset classification, provisioning, capital adequacy, and restrictions on lending. Verify Board policy for demand/call loans, correct classification of advances, provisioning per norms, and income from NPAs recognized only on realization.</p> <p>Ensure previously classified NPAs continue as such unless regularized per guidelines.</p>
243)	Singh Ltd. is a company registered under the Companies Act, 2013. The company is engaged in the business of loans and advances, acquisition of shares / stocks / bonds / debentures/securities issued by government or local authorities. For the year ended 31st March 2024, the following are some extracts from the financial statements:	<p><b>50-50 rule as discussed in above questions.</b></p> <p><b>In the given case of Singh Ltd, its financial assets are ₹ 374 Crore i.e., (₹ 61.75 + ₹ 312.25)</b></p> <p><b>Total Assets (netted off by intangible assets) = ₹ 608 Crore</b></p> <p><b>Income from financial assets = ₹ 68 Crore</b></p> <p><b>Gross Income = ₹ 118.75 Crore</b></p> <p><b>From the above, it can be concluded that financial assets of Singh Ltd. constitute more than 50 per cent of the total assets (netted off</b></p>

		<p>(i) Paid-up share capital ₹ 50 Cr.</p> <p>(ii) Non-Current Assets - Loans &amp; Advances ₹ 61.75 Cr.</p> <p>(iii) Current Assets - Loans and advances ₹ 312.25 Cr.</p> <p>(iv) Total assets of the company ₹ 620 Cr.</p> <p>(v) Intangible assets ₹ 12 Cr.</p> <p>(vi) Profit for the Year ₹ 7.25 Cr.</p> <p>(vii) Income from interest and dividends ₹ 68 Cr.</p> <p>(viii) Gross income ₹ 118.75 Cr.</p> <p>Directors intend to apply for registration as Non-Banking Financial Company (NBFC) under Section 45-IA of the Reserve Bank of India (Amendment) Act, 1997. Advise.</p>	<p>by intangible assets) and income from financial assets of Singh Ltd. constitutes more than 50 per cent of the gross income.</p> <p>Hence, Singh Ltd. fulfills both the criteria to qualify as an NBFC. Thus Singh Ltd. can apply for registration under Section 45-IA of the Reserve Bank of India (Amendment) Act, 1997 in prescribed form along with the necessary documents.</p>
244)	15	<p><b>PGC &amp; Associates are statutory auditors of BNPC Limited, a PSU in power sector. It is engaged in building large sized thermal power stations to accelerate development of power sector in the country. One of the financial committees of Parliament has decided to examine its physical and financial performance. It has also examined audit findings of C&amp;AG in respect of which action is yet to be taken by the said PSU. The committee also proposes to include in its report performance of the company in various operational matters. Which financial committee of Parliament deals with such matters? Outline its main functions.</b></p>	<p><b>COPU- Committee on Public undertakings. Functions are</b></p> <p>a) to examine reports and accounts of public undertakings and CAG</p> <p>b) to examine autonomy and efficiency of PSU</p> <p>c) to exercise such functions as allotted by Speaker from time to time.</p>
245)		<p><b>PS &amp; Associates are statutory auditors of a Central government owned company for a particular year. The statutory auditors were required to examine the following areas mandatorily, provide their specific replies and also their impact on financial statements for that particular year in their audit report.</b></p> <p><b>1. Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.</b></p> <p><b>2. Whether there is any restructuring of an existing loan or cases of waiver / write off of debts / loans/ interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? 3. Whether funds (grants/subsidy etc.) received / receivable for specific schemes from Central government or its agencies were properly accounted for / utilized as per its term and conditions? List the cases of deviation. Can you gauge likely nature of such responsibility thrust upon auditors of above PSU?</b></p>	<p>relate to directions issued by C&amp;AG to statutory auditors under section 143(5) of Companies Act, 2013.</p> <p>As per above section → auditor shall submit audit report which among other things, include the directions, if any, issued by the C&amp;AG the action taken thereon and its impact on the accounts and financial statements of the company.</p>

246)	<b>The reports of the Comptroller and Auditor General of India on the audit of PSUs are presented to the Parliament and to various state legislatures to facilitate a proper consideration. Enumerate the contents of Audit Report presented by C &amp; AG.</b>	Audit report of C&AG a) Intro- review of results of PSU b) Results of comprehensive appraisal of selected PSUs by audit board c) Results of PSUs not selected by audit board d) Summary of Company Auditor's report.
247)	<b>ABG &amp; Co., a Chartered Accountant firm has been appointed by C &amp; AG for performance audit of a Sugar Industry. What factors should be considered by ABG &amp; Co., while planning a performance audit of Sugar Industry?</b>	Planning performance audit of a Sugar Industry: UDAAAATI Understanding of the entity Defining objective and scope Audit criteria to be defined Audit Approach to be defined Audit Questionnaire to be defined Audit Design Matrix to be designed Audit Team skills to be assessed Timetable and Resources Intimation of programme to the PSU
248)	<b>Sunlight Limited is a public sector undertaking engaged in production of electricity from solar power. It had commissioned a new project near Goa with a new technology for a cost of ` 5,750 crore. The project had seen delay in commencement and cost overrun. State the matters that a Comprehensive Audit by C&amp;AG may cover in reporting on the performance and efficiency of this project.</b>	Comprehensive audit- Areas covered i) Planned vs Actual output? ii) Budgeted vs Actual Cost? iii) Procurement policies? iv) Under/Over Utilisation of capacity and resources etc.
249)	<b>"A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action." Briefly discuss the issues addressed by Performance Audits conducted in accordance with the guidelines issued by C&amp;AG.</b>	Issues addressed by Performance Audit EEE of operations E- Economy (cost optimization) E- Efficiency (input output ratio) E-Effectiveness (intended vs actual impact)
250)	<b>BT Ltd , a company wholly owned by central government was disinvested during the previous year, resulting in 40% of the shares being held by public. The shares were also listed on the BSE. Since the shares were listed, all the listing requirements were applicable, including publication of quarterly results, submission of information to the BSE etc. Sam, the FM of the company is of the opinion that now the company is subject to stringent control by BSE and the markets, therefore the auditing requirements of a limited company in private sector under the</b>	1) Prove that it is a govt company as per companies act, 2013 2) Explain Role of CAG- Powers to appoint and direct auditor of govt co, right to order supplementary audit etc.

		Companies Act 2013 would be applicable to the company and the C&AG will not have any role to play. Comment.	
251)		You have been appointed as auditor of a AKY Ltd. After having determined the audit objectives, now you have been requested to draft audit criteria. What are the sources that you will use while doing the task?	Sources to develop audit criteria a) Internal Policies of PSU b) Academic Research c) Expert opinion d) Laws governing the PSU e) Other entities in the same industry etc..
252)		Comptroller & Auditor General appointed Verma & Associates, a chartered accountant firm, to conduct Performance audit of MAP Ltd., a public sector undertaking of Government of India. The firm conducted the audit with a view to check all the expenses of the unit are in conformity with the public interest and publicly accepted customs. The audit report submitted by audit firm was rejected by C&AG. Give your opinion on the action of C&AG.	Performance audit focuses upon EEE of operations whereas in the given question the auditor has done propriety audit and therefore, CAG is correct.
253)		The objectives of audit in connection with a State Electricity Distribution Company were to ascertain whether the: (i) (total cost of providing electricity is being recovered by timely submissions to the State Electricity Regulatory Commission; (ii) tariff orders, sales circulars and sales instructions were issued timely, without any ambiguity. They were implemented in time; (iii) metering, billing and collection was managed efficiently and effectively; (iv) monitoring and internal controls were efficient. What kind of audit is referred in the above scenario? Also briefly discuss the steps suggested to the auditors for planning such an audit.	Performance Audit. Planning performance audit- UDAAAATI
254)		During the course of an audit of a state government department, the Office of the Comptroller & Auditor General of India (CAG) observed that the prescribed law in the state defined a "flat" based on the following two criteria in a premises: • Dwelling units exceeding a threshold limit • Buildings with a total area surpassing a threshold limit However, it was noted during the audit that the relevant database did not include a column for entering the area of the building. Consequently, a certain number of buildings were identified as flats even though they had fewer dwelling units than the threshold limit. In the absence of data regarding the area, the audit team directed physical	Compliance Audit In the given case, it is a "Compliance Audit" performed by Office of Comptroller & Auditor General of India. Compliance audit is the independent assessment of whether a given subject matter is in compliance with the applicable criteria.  Regularity- adherence of the subject matter to the formal criteria emanating from relevant laws, regulations, and agreements applicable to the entity.  Under Article 151, audit reports of the C&AG relating to the accounts of the Central/ State Government should be submitted to the



		<p>verification of these flats. The physical verification confirmed that these buildings were incorrectly classified as flats, resulting in the department undercollecting water charges.</p> <p>Identify type and nature of audit being performed by Office of Comptroller &amp; Auditor General of India. To whom report of such audit was likely to have been submitted.</p>	<p>President/Governor of the State who shall cause them to be laid before Parliament/State Legislative Assemblies.</p>
255)		<p><b>Direct Benefit Transfer (DBT) is a major reform initiative of the Government of India to ensure better and timely delivery of benefits from Government to people. It marks a paradigm shift in the process of delivering benefits like wage payments, fuel subsidies, food grain subsidies, etc. directly into the bank accounts of the beneficiaries removing leakages and enhancing financial inclusion. The office of C &amp; AG of India is likely to undertake a performance audit for a block of years in a state of some selected social security pension schemes and scholarship schemes under DBT.</b></p> <p>What are likely to be objectives of such performance audit? Explain the meaning of “audit criteria” and also discuss how these can be determined in above case.</p>	<p>Objectives of Performance Audit and Audit criteria:</p> <p>The performance audit by the C&amp;AG of India on selected pension and scholarship schemes may assess planning for beneficiary data, DBT implementation (delays, pilferage, duplication), and infrastructure effectiveness. Audit criteria—standards for assessing performance—can be drawn from government circulars, SOPs, scheme guidelines, and relevant literature.</p>
256)	16	<p><b>After an illustrious career in Indian Audit &amp; Accounts Service for about 25 years, Parteek, a post graduate in law, has taken voluntary retirement from government service. Being in fine spirits, he wants to take responsibilities in corporate sector as Chief internal auditor. On looking at attractive compensation packages, he applied for such position in a leading listed company engaged in oil refining business. The Board of company is keen on him due to his impressive credentials. Can he be appointed in this leading position of said company?</b></p>	<p>Section 138 of Companies Act, 2013- Internal Auditor eligibility- he may or may not be a CA. He should have sufficient experience to conduct Internal Audit.</p> <p>Hence, no issues in the given case.</p>
257)		<p><b>CA Deva is internal auditor of a listed company. The company wants to make sure that it is in compliance with SEBI requirements at all times and it is never on the wrong side of law. It asks its internal auditor to manage its compliance tracking system including directly corresponding with regulator in this regard. The profile and scope of internal audit agreed at time of appointment included “compliance with laws and regulations.” Can he perform such type of activities in capacity of internal auditor of company?</b></p>	<p>Scope of Internal Audit- Verifying internal controls with respect to compliance with laws and regulations is a part of scope of internal audit. However, internal auditor himself is not supposed to execute/operate compliance. He is responsible for auditing it and not managing it. Therefore, this is not correct.</p>



258)	<p>Up Down Limited is in doldrums since last two years. The demand for its products has declined drastically. The statutory auditor is of the view that situation has put into question going concern assumption of the company. Its internal auditor has helped management in devising a strategy to deal with such risks and come out of the situation. The plan includes venturing into different product lines using same plant with minor modifications. Further, internal auditor has also prepared estimates of revenue generation along with cash flows. Can statutory auditor place total reliance on work performed by internal auditor in this regard?</p>	<p>The greater the judgment needed to be exercised in planning and performing the audit procedures and evaluating the audit evidence, the external auditor will need to perform more procedures directly → SA 610 principle. Therefore, stat auditor cannot place total reliance.</p>
259)	<p>The Managing Director of X Ltd is concerned about high employee attrition rate in his company. As the internal auditor of the company he requests you to analyze the causes for the same. What factors would you consider?</p>	<p>Job stress, improper remuneration etc... write 5-6 such points</p>
260)	<p>Write a short note on Internal Audit Report.</p>	<p>Internal audit report- SIA 370- 2 stages A) Assignment based (at the end of assignment) B) Period based (at the end of a period) Internal Audit report should include opinion, recommendation, responses of the mgmt. etc.</p>
261)	<p>State the important aspects to be considered by the External auditor in the evaluation of the Internal Audit Function.</p>	<p>SA 610- External auditor considers OCA- Objectivity, Competence and Approach</p>
262)	<p>AB Pvt. Ltd. company has outstanding loans or borrowings from banks exceeding one hundred crore rupees wants to appoint an internal auditor. Please guide him for the applicability of the same and who can be appointed as an internal auditor and what work would be reviewed by him.</p>	<p>Sec 138 of Companies Act, 2013- applicability in case of Pvt Limited Company- → Turnover Rs. 200 cr or more or Loans/Borrowings exceeding Rs. 100 cr or more</p> <p>Therefore, applicable.</p> <p>Eligibility discussed above.</p> <p>Internal auditor shall review controls related to FOLA- FR, operations, Law, Assets, information etc.</p>
263)	<p>Moon Ltd. of which you are the Statutory Auditor, have an internal audit being conducted by an outside agency. State the factors that weigh considerations in opting to make use of direct assistance of the internal auditors for the purpose of statutory audit.</p>	<p>SA 610 notes- factors to be considered for direct assistance.</p>
264)	<p>Mr. A is appointed as a statutory auditor of XYZ Ltd. XYZ Ltd is required to appoint an internal auditor as per statutory provisions given in the Companies Act, 2013 and appointed Mr. B as its internal auditor. The external auditor Mr. A asked</p>	<p>SA 610 notes- factors to be considered for direct assistance.</p> <p>Cannot take direct assistance for high judgment and high risk areas.</p>

	<p><b>internal auditor to provide direct assistance to him regarding evaluating significant accounting estimates by the management and assessing the risk of material misstatements.</b></p> <p><b>(a) Discuss whether Mr. A, statutory auditor, can ask direct assistance from Mr. B, internal auditor as stated above in view of auditing standards.</b></p> <p><b>(b) Will your answer be different if Mr. A asks direct assistance from Mr. B, internal auditor with respect to external confirmation requests and evaluation of the results of external confirmation procedures?</b></p>	<p>So for question a) Answer is NO</p> <p>For question b) Co-ordination for external confirmation request can be allowed for direct assistance but not evaluating the results thereof.</p>
265)	<p><b>The XYZ Ltd has to appoint Mr. A as Chief Internal Auditor to lead the internal audit function for the Company. The Managing Director of the Company has asked the HR head to define the reporting structure of the Chief Internal Auditor, so that he can discharge his duties objectively? Suggest the ideal reporting structure of the Chief Internal Auditor that HR head may propose to the Managing Director?</b></p>	<p>In order to maintain objectivity of Internal auditor</p> <p>a) He should not be given any operational responsibility</p> <p>b) He should report directly to the executives</p> <p>c) there should be no conflict of interest and he should remain free from undue influences.</p>
266)	<p><b>The XYZ Ltd is has appointed Mr. A to conduct their internal audit for new financial year. The Audit committee requested Mr. A to present their Internal Audit plan for next financial year? What approach would Mr. A follow to prepare the internal audit plan for next year?</b></p>	<p>Internal Audit plan to be agreed in consultation with Board of Directors and Audit Committee.</p> <p>Main considerations: CURVE</p> <p>Coverage of all areas</p> <p>Underlying risk involved in business processes</p> <p>R- Risk appetite of the entity</p> <p>V- value that internal auditor can provide</p> <p>E- effort involved.</p>
267)	<p><b>The XYZ Ltd is has appointed Mr. A to conduct their internal audit for new financial year. The Audit committee requested Mr. to perform detailed analysis of their expenses in previous year and report all risks and underlying gaps? What audit approach should Internal Auditor follow to identify such gaps?</b></p>	<p>Typical internal audit engagement comprises of following five steps: Step 1 – Obtain knowledge of the Business and its Environment</p> <p>Step 2 – Perform Audit Planning Step 3 – Gather required information</p> <p>Step 4 – Perform audit checks</p> <p>Step 5 – Reporting of Internal Audit Issues</p>
268)	<p><b>The XYZ Ltd is has appointed Mr. A to conduct their internal audit for new financial year. The Audit committee requested Mr. to present detailed report on their finding and areas where immediate action is needed to mitigate critical risks? What should be the content of internal audit report to address this requirement of the Audit Committee?</b></p>	<p>SIA 370 reporting results- Assignment based report- at the end of a particular assignment this report is given- it should have overview of objective and scope, opinion, recommendation, summary, reference to SIA,</p>
269)	<p><b>The XYZ Ltd is has appointed Mr. A to conduct their internal audit for new financial year. The Audit committee requested Mr. A to present their analysis on the implementation of recommendation of previous audit report and highlight critical areas which need immediate attention of Audit</b></p>	<p>SIA 390- monitoring results</p> <p>Chief Internal auditor should prepare action taken report (ATR) to close the previous audit issues. If management has not taken corrective action then auditor should obtain the reasons for the same and update ATR.</p>

		<b>Committee? What should be the steps followed by internal auditor to address this requirement of Audit Committee?</b>																									
270)		<p><b>One of the independent directors sought information regarding the appointment of internal auditors for the following Group Companies in accordance with the Companies Act, 2013 of which certain financial information is given below: Figures are in ` crore and correspond to the previous year.</b></p> <table><tr><th>Name</th><th>Nature</th><th>Equity Share Capital</th><th>Turnover</th><th>Loan from Bank and PFI</th><th>Public Deposits</th></tr><tr><td>XYX Limited</td><td>Listed</td><td>100</td><td>230</td><td>20</td><td>48</td></tr><tr><td>MNM Limited</td><td>Unlisted Public</td><td>60</td><td>100</td><td>50</td><td>24</td></tr><tr><td>GFG Limited</td><td>Unlisted Private</td><td>70</td><td>180</td><td>80</td><td>-</td></tr></table> <p><i>You are required to evaluate the requirements regarding the appointment of internal Auditors for the Group Companies. Discuss.</i></p> <p><b>You are required to evaluate the requirements regarding the appointment of internal Auditors for the Group Companies. Discuss.</b></p>	Name	Nature	Equity Share Capital	Turnover	Loan from Bank and PFI	Public Deposits	XYX Limited	Listed	100	230	20	48	MNM Limited	Unlisted Public	60	100	50	24	GFG Limited	Unlisted Private	70	180	80	-	<p>As per section 138 of the Companies Act, 2013, following class of companies (prescribed in Rule 13 of the Companies (Accounts) Rules, 2014) shall be required to appoint an internal auditor or a firm of internal auditors, namely:- (Refer S138)</p> <p>In the given case, XYX Limited is a listed company. As per section 138 of the Companies Act, 2013, every listed company is required to appoint an internal auditor or a firm of internal auditors. Thus, in view of the above, XYX Limited is required to appoint an internal auditor.</p> <p>Further, MNM Limited is unlisted public company. The company is having ₹ 60 crore as equity share capital which is exceeding the prescribed limit of rupees fifty crore as per section 138. Thus, MNM Limited is required to appoint an internal auditor as per section 138 of the Companies Act, 2013.</p> <p>GFG Limited is unlisted private company and having ₹ 70 crore as equity share capital, ₹ 180 crore as turnover and ₹ 80 crore loan from Bank and PFI. In view of provisions of section 138 of the Companies Act, 2013 discussed above, all the limits are below the prescribed limit for a private company. Therefore, GFG Limited is not required to appoint an internal auditor.</p>
Name	Nature	Equity Share Capital	Turnover	Loan from Bank and PFI	Public Deposits																						
XYX Limited	Listed	100	230	20	48																						
MNM Limited	Unlisted Public	60	100	50	24																						
GFG Limited	Unlisted Private	70	180	80	-																						
271)		<p><b>Rishi is appointed as internal auditor for SPOM Limited, a medium-sized manufacturing company, while CA Nitin is the statutory auditor of SPOM Limited.</b></p> <p><b>a) During the review, Rishi notices several discrepancies in the disbursement records and suspects there might be weaknesses in the internal control system. Additionally, there have been recent changes in the company's business policies that he was not informed about. Rishi is concerned about maintaining his independence and objectivity while ensuring that management is aware of these issues. What are the responsibilities of Rishi as an Internal Auditor with respect to the accounting function and financial records of the organisation?</b></p>	<p>Independence and objectivity of IA and responsibilities of IA</p> <p>Rishi, as an internal auditor, must independently and continuously examine internal controls and accounting procedures, avoid executive functions to maintain objectivity, report discrepancies to management, critically assess policies, stay informed on business changes, and preserve his independent status at all times.</p> <p>b) Using IA for direct assistance- As per SA 610, CA Nitin cannot seek direct assistance from internal auditors for procedures involving significant judgments, such as evaluating the appropriateness of management's use of the going concern assumption.</p>																								

		b) CA Nitin asked Rishi to provide direct assistance to him regarding evaluating the appropriateness of management's use of the going concern assumption. In view of Standards on Auditing, whether Nitin can ask direct assistance from Rishi as stated above?	
272)		CA Sanjana has recently joined as Chief Internal Auditor of Up Scale Limited, a listed company. Her subordinate staff in the internal audit department brings to her knowledge many prior audit issues highlighted in the previous internal audit reports which are still open. Does she have any responsibilities in this regard? How should she proceed in this situation?	Monitoring by IA As Chief Internal Auditor, CA Sanjana is responsible for formally monitoring and reporting the closure of prior audit issues through an "Action Taken Report (ATR)," evaluating management's implementation of past audit recommendations, and periodically reporting unresolved or partially implemented actions to management and those charged with governance.
273)		STU & Associates have been the statutory auditors of the listed company "First and Last Ltd.," operating in the petrochemical industry, for the past three years. CA K, the engagement partner, had designed certain substantive procedures on some selected assertions in response to the assessed risk of material misstatements for the year under audit. These assertions were not examined by him in previous years due to materiality or risk considerations. Mr. X leads the internal audit department of the company and reports to the company's audit committee. During the audit, a senior member of the engagement team decides to engage Mr. X to provide direct assistance in performing the above substantive procedures. Comment with respect to the relevant Standards on Auditing. Also, indicate the activities to be performed by the statutory auditor prior to using internal auditor for providing direct assistance.	SA 610 As per SA 610, using internal auditors like Mr. X to provide direct assistance in areas involving fraud risk or unpredictable procedures is not proper, as it defeats the purpose of those audit procedures. The external auditor must also obtain written agreements from both the entity and internal auditors before using their assistance.
274)		The management of High Limited is concerned with the reporting requirement cast through Rule 11 of the Companies (Audit and Auditors) Rules, 2014 for the financial year 2023-24 with regard to the Audit Trail (edit log). Audit trails may be enabled at the accounting software level depending on the features available in such software or same may be captured directly in the database underlying such accounting software. Consequently, the management of the company approached CA J and asked him to suggest them list of internal controls which may be required to be implemented and operated to demonstrate that	Audit Trail Audit trail is a chronological record of changes made to data, capturing timestamp, user ID, and data reference. Companies must implement IT controls to ensure the audit trail is active, secure, and backed up, and auditors evaluate these controls accordingly.

		the Audit trail (or Edit Log) feature was functional, operated and was not disabled. Guide CA J.	
275)	17	<p>CA. Y is employed with a leading private sector BDFP Bank posted in NOIDA branch. One of the existing borrowers has approached branch with a proposal to sanction fresh term loan of `5 crore with commensurate increase in working capital credit facilities relating to expansion of its garment manufacturing unit. While performing due diligence, he notices that company was formed just two years ago and had availed term loan of ` 10 crore and cash credit facilities of `5 crore respectively. Its sales have increased from ` 25 crores in first year to `45 crores in year just ended. It is generating cash profits and is timely servicing its debts. The borrower was earlier catering to domestic market. However, now it is in process of procuring export orders and working assiduously in this regard. The expansion plans are in line with development in area of marketing relating to exports. However, there are a large number of units catering to domestic and export market of garments in NOIDA, Delhi and surrounding areas. There is also demand slump in biggest US market. Besides, the unit is family-based and relies upon marketing skills of its main promoter. There is lack of well-paid qualified staff with the borrower to deal effectively with its customers both domestic as well as foreign. He starts jotting down and elaborating above points. Identify what he is trying to do as part of due diligence.</p>	<p>Due Diligence.</p> <p>CA Y is performing SWOT analysis of the borrower i.e. Strengths, weaknesses, opportunities and Threats.</p> <p>Strengths- rise in sales, generation of cash profits and timely service of debts.</p> <p>Weakness- Lack of well paid staff.</p> <p>Opportunity- Entering into export market</p> <p>Threats- Presence of large number of competitors and demand slump in US market.</p>
276)		<p>A company has installed an Effluent treatment plant (ETP) in compliance with pollution control regulations of the state government. The authority structure in the company is fairly decentralized and top management of the company has given considerable leeway to different departments for meeting their manpower requirements in accordance with emerging and changing needs from time to time. Of late, the top management has grown suspicious over manpower expenditure in section maintaining and beautifying area around ETP. There is a system in the company where time cards are punched by all employees to mark attendance. Suggest any one procedure you would perform as an investigator to bring out the facts.</p>	<p>Investigation of manpower expenditure</p> <p>Analyse attendance record wrt in time and out time.</p> <p>Surprise visit to see actual number of workers.</p> <p>Check actual work done to do a productivity analysis vis a vis expenditure.</p>
277)		<p>X Limited engaged in manufacturing of floor coverings has taken a Product Liability Insurance policy (PLI). Such a policy covers risk of liabilities</p>	<p>Special issues while conducting forensic investigation of insurance claim and damage.</p>



	<p>for damages for bodily injury resulting from sale and distribution of floor coverings by vendors of X Limited's products. The policy is also subject to "claim series" clause. A Claims Series event is a series of two or more claims arising from one specific common cause which are attributable to the same fault in design or manufacture of products or to the supply of the same products showing the same defect. A claim series event is deemed to be one claim under the terms &amp; conditions of PLI policy. The company has been asked to shell out damages of `5 crore due to supply of faulty products to one of its vendors. The vendor had sold floor coverings to a 5-star hotel which has alleged that harmful chemicals used in dyeing of floor coverings have resulted in skin ailments to some of its guests. Being in capacity of forensic accountant Professional appointed by insurance company, what special issues you would keep in mind while dealing with claims involving PLI policy covering such matters?</p>	<p>i) third party may be unwilling to provide relevant documents to forensic accountant  ii) Forensic accountant needs to resist any pressure or interference in establishing the scope. Maintain Independence and objectivity.  iii) Quantification of legal liability can prove to be a challenging task.  iv) Careful analysis of date of loss</p>
278)	<p>Sri Rajan is above 80 years old and wishes to sell his proprietary business of manufacture of specialty chemicals. Ceta Ltd. wants to buy the business and appoints you to carry out a due diligence audit to decide whether it would be worthwhile to acquire the business. What procedures you would adopt before you could render any advice to Ceta Ltd.?</p>	<p>Financial due diligence:</p> <ul style="list-style-type: none"> <li>◆ Brief description of the history of business and promoters</li> <li>◆ Accounting policies and practices followed by the organization</li> <li>◆ Details of management structure</li> <li>◆ Trading results both past and the recent past</li> <li>◆ Assets and liabilities as per latest balance sheet</li> <li>◆ Current status of Income tax assessments</li> <li>◆ Cash flow patterns</li> <li>◆ The projection of future profitability</li> </ul>
279)	<p>An American Company engaged in the business of manufacturing and distribution of industrial gases, is interested in acquiring a listed Indian Company having a market share of more than 65% of the industrial gas business in India. It requests you to conduct a "Due Diligence" of this Indian Company and submit your Report. List out the contents of your Due Diligence Review Report that you will submit to your USA based Client.</p>	<p>Contents of Due Diligence report</p> <ol style="list-style-type: none"> <li>1) Executive summary</li> <li>2) Introduction</li> <li>3) Background of the target</li> <li>4) Objectives and scope of DD</li> <li>5) Observations of the review</li> <li>6) Assessment of Income, expense, asset, liabilities etc.</li> <li>7) SWOT analysis</li> <li>8) Suggestions/Recommendations</li> </ol>
280)	<p>KDK Bank Ltd., received an application from a pharmaceutical company for takeover of their outstanding term loans secured on its assets, availed from and outstanding with a nationalised bank. KDK Bank Ltd., requires you to make a due diligence audit in the areas of assets of</p>	<p>Due Diligence- Overvalued assets:  Check whether:</p> <ol style="list-style-type: none"> <li>1) Uncollected/uncollectable receivables.</li> <li>2) Obsolete, slow non-moving inventories</li> <li>3) Litigated assets and property.</li> <li>4) Intangible assets of no value.</li> </ol>

		pharmaceutical company especially with reference to valuation aspect of assets. State what may be your areas of analysis in order to ensure that the assets are not stated at overvalued amounts.	
281)		“Due diligence is different from audit” – Explain the difference between due diligence and audit.	DD→ refers to an examination of a potential investment to confirm all material facts of the prospective business opportunity. Audit→ (write definition of audit of FS)
282)		PB Ltd. entered into a deal with SV Ltd. for buying its business of manufacturing wooden products/goods. PB Ltd. has appointed your firm for conducting due diligence review and they want to know the cash generating abilities of SV Ltd. What points will you check in order to ensure that the manufacturing unit of SV Ltd. will be able to meet the cash requirements internally?	Due Diligence of cash generating abilities: 1) Is the company able to honor its commitments? 2) funds lying idle? 3) Conversion of its trade receivables and inventory.
283)		CA. Sanjana is acting as Credit manager in branch of DFC Bank Limited. A company has approached the branch for a request to sanction credit facilities worth ₹10 crore for meeting usual business requirements. It is a prospective new client. She checks past history of the company, background of promoters & directors, shareholding pattern and nature of business. Assessment of financial results of past years and future projections is also undertaken. She also carries out SWOT analysis of the company. Besides, assessment of net worth of directors is also undertaken. Status of CIBIL score and position of name of promoters/directors in RBI defaulter list is also verified. She also makes discreet inquiries from few clients of the branch engaged in similar line of activity regarding credit worthiness of company, its promoters and directors. Based on above- (a) Identify activity being performed by CA Sanjana and discuss its nature. (b) Would your answer be different if this activity was to be performed by a person not qualified as a Chartered Accountant? Can a non-CA perform such activity? State reason. (c) Name any three other areas where identified activity can be undertaken	a) → activity described in the situation is Due diligence. It is a process of investigation, performed by investors, into the details of a potential investment. → Also, due diligence can apply to recommendation for an investment or advancing a loan/credit. b) no difference in answer if above activity was to be performed by a person who is not a CA. c) areas where due diligence may be undertaken are: (i) Corporate restructuring (ii) Venture capital financing (iii) Public offerings
284)		A nationalised bank received an application from an export company seeking sanction of a term loan to expand the existing sea food processing plant. In this connection, the General Manager, who is in charge of Advances, approaches you to conduct a thorough investigation of this limited company and	(i) Purpose of the loan? How and where it will be applied? (ii) Projected cash flows? (iii) Compliance with MOA AOA and Companies Act, 2013? (iv) Repayment schedule?

		<b>submit a confidential report based on which he will decide whether to sanction this loan or not. List out the points you will cover in your investigation before submitting your report to the General Manager.</b>	(v) Debt-service track record of the company? (vi) Analysis of the balance sheet, P&L statement.
<b>285)</b>		<b>What are the important steps involved while conducting Investigation on behalf of an Incoming Partner?</b>	Write 7-8 points covering financial, operational, business, tax, projection all areas
<b>286)</b>		<b>Mr. Clean who proposes to buy the proprietary business of Mr. Perfect, engages you as investigating accountant. Specify the areas which you will cover in your investigation.</b>	Write 7-8 points covering financial, operational, business, tax, projection all areas
<b>287)</b>		<b>In a Company, it is suspected that there has been embezzlement in cash receipts. As an investigator, what are the areas that you would verify?</b>	You have to practically answer this just like above questions. No need to practice now.
<b>288)</b>		<b>J Ltd. is interested in acquiring S Ltd. The valuation of S Ltd. is dependent on future maintainable sales. As the person entrusted to value S Ltd., what factors would you consider in assessing the future maintainable turnover?</b>	TMC is political T- trend- future trend? M- Marketability of the product C- Competition involved Political- Political scenario
<b>289)</b>		<b>MF. Ltd., engaged in the manufacturing of various products in its factory, is concerned with shortage in production and there arose suspicion of inventory fraud. You are appointed by MF Ltd. To evaluate the options for verifying the process to reveal fraud and the corrective action to be taken. As an investigating accountant what will be your areas of verification and the procedure to be followed for verification of defalcation of inventory?</b>	You have to practically answer this just like earlier questions. No need to practice now.
<b>290)</b>		<b>In a Public Limited Company, it is suspected by the Management that there has been embezzlement in supplier's ledger. As an auditor of the Company, you have been asked to investigate the matter. What are the major areas that you would verify in this regard?</b>	Fraud in supplier's ledger: i) Adjusting fictitious or duplicate invoices ii) Suppressing the Credit Notes issued by suppliers iii) Withdrawing amounts unclaimed by suppliers iv) Accepting purchase invoices at prices considerably higher and collecting excess amount in cash
<b>291)</b>		<b>General objective of an audit is to find out whether the financial statements show true and fair view. On the other hand, investigation implies systematic, critical and special examination of the records of a business for a specific purpose. In view of the above, you are required to brief out the difference between Audit and Investigation.</b>	Explain 1) meaning, 2) scope 3) level of examination 4) inherent limitations etc.
<b>292)</b>		<b>Enumerate the steps to be undertaken in case of forensic accounting process</b>	Steps for forensic accounting process: 1) Initialization- preliminary study 2) Develop Plan 3) Obtaining relevant evidence

		<p>4) Perform analysis- calculate economic damages, summarize transactions, utilizing charts and graphics to explain etc.</p> <p>5) Reporting</p> <p>6) Court proceedings</p>
293)		<p><b>Briefly discuss the key content of Forensic Accounting and Investigation Report.</b></p> <p>FAIS 510 (Forensic Accounting and Investigation Standard) deals with responsibility of the professional to issue a written report. Key Elements:</p> <ol style="list-style-type: none"> <li>1) Title</li> <li>2) Scope and Objectives</li> <li>3) Approach and broad work procedures</li> <li>4) An executive summary of the results</li> <li>5) Assumptions, limitations and disclaimer</li> <li>6) Conclusions.</li> </ol>
294)		<p><b>ABC Ltd. is a listed company having turnover of ` 50 crores &amp; plans expansion by installation of new machines at new building-having total additional project cost of ` 20 crore. Project gets implemented in 2022-23 and one of the accountants report to the Managing Director that some suspicious transactions are noticed in the purchase of building material. But the Management is confused as to whether they should get an audit or Forensic Accounting done for the same. Advise Management about the difference in forensic accounting and audit.</b></p> <p>Difference between Forensic accounting and audit:</p> <ol style="list-style-type: none"> <li>1) Objective → Audit- express an opinion, Forensic- whether fraud has actually taken place.</li> <li>2) Techniques → Audit- substantive and compliance based, Forensic- Investigative, in-depth checking etc</li> </ol>
295)		<p><b>CA Rajpal is performing a forensic accounting engagement involving gathering of evidence in relation to suspected fraud of substantial amount in a company. He has been appointed under the terms of a contractual agreement with the company. The company operates in an electronic environment. While performing engagement, his team has gathered evidence from electronic records in Enterprise Resource Planning system (ERP), messages in company's e-mail system and also from system logs and audit trails generated by company's computer systems. However, while doing so, the team has failed to take care of aspects such as keeping records of each person in team gathering relevant evidence, date and time of collection and storage of such evidence. What implications may it have on forensic accounting engagement as such?</b></p> <p>In a <b>forensic accounting engagement</b>, the professional undertakes a <b>scrutiny and detailed examination</b> of all transactions and balances relevant to the mandate so that <b>evidence gathered is suitable in a Court of Law</b>, i.e., in <b>compliance with legal requirements</b> and can withstand <b>cross-examination</b>. It is important that the <b>team is skilled</b> in collecting evidence in a legally admissible manner, maintaining a <b>clear chain of custody</b> until it is presented in court. If there are <b>gaps in chain of custody</b>, such as failure to record <b>persons gathering relevant evidence, date and time of collection and storage</b>, the <b>evidence may be challenged</b> or become <b>inadmissible</b> in court. Hence, failure to maintain the chain of custody <b>defeats the objective</b> of forensic accounting engagement.</p>
296)		<p><b>Mr. Rajat, while reviewing the anti-fraud controls for a construction company, found that the company has witnessed a few frauds in the past mainly in the nature of material theft from the sites</b></p> <p><b>Inventory frauds</b> involve <b>misappropriation of goods</b> and their <b>concealment</b>.</p> <p>(i) Employees may <b>remove goods</b> from premises.</p>

	<p>and fake expense vouchers. Mr. Rajat is evaluating options for verifying the process to reveal fraud and the corrective action to be taken in such cases. As an expert in fraud prevention, you have been asked to brief Mr. Rajat about the inventory fraud and verification procedure with respect to defalcation of inventory.</p>	<p>(ii) <b>Theft</b> may be hidden by writing off goods as <b>damaged</b>.</p> <p>(iii) <b>Inventory records may be manipulated</b> so that <b>book quantities tally</b> with actual quantities, hiding the theft.</p> <p>(iv) <b>Inflating quantities issued for production</b> is another method to defalcate raw materials and store items.</p> <p>(v) <b>Stocks dispatched but not recorded in sales/debtor's account</b> is also a form of concealment</p> <p>Procedure:.</p> <p>The <b>first step</b> is to check <b>physical inventory</b> against the <b>Inventory Book</b>, verify <b>staff duties</b>, and look for <b>excessive control</b> with one person. Then, match entries with <b>Goods Inward/Outward Registers, purchase/sale documents, and returns</b>.</p> <p><b>Shortages</b> must be <b>reconciled</b> with discrepancies found. In industrial cases, verify <b>raw material issues</b> and <b>finished goods receipts</b>. Sometimes, <b>management commits fraud by diverting production and inflating wastage or material issued</b>. An <b>engineer's help</b> and <b>past records</b> can aid in identifying inflated shortages.</p>
297)	<p>Sid is a financial analyst working for a large corporation that is considering the acquisition of a mid-sized manufacturing company. The initial financial statements provided by the target company appear to be in order, showing profits and a solid asset base. However, his team is concerned about potential risks that may not be immediately visible in the financial documents provided. Guide Sid on what specific aspects should be focused during due diligence to ensure that there are no hidden liabilities in this deal?</p>	<p><b>Hidden Liabilities – Key Points (5)</b></p> <ul style="list-style-type: none"> <li>-<b>Show cause notices</b> not disclosed as <b>contingent liabilities</b>, though they may be <b>material and important</b>.</li> <li>-<b>Letters of Comfort</b> given to banks/financial institutions not shown in the <b>Balance Sheet</b> as these are not “<b>guarantees</b>”.</li> <li>-<b>Indemnity agreements</b> for liabilities of <b>sold subsidiaries/businesses</b>, not reflected in books.</li> <li>-<b>Product and other liability claims</b>, including <b>warranty liabilities, returns, liquidated damages, and litigation</b>.</li> <li>-<b>Unfunded employee liabilities</b>, such as <b>gratuity, leave salary, or labour claims</b> under expired wage agreements.</li> </ul>
298)	<p>Quality Ltd. is engaged in the business of manufacturing and distribution of various Ready to cook products like vegetables, Noodles etc. The government made certain changes in rules and regulations relating to this sector, consequently management decided to go for expansion. Management was looking for some financial investor who can fund some part of the proposed expansion. Mr. Aman is interested in the venture and appoints you to act as an advisor to the</p>	<p>In the case of <b>Quality Ltd.</b>, engaged in <b>ready-to-cook products</b>, <b>Aman</b>, a potential financial investor, initiated an <b>investigation of audited financial statements</b> to evaluate the <b>share valuation</b> for expansion funding.</p> <ul style="list-style-type: none"> <li>-If investigation is due to <b>doubt in audited statements</b>, <b>no reliance</b> should be placed on them.</li> <li>-If the purpose is to <b>establish business/share value or goodwill</b>, reliance on <b>audited</b></li> </ul>



		<p>proposed investment in the business of Quality Ltd. You have to investigate the audited financial statements and ensure that the valuation of shares of the company on the basis of audited financial statements is appropriate. What process will be used for checking and can reliance be placed on the already audited statement of accounts?</p>	<p>statements is allowed <b>unless</b> audit appears <b>casual</b> or terms require <b>fresh verification</b>.          -If <b>unaudited statements</b> are provided, the <b>investigator must verify</b> figures thoroughly.          -If <b>accounts are specially prepared</b> by a <b>professional accountant</b> for investigation, they can be <b>relied upon</b>, considering <b>liability to third parties</b>.          -The <b>objectivity</b> of such accounts must be ensured, and any <b>bias</b> avoided.</p>
299)		<p>Core Limited submitted a credit proposal XYZ Bank Limited for the sanction of a Term Loan of ` 150.00 crore required for procuring and installing a latest Plant and machinery for their upcoming project. Based on the application, XYZ Bank Limited approached CA P to investigate the profitability of the business for judging the accuracy of the schedule of repayment furnished by Core Limited, as well as the value of the security in the form of assets of the business already possessed and those which will be created out of the loan. Elucidate the steps that should be undertaken by CA P?</p>	<p>To investigate <b>profitability</b> and evaluate the <b>repayment schedule</b> and <b>asset-based security</b>:  <b>(a)</b> Prepare a <b>condensed income statement</b> from the <b>Statement of Profit and Loss</b> for the <b>previous five years</b>, showing:           <ul style="list-style-type: none"> <li>• <b>Income and expenses</b></li> <li>• <b>Gross and net profits</b></li> <li>• <b>Taxes paid annually</b></li> <li>• Determine <b>maintainable profits</b>, and adjust for profits expected from the <b>investment of borrowed funds</b>.</li> </ul> <b>(b)</b> Compute and include the following <b>financial ratios</b> in the statement to show <b>trends and changes</b>:           <ol style="list-style-type: none"> <li>1. <b>Sales to Average Inventories held</b></li> <li>2. <b>Sales to Fixed Assets</b></li> <li>3. <b>Equity to Fixed Assets</b></li> <li>4. <b>Current Assets to Current Liabilities</b></li> <li>5. <b>Quick Assets to Quick Liabilities</b></li> </ol> <b>(c)</b> Provide a <b>break-up of annual sales product-wise</b> in a separate part of the statement to reflect the <b>trend</b>.</p>
300)	18	<p>You have recently joined a listed company after qualifying CA final exams through campus placement programme conducted by CMI&amp;B at ICAI. Although the company you have joined in is not amongst top 1000 listed companies in the country, it wants to include “Sustainability reporting” in accordance with Global Reporting Initiative framework (GRI) in its annual report on voluntary basis. “Sustainability reporting” seems to be new buzzword in corporate circles and you are assigned responsibility for collating all the information required for such reporting. In above context, dwell upon what is your understanding of “Sustainability reporting”? Can you list some of its expected benefits?</p>	<p>Sustainability reporting- reporting publicly on its EESI- economic, environmental and social impact and its contributions towards goal of sustainable development.          Expected benefits:          a) Helps to understand performance vis a vis sustainability and impacts.          b) help entities to focus on long-term value creation          c) helps investor in making investment decisions</p>
301)		<p>Trustworthy Industries Limited (a listed company) has already been preparing and disclosing its sustainability report based upon internationally</p>	<p>i) Intellectual capital-. It involves use of technology for deriving business benefits. It has</p>

	<p>accepted reporting framework of “Integrated Reporting” on a voluntary basis even some years before BRSR reporting became mandatory. Even after BRSR reporting became mandatory, it is cross-referencing disclosures made under such reporting to disclosures sought under BRSR. The key thrust of “Integrated Reporting” is how company creates value over short, medium and long term. Following further information is provided in respect of the above company: - [i] It has increased the number of customers using digital customer mobile app of the company from 2 lac users to 4 lac users. There is 100% increase in digital collection. It has benefitted customers of the company and resulted in use of digital methods for business operations of the company. [ii] It has increased the number of beneficiaries under its flagship CSR programmes from previous 10000 to 75000. It has provided value for communities and provided sustainable livelihood to them. Discussing above information, identify which of the capitals of “Integrated Reporting” are being referred to at [i] and [ii] respectively?</p>	<p>invested in innovation deriving business benefits from digitization.</p> <p>ii) Social and Relationship Capital- relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being.</p>
302)	<p>What type of companies are required to mandatorily furnish the Business Responsibility and Sustainability Report (BRSR) as per the SEBI circular with effect from FY 2022-23?</p>	<p>The reporting questionnaire is divided into three sections:</p> <p>Sec A- General Disclosures: contains the details of the listed companies, its products, services, operations, employee related details, its holding, subsidiary, associate companies etc.</p> <p>Sec B- Management Process and disclosures</p> <p>Sec C- Principle-wise performance disclosures report upon Key performance indicators (KPIs)</p> <p>A. Essential Indicators (Mandatory disclosures) e.g. carbon emissions</p> <p>B. Leadership indicators (Optional disclosures) E.g. conflict management policy</p>
303)	<p>What are the nine principles of BRSR? How are the nine principles of BRSR linked with the 17 UN Sustainable Development Goals?</p>	<p>Refer 18.18 of module. There is no shortcut to this answer. Principle 7 and Principle 9 are important.</p>
304)	<p>What are the global trends in sustainable reporting?</p>	<p>CGI</p> <p>C- Carbon disclosure project: captures the environmental performance data which is related to GHG emissions, water, forests, and supply chain</p> <p>G- Global Reporting Initiative: to report on economic, environmental, and social impacts</p> <p>I- International Integrated Reporting framework: o allow the companies to produce integrated reports</p>

305)	What are the 6 C's of Integrated reporting?	<p>FM's Human SIN</p> <p>F- Financial Capital- funds</p> <p>M- Manufactured Capital- human created</p> <p>Human- Human Capital- People's skill and experience</p> <p>S- Social capital- relationship between each community, group etc.</p> <p>I- Intellectual capital- investment in R&amp;D, innovation etc.</p> <p>N- Natural capital- input to the production of goods/service etc. e.g. land, water etc.</p>
306)	What is the methodology of providing assurance in BRSR?	<p>Methodology:</p> <ol style="list-style-type: none"> <li>1) Preliminary Review of ESG report</li> <li>2) On-site Assessment</li> <li>3) Issuance of Assessment report</li> <li>4) Review of responses and clarifications</li> <li>5) Submission of findings of on-site assessment</li> <li>6) Preparation of assessment/ verification report.</li> </ol>
307)	What is the auditor's role on ESG aspects in an audit of financial statements of the Company?	<ol style="list-style-type: none"> <li>1) Understanding of the entity- consideration of climate related risks</li> <li>2) determine whether the entity has appropriately disclosed relevant climate-related information in the FS</li> <li>3) read the other information (annual report SA 720) to obtain more information.</li> </ol>
308)	<p>CTO Limited is engaged in the fintech business. It is a member of few prominent industry chambers and trade associations and has come under mandatory purview of Business Responsibility and Sustainability Reporting (BRSR) for year 2022-23. The company had submitted inputs on draft digital personal data protection bill to concerned Ministry during year 2022-23. It had also submitted to one of the industry chambers during the same year certain key inputs on leveraging India's digital public infrastructure for creating solutions by banks and fintechs together as its taskforce member on the subject. Considering the above, discuss how above information would likely be disclosed by company in "Principle-wise performance disclosures" as part of BRSR for year 2022-23? Whether information discussed above would require to be disclosed mandatorily?</p>	<p><b>Principle 7 Disclosure: CTO Limited Case</b></p> <p>In the given case, <b>CTO Limited</b>, a <b>Fintech company</b>, is a <b>member of Chamber of Commerce/associations</b>, which must be disclosed under <b>Principle 7 of Principle-wise Performance Disclosures</b>.</p> <p><b>Principle 7</b> states that businesses should operate <b>within statutory frameworks</b> while engaging in <b>public and regulatory policy advocacy</b>, using platforms like <b>trade groups and industry chambers</b>.</p> <p>Disclosures are divided into:</p> <ul style="list-style-type: none"> <li>• <b>Essential Indicators</b> (mandatory)</li> <li>• <b>Leadership Indicators</b> (optional)</li> </ul> <p>✓ <b>Membership in Chambers/Associations</b> → <b>Essential Indicator</b> → <b>Mandatory Disclosure</b></p> <p>✓ <b>Inputs to Ministry on legislative bill &amp; inputs as taskforce member on digital public infrastructure</b> → <b>Leadership Indicators</b> → <b>Optional Disclosure</b></p>
309)	SEBI has made Business Responsibility and Sustainability Report (BRSR) mandatory for certain listed companies. It is an evolutionary step in Environment, Social and Governance (ESG)	<p><b>ESG reporting</b> can be <b>qualitative</b> (describing strategy/policy) or <b>quantitative</b> (using <b>metrics</b> and <b>KPIs</b>). A <b>mixed approach</b> using both adds <b>maximum value</b> to disclosures.</p>

		<p>reporting. Discuss the nature of ESG reporting. How can corporates contribute to Sustainable Development Goals (SDGs)?</p>	<p>The <b>United Nations Sustainable Development Goals (SDGs)</b> aim to end poverty, improve health, education, reduce inequality, and address climate change, while preserving oceans and forests.</p> <p>Corporates play a key role in SDGs by offering innovative solutions and contributing to sustainable development.</p>
310)		<p>SU Limited is amongst the top 1000 listed entities. With the introduction of new reporting requirements by SEBI on ESG parameters called the Business Responsibility and Sustainability Report (BRSR), it requires SU Limited to make disclosures on their performance against the various principles of the "National Guidelines on Responsible Business Conduct". One of the principles emphasizes that the business decisions in an organization should be open to disclosure and accessible to the relevant interested parties. Elucidate the essence of core elements associated with the aforesaid principle.</p>	<p><b>Principle 1: Ethics, Transparency &amp; Accountability</b></p> <p>Principle 1 emphasizes that business decisions must be open to disclosure and accessible to interested parties.</p> <p>Core elements include:</p> <ul style="list-style-type: none"> <li>Governing structure must ensure ethics via policies, procedures, and practices.</li> <li>Information about these must be shared with stakeholders.</li> <li>Transparent disclosures are crucial, especially in case of adverse effects.</li> <li>Value chain entities should be encouraged to adopt these principles.</li> <li>Entities must proactively respond to violations of BRSR's nine principles by suppliers, distributors, or regulators.</li> </ul>

## Professional Ethics Summary Answers:

Q.N	Question	Answer
311)	P, a Chartered Accountant in practice provides management consultancy and other services to his clients. During 2023, looking to the growing needs of his clients to invest in the stock markets, he also advised them on Portfolio Management Services whereby he managed portfolios of some of his clients. Is P guilty of professional misconduct?	Advising on Portfolio Management Services: The Council of the Institute of Chartered Accountants of India (ICAI) pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 has passed a resolution permitting "Management Consultancy and other Services" by a Chartered Accountant in practice. A clause of the aforesaid resolution allows Chartered Accountants in practice to act as advisor or consultant to an issue of securities including such matters as drafting of prospectus, filing of documents with SEBI, preparation of publicity budgets, advice regarding selection of brokers, etc. In view of this, P would be guilty of misconduct under the chartered Accounts Act, 1949.
312)	Mr. G, a Chartered Accountant in practice as a sole proprietor has an office in Mumbai near Church Gate. Due to increase in professional work, he opens another office in a suburb of Mumbai which is approximately 80 kilometers away from the municipal limits of the city. For running the new office, he employs three retired Income-tax Officers. Is Mr. G guilty of professional misconduct?	In terms of section 27 of the Chartered Accountants Act, 1949, if a chartered accountant in practice has more than one office in India, each one of these offices should be in the separate charge of a member of the Institute. Since the second office is situated beyond 50 kms of municipal limits of Mumbai city, he would be liable for committing a professional misconduct.
313)	Write a short note on Other Misconduct.	Other misconduct has been defined in part IV of the First Schedule and part III of the Second Schedule. These provisions empower the Council to inquire into any misconduct of a member even it does not arise out of his professional work. Other misconduct would also relate to conviction by a competent court for an offence involving moral turpitude punishable with transportation or imprisonment to an offence not of a technical nature committed by the member in his professional capacity. [See section 8(v) of the Act].
314)	Mr. K, a practicing Chartered Accountant gave 50% of the audit fees received by him to a non-Chartered Accountant, Mr. L, under the nomenclature of office allowance and such an arrangement continued for a number of years. Discuss this in the light of Professional Ethics issued by ICAI.	Sharing of Audit Fees with Non-Member: As per Clause (2) of Part I of First Schedule to the Chartered Accountants Act, 1949 a member shall be held guilty if a Chartered Accountant in practice pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualification as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India. K will be held guilty of professional misconduct under the Clause (2) of Part I of First Schedule to the Chartered Accountants Act, 1949.
315)	Mr. X who passed his CA examination of ICAI on 18th July, 2022 and started his practice from August 15, 2022. On 16th August 2022, one female candidate approached him for article ship. In addition to monthly stipend, Mr. X also offered her 1 % profits of his CA	Sharing Fees with an Articled Clerk: As per Clause (2) of Part I of First Schedule to the Chartered Accountants Act 1949, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of



	<p>firm. She agreed to take both 1 % profits of the CA firm and stipend as per the rate prescribed by the ICAI. The Institute of Chartered Accountants of India sent a letter to Mr. X objecting the payment of 1 % profits. Mr. X replies to the ICAI stating that he is paying 1 % profits of his firm over and above the stipend to help the articled clerk as the financial position of the articled clerk is very weak. Is Mr. X liable to professional misconduct?</p>	<p>the Institute or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualification as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India. In view of the above, the objections of the Institute of Chartered Accountants of India, as given in the case, are correct and reply of Mr. X is guilty of professional misconduct in terms of Clause (2) of Part I of First Schedule to the Chartered Accountants Act 1949.</p>
316)	<p>M/s XYZ, a firm in practice, develops a website "xyz.com". The colour chosen for the website was a very bright green and the web-site was to run on a "push" technology where the names of the partners of the firm and the major clients were to be displayed on the web-site without any disclosure obligation from any regulator. Is this website in compliance with guidelines issued by ICAI in this regard?</p>	<p>Posting of Particulars on Website: The Council of the Institute had approved posting of particulars on website by Chartered Accountants in practice under Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949 subject to the prescribed guidelines. In view of the above, M/s XYZ would have no restriction on the colours used in the website but failed to satisfy the other two guidelines. Thus, the firm would be liable for professional misconduct since it would amount to soliciting work by advertisement.</p>
317)	<p>A partner of a firm of chartered accountants during a T.V. interview handed over a bio-data of his firm to the chairperson. Such bio-data detailed the standing of the international firm with which the firm was associated. It also detailed the achievements of the concerned partner and his recognition as an expert in the field of taxation in the country. The chairperson read out the said bio-data during the interview. Discuss whether this action by the Chartered Accountant would amount to misconduct or not.</p>	<p>Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 prohibits solicitation of client or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means since it shall constitute professional misconduct. interview by the Chartered Accountant which included details about the firm and the achievements of the partner as an expert in the field of taxation. The partner would be held guilty of professional misconduct under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949.</p>
318)	<p>a) An advertisement was published in a Newspaper containing the photograph of Mr. X, a member of the institute wherein he was congratulated on the occasion of the opening ceremony of his office. b) Mr. X, a Chartered Accountant and the proprietor of X &amp; Co., wrote several letters to the Assistant Registrar of Co-operative Societies stating that though his firm was on the panel of auditors, no audit work was allotted to the firm and further requested him to look into the matter.</p>	<p>a) Publishing an Advertisement Containing Photograph: As per Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice shall be deemed to be guilty of misconduct if he solicits clients or professional work either directly or indirectly by a circular, advertisement, personal communication or interview or by any other means. X would be therefore held guilty under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949. b) Soliciting Professional Work: As per Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice shall be deemed to be guilty of misconduct if he solicits clients or professional work either directly or indirectly by a circular, advertisement, personal communication or interview or by any other means. In similar cases, it was held that the Chartered Accountant would be guilty of professional misconduct under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949. X will be liable for professional misconduct. X would therefore</p>

		be held guilty under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949.
<b>319)</b>	A practicing Chartered Accountant uses a visiting card in which he designates himself, besides as Chartered Accountant, Cost Accountant. Is this a misconduct?	Cost Accountant: As stated in the Illustration given in clause 7 with reference to tax consultant, this would also constitute misconduct under section 7 of the Act read with Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949. However as per the Chartered Accountants Act, 1949, the Council has resolved that the members are permitted to use letters indicating membership of the Institute of Cost and Works Accountants but not the designation "Cost Accountant".
<b>320)</b>	Mr. Nigal, a Chartered Accountant in practice, delivered a speech in the national conference organized by the Ministry of Textiles. While delivering the speech, he told to the audience that he is a management expert and his firm provides services of taxation and audit at reasonable rates. He also requested the audience to approach his firm of chartered accountants for these services and at the request of audience he also distributed his business cards and telephone number of his firm to those in the audience. Comment.	Using Designation Other Than a CA and Providing Details of Services Offered: Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 states that a Chartered Accountant in practice shall be deemed to be guilty of misconduct if he solicits clients or professional work either directly or indirectly by a circular, advertisement, personal communication or interview or by any other means. Section 7 of the Chartered Accountants Act, 1949 read with Clause (7) of Part I of the First Schedule to the said Act prohibits advertising of professional attainments or services of a member. Under the clause, use of any designation or expression other than chartered accountant for a chartered accountant in practice, on professional documents, visiting cards, etc. amounts to a misconduct unless it be a degree of a university or a title indicating membership of any other professional body recognized by the Central Government or the Council. What he may say or write must not be promotional of his or his firm but must be an objective professional view of the topic under consideration. Therefore, he is deemed to be guilty of professional misconduct under both Clause (6) and Clause (7) as he has used the designation "Management Expert" in his speech and also he has made reference to the services provided by his firm of Chartered Accountants at reasonable rates. Distribution of cards to audience is also a misconduct in terms of Clause (6).
<b>321)</b>	Mr. A is a practicing Chartered Accountant working as proprietor of M/s A & Co. He went abroad for 3 months. He delegated the authority to Mr. Y a Chartered Accountant his employee for taking care of routine matters of his office. During his absence Mr. Y has conducted the under mentioned jobs in the name of M/s A & Co. a) He issued the audit queries to client which were raised during the course of audit. b) He issued production certificate to a client under the GST Act. c) He attended the Income Tax proceedings for a client as authorized representative before Income Tax Authorities. Please comment on eligibility of Mr. Y for conducting such jobs in name of M/s A & Co. and liability of Mr. A under the Chartered Accountants Act, 1949.	Delegation of Authority to the Employee: As per Clause (12) of Part I of the First Schedule of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct "if he allows a person not being a member of the Institute in practice or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements". The Council has clarified that the power to sign routine documents on which a professional opinion or authentication is not required to be expressed may be delegated and such delegation will not attract provisions of this clause like issue of audit queries during the course of audit, asking for information or issue of questionnaire, attending to routing matters in tax practice, subject to provisions of Section 288 of Income Tax Act etc. Therefore, there is no misconduct in this case as per Clause (12) of Part I of First schedule to the Act. Thus, CA A is guilty of professional misconduct under Clause (12) of Part I of First Schedule of the Chartered Accountants Act, 1949. Since the council has allowed the delegation of such work, the chartered accountant employee can attend to routine matter in tax practice as

		decided by the council, subject to provisions of Section 288 of the Income Tax Act. Therefore, there is no misconduct in this case as per Clause (12) of Part I of First schedule to the Act.
322)	XYZ Co. Ltd. has applied to a bank for loan facilities. The bank on studying the financial statements of the company notices that you are the auditor and requests you to call at the bank for a discussion. In the course of discussions, the bank asks for your opinion regarding the company and also asks for detailed information regarding a few items in the financial statements. The information is available in your working paper file. What should be your response and why?	As per Clause (1) of Part I of the Second Schedule of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he discloses information acquired in the course of his professional engagement to any person other than his client, without the consent of the client or otherwise than as required by law for the time being in force.
323)	Mr. A, a newly qualified Chartered Accountant, started his practice and sought clients through telephone calls from his family and friends, almost all of them employed in one or the other retail trade business. One of his friends Mr. X gave him an idea to start online services and give stock certifications to traders with Cash Credit Limits in Banks. Mr. A started a website with colorful catchy designs and shared the website address on his all social media posts and stories and tagged 30 traders of his local community with the caption "Easy Online Stock Certification Services". Besides, Mr. A entered in an agreement with a Digital Marketer to give him 5% commission on each service procured through him. Discuss if the actions of Mr. A are valid in the light of the Professional Ethics and various pronouncements and guidelines issued by ICAI.	As per Clause (6) of Part I of the First Schedule of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means. This is in complete contravention of the guidelines on website issued by the ICAI. Thus, CA A would be held guilty of professional misconduct under clause 6 of Part 1 of First Schedule of the Chartered Accountants Act, 1949.
324)	Mr. D, a practicing CA, is appointed as a Director Simplicitor in XYZ Pvt. Ltd. After one year of appointment, Mr. D resigned as the Director and accepted the Statutory Auditor position of the company. Is Mr. D right in accepting the auditor position?	As per Clause (4) of Part I of the Second Schedule of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he expresses his opinion on financial statements of any business or enterprise in which he, his firm, or a partner in his firm has a substantial interest. Section 141 of the Companies Act, 2013 specifically prohibits a member from auditing the accounts of a company in which he is an officer or employee. Although the provisions of the aforesaid section are not specifically applicable in the context of audits performed under other statutes, e.g. Therefore, the Council's views are clarified in the following situations. In view of above provisions Mr. Thus, CA D would be held guilty of professional misconduct under clause 4 of Part 1 of Second Schedule of the Chartered Accountants Act, 1949.

325)	Mr. F, a Chartered Accountant, gave advisory services to PQR Pvt. Ltd. Further, he gave them GST consultancy, compilation engagement for historical financial information and helped in ERP set up. Later, the company turned out to be a part of a group of companies involved in money laundering. Mr. F was asked to provide details of the companies. Mr. F refused on the grounds that he gave only consultancy services to the company and wasn't supposed to keep any information about the company. Is Mr. F right as per the guidelines issued by the ICAI?	Keeping in mind the highest standards of Chartered Accountancy profession in India, the Council of ICAI issued such norms to be observed by the members of the profession who are in practice.
326)	Mr. S, the auditor of ABC Pvt. Ltd. has delegated following works to his articles and staff: (i) Issue of audit queries during the course of audit. (ii) Issue of memorandum of cash verification and other physical verification. (iii) Letter forwarding draft observations/financial statements. (iv) Issuing acknowledgements for records produced. (v) Signing financial statements of the company. Is this correct as per the Professional Ethics and ICAI's guidelines and pronouncements?	As per Clause (12) of Part I of the First Schedule of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he allows a person not being a member of the institute in practice or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements. The Council has clarified that the power to sign routine documents on which a professional opinion or authentication is not required to be expressed may be delegated in the following instances and such delegation will not attract provisions of this clause: (i) Issue of audit queries during the course of audit. (viii) Attending to routine matters in tax practice, subject to provisions of Section 288 of Income Tax Act. Conclusion: In view of this, S would be guilty of professional misconduct for allowing the person signing the financial statements on his behalf to his articles and staff under Clause 12 of Part 1 of First Schedule of the Chartered Accountants Act, 1949.
327)	Mr. S is a practising chartered accountant based out of Chennai. During the weekends, he involved himself in equity research and used to advise his friends, relatives and other known people who are not his clients. Apart from this, he was also involved as a paper-setter for Accountancy subject in the school in which he studied. He also owned agricultural land and was doing agriculture during his free time. During the year 20X1, heavy losses were incurred in agricultural activity due to natural calamities and misfortune, and he lost almost all of his wealth and became undischarged insolvent. After a few court hearings, finally, in the year 20X3, he was declared discharged insolvent and obtained a certificate from the court stating that his insolvency was caused by misfortune without any misconduct on his part. You are required to comment on	S used to involve himself in equity research and used to advise his friends, relatives and other known people: As per the recent decisions taken by the Ethical Standards Board of ICAI, a Chartered Accountant in practice may be an equity research adviser, but he cannot publish a retail report, as it would amount to other business or occupation. S shall not make him guilty of professional misconduct. He also owns agricultural land and does agriculture activities: As per Clause 11 of Part I of First Schedule of Chartered Accountants Act and regulation 190A of Chartered Accountants Regulations, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of chartered accountant unless permitted by the Council so to engage. S was discharged insolvent: Disabilities for the Purpose of Membership: Section 8 of the Chartered Accountants Act, 1949 enumerates the circumstances under which a person is debarred from having his name entered in or borne on the Register of Members, If he, being a discharged insolvent, has not obtained from the court a certificate stating that his insolvency was caused by misfortune without any misconduct on his part. In addition, failure on the part of a person to disclose the

	the above situation with reference to the Chartered Accountants Act, 1949 and Schedules thereto, (especially from the point of section 8: Entry of name in Register of Members).	fact that he suffers from any one of the aforementioned disabilities would constitute professional misconduct. The name of the person, who is found to have been subject at any time to any of the disabilities discussed in section 8, can be removed from the Register of Members by the Council. S was discharged insolvent, and he has also obtained from the court a certificate stating that his insolvency was caused by misfortune without any misconduct on his part. S has not violated the provisions of Section 8, and he is not debarred from having his name entered in the Register of Members
<b>328)</b>	CA Pankaj accepted professional work of acting as valuer under direct taxes. He charges fees on a percentage of the property valued. Comment with reference to the Chartered Accountants Act, 1949 and schedules thereto.	Restriction on fees based on a Percentage: According to Clause (10) of Part I of First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulations made under this Act. Conclusion: Consequently, CA Pankaj shall not be deemed to be guilty of professional misconduct, as he is within the permissible scope of charging fees based on a percentage of the property valued.
<b>329)</b>	Mr. Johny, a chartered accountant, was invited to a seminar on bank audits to give a presentation on the process of conducting such audits. During his presentation, he provided examples from his clients' experiences and shared the significant information about clients with the intention of aid in understanding of audience on the topic. Does above situation have implications in relation to the professional ethics?	Clause (1) of Part I of the Second Schedule to the Chartered Accountants Act, 1949, addresses professional misconduct related to the disclosure of information by a chartered accountant in practice concerning the business of their clients. Conclusion: Therefore, this action of CA Johny constitutes professional misconduct under Clause (1) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
<b>330)</b>	CA Vaayu is the auditor of Viva Limited having a turnover of more than ₹ 200 Crores. The audit fee for the year is fixed at ₹ 80 Lakhs. During the year, the company offers CA Vaayu an assignment of representation before Income Tax Appellate Tribunal for certain matter for remuneration of ₹ 1.75 crores. CA Vaayu accepted the assignment. Discuss action of CA Vaayu with reference to the provisions of the Chartered Accountants (Amendment) Act, 2006 and Schedules thereto.	Conclusion: In view of the above provision, it would not be misconduct on Vaayu's part if he accepts the assignment of representation before Income Tax Appellate Tribunal for remuneration of ₹1.75 crore.
<b>331)</b>	Sanjeev & Associates, a firm of Chartered Accountants responded to a tender from a PF Office, Chembur for filing quarterly e-TDS returns. The terms of tender are as follows: (i) Earnest Money Deposit of ₹ 7,500/- (ii) It is open for all categories (iii) Maximum fees of ₹ 7,500/- per quarter Discuss whether Sanjeev and Associates can respond to the	As per Clause 6 of Part I of the First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice shall be guilty of professional misconduct if he solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means.



	said tender with reference to provisions of the Chartered Accountants (Amendment) Act, 2006 and Schedules thereto.	
<b>332)</b>	CA Shubh, a Chartered Accountant in practice specializing in the field of Information Systems Audit. He is considered to be one of the experts in this field because of his command over the subject. ZX Limited, a company engaged in rendering management consultancy offered him to appoint as its managing director. CA Shubh accepted the position of managing director without obtaining prior permission from the Institute. One of his friends, CA Varun informed him that now he cannot retain full time certificate of practice, thus cannot do attestation function and train articled assistants. Comment with reference to the provisions of the Chartered Accountants Act, 1949 and Schedules thereto.	As per Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice will be deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of the Chartered Accountant unless permitted by the Council so to engage. As per the Guidelines for Corporate Form of Practice, the Council has allowed the members in practice to hold the office of Managing Director, Whole-time Director or Manager of a body corporate within the meaning of the Companies Act, 2013 provided that the body corporate is engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council in pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 and complies with the conditions(s) as specified by the Council from time to time in this regard. He accepted the role without obtaining prior permission from the Institute of Chartered Accountants of India. From the above provisions, it can be concluded that the action of CA Shubh is valid.
<b>333)</b>	Pitch Private Limited requested CA Angad, a practicing Chartered Accountant, to digitally sign the form related to resignation of Mr. Ravi, one of the Director of Pitch Private Limited, along with the copy of resignation letter to be uploaded on the website of Registrar of Companies. The signature of Mr. Ravi was simply copied and pasted by another Director of Pitch Private Limited. CA Angad, without verifying the genuineness of the resignation letter, digitally signed the form and the said form was uploaded on the website of Registrar of Companies. Comment with reference to the provisions of the Chartered Accountants Act, 1949 and Schedules thereto.	As per Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty if he does not exercise due diligence or is grossly negligent in the conduct of his professional duties. Hence, CA Angad would be held liable for professional misconduct as per Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
<b>334)</b>	Shri Limited, a listed Company, having its registered office at Mumbai is engaged in manufacturing of various types of yarns to be supplied to the textile mills. The Company has installed pollution control equipment for processing the pollutants so that before discharge of effluents outside the factory, the level of pollution is kept at a level below the prescribed standard. The company managed to get the pollution clearance certificate by unfair means, while still there continues to be breach of pollution control laws in matters of discharge of polluting effluents. The amount of ₹ 18.75 Lacs had been incurred for	CA Gopal, Director Finance, came to know about these matters on review of the same during the period. NOCLAR- first consider discussing with management and those charged with governance. Since there is a substantial harm to investors, creditors and general public, matter may be reported to immediate appropriate authority if management and those charged with governance do not act upon the matter or if Mr. Gopal concludes that it is not appropriate to inform them.

	<p>arranging clearance certificate and the amount incurred unlawfully had been booked as pollution recycling expenditure. The matter had not reached those in governance, and the Director-Finance, who is a Chartered Accountant, came to know of these matters on review of major expenditure incurred during the period. Comment on the action/responses expected of Director - Finance (CA Gopal) referring to any applicable requirements of Responses for NOCLAR under Code of Ethics</p>	
<b>335)</b>	<p>CA Kapila, in practice, is desirous of filling Multi-purpose Empanelment Form (MEF) for inclusion of her name in panel for allotment of statutory audit of bank branches web hosted by Professional Development Committee (PDC) of ICAI for financial year 2023-24. The form requires applicants to upload XML files of their personal income tax returns along with computation of income. During relevant year for which information is being sought by PDC, CA Kapila has transacted in futures and options derivatives (equity) and has reflected income from such transactions in her return of income as "Business Income". Analyse the above situation with reference to the provisions of the Chartered Accountants Act, 1949. Would it make any difference if CA Kapila had earned income from transacting in currency derivatives and commodity derivatives?</p>	<p>Clause 11 of Part I of First Schedule to the Chartered Accountants Act, 1949 states that a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he engages in any business or occupation other than the profession of Chartered Accountants unless permitted by the Council so to engage. Ethical Standards Board of ICAI has announced that it is permissible for a member in practice to engage in derivative transactions in his personal capacity but not in professional capacity i.e. Such engagements in derivatives are not violative of provisions of Clause 11 of Part I of First Schedule to the Chartered Accountants Act, 1949. However, in accordance with the announcement of Ethical Standards Board of ICAI, it is not permissible for members in practice to transact in commodity derivative transactions. In such a case, CA Kapila would be held guilty of professional misconduct for engaging in business other than profession of Chartered Accountancy.</p>
<b>336)</b>	<p>In terms of subsection 114 of Revised Code of Ethics, a professional accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired as result of professional and employment relationships. Confidentiality serves the public interest because it facilitates the free flow of information from the professional accountant's client or employing organization to the accountant in knowledge that the information will not be disclosed to a third party. In this context, enumerate the circumstances where professional accountants are or might be required to disclose confidential information or when such disclosure might be appropriate. In deciding whether to disclose confidential</p>	<p>Nevertheless, the following are circumstances where professional accountants are or might be required to disclose confidential information or when such disclosure might be appropriate: (1) Disclosure is required by law, (2) Disclosure is permitted by law and is authorized by the client or the employing organisation; (3) There is a professional duty or right to disclose, when not prohibited by law: (i) To comply with the requirements of Peer Review or Quality Review of the Institute; (ii) To respond to an inquiry or investigation by a professional or regulatory body; (iii) To protect the professional interests of a professional accountant in legal proceedings; or (iv) To comply with technical and professional standards, including ethics requirements.</p>

	information what are the points that should be kept in the mind of professional accountants?	
<b>337)</b>	CA Raj, a practicing chartered accountant, is offered to take up an appointment as a "Secretary" in his professional capacity by the Central Government for a Metro Project for a term of 2 years not on a salary cum-full-time basis. After giving deep thought to the offer, CA Raj accepted the appointment. Comment in terms of the Chartered Accountant Act, 1949 and Schedules thereto.	As per Section 2(2)(iv) of the Chartered Accountant Act, 1949 as amended from time to time, a member of the Institute shall be deemed 'to be in practice' when individually or in partnership with Chartered Accountants in practice, or in partnership with members of such other recognized professional as may be prescribed, he, in consideration of remuneration received or to be received, renders such other services as, in the opinion of the Council, are or may be rendered by a Chartered Accountant in practice. As per Clause (11) of Part I of First Schedule of Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of Chartered Accountant unless permitted by the Council so to engage. Conclusion: In view of above, in the given scenario, CA Raj will not be held liable for misconduct for acceptance of appointment as Secretary in terms of compliance of Regulations 191 read with Clause (11) of Part I of First Schedule of Chartered Accountants Act, 1949.
<b>338)</b>	TP Limited is a listed company engaged in the business of manufacturing of kids garments under the brand name of MM. M/s R & Associates, firm of chartered accountants, are appointed as a Statutory Auditor of the Company for the year 2023-24. CA R is looking after the audit of the Company. During the audit, CA R observed that there are number of notices received from GST Department and Income-tax Department for various issues. Further during plant visit, CA R observed that few child labourers are engaged in some of the activity. In response to the observation made, CA R followed the procedure as envisaged in SA 250, "Consideration of Laws and Regulations in an Audit of Financial Statements". According to CA R, the provisions of SA 250 and the provisions of NOCLAR (Non-Compliance with Laws and Regulations) under Revised Code of Ethics are one and the same. Do you agree? If not, give your comments.	NOCLAR vs SA 250: 1) SA 250 is applicable only on Audit, and not on other Assurance engagements. However, NOCLAR is applicable on professional accountants in service, and in practice. 2) SA 250 talks of auditor's responsibilities for laws having material effect on FS whereas NOCLAR, while being alike to SA 250 till this point, is further ahead of it in that it takes into account non-compliance that causes substantial harm resulting in serious consequences in financial or non-financial terms 3) SA 250 does not define stakeholders. NOCLAR is related to affect of non-compliance on investors, creditors, employees as also the general public. 4) As per NOCLAR, in exceptional circumstances, the professional accountant might disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted. This provision is not existent in SA 250.
<b>339)</b>	CA Kumar, a practicing-chartered accountant, is well known in the field of pleading of Income-tax cases at Income-tax Tribunal and does not provide any assurance services. Considering the long standing in the field, CA Kumar is approached by XYZ Limited to file an appeal in the Tribunal against the Income-tax Demand of ₹ 10	Restriction on Fees based on a Percentage: According to Clause (10) of Part I of First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulations made under this Act. Kumar will not

	<p>crore which was added by the CIT(A) and to plead on behalf of XYZ Limited in the matter. CA Kumar offers to accept the case with the following fee structure: The fees for filing an appeal and to plead at the Income-tax Tribunal will be 10% of Tax Demand Reduced. Comment on the act of CA Kumar in terms of the Chartered Accountant Act, 1949 and Schedules thereon</p>	<p>be held guilty of professional misconduct since he is not providing any assurance services to non audit clients pursuant to Regulation 192 read with Clause 10 of Part I of First Schedule</p>
340)	<p>GeM (e-market place) is a public procurement portal which provides opportunities to start-ups, entrepreneurs etc. to showcase their innovative products and services to government buyers and engage in public procurement. The Government e Marketplace Special Purpose Vehicle (GeM SPV), a 100% government owned and section 8 (Non-Profit) company under the Ministry of Commerce, Government of India has been incorporated under the Companies Act, 2013 to develop, manage and maintain GeM platform. Whether a firm of Chartered Accountants can register on GeM portal for rendering professional services to government departments?</p>	<p>Further, as per explanation to Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949, the government departments, government Companies/ corporations, courts, cooperative societies and banks and other similar institutions prepare panels of Chartered Accountants for allotment of audit and other professional work. The ICAI has made an announcement in relation to the above.</p>
341)	<p>CA Gyan is a Chartered Accountant in practice and also an engineer by qualification. He wants to pursue a registered valuer course and work as a registered valuer for plant and machinery under the Companies Act, 2013. Comment on above with reference to provisions of the Chartered Accountants Act, 1949</p>	<p>As per section 2(2)(iv) of the Chartered Accountants Act, 1949, a member of the Institute shall be deemed "to be in practice" when individually or in partnership with the Chartered Accountants in practice or in partnership with members of such other recognised professions as may be prescribed, he, in consideration of remuneration received or to be received, renders such other services as, in the opinion of the Council, are or may be rendered by a Chartered Accountant in practice. Pursuant to section 2(2) (iv) above, the Council has passed a resolution permitting a Chartered Accountant in practice to render entire range of "Management Consultancy and other Services" which, inter alia, includes rendering services of valuation of shares and business and advice regarding amalgamation, merger and acquisition, acting as Registered Valuer under the Companies Act, 2013 read with the Companies (Registered Valuers and Valuation) Rules, 2017. There is no need to take prior permission of ICAI in this regard. Hence, keeping in view above and in terms of the provisions of the Chartered Accountants Act, 1949 and Code of Ethics, it is not permissible for a Chartered Accountant in practice to work as an Engineer/ valuer in plant &amp; machinery simultaneously.</p>
342)	<p>CA Evan has been in practice for two years and runs his proprietorship firm in the name of "Evan &amp; Co.". He maintains notes in his mobile where he records the fees received from various clients. Using these records, he</p>	<p>Hence, CA Evan, being a practicing Chartered Accountant will be held guilty of misconduct for violation of Council General Guidelines, 2008. Chapter V of CGG 2008- maintenance of books of accounts.</p>

	prepares and files his income tax return. Comment with respect to the provisions of the Chartered Accountant Act, 1949.	
<b>343)</b>	The manager of Miskin (P) Ltd. approached CA Rahul in need of a certificate in respect of a consumption statement of raw material. Without having a certificate of practice (CoP), CA Rahul issued the certificate to the manager of the company, acting as a CA in practice and applied for the CoP to the Institute on very next day to avoid any dispute.	Issuing Certificate without having Certificate of Practice: As per Clause (1) of Part II of Second Schedule to the Chartered Accountants Act, 1949, a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he contravenes any of the provisions of this Act or the Regulations made thereunder or any Guidelines issued by the Council. This clause requires every member of the Institute to act within the framework of the Chartered Accountants Act, 1949 and the Regulations made thereunder. Any violation either of the Act or the Regulations by a member would amount to misconduct. In the given case, CA Rahul has issued a certificate in respect of a consumption statement of raw material to the manager of Miskin (P) Ltd., as a Chartered Accountant in practice when he had not even applied for the CoP to the Institute, thereby contravening the provisions of section 6 of the Chartered Accountants Act, 1949. Therefore, CA Rahul will be held guilty of professional misconduct in terms of Clause (1) of Part II of Second Schedule to the Chartered Accountants Act, 1949 for contravention of provisions of this Act.
<b>344)</b>	A special notice has been issued for a resolution at 4th annual general meeting of TRIM Ltd., providing expressly that CA Lucky shall not be re-appointed as an auditor of the company. Consequently, CA Lucky submitted a representation in writing to the company with a request to circulate to the members. In the detailed representation, CA Lucky included the contributions made by him in strengthening the control procedures of the company during his association with the company and also indicated his willingness to continue as an auditor if reappointed by the shareholders of the company. Comment with reference to the Chartered Accountants Act, 1949 and schedules thereto.	Soliciting Clients: As per Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means except applying or requesting for or inviting or securing professional work from another Chartered Accountant in practice and responding to tenders. Further, section 140(4)(iii) of the Companies Act, 2013, provides a right to the retiring auditor, to make representation in writing to the company. Therefore, CA Lucky will be held guilty of professional misconduct under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949.
<b>345)</b>	CA Anita joined as an audit executive in a CA firm on April 1, 2024. Despite receiving multiple reminders from ICAI, she has failed to respond with her appointment date and submit her membership certificate. Comment with reference to the Chartered Accountants Act, 1949 and schedules thereto	Failed to Supply Information Called For: In accordance with Clause (2) of Part III of the First Schedule to the Chartered Accountants Act, 1949, a member, whether in practice or not, is considered to be engaged in professional misconduct if he fails to provide the information requested or does not comply with the requirements set forth by the Institute, Council, or any of its Committees, including the Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board, or the Appellate Authority. Consequently, she is deemed to be guilty of professional misconduct as given in Clause (2) of Part III of the First Schedule to the Chartered Accountants Act, 1949.
<b>346)</b>	A Chartered Accountant in practice has been suspended from practice for a period of 6	Undertaking Tax Representation Work: A chartered accountant not holding certificate of practice cannot take up any other work



	months and he had surrendered his Certificate of Practice for the said period. During the said period of suspension, though the member did not undertake any audit assignments, he undertook representation assignments for income tax whereby he would appear before the tax authorities in his capacity as a Chartered Accountant.	because it would be violation of the relevant provisions of the Chartered Accountants Act, 1949. This is because once a person becomes a member of the Institute; he is bound by the provisions of the Chartered Accountants Act, 1949 and its Regulations. Accordingly, in the present case he is guilty of professional misconduct.
347)	Mr. A, a practicing Chartered Accountant agreed to select and recruit personnel, conduct training programmes for and on behalf of a client where he is not providing any assurance service. Is this a professional misconduct?	Providing Management Consultancy and Other Services: Under Section 2(2)(iv) of the Chartered Accountants Act, 1949, a member of the Institute shall be deemed "to be in practice" when individually or in partnership with Chartered Accountants in practice, he, in consideration of remuneration received or to be received renders such other services as, in the opinion of the Council, are or may be rendered by a Chartered Accountant in practice. Pursuant to Section 2(2)(iv) above, the Council has passed a resolution permitting a Chartered Accountant in practice to render entire range of "Management Consultancy and other Services". A is not guilty of professional misconduct.
348)	Mr. X & Mr. Y, partners of a Chartered Accountant Firm, one in-charge of Head Office and another in-charge of Branch at a distance of 80 km. from the municipal limits, puts up a name-board of the firm in both premises and also in their respective residences.	Name board of the firm not allowed at residence. At residence- individual name with designation chartered accountant is allowed. Conclusion: Thus, the chartered accountants are guilty of misconduct.
349)	Mr. K, Chartered Accountant practicing as a sole proprietor has an office in the suburbs of Chennai. Due to increase in the income tax assessment work, he opens another office near the income tax office, which is within the city and at a distance of 30 km. from his office in the suburb. For running the new office, he has employed a retired Income Tax Commissioner who is not a Chartered Accountant.	Maintenance of Branch Office in the Same City: As per section 27 of the Chartered Accountants Act, 1949 if a chartered accountant in practice has more than one office in India, each one of these offices should be in the separate charge of a member of the Institute. Exemption is available if another office is in the same city. Conclusion: In view of above provisions, there will be no misconduct if Mr. K has declared which of these offices are main office and second office.
350)	Mr. C, Chartered Accountant, in practice allowed his brother-in-law Mr. P who is not a Chartered Accountant, to practice in the name of CA. C. He also allowed Mr. T who is employee in his firm to practice in the name. Whether Mr. C is correct in allowing his brother-in-law Mr. P and Mr. T employee of his firm to practice in his name.	Allowing to Practice in a Chartered Accountant's name: As per Clause (1) of Part I to the First Schedule to Chartered Accountants' Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him. C is not correct in view of Clause 1 of Part I to the First Schedule. C will be held guilty of professional misconduct for allowing Mr. P who is not a Chartered Accountant to practice in his name as a chartered accountant as per Clause (1) of Part I to the First Schedule.
351)	Mr. Qureshi, Chartered Accountant, in practice died in a road accident. His widow proposes to sell the practice of her husband	Sale of Goodwill: With reference to Clause (2) of Part I to the First Schedule to Chartered Accountants' Act, 1949, the Council of the Institute of Chartered Accountants of India considered whether the

	to Mr. Pardeshi, Chartered Accountant, for ₹ 5 lakhs. The price also includes right to use the firm name - Qureshi and Associates. Can widow of Qureshi sell the practice and can Mr. Pardeshi continue to practice in that name as a proprietor?	goodwill of a proprietary concern of chartered accountant can be sold to another member who is otherwise eligible, after the death of the proprietor. Yes Mrs. Qureshi can sell the goodwill provided it fulfils the conditions prescribed by the ICAI.
352)	Mr. S, a Chartered Accountant published a book and gave his personal details as the author. These details also mentioned his professional experience.	Soliciting Professional Work: Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 refers to professional misconduct of a member in practice if he solicits client or professional work either directly or indirectly, by circular, advertisement, personal communication or interview or by any other means. Therefore, members should not adopt any indirect methods to advertise their professional practice with a view to gain publicity and thereby solicit clients or professional work. S being a chartered accountant in practice has committed the professional misconduct by mentioning his professional experience.
353)	M/s XYZ, a firm of Chartered Accountants created a website "www.xyzindia.com". The website besides containing details of the firm and bio-data of the partners also contains the passport size photographs of all the partners of the firm.	Hosting Details on Website: As per detailed guidelines of the ICAI laid down in Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949, a chartered accountant of the firm can create its own website using any format subject to guidelines. The guidelines of the ICAI to allow a firm to put up the details of the firm, bio-data of partners and display of a passport size photograph. Conclusion: In the case of M/s XYZ, all the guidelines seem to have been complied and there appears to be no violation of the Chartered Accountants Act, 1949 and its Regulations
354)	M/s LMN, a firm of Chartered Accountants responded to a tender from a State Government for computerization of land revenue records. For this purpose, the firm also paid ₹ 50,000 as earnest deposit as part of the terms of the tender.	Responding to Tenders: Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 lays down guidelines for responding to tenders, etc. Conclusion: In the instance case, since computerization of land revenue records does not fall within exclusive areas for chartered accountants, M/s LMN can respond to tender as well as deposit ₹ 50,000 as earnest deposit and shall not have committed any professional misconduct
355)	Mr. Honest, a Chartered Accountant in practice, wrote two letters to M/s XY Chartered Accountants a firm of CAs; requesting them to allot him some professional work. As he did not have a significant practice or clients he also wrote a letter to M/s ABC, a firm of Chartered Accountants for securing professional work. Mr. Clever, another CA, informed ICAI regarding Mr. Honest's approach to secure the professional work. Is Mr. Honest wrong in soliciting professional work?	Securing Professional Work: Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 states that a Chartered Accountant in practice shall be deemed to be guilty of misconduct if he solicits clients or professional work either directly or indirectly by a circular, advertisement, personal communication or interview or by any other means. Honest wrote letters only to other Chartered Accountants, M/s XY and M/s ABC requesting them to allot some professional work to him, which is not prohibited under Clause (6) as explained above. Honest has not committed any professional misconduct by soliciting professional work.
356)	A practicing Chartered Accountant uses a visiting card in which he designates himself, besides as Chartered Accountant, as a Tax Consultant recognized professional membership by the Central Government or the Council.	Tax Consultant: Section 7 of the Chartered Accountants Act, 1949 read with Clause (7) of Part I of the First Schedule to the said Act prohibits advertising of professional attainments or services of a member. Under the clause, use of any designation or expression other than chartered accountant for a chartered accountant in practice, on professional documents, visiting cards, etc. amounts to a misconduct unless it be a degree of a university or a title indicating

		membership of any other professional body recognized by the Central Government or the Council.
357)	B, a Chartered Accountant in practice is a partner in 3 firms. While printing his personal letter heads, B gave the names of all the firms in which he is a partner.	Advertisement of Professional Attainments: Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949 prohibits advertising of professional attainments or services of a member. There is no prohibition in printing firm name on personal letterhead. Conclusion: Thus, B is not guilty of any misconduct under the Chartered Accountants Act, 1949.
358)	The offer document of a listed company in which Mr. D, a practicing Chartered Accountant is a director mentions the name of Mr. D as a director along with his various professional attainments and spheres of specialization.	Advertisement of Professional Attainments: The Council of the ICAI has in a communication to members stated that if a public company, in which a chartered accountant in practice is a director, issues a prospectus or gives any announcement that gives descriptions about the Chartered Accountant's expertise, specialization and knowledge in any particular field, it shall constitute a misconduct under Clauses (6) and (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949. D would be held to be guilty of professional mis- conduct and liable for disciplinary action.
359)	A Chartered Accountant in practice, empanelled as an Insolvency Professional (IP) has mentioned the same on his visiting cards, letter heads and other communications also. A person residing in his neighbourhood, has filed a complaint for professional misconduct against the said member for such mention of IP.	Using Designation of Insolvency Professional: As per Clause (7) of Part I of First Schedule to the Chartered Accountants Act, 1949, a CA in practice is deemed to be guilty of professional misconduct if he (i) advertises his professional attainments or services or (ii) uses any designation or expressions other than 'Chartered Accountant' on professional documents, visiting cards, letter heads or sign boards unless it be a degree of a university established by law in India or recognized by the Central Government or a title indicating membership of the ICAI or of any other institution that has been recognized by the Central Government or may be recognized by the council. Here, a Chartered Accountant empaneled as IP (Insolvency Professional) can mention "Insolvency Professional" on his visiting cards, letter heads and other communication, as this is a title recognized by the Central Government in terms of Clause 7 of Part 1 of First Schedule to the Chartered Accountants Act, 1949.
360)	Mr. X, a Chartered Accountant accepted his appointment as tax auditor of a firm under Section 44AB, of the Income-tax Act, and commenced the tax audit within two days of his appointment since the client was in a hurry to file Return of Income before the due date. After commencing the audit, Mr. X realised his mistake of accepting this tax audit without sending any communication to the previous tax auditor. In order to rectify his mistake, before signing the tax audit report, he sent a registered post to the previous auditor and obtained the postal acknowledgement. Will Mr. X be held guilty under the Chartered Accountants Act?	Communication with the Previous Auditor: As per Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949, Mr. X will be held guilty since he has accepted the tax audit, without first communicating with the previous auditor in writing. X will be held guilty of professional misconduct.
361)	W, a Chartered Accountant had sent letters under certificate of posting to the previous auditor informing him his appointment as an	Communication with the Previous Auditor: Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949 requires communication by the incoming auditor with the previous auditor before accepting a position by him. The Council of the Institute has

	auditor before the commencement of audit by him.	taken the view that a mere posting of a letter “under certificate of posting” is not sufficient to establish communication with the retiring auditor unless there is some evidence to show that the letter has in fact reached the person communicated with. Conclusion: Hence “W” was guilty of professional misconduct under Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949.
362)	CA Raja was appointed as the Auditor of Castle Ltd. for the year 2022-23. Since he declined to accept the appointment, the Board of Directors appointed CA Rani as the auditor in the place of CA Raja, which was also accepted by CA Rani.	Appointment of Auditor by Board: Board can appoint the auditor in the case of casual vacancy under section 139(8) of the Companies Act, 2013. Further, as per Section 139(10) of the Companies Act, 2013 when at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company. Clause (9) of Part I of First Schedule to the Chartered Accountants Act, 1949 states that a chartered accountant is deemed to be guilty of professional misconduct if he accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of section 225 of the Companies Act, 1956 (now Section 139, 140 and 142 read with Section 141 of the Companies Act, 2013), in respect of such appointment have been fully complied with. Rani is guilty of professional misconduct since she accepted the appointment without verification of statutory requirements.
363)	Mr. X is a Chartered Accountant accepted the appointment as Statutory Auditor of the Company ABC Ltd. without communicating with the previous auditor before accepting the audit. He also failed to ascertain the compliance of requirement of Section 139 and 140 of the Companies Act, 2013 in respect of the appointments have been duly complied with.	Communication by incoming auditor with previous auditor: Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949 requires communication by the incoming auditor with the previous auditor before accepting a position by him. Clause (9) of Part I of the First Schedule to the Chartered Accountants Act, 1949, provides that a member in practice shall be deemed to be guilty of professional misconduct if he accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 (now Section 139 and 140 of the Companies Act, 2013), in respect of such appointment have been duly complied with. Under this clause it is obligatory on the incoming auditor to communicate with previous auditor and ascertain from the Company that the appropriate procedure in the matter of his appointment has been duly complied with so that no shareholder or retiring auditor may, at a later date, challenge the validity of such appointment. Further, he accepted the appointment without first ascertaining whether the requirement of Section 139 and 140 of the Companies Act, 2013 in respect of the appointments have been duly complied with. X is liable for misconduct under clause 8 and Clause 9 since he accepted the appointment without communicating with previous auditor as well as for not verifying the compliance of statutory requirements.
364)	Mr. P a practicing chartered accountant acting as liquidator of AB & Co. charged his professional fees on percentage of the realization of assets.	Restriction on fees based on a Percentage: According to Clause (10) of Part I of First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulations made under this Act. P shall not be

		held guilty of professional misconduct as he is allowed to charge fees on percentage of the realisation of assets being a liquidator.
365)	A chartered accountant holding certificate of practice and having four articled clerks registered under him accepts appointment as a full-time lecturer in a college. Also, he becomes a partner with his brother in a business. Examine his conduct in the light of Chartered Accountants Act, 1949 and the regulations thereunder.	Specific Permission to be Obtained: Clause (11) of Part I of the First Schedule to the Chartered Accountants Act, 1949 debars a chartered accountant in practice from engaging in any business or occupation other than the profession of chartered accountancy unless permitted by the Council of the Institute so to engage. This clause, in effect, has empowered the Council of the Institute to permit chartered accountants in practice to engage in any other business or occupation considered fit and proper. Conclusion: Thus, the chartered accountant is liable for professional misconduct since he failed to obtain specific and prior approval of the Council in each case.
366)	Mr. A, a practicing Chartered Accountant, took over as the executive chairman of Software Company on 1.4.2023. On 10.4.2023 he applied to the Council for permission.	Specific Permission to be Obtained: As per Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice will be deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of Chartered Accountant unless permitted by the Council so to engage. A is guilty of professional misconduct in terms of Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949.
367)	CA. Prabhu is a leading income tax practitioner and consultant for derivative products. He resides in Mumbai near to the ABC commodity stock exchange and does trading in commodity derivatives. Every day, he invests nearly 50% of his time to settle the commodity transactions. Is C.A. Prabhu liable for professional misconduct?	Engaging into a Business: As per Clause (11) of Part I of First Schedule of Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of Chartered Accountant unless permitted by the Council so to engage. Conclusion: Hence, specific permission of the Institute has to be obtained otherwise he will be deemed to be guilty of professional misconduct under Clause (11) of Part I of First Schedule of Chartered Accountants Act, 1949.
368)	S, a practicing chartered accountant gives power of attorney to an employee chartered accountant to sign reports and financial statements on his behalf.	Power of Signing Reports and Financial Statements: Under Clause (12) of Part I of First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he allows a person not being a member of the Institute in practice or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements. This clause read in conjunction with Section 26 of the Chartered Accountants Act, 1949 stipulates that no person other than the member of the institute shall sign any document on behalf of a Chartered Accountant in practice or a firm of Chartered Accountants in his or its professional capacity. Further, Clause (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949 states that a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he contravenes any of the provisions of this Act or the regulations made there under or any guidelines issued by the Council. Conclusion: Accordingly, S is guilty of professional misconduct under Clause (12) of Part I of First Schedule and also under Clause (1) of Part II of Second Schedule for contravening Section 26.



369)	CA. Smart, a practicing Chartered Accountant was on Europe tour between 15-9-23 and 25-9-23. On 18-9-23 a message was received from one of his clients requesting for a stock certificate to be produced to the bank on or before 20-9-23. Due to urgency, CA. Smart directed his assistant, who is also a Chartered Accountant, to sign and issue the stock certificate after due verification, on his behalf.	Allowing a Member Not Being a Partner to Sign Certificate: As per Clause (12) of Part I of the First Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct "if he allows a person not being a member of the Institute in practice or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements". Smart allowed his assistant who is not a partner but a member of the Institute of Chartered Accountants of India to sign stock certificate on his behalf and thereby commits misconduct. Smart is guilty of professional misconduct under Clause (12) of Part I of First Schedule to the Chartered Accountants Act, 1949.
370)	Mr. 'C', a Chartered Accountant holds a certificate of practice while in employment also, recommends a particular lawyer to his employer in respect of a case. The lawyer, out of the professional fee received from employer paid a particular sum as referral fee to Mr. 'C'.	Referral Fee from Lawyer: According to Clause (2) of Part II of First Schedule of the Chartered Accountant Act, 1949, a member of the Institute (other than a member in practice) shall be guilty of professional misconduct, if he being an employee of any company, firm or person accepts or agrees to accept any part of fee, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification. C is guilty of professional misconduct by virtue of Clause (2) of Part II of First schedule.
371)	Mr. 'G', while applying for a certificate of practice, did not fill in the columns which solicit information about his engagement in other occupation or business, while he was indeed engaged in a business.	Disclosure of Information: As per Clause (2) of Part III of First Schedule to the Chartered Accountants Act, 1949 a member shall be held guilty if a Chartered Accountant, in practice or not, does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority; In the given case, Mr. G will be held guilty for professional misconduct under the Clause (2) of Part III of First Schedule of the Chartered Accountants Act, 1949.
372)	Mr. X, a Chartered Accountant, employed as a paid Assistant with a Chartered Accountant firm, leaves the services of the firm on 31st December, 2023. Despite many reminders from ICAI he fails to reply regarding the date of leaving the services of the firm.	Failed to Supply Information Called For: As per Clause (2) of Part III of the First Schedule to the Chartered Accountants Act, 1949, a member, whether in practice or not, will be deemed to be guilty of professional misconduct if he does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate authority. Therefore, he is held guilty of professional misconduct as per Clause (2) of Part III of the First Schedule to the Chartered Accountants Act, 1949.
373)	YKS & Co., a proprietary firm of Chartered Accountants was appointed as a concurrent auditor of a bank. YKS, the proprietor, used his influence to get a loan and thereafter failed to repay the loan.	Disrepute to the Profession: This is a case which is covered under the expression in other misconduct of the Chartered Accountants Act, 1949. As per Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949, a member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he, in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work. Conclusion: Therefore, YKS & Co will be held

		guilty of other misconduct under Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949.
374)	Mr. P, a Chartered Accountant was invited by the Chamber of Commerce to present a paper in a symposium on the issues facing Indian Leather Industry. During the course of his presentation, he shared some of the vital information of his client's business under the impression that it will help the Nation to compete with other countries at international level.	Disclosure of Client's Information: Clause (1) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 deals with the professional misconduct relating to the disclosure of information by a chartered accountant in practice relating to the business of his clients to any person other than his client without the consent of his client or otherwise than as required by any law for the time being in force would amount to breach of conduct. Conclusion: Thus, it is a professional misconduct covered by Clause (1) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
375)	Mr. J, a Chartered Accountant during the course of audit of M/s XYZ Ltd. came to know that the company has taken a loan of ₹ 10 lakhs from Employees Provident Fund. The said loan was not reflected in the books of account. However, the auditor ignored this information in his report.	Failure to Disclose Material Facts: As per Clause (5) of Part I of Second Schedule to the Chartered Accountants Act, 1949, a chartered Accountant in practice will be held liable for misconduct if he fails to disclose a material fact known to him, which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading. J has failed to disclose this fact in his report, he is attracted by the provisions of professional misconduct under Clause (5). J will be liable of professional misconduct under Clause (5) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
376)	A practicing Chartered Accountant was appointed to represent a company before the tax authorities. He submitted certain information and explanations to the authorities on behalf of his clients, which were found to be false and misleading.	Submitting Information as Authorised Representative: As per Clause (5) of Part I of Second Schedule to the Chartered Accountant Act, 1949, if a member in practice fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary to make the financial statement not misleading, where he is concerned with that financial statement in a professional capacity, he will be held guilty under Clause (5). As per Clause (6) of Part I of Second Schedule if he fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity, he will be held guilty under Clause (6). Conclusion: Hence the Chartered Accountant would not be held liable for professional misconduct.
377)	CA C who conducted statutory audit of a Haryana daily 'New Era' certified the circulation figures based on Management Information System Report (M.I.S Report) without examining the books of Account.	Failed to exercise Due Diligence: According to Clause (7) of Part I of Second Schedule of Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he "does not exercise due diligence or is grossly negligent in the conduct of his professional duties". Conclusion: Hence, CA C is guilty of professional misconduct as per Clause (7) of Part I of Second Schedule of Chartered Accountants Act, 1949.
378)	Mr. D, a practicing Chartered Accountant, did not complete his work relating to the audit of the accounts of a company and had not submitted his audit report in due time to enable the company to comply with the statutory requirements.	Not Exercising Due Diligence: According to Clause (7) of Part I of Second Schedule of Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct if he does not exercise due diligence or is grossly negligent in the conduct of his professional duties. It is a vital clause which unusually gets attracted whenever it is necessary to judge whether the accountant has honestly and reasonably discharged his duties. He was guilty of professional misconduct under Clause (7). Conclusion: Therefore, the auditor is guilty of professional misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

379)	Mr. A, a Chartered Accountant was the auditor of 'A Limited'. During the financial year 2022-23, the investment appeared in the Balance Sheet of the company of ₹ 12 lakh and was the same amount as in the last year. Later on, it was found that the company's investments were only ₹ 25,000, but the value of investments was inflated for the purpose of obtaining higher amount of Bank loan.	Grossly Negligent in Conduct of Duties: As per Part I of Second Schedule to the Chartered Accountants Act, 1949, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he, certifies or submits in his name or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice, under Clause (2); does not exercise due diligence, or is grossly negligent in the conduct of his professional duties, under Clause (7); or fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion, under Clause (8). A, will be held liable for professional misconduct under Clauses (2), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
380)	A charitable institution entrusted ₹ 10 lakhs with its auditor's M/s R & Co., a Chartered Accountant firm, to invest in a specified security. The auditors deposited it in their Savings bank account and no investment was made in the next three months.	Failure to Keep Money in Separate Bank Account: If a Chartered Accountant in practice fails to keep moneys of his clients in a separate bank account or fails to use such moneys for purposes for which they are intended then his action would amount to professional misconduct under Clause (10) of Part I of Second Schedule to the Chartered Accountants Act, 1949. Conclusion: In the given case by depositing the client's money by M/s R & Co., a firm of Chartered Accountants, in their own savings bank account, the auditors have committed a professional misconduct. will be held guilty of professional misconduct.
381)	L, a chartered accountant did not maintain books of account for his professional earnings on the ground that his income is less than the limits prescribed u/s 44AA of the Income Tax Act, 1961.	Maintenance of Books of Account: As per the Council General Guidelines 2008 maintenance of books of accounts, it is specified that if a chartered accountant in practice or the firm of Chartered Accountants of which he is a partner fails to maintain and keep in respect of his/its professional practice, proper books of account including the Cash Book and Ledger, he is deemed to be guilty of professional misconduct. Accordingly, it does not matter whether section 44AA of the Income Tax Act, 1961 applies or not. L is guilty of professional misconduct.
382)	A member of the institute shall not accept in a year more than the specified number of tax audits under section 44AB of the Income Tax Act. Mr. G is a partner in M/s. XYZ & Co., a firm of Chartered Accountants with 6 partners. During the assessment year 2022-23, Mr. G alone had signed 290 tax audit reports consisting of both corporate and non-corporate assesses.	Ceiling limit for signing the Tax Audit Reports: As per Council General Guidelines 2008, a member of the Institute in practice shall not accept, in a financial year, more than the "specified number of tax audit assignments" under Section 44AB of the Income-tax Act, 1961. G shall not be deemed to guilty of professional misconduct provided total number of tax audit reports on behalf of firm do not exceeds 360.
383)	Mr. C accepted the statutory audit of M/s PSU Ltd., whose net worth is negative for the year 2022-23. The audit was to be conducted for the year 2023-24. The audited accounts for the year 2023-24 showed liability for payment of tax audit fees of ₹ 15,000 in favour of Mr. E, the previous auditor.	Accepting Appointment as an Auditor: As per Chapter 7 of Council General Guidelines 2008, a member of the Institute of Chartered Accountants of India in practice shall be deemed to be guilty of professional misconduct if he accepts appointment as auditor of an entity in case the undisputed audit fee of another chartered accountant for carrying out the statutory audit under Companies Act or various other statutes has not been paid. C would still not be guilty of professional misconduct since the M/s PSU Ltd.

384)	A is the auditor of Z Ltd., which has a turnover of ₹ 200 crore. The audit fee for the year is fixed at ₹ 50 lakhs. During the year, the company offers A an assignment of management consultancy within the meaning of Section 2(2)(iv) of the CA Act, 1949 for a remuneration of ₹ 1 crore. A seeks your advice on accepting the assignment.	<p>Chapter IX of CGG 2008- ceiling on non-audit fees.</p> <p>Non-Audit fees shall not exceed audit remuneration in case of certain companies. Unlisted public company with annual turnover of Rs. 50 cr or more is covered in such chapter.</p> <p>Conclusion: In view of the above position it would be a misconduct on A's part if he accepts the management consultancy assignment for a fee of ₹ 1 crore.</p>
385)	D, who conducts the tax audit u/s 44AB of the Income Tax Act, 1961 of M/s ABC, a partnership firm, has received the audit fees of ₹ 2,50,000 on progressive basis in respect of the tax audit for the year ended 31.3.2023. The audit report was, however, signed on 25.5.2023.	<p>However, the Research Committee of the ICAI has expressed the opinion that where in accordance with the terms of engagement of auditor by a client, the auditor recovers his fees on a progressive basis as and when a part of the work is done without waiting for the completion of the whole job, he cannot be said to be indebted to the company at any stage. D will not be held guilty for misconduct.</p>

The Audit Academy by CA Pradeep