

CA Inter - Corporate and Other Law

Test

Chapter - Audit and Auditors

Total marks 30

Time-60mins

Learn Law with CA Shubham Singhal - The Ranker's Way

Question 1:

New Limited appointed an individual firm, Naresh & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30 September 2019. Mrs. Reena, wife of Mr. Naresh, invested in the equity shares face value of Rs. 1 lakh of New Limited on 15 October 2019. But Naresh & Company continues to function as statutory auditors of the company. Advise, Naresh & Company on the continuation of such appointment, as per provisions of the Companies Act, 2013

(5 Marks)

Question 2:

Rupa Limited, a listed company appointed M/s. VG & ASSOCIATES an audit firm as Company's auditor in the Annual General Meeting held on 30-09-2017. Explain the provisions of the Companies Act, 2013 relating to the appointment or reappointment of an auditor in relation to the tenure of an auditor.

(4 Marks)

Question 3:

AB & Associates, a firm of Chartered Accountants was re-appointed as auditors at the Annual General Meeting of X Ltd. held on 30-09-2019. However, the Board of Directors recommended to remove them before expiry of their term by passing a resolution in the Board Meeting held on 31-03-2020. Subsequently, having given consideration to the Board recommendation, AB & Associates were removed at the general meeting held on 25-05-2020 by passing a special resolution subject to approval of the Central Government. Explaining the provisions for removal of second and subsequent auditors, examine the validity of removal of AB & Associates by X Ltd. under the provisions of the Companies Act, 2013.

(5 Marks)

Question 4

State the provisions of the Companies Act, 2013 regarding the signing of the Audit report by the Auditors of the company.

(3 Marks)

Question 5:

Shiv Limited is incorporated on 3.10.2020. The company is having a paid-up share capital of Rs. 5 crores. Following are key shareholders of the company:

Name of the Party holding shares	Amount (in Rs.)
Central Government	1.50
Punjab Government	1.23
Others	2.27

The first auditor of the company has been appointed by the Board of Directors on 31.10.2020. The members of the company have objected to such an appointment by the Board of Directors. According to the members its only the members who can appoint the first auditor. Advise the company on the validity of such appointment as per the provisions of the Companies Act, 2013. Also, advise whether the contention of members of the company is correct.

(5 Marks)

Question 6:

What are the rights of the auditor of a company in respect of attending the General Meeting.

(3 Marks)

MCQs (1 mark each)

- For appointing an auditor other than the retiring auditor,
 - Special notice is required.
 - Ordinary notice is required.
 - Neither ordinary nor special notice is required
 - Approval of Central Government is required
- For appointing an auditor other than the retiring auditor,
 - Special notice is required.
 - Ordinary notice is required.
 - Neither ordinary nor special notice is required
 - Approval of Central Government is required

3. Every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its:
 - (a) Second annual general meeting
 - (b) Fourth annual general meeting
 - (c) Sixth annual general meeting
 - (d) Eight annual general meeting

4. Birthday Card Limited, a listed company can appoint or re-appoint, Mishra & Associates (a firm of Chartered Accountants), as their statutory auditors for:
 - (a) One year only
 - (b) One term of 3 consecutive years only
 - (c) One term of 4 consecutive years only
 - (d) Two terms of 5 consecutive years

5. The auditor of a Government Company shall be appointed or re- appointed by-
 - (a) The Central Government
 - (b) Comptroller and Auditor General of India (CAG).
 - (c) Central Government on the advice of Comptroller and Auditor General of India.
 - (d) Chairman of the Board of Directors