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शक्तिउत्थानआश्रमलखीसरायबिहार

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CHARTERED ACCOUNTANT INTERVIEW QUESTIONS & ANSWERS

ABC Ltd., is one of the leading companies in the pharmaceuticals manufacturing industry. 75% Equity shares of ABC Ltd. was acquired by XYZ Ltd. five years ago and is being retained by XYZ Ltd. till date. Total shareholding of XYZ Ltd includes the following:

- The Government of Punjab and Government of Haryana each hold 18% of the paid-up share capital,
- The Government of Rajasthan's share is 15.5%.

On 29th Oct. 2019, Mr. Shyam, the auditor of ABC Ltd. had resigned from his post, citing medical reasons. However, he had forgotten to inform about his resignation to the concerned authorities. Casual vacancy so created was filled up with the appointment of RMT & Co. Chartered Accountants as statutory auditors of ABC Ltd.

As far as RMT & Co. Chartered accountants are concerned, Mr. R, who is one of the partners of the firm had borrowed a sum of ₹3.00 lakhs from XYZ Ltd. He had also purchased goods worth ₹1.89 lakhs from the company. Both the sum borrowed and the cost of the goods bought are not yet paid by Mr. R. Mr. R does not sign the financials of ABC Ltd.

During the course of audit for the financial year 2019-20, the following observations with respect to the company were made by the auditors:

1. The company was not maintaining proper records with respect to the fixed assets maintained by it. The value of fixed assets of the company amounts to ₹1.50 crores approximately.
2. Physical verification for the same was not carried out at regular intervals. The last physical verification was conducted on 31st July 2018.

As a result of the above observations, the auditors decided to report the same in the Companies (Auditors Report) Order 2016. However, the management of the company was against the decision of the auditors and insisted that the observations need not be reported. After several discussions between the auditors and the management, RMT & Co. decided not to report the issues.

Q.1 To whom should have Mr. Shyam informed about his resignation? What could be the possible consequence for his non-compliance?

- (a) He should have informed the registrar and ABC Ltd. As a consequence of his failure, he is liable to a penalty not exceeding ₹5 lakhs.
- (b) He should have informed the registrar alone. As a consequence of his failure, he is liable to a penalty not less than ₹50,000/-.
- (c) He should have informed the registrar and RMT & Co. As a consequence of his failure, he is liable to a fine of ₹500 per day for each day of failure.
- (d) He should have informed the registrar & comptroller and auditor general. As a consequence of his failure, he is liable to a fine of ₹45,000/-.

Q.2	<p>With respect to the acts carried out by Mr. R, the partner of the audit firm, what can you infer about the appointment of RMT & Co. as auditors of ABC Ltd.?</p> <p>(a) It is valid since the indebtedness is within prescribed limits.</p> <p>(b) It is not valid since the indebtedness exceeds prescribed limit of ₹1 lakhs.</p> <p>(c) It is valid since Mr. R is not signing the financials of ABC Ltd.</p> <p>(d) It is valid since the indebtedness is not with ABC Ltd.</p>
Q.3	<p>Is the decision of RMT & Co. of not reporting the issues of ABC Ltd. in CARO 2016 justified? If so, under what reason?</p> <p>(a) No. CARO 2016 is applicable to ABC Ltd. and hence the same has to be reported under clause (I) of CARO.</p> <p>(b) Yes. CARO 2016 is not applicable to ABC Ltd. and hence the same need not to be reported.</p> <p>(c) No. As per SA 240, the auditor has to maintain professional skepticism when it comes to issues in the area of fixed assets and hence the same has to be reported.</p> <p>(d) Yes. As per SA 320, the auditor after taking into account the materiality of the issue, he may either choose to report or not report about the same.</p>
Q.4	<p>Based on the shareholding pattern of ABC Ltd and XYZ Ltd., please select the correct answer as to classification of these companies.</p> <p>(a) Both ABC Ltd. and XYZ Ltd. will be classified as government companies.</p> <p>(b) ABC Ltd. will be classified as government company, whereas XYZ Ltd. will be classified as non-government company.</p> <p>(c) ABC Ltd. will be classified as non-government company, whereas XYZ Ltd. will be classified as government company.</p> <p>(d) Both ABC Ltd. and XYZ Ltd. will be classified as classified as non-government companies.</p>
Q.5	<p>Casual Vacancy created in the office of auditor in the case of a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Comptroller and Auditor-General of India within _____ days:</p> <p>Provided that in case the Comptroller and Auditor-General of India does not fill the vacancy within the said period, the Board of Directors shall fill the vacancy within next _____ days.</p> <p>(a) 30 days; 60 days</p> <p>(b) 60 days; 30 days</p> <p>(c) 60 days; 60 days</p> <p>(d) 30 days; 30 days</p>

Answer – Integrated Case Study 6

Q. No.	Answer	Reason
Q.1	(d)	As per Sec. 140(2) of Companies Act, 2013, statement of resignation is required to be filed with Registrar, company and CAG (in case of Govt. company). As per Sec. 140(3) of Companies Act, 2013, minimum penalty for non-compliance of Sec. 140(2) is lower of audit fees and ₹50,000.
Q.2	(a)	As per Sec. 141(3)(d) of Companies Act, 2013, a firm is disqualified to be appointed as auditor if any of the partner is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of ₹5 Lacs.
Q.3	(a)	Reporting under CARO, 2016 is required in case of a public company.
Q.4	(a)	As per Sec. 2(45) of Companies Act, 2013, "Govt. company" means any company in which not less than 51% of the paid-up share capital is held by the C.G., or by any S.G. (s), or partly by the C.G. and partly by one or more S.G. (s), and includes a company which is a subsidiary company of such a Government company.
Q.5	(d)	Refer Sec. 139(8)