

**TASK 10- Audit and Aduditors****Marks: 15 marks****Time: 30 minutes**

Q1) One-fourth of the subscribed capital of Sparkle Limited was held by the Government of Rajasthan. Mr. Navin, a Chartered Accountant, was appointed as an auditor of the Company at the Annual General Meeting held on 30 April 2018 by an ordinary resolution. Mr. Sanjay, a shareholder of the Company, objects to the manner of appointment of Mr. Navin on the ground of violation of the Companies Act 2013. Decide whether the objection of Mr. Sanjay is tenable? Also examine the consequences of the above appointment under the said Act. (5 marks)

Q2) Mr. Ayush, a Chartered Accountant, has been appointed as an auditor of X Ltd. in the Annual General Meeting of the company held in September 2018, in which he accepted the assignment. Subsequently, in January 2019 he joined B, as a partner in the consultancy firm of Mr. B. Mr. B is also working as a Finance Executive of X Ltd. (3 marks)

Q3) Multiple Choice Questions (2 marks)

- (i) For appointing an auditor other than the retiring auditor,
- (a) Special notice is required.
 - (b) Ordinary notice is required.
 - (c) Neither ordinary nor special notice is required
 - (d) Approval of Central Government is required.
- (ii) Which of the following is a prohibited service to be rendered by the auditor of the Company:-
- (a) design and implementation of any financial information system
 - (b) making report to the members of the company on the accounts examined by him
 - (c) compliance with the auditing standards
 - (d) Reporting of fraud against the company by officers or employees to the Central Government

Q4) On recommendation of the Board of Directors of DJA Ltd. (a listed company), Mr. R is appointed at the AGM held on 1st Oct, 2014 as the company's auditor for a period of 10 years. A resolution to this effect was passed unanimously with no vote against the resolution. Explaining the provisions of the Companies Act, 2013 relating to the appointment and re-appointment of auditors:

- (i) Examine the validity of the above resolution
- (ii) What shall your answer be in case an audit firm M/s R & Associates is appointed as the company's auditors (5 marks)