SHIKHAR
REGULAR BATCH
CA INTER MAY 2025
CORPORATE & OTHER LAWS
TOTAL HOURS
170
NO. OF LECTURES
85
~~₹10,000~~
₹8,000
CA INDRESH GANDHI
OPTION 1 LIVE STREAMING
OPTION 2 PRE RECORDED
BOOKS
Law - Volume 1, Law - Volume 2
Law Section-wise Question Bank (incl. Ans & MCQs)
Enroll Now From
www.ultimateca.com

Sec 139: Appointment of Auditor

Every co
- Indivual
- Firm (Includ LLP)

↓

Tenure — 1st AGM — 5 years — 6th AGM

Manner

Competent Authority
- AC ✓ → ✗
- BOD

Shall take into consdn

Auditor

→ Qualification & Experience
↓
Commensurate with size of organisation

→ Regard to any order or pending proceeding
↓
Professional matter
- ICAI
- Court

→ call such other Info

where competent Authority → AC ✓

AC —Recommend ↓ Name→ BOD — Agree ↓ consider & Recommend

BOD → Disagree → Refer Back + citing Reason Disagreement → AC

BOD → members (AGM)

Audit committee ?

CO → Pvt CO — AC ×××

CO → listed ✓

CO → Public CO

Public CO → PUSC ≥ 10cr OR T/O ≥ 100cr OR Borrowing ≥ 50cr

↓

Date of last audited FS

condition ↓ N/A

① ② ③ — NO Audit committee

company ← consent → Auditor

+ Certificate

ADT-1
(NFRA-1)
ROC
NFRA

I / Firm
↓
Qualifica ✓
Disq ×

Appoint.
as
per term

within ✓
limit
laid
down by
act

list of
Proceeding
against
- auditor
- A. Firm
↓
(True and
correct)

Term of auditor – sec 139 (2)

Company

- listed
- All co (–) OPC, Small co
  - PUSC ≥ 10 cr — Public co
  - OR PUSC ≥ 50 cr — Pvt co
  - OR Borrow ≥ 50 cr

2024 — 2029

ICAI

Individual – Appoint $\ngtr$ 1 term → 5 consecutive year = 1 term

Firm – Appoint $\ngtr$ 2 term

Right to Resign
Right to Remove auditor } Not affected

Cooling Period

- I / Firm – 5 years
- Firm with common partner as on Date of Appointment → Invalid
- same Network of Firm

Rotation of Auditor

Power of member

A Firm
Auditing Partner & team shall be Rotated in such Interval

Audit
conducted by more than one auditor

Manner of Rotation on Expiry of Term

I) CO. → AC ✓

II) when only Board

AC $\xrightarrow{\text{Recommend}}$ Board

- Name
  - I
  - AF

Replace Incumbent Auditor

Not Egible

Board
consider Recomm ✓
+
make its Recomm ✓

↓

member (AGM)

CO → AC ✓ (Not compulsory)

voluntarily → AC ✓

Board may / may not consider Recommendation

Manner of Rotation - Incase of Joint Auditor

CO → Appoint - Two or more auditor

→ may Follow Rotation → Both J/A do not complete term in same year

Day 02

First Auditor

→ Non govt co.

- ① BOD → 30D ✗ 90D → members Auditor
- DOR ——— 30D
- hold - conclusion of 1st AGM

Auditor - Govt co

First Auditor

CAG- Appoint

- DOR ✓ 60D
- hold - concn of 1st AGM

CAG Fail

BOD - 30 D

Fail

member - 60 D

60 30 60

Subsequent Auditor

FY start 180D

CAG

- hold : conclusion of AGM

Auditor ki chair khali hojane before Expiry of term

Casual vacancy - Non govt co.

Resignation

- BOD - 30D
- hold - concn of AGM

Approve in GM

BOD Recomm 3m

Other than Rsgn

casual vacancy - Govt co

- CAG - 30 D
  ↓ Fail
- BOD - 30 D

Auditor ko jitne saal k liye appoint kya hai utne saal baad se appoint karna

Reappointment of Retiring auditor

reappoint

I — 1 term — S

ABC Pvt ltd

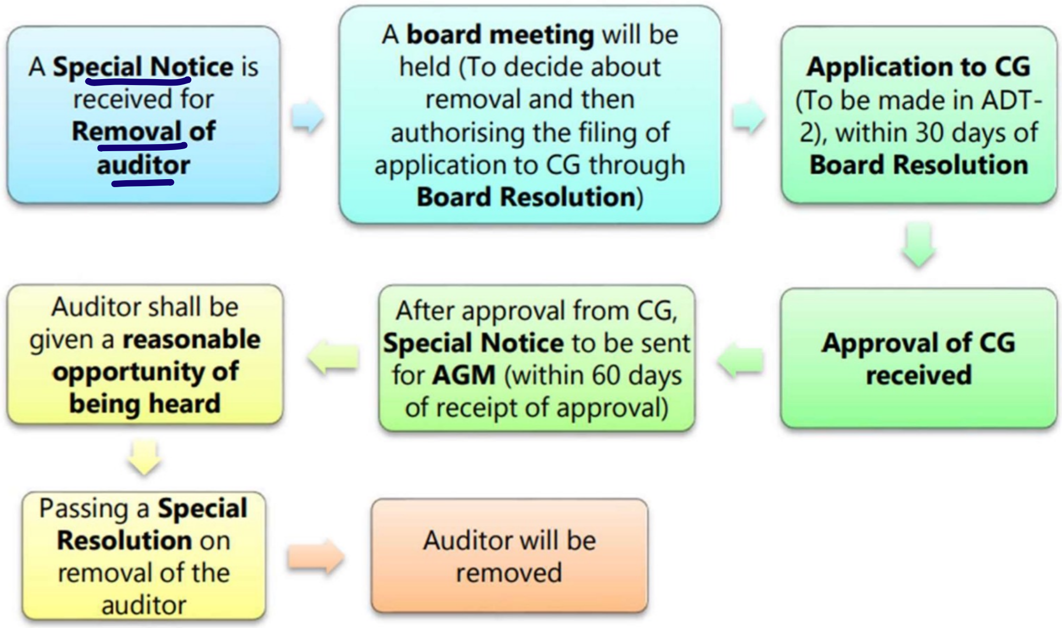
S

Auditor — Retire → Reappoint

- No Disqualified
  - qualified
- Not given Notice to co of unwillingness to appoint
- SR has not been passed
  - Appointing other
  - Express → Retiring Auditor shall not be appointed

If at AGM - No auditor appointed
↓
continue

Removal of auditor



Resignation of auditor

Auditor $\boxed{\text{Govt co.}}$ → ADT-3 → CO $\boxed{+\ \text{CAG}}$

ADT-3 → ROC

ADT-3 ↓ 30 D

+ Statement
  - Reason + other Fact

Penalty - Auditor

50000 or Remuneration - less

+

Continuing Failure
↓
Penalty @ 500/day
↓
$\boxed{\text{Max 2L}}$

Appointing auditor other than Retiring auditor

S/N

member

company

- Notice → Fact of Representation

⊕

- send copy of Representation

Representation in writing (Reasonable length)

+

Request notification to member

Forthwith copy

+

Notice of Reason

Auditor

copy of Representation

Company

Member

- Rd too late or
- co Default

Auditor ↓ Read out at meeting

copy ↓ ROC

Rule 78 - NCLT Rules :

CG → Dir
NCLT-1
Aggrieved auditor

T → satisfy
↓
Rights - abused by auditor

Order

copy sent ⊗

Read out ⊗

Day 03

Auditor Acts in Fraudulent manner / Abbetted or colluded in Fraud

Suo moto

CG

NCLT-9

Any Person

Tribunal → satisfied
↓
Auditor

Directly
Indirectly
Involved in Fraud

In this case NCLT will order in 15 days ask CG to change auditor

Order ✓
↳ Δ auditors

CO

Order — Auditor ⊗ — 5 yrs

sec 447

Eligibility, qualification, Disqualification

(sec 141)

Eligibility

- Individual – CA + Practise [COP]
- Firm
  ↳ majority of Partner are CA + Practise
- Firm – sign?
  ↓
  only CA

Disqualification

a) Body corporate other than LLP - 2008

b) Officer → Sallu

CO

Employee

Arbaz

BH

c) → Partner / Employment → KK

↳ Shera

mom wife
Dad Bache

CA IG

d) Relative | Person | Partner $\xrightarrow{\text{Int / security}}$

mv PP TS DR GS

T sons
ho → sub (Titan | T | 2 |)
co — Asso (Appolo)
TM
sub (Jag)
GC

e) (may hold upt FV - 100000)
in GC

Incase Exeed - 60 D - [corrective Action]

f)

IL ↑ ↓ × → ✓ (cv)
IG
60D

Relative | Person | Partner → GC

Indebted
> 500000 → udhari honey

g) Person | Relative | Partner → GC

guarantee
> 100000

Third Person ↑ Indebted

h) Person | Firm $\xrightarrow{\text{Business Relationship}}$

ho → sub
↑
co — Asso
| ↓
sub   sub

BR → Any txn for commercial purpose
(−)

txn which are professional services
↓
permitted

Txn
- OCB — Ordinary course of Business
- Arm length price

Telecom
hospital
airline

i) Any person → Relative
- Dir
- Employee as Dir
- KMP

} co

J) Person → Full time Employment Elsewhere

k) Person − holding > 20 companies
↓
Appointment as auditor

(−)
- OPC
- small co
- pvt co
  ↓
  PUSC < 100cr

l) Person → convicted by court

↓

Offence involving Fraud

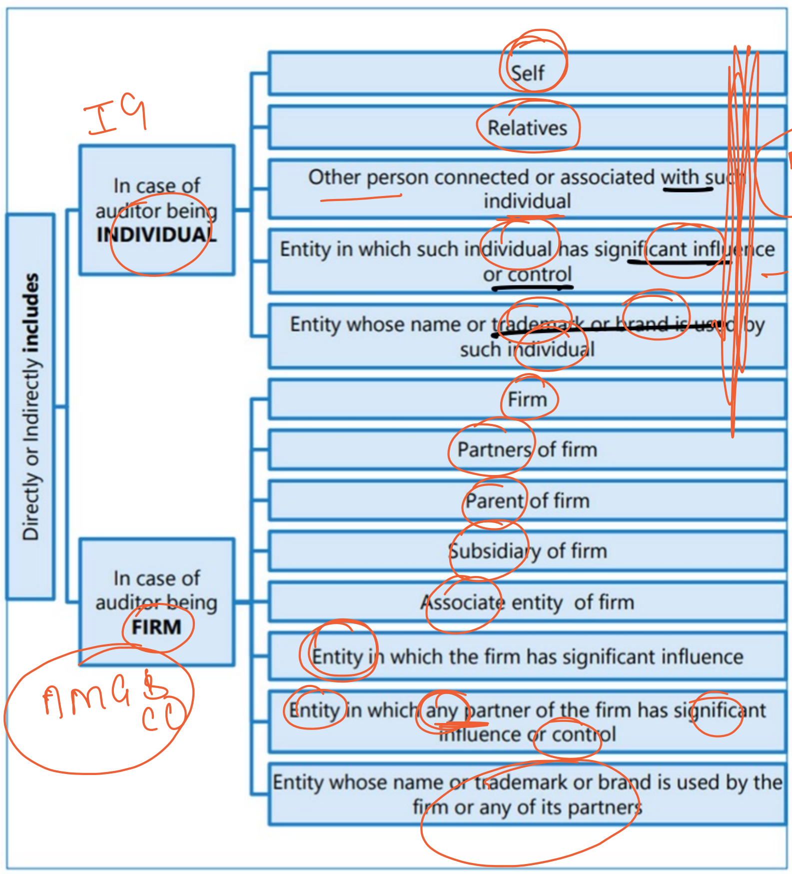
\+

10 Y Not Elapsed

m) Person $\xrightarrow[\text{144 service}]{\text{D / ID}}$ CO

HO ↑ CO ↓ Sub

144 service



1. A/c ing & Book keeping
2. Internal audit
3. Design & Implementⁿ of Fin Inf system
4. Actuarial service
5. Invest. Advisory service
6. Invt. Banking service
7. Rendering of outsourced Financial service
8. Mgmt service
9. Any other Find

Vacation of office by auditor

sec 142: Remuneration of Auditor

1st

BOD

Subsequent

co → GM

Includes

① Exp incurred by him in connection to audit

② Any Facility Extended by him

Exclude

Remuneration paid to him for any other service Rendered at Request of co.

RAN

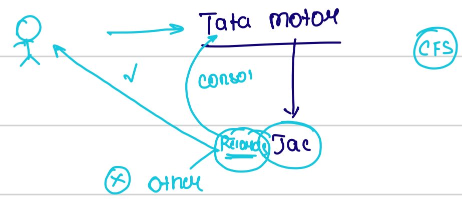
Power of Auditor

Access to BOA

- Auditor - All time
- Place
  - RO
  - Other

Entitled to have Necessary Info & Explanation

- From officer



Access to Record of subsidiary

HO → Auditor

Subsi Asso → Record → other (xxx)

consoldn

Duties of Auditor

(Sub 1): Matter of Enquiry

a) CO —loan + Advances→ ; ←Security—

Security:
- Property secured
- Terms: Prejudicial to Int of Co.

b. CO → Txn → **Book Entry**

Prejudicial to Int of Co. ✓

c) company → sold → shares / Debt security

SPL PP → state ✓

cul

Other than · Invest co
· Banking co

d) co —loans & Advance→ shown as Deposit

e) Personal Exp charge to Revenue

f) company

shares → Allotted For cash

① cash actually Rcd
OR
② No cash → True Position

g) A/c Books are correct
Regular
Not misleading

(galat ✗)

Sub Sec 2 & 3

Auditor's Report

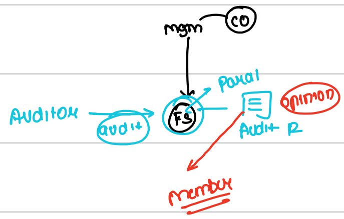
T&F View on FS

Consider AS

Auditor → Report → Member

A/c Examined by him

On FS



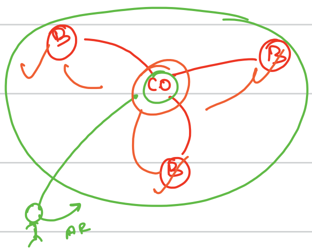
Audit Report shall also state

1. whether obtained all Info and Explanation Best of his knowledge and belief
   ↓
   Necessary for purpose of audit

2. Auditor — opinion
   ↓
   Proper BOA } company maintain (As per law)
   +
   Proper Returns
   (Branches)

③ CO Auditor ← Report ← Branch → Audit → Other Person

Report → Sent? + Manner in which it is Dealt



④ BOA Agreement B/S P&L

⑤ FS — comply AS

⑥ Dir - Disqualified — u/s 164(2)

⑦ Qualification
Reservation } BOA
Adverse

- OPC / SC
N/A - PVT
T/O < 50cr + B < 25cr

⑧ CO → Adequate Internal Financial Control
+
Operating Effectively

⑨ → Other matters Prescribe → Rule 11

① CO – Pending litigation
↓
Impact on Fin Position

② CO
↓
Provision? } Material Forseeable losses if any on long term contract
Including Derivative

③ Delay in Trf to IEPF

④ Auditor $\xrightarrow{\text{Enquire}}$ mgmt

• CO $\xrightarrow{\text{lend (₹)}}$ Intermediary
(Ultimate Beneficiary)
UB

Intermediary
↓ Invest/ guarantee
Other Person

• Entity [UB] → CO – Our CO
↓ Invest/ guarantee
Other Person

- Based on AP nothing came to Notice (i) & (ii)

⑤ Dividend Declared or Paid

↳ comply sec 123

⑥ company → A/c software

Feature — Edit log

Audit Trail +

↳ Not tampered

↳ Preserved as per law

If for any matter ans is Negative or qualification

→ AR - Reason

SS- 9+10

Auditor → comply → ~~AS~~ SA

ICAI → NFRA → CG → ~~AS~~

Specific company - CG

CG ↓ general / special order → Direct

Auditor → Report Additional matter

CARO

Audit syllabus

Reporting of Fraud by Auditor.

i] Amt ≥ 1cr

Auditor —Report→ CG

RTB ↓ Fraud

Amt ≥ 1cr < Individual / Together

Committed By Officer / Employee against co.

Process

Auditor knows Fraud — BOD/AC (2D) — Reply in 45 Days

Reply ✓

Auditor —Forward→ CG
- his Report
- Reply - BOD/AC
→ his comments

(within 15 Days)

Reply ⊗

A —→ CG
Report + Note - No Reply

CG - Secretary MCA
- Sealed cover
- RPAD / SP
- Email confirmation

Report → letter head
↓
Auditor
- Address
- Email
- Telephone
- sign
- Membership Number

ADT 4

II] Fraud - Amt < 1cr

Auditor → (2 Days) A/c Board → Board Report

↓

- P - Parties Involve
- A - Amt Involve
- N - Nature of Fraud

Board Report ✓ PAN + Remedial Action taken

Exemption of Bonafide Faith

Auditor → $\boxed{\text{Duty - Not contravence}}$

by reason of reporting matter in good faith

Penalty
- listed co — 5L
- UL co — 1L

↳ Auditor

Audit of govt companies

CG
SG
CG+SG

$\xrightarrow{\text{51\% or more}}$ GC

subco

GC ✓

Powers vested with CAG:

1. Appoint auditor
2. Direct
   - manner of audit
3. Auditor $\xrightarrow{\text{Report}}$ CAG

Include

- Direction
- Action taken
- Impact on A/c & FS

Comment by CAG & supplement audit

- AR — 60D

Supplementary Audit

Comment upon AR

- CAG will autho person
- Provide Info / Additional Info
- on certain matters

- CAG may also conduct test audit

Audit of A/c of Branch Office

Branch

- In India
  - CO Auditor
  - Other Qualified Person (Sec 139)
- O/s India
  - CO Auditor
  - Accountant
  - Other ↓ Duly qualified as auditor as per laws of that country

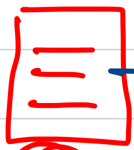
Duties and Power of Branch Auditor

- Sec 143 (1) to (4)
- BA $\xrightarrow[\text{Report}]{}$ Auditor
- Provision of Fraud] Extends to BA

Application of Provision - Sec 143

- Cost A/c ✓
- CS (P) ✓

Sec 145: Auditor to sign Audit Report

 → sign 

139 → Appointed Person

AR

- Qualification
- Observation
- Comments

} FS

↓

Adverse Effect → {Read in GM + Open for Inspection

Sec 146: Auditor to attend GM

CO → Auditor

Notice + other com } GM

Auditor → Right to heard

Part of Business which concern him as auditor

↓

Attend

- himself
- Autho R — qualified to be auditor

sec 147 : Punishment for contravention

sec 139 to 146 contravene

Follow nhi kiya

CO — 25000 - 500000

OID — 10000 - 100000

subsection 2

Contravention by Auditor (139, 144, 145)

Penalty

25000 to 500000 or 4x Remuneration

Wilful Default

25000 to 500000 or 8x Rem + Jail upto 1 year

Auditor - convicted

Refund - Remuneration

Pay Damages

co | stat Body | Autho | member | creditor

loss

Incorrect / misleading statement

Contravention by Audit Firm

Proved - Partner - Acted in Fraudulent manner
- Abetted | colluded in Fraud

Civil | Criminal liability

Damages

Partner + Firm

(Joint | several liability)

Individual + Firm

Partners who Acted in Fraud manner

447

sec 148: CG to specify Audit of Items of cost in Respect of certain company

Cost Record

CG → class of co → Engage in Prodn of goods/ Proving services → Cost Record
↓
(Utilization of material / labour)
and other Item of cost

class of co (Inc F co.)

Table A
Regulated sector

Micro small Enterprise (XX)
MSME 2006

Table B
Non Regulated sector

Table A
B
Other

Overall T/O ≥ 35 cr in PFY
↳ cost Records ✓

Form and manner of cost Record

- CO / Ine unit / Branches } Each FY → CRA 1

- Regular Basis – calculation Per unit cost of Produn **or**

  For Each Product or Activity – [cost of operation, cost of salo, margin

  ↓

  yearly / Qtr / monthly

Cost Audit

CG → order

CO
- New
- T/O

Cost Statement
- made - CO
- Approve - BOD or autho Person

Table A
- Overall T/O ≥ 50cr
- ⊕
- Individual Products } cost Record
- ↓
- Aggregate ≥ 25cr

Telecom
Elec
Petro & gas
Drugs Pharma
Fertilizer
Sugar

Table B
- OT ≥ 100cr
- ⊕
- Individual Product ≥ 35cr
  - ↳ cost R

Arms & Ammunition	Iron Steel	Rubber	coffee & Tea	cement

Cost Audit ⊗ (CR ko maintain karna)

- Revenue - Export → Forex > 75% Total Revenue
- Operating SEZ
- Engage in generation of Elec for captive consumption

Cost Auditor

- Cost A/C
- Person – 139

  ↓

  Auditor → X

Qualification | Disq | Rights | Duties | Obligation

– same as auditor

who – cost auditor ?

- Board – Individual / Firm (AC Recommend)

- AC $\xrightarrow{\text{Remuneration}}$ BOD (Approve) → Member (Ratify)

Appointment Removal Resignation

- 180D

  FY

  ↓

  Appoint

company ⟵ consent ⟶ Auditor

Certificate

- I / Firm
  - ↓ qualifica ✓
  - Disq ⊗
- Appoint. as per term
- within ✓ limit laid down by act
- list of Procedin against
  - auditor
  - A. Firm
  - ↓ (True and correct)

CRA - 2

- company ⟶ CG
  - Inform Appointment
  - 30 D of Appoint.
  - or
  - 180 D of comm of FY
  - — Earlier

- $\boxed{\text{Tenure}}$

FY

180 D

or

submission of cost Audit Report

— Earlier

- Removal of cost Auditor
  - yes after giving ROBH + Board Resolution
    +
  - Reason — writing
  - CRA - 2 ⟶ CG

Filing of casual vacancy
↳ Death
↳ other

- BOD - 30 D
- Inform CG in CRA - 2

cost auditor - comply - cost Auditing std
↑
ICWAI

Cost Audit Report

CWA → BOD

Cost Audit Report
+
Reservation
Qualification
Observation

} CRA - 3

FY — 180D

Filing of Cost Audit Report with CG

AR — 30 Days

↓

CO → CG

May call Addn Info

} E Form, CRA - 4, XBRL

AR
+
Reservation
Qualification

]- Info + Explanation

Penalty → same as 147