



(As per Provisions of the Companies Act, 2013)



Learning Objectives

- To have a brief view of the provisions of the Companies Act, 2013 regarding the functions of an Auditor.
- To understand the qualifications and disqualifications of an auditor
- To analyse the procedure for appointment and removal of auditors
- To discuss the rights, duties and liabilities of an auditor

POINTS TO RECALL



From the previous Chapter, the students understood the meaning, definition, classification and auditors duties with regard to reserves and provisions and able to identify the differences between reserves and provisions.

9.1 Introduction

The fundamental aspects of auditing are objectives, techniques and principles of auditing, preparation for an audit, internal audit and internal check, vouching,

verification and valuation of assets and liabilities etc., These aspects are applicable to the audit of all types of business entities. However audit of business concerns other than corporate entity is not mandatory. But



in the case of a joint stock company, the audit is a statutory requirement under the Companies Act, 2013. Therefore, provisions regarding appointment of a company auditor, his qualifications, disqualifications, powers, duties etc., are also governed by the Act.

As per the Indian Companies Act, 2013, it is compulsory for every company whether public or private limited, to get its accounts audited by a qualified auditor. Therefore, it is essential that the auditor of a company should be familiar with the provisions of the Companies Act relating to his appointment, duties and rights.

9.2 Qualifications of a Company Auditor [Sec.141 (1) & (2)]

Section 141 (1) & (2) of the Companies Act, 2013 prescribed the following eligibility and qualifications of auditor which are as follows:

1. A person, who is a chartered accountant and holds a certificate of practice, shall be qualified to be appointed as an auditor of a company.
2. The partners who are chartered accountants of a firm alone shall be authorized to act and sign on behalf of the firm.

9.3 Disqualifications of a Company Auditor [Sec.141 (3)]

The following persons shall not be eligible for appointment as an auditor of a company.

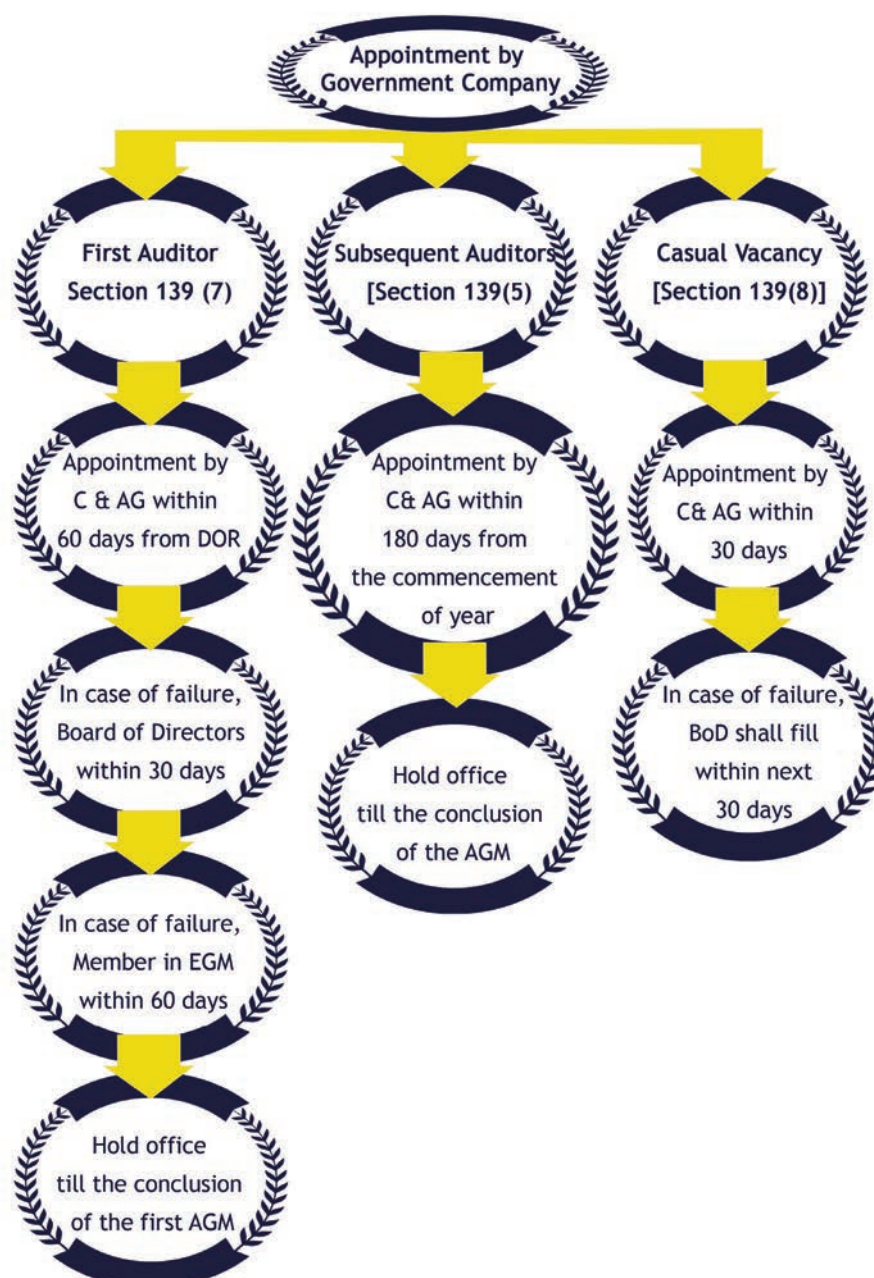
1. A body corporate, except Limited Liability Partnership.
2. An officer or employee of the company
3. A person who is a partner or an officer or employee of the company.
4. A person who is a relative or his partner of a company or holding or subsidiary company or associate company is disqualified in the following circumstances:
 - a. When he is holding any security, or
 - b. When he is indebted in excess of Rs.5,00,000, or
 - c. When he is given a guarantee or provided any security in connection with indebtedness in excess of Rs.1,00,000.
5. A person or a firm has business relationship of such nature with a company or holding or subsidiary company or associate company.
6. A person whose relative is a director or is in employment of the company as director or key managerial personnel.
7. A person holding more than 20 company audit (20 company audit shall exclude one person company, small company, dormant company, private company with paid up capital less than Rs.100 Crore).
8. A person who has been convicted by a court of an offence involving fraud and a period of 10 years has not elapsed from the date of such conviction.
9. Any person who is engaged in consulting and specialized services.

9.4 Appointment of Auditor [Sec. 139]



9.4.1 Appointment of Auditor in Government Company

Companies Act, 2013 defines a Government Company [Section 2 (45)], "as a company in which not less than 51% of the paid up share capital is held by the Central or State Government or Governments or partly by the Central government and partly by one or more State governments."



1. Appointment of First Auditor [Section 139 (7)]

- The first auditor of Government company shall be appointed by the Comptroller and Auditor General of India within 60 days from the date of registration of the company.
- In case the Comptroller and Auditor General of India does not appoint such auditor within 60 days, the Board of Directors of the company shall appoint first auditor within next 30 days.
- In case of failure of the Board to appoint the first auditor, it shall inform Members of the company who shall appoint first auditor within 60 days at an Extraordinary General Meeting.
- First Auditor shall hold office till the conclusion of the first Annual General Meeting.

AGM – Annual General Meeting
BOD – Board of Directors
C&AG – Comptroller and Auditor General of India
DOR – Date of Registration
EGM – Extraordinary General Meeting

2. Appointment of Subsequent Auditor [Section 139 (5)]

The Comptroller and Auditor General of India shall appoint subsequent auditor of Government companies within 180

days from the commencement of the financial year and who shall hold office till the conclusion of the Annual General Meeting.

3. Appointment in case of Casual Vacancy [Section 139 (8)]

Appointment of auditor due to casual vacancy in Government Company is filled by the Comptroller and Auditor General of India within 30 days. If he fails to do so, the Board of Directors shall fill within next 30 days.

9.4.2 Appointment of Auditor in Non-Government Company



1. Appointment of First Auditor [Section 139 (6)]

The first auditor of a company other than a Government company, shall be appointed by the Board of Directors within 30 days from the Date of Registration of the company.

In case of failure of the Board to appoint the auditor, it shall inform the members of the company. The Members shall appoint the auditor within 90 days at an Extraordinary General Meeting.

Appointed First Auditor shall hold office till the conclusion of the first Annual General Meeting.

2. Appointment of Subsequent Auditor's [Section 139 (1)]

Every company shall appoint an individual or a firm as auditor of the company at the first Annual General Meeting.

The appointed auditor shall hold the office till the conclusion of sixth Annual General Meeting and thereafter till the conclusion of every sixth meeting.

The Company shall place the matter relating to such appointment of ratification by member at every Annual General Meeting.

Before such appointment is made, the written consent of the auditor to such appointment and also a certificate from the auditor that he is eligible for appointment shall be obtained from the auditor.

The company shall inform the appointed auditor and also file a notice of such appointment with the Registrar within 15 days of the meeting in which the auditor is appointed.

3. Appointment in case of Casual Vacancy [Section 139 (8)]

Causal vacancy arise due to death or insanity or insolvency of an auditor. If an auditor is disqualified after his appointment, he shall vacate his office as auditor. Such vacation shall be deemed to be a casual vacancy in the office of the auditor.

Appointment of auditor's in case of casual vacancy shall be done by the Board of Directors within a period of 30 days.

If vacancy is due to resignation of an auditor, such appointment shall also be approved by the company at a General Meeting convened within 3 months of the recommendation of the Board.

The auditor shall hold office till the conclusion of the next Annual General Meeting.

9.5 Removal and Resignation of Auditor

9.5.1 Removal of Auditor [Sec.140 (1)]

- i. An auditor can be removed before the expiry of the term by obtaining the prior approval of the Central Government by filling an application.
- ii. The Company shall hold the general meeting within 60 days of receipt of approval of the Central Government for passing the special resolution.
- iii. The auditor concerned shall be given a reasonable opportunity of being heard.

9.5.2 Resignation of Auditor [Sec.140 (2) & (3)]

1. The auditor who has resigned from the Company shall file a statement in the prescribed form stating the reasons for his resignation to the Comptroller and Auditor General of India in case of a Government Company and to the Registrar of Companies in case of Non-Government Companies.
2. While filing the statement, reasons for resignation and other facts as may be relevant with regard to his resignation shall also be indicated.
3. In case of non-compliance, he shall be punishable with fine ranging from ₹.50,000 to ₹.5,00,000.

9.6 Powers (or) Rights of an Auditor [Sec.143]

The Companies Act has conferred certain rights on auditor's so as to enable them to discharge their duties smoothly.

- 1 **Right to Access Books and Vouchers:**
Every auditor of a company has a right to access book of accounts and vouchers of the company at all times. Vouchers include all documents, correspondence, agreements, etc. Books include financial, accounting, statutory and statistical books of the company. The term all times means only during the normal business hours.
2. **Right to Obtain Information and Explanation:**
An auditor has the right to seek information and explanation from the

directors and officers of the company. That will enable him to perform his duties successfully. Every officer of the company must furnish the necessary information to the auditor. If the officer refuses to do so, the auditor may report to the members of the company.

Powers or Rights of an Auditor

- 1 Right to Access Books and Vouchers
- 2 Right to obtain information and explanation
- 3 Right to Sign Audit Report
- 4 Right to receive Notices and attend General Meeting
- 5 Right to visit Branches
- 6 Right to get Remuneration
- 7 Right to report to Members
- 8 Right to seek legal and technical advice
- 9 Right to give suggestions to the Board
- 10 Right to correct wrong statements
- 11 Right to be Indemnified

3. **Right to Sign Audit Report [Sec.145]:**

The auditor has the right to sign the auditor's report. The auditor can also sign or authenticate any document which the law requires to furnish.

4. **Right to receive Notices and attend General Meeting [Sec.146]:**

The company must send all notices and communications to the auditor relating to any general meeting. The auditor may attend the meeting either through himself or through his representative, who shall be an auditor. The auditor in general meeting must be given reasonable opportunity to speak on any part of the business, which concerns him as the auditor.

5. **Right to visit Branches:**

The auditor has the right to access all books and vouchers kept at the head office or at any branches of the company. In case the accounts of branches are audited by a person other than the company's auditor, he shall be entitled to visit the branch office. The company auditor can get copies of accounts certified by the branch auditor.

6. **Right to get Remuneration:**

The remuneration of the auditor of a company shall be fixed in its general meeting for auditing the books of accounts of the company. The auditor can claim remuneration from the appointing authority. At the time of winding up of the company, he can claim remuneration as creditor of the company.

7. **Right to Report to Members:**

The auditor has the right and duty to report to the members of the company regarding the accounts examined by him. He is also required to give his opinion about whether the financial statements give a true and fair picture of the state of affairs of the company.

8. **Right to seek Legal and Technical Advice:**

The auditor has the right to seek expert advice in respect of legal or technical matters at the expense of the company.

9. **Right to give Suggestions to the Board:**

The auditor has the right to suggest some modifications in the books of accounts to the Board. The Board should comply with the suggestions made by the company auditor. If not, the auditor should report the same to the members. But the auditor cannot make changes in the books of accounts of his own.

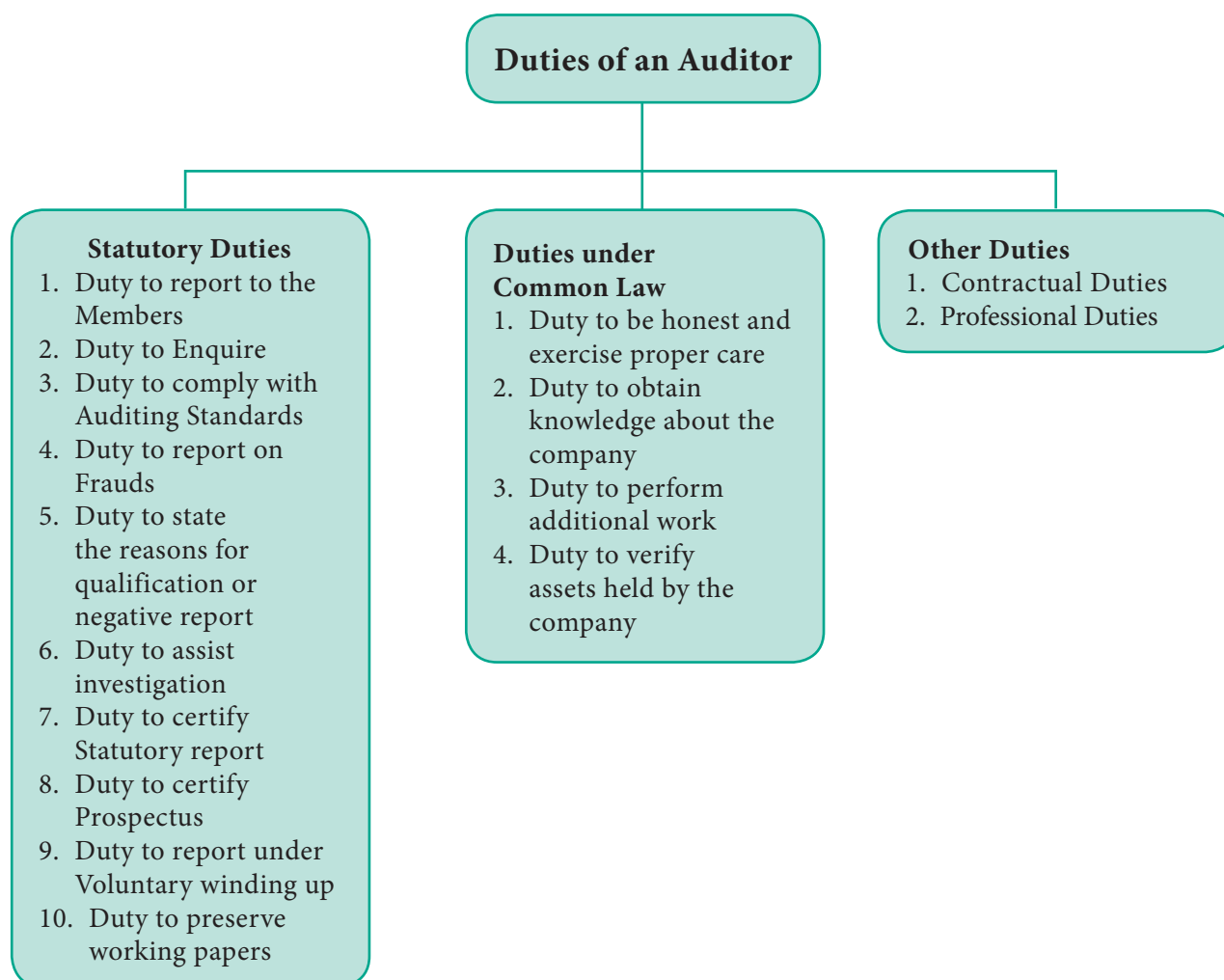
10. **Right to Correct Wrong Statements:**

The auditor has the right to correct wrong statements made by the directors relating to the accounts. But it should be remembered that any statement by him to this effect will not relieve himself for any omission or incompleteness in his report.

11. **Right to be Indemnified:**

The auditor has the right to be indemnified out of the assets of the company against any liability incurred by him in defending himself against the civil or criminal proceedings by the company if it is proved that the auditor has acted honestly.

9.7 Duties of an Auditor [Sec.143]



9.7.1 Statutory Duties

1. Duty to report to the Members [Sec.143 (3)]:

The auditor shall make a report to the members of the company on accounts and financial statements examined by him.

The report shall state:

- a. Whether he has sought and obtained all necessary information and explanations.
- b. Whether proper books of accounts has been kept.

c. Whether company's Balance Sheet and Profit and Loss account are in agreement with books of accounts and returns.

2. Duty to Enquire [Sec.143 (1)]:

It is the duty to inquire into the following matters:

- Whether loans and advances made by the company based on security have been properly secured and whether the terms on which they have been made are prejudicial to the interests of the company or its members.

- Whether transactions of the company, which are represented merely by book entries, are prejudicial to the interests of the company.
- Whether loans and advances made by the company have been shown as deposits.
- Whether personal expenses have been charged to revenue account.
- Whether it is stated in the books and documents of the company that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance sheet is correct, regular and not misleading.

3. **Duty to comply with Auditing Standards [Sec.143 (9)]:**

- Every auditor shall comply with the auditing standards.
- The Central Government shall notify standards in consultation with National Financial Reporting Authority, (NFRA).
- The government shall also notify that auditor's report shall include a statement on such matters as notified.

4. **Duty to report on Frauds [Sec. 143 (12)]:**

When an auditor suspects an offence involving fraud is being committed by officers or employees of the company, he shall immediately report the matter to the Central Government in such manner as may be prescribed.

5. **Duty to state the reasons for qualified or negative report [Sec.143 (4)]:**

In case of negative or qualified report, the reasons must be stated in the report.

6. **Duty to assist investigation:**

It is the important duty of the auditor to assist the investigator to investigate the affairs of the company. Further, it is the duty of the auditor,

- To provide and preserve the necessary documents which are in his custody to the investigator, and
- To assist the investigator by providing all assistance in connection with the investigation.

7. **Duty to certify Statutory Report:**

The auditor has to certify statutory report as correct to the extent of –

- Shares allotted by the company,
- Cash received in respect of such shares, and
- An abstract of receipts and payments of the company.

8. **Duty to certify Prospectus:**

It is the duty of auditor to certify a report showing statement of profits or losses and assets and liabilities of the company and its subsidiaries. The report shall also include rates of dividend paid by the company for each of five financial years preceding the issue of prospectus.

9. **Duty to report under Voluntary winding up:**

When the company proposes for voluntary winding up, directors of the company have to make a declaration of solvency. The auditor has to certify a report upon the solvency based on the Profit and Loss Account and Balance Sheet.

10. **Duty to preserve Working Papers:**
It is the duty of an auditor to preserve and produce all books and papers relating to the company which are in his custody and to assist the inspector appointed by the government for investigation.

9.7.2 Duties under Common Law

- Duty to be honest and exercise proper care:**
The auditor should be straightforward, honest and tactful and must not be influenced by others in discharge of his duties. He should be careful and cautious in performing his duties.
- Duty to obtain knowledge about the company:**
He should obtain detailed knowledge about the activities and affairs of the company.
- Duty to perform additional work:**
The auditor besides performing the statutory duties is bound to perform additional work by passing a resolution in the general meeting or making a provision in the Articles of Association of the company.

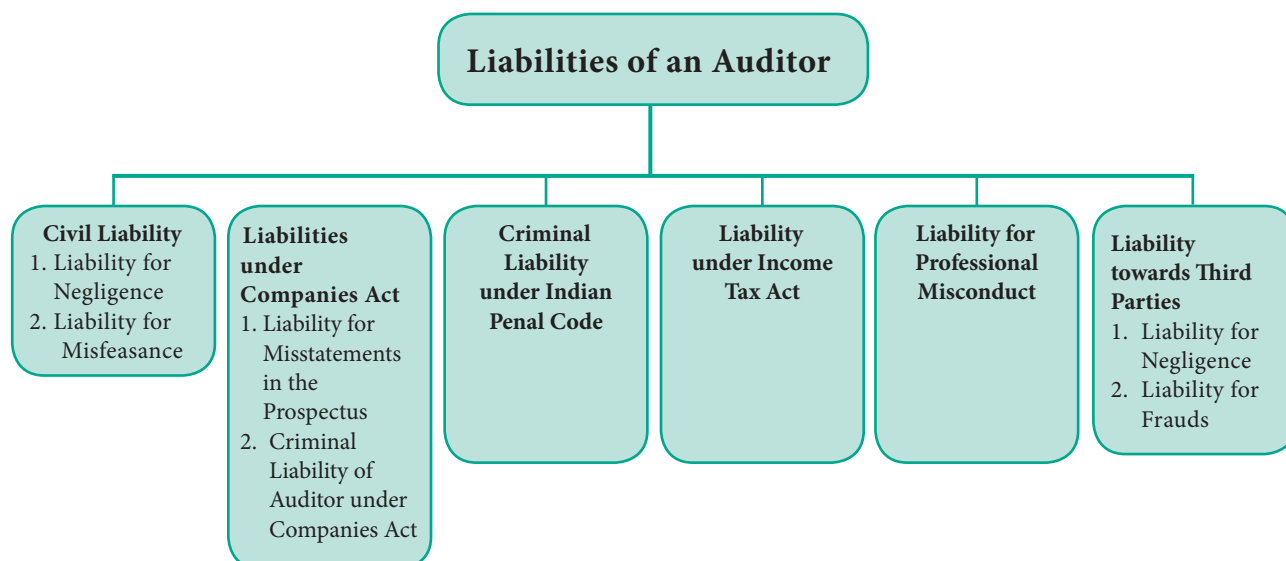
4. **Duty to verify assets held by the company:**
It is the duty of the auditor to verify assets of the company.

9.7.3 Other Duties

- Contractual Duties:**
The auditor's duty will depend upon the terms and conditions of his appointment between him and the party who appointed him.
- Professional Duties:**
The auditor has to observe the ethics given by the Institute of Chartered Accountants of India. He should correspond with the previous auditor before accepting the assignment.

9.8 Liabilities of an Auditor:

A Chartered Accountant is associated with the valuable profession. His primary duty is to present a report on the accounts and statements submitted by him to members of the company. He is responsible not only to the members of the company but also to the third parties of the company, i.e., creditors, bankers etc.



Normally the liability of auditor based on the work done by him as professional accountant and carry out his work with due care, caution and diligence. The nature of liabilities of an auditor is discussed below:

9.8.1 Civil Liability:

1. Liability for Negligence:

Negligence means breach of duty. An auditor is an agent of the shareholders. He has to perform his professional duties. He should take reasonable care and skill in the performance of his duties. If he fails to do so, liability for negligence arises. An auditor will be held liable if the client has suffered loss due to his negligence. It should be noted that an auditor will not be liable to compensate the loss or damage if his negligence is not proved.

2. Liability for Misfeasance:

Misfeasance means breach of trust. If an auditor does something wrongfully in the performance of his duties resulting in a financial loss to the company, he is guilty of misfeasance. In such a case, the company can recover damages from the auditor or from any officer for breach of trust or misfeasance of the company. Misfeasance proceedings can be initiated against the auditor for any untrue statement in the prospectus or in the event of winding up of the company.

9.8.2 Liabilities under Companies Act

The following are the liabilities of an auditor under the provisions of the Companies Act.

[I] Liability for Misstatements in the Prospectus [Sec.35]:

An auditor shall be held liable to compensate every person who subscribes for any shares or debentures of a company on the faith of the prospectus containing an untrue statement made by him as an expert. The auditor shall be liable to compensate him for any loss or damages sustained by him by reason of any untrue statement included therein. The auditor may escape from liability if he proves that:

- The prospectus is issued without his knowledge or consent.
- He withdrew his consent, in writing before delivery of the prospectus for registration.
- He should have withdrawn his consent after issue of prospectus but before allotment of shares and reasonable public notice has given by him regarding this.

II. Criminal Liability of Auditor under Companies Act:



1. Untrue statement in Prospectus [Sec.34]

The auditor is liable when he authorizes a false or untrue prospectus. When a prospectus includes any untrue statement, every person who authorizes the issue of prospectus shall be imprisoned for a period of six months to ten years or with a fine, which may be three times the amount involved in the fraud or with both.

2. Non compliance by auditor [Sec. 143 and 145]:

If the auditor does not comply regarding making his report or signing or authorization of any document and makes willful neglect on his part he shall be punishable with imprisonment upto one year or with fine not less than ₹. 25,000 extendable to ₹. 5,00,000.

3. Failure to assist investigation [Sec.217 (6)]:

When Central Government appoints an Inspector to investigate the affairs of the company, it is the duty of the auditor to produce all books, documents and to provide assistance to the inspectors. If the auditor fails to do so he shall be punishable with imprisonment upto one year and with fine up to ₹.1,00,000.

4. Failure to assist prosecution of guilty officers [Sec.224]:

An auditor is required to assist prosecution when Central Government takes any action against the report submitted by the Inspector. If he fails

to do so, he is found guilty and is punishable.

5. Failure to return property, books or papers [Sec.299]:

When a company is wound up the auditor is supposed to be present and subject himself to a private examination by the court and is also liable to return to the court any property, books or papers relating to the company. If the auditor does not comply, he may be imprisoned.

6. Penalty for falsification of books [Sec.336]:

An auditor when destroys, mutilates, alters or falsifies or secrets any books of account or document belonging to the company. He shall be punishable with imprisonment and also be liable to fine.

7. Prosecution of auditor [Sec.342]:

In the course of winding up of a company by the Tribunal, if it appears to the Tribunal that an auditor of the company has been guilty of an offence, it shall be the duty of the auditor to give all assistance in connection with the prosecution. If he fails to give assistance he shall be liable to fine not less than ₹ 25,000 extendable upto ₹1,00,000.

8. Penalty for deliberate act of commission or omission [Sec.448]:

If an auditor deliberately makes a statement in any report, certificate, balance sheet, prospectus, etc which is false or which contains omission of material facts, he shall

be punishable with imprisonment for a period of six months to ten years and fine not less than amount involved in fraud extendable to three times of such amount.

9.8.3 Criminal Liability under Indian Penal Code

If any person issues or signs any certificate relating to any fact which such certificate is false, he is punishable as if he gave false evidence. According to Sec.197 of the Indian Penal Code, the auditor is similarly liable for falsification of any books, materials, papers that belongs to the company.

9.8.4 Liability under Income Tax Act [Sec.278]

- For tax evasion exceeds ₹1,00,000, rigorous imprisonment of six months to seven years.
- A person who induces another person to make and deliver to the Income Tax authorities a false account, statement or declaration relating to any income chargeable to tax which he knows to be false, he shall be liable to fine and imprisonment of three months to three years. An auditor may also be charged in case of wrong certification of account.
- A Chartered Accountant can represent his clients before the Income Tax Authorities. However, if he is guilty of misconduct he can be disqualified from practicing.
- An auditor can face imprisonment upto two years for furnishing false information.

9.8.5 Liability for Professional Misconduct

The Chartered Accountant Act, 1949 mentions number of acts and omissions that comprise professional misconduct in relation to audit practice. The council of ICAI may remove the auditor's name for five years or more, if he is found guilty of professional misconduct.

ICAI – The Institute of Chartered Accountants of India.

9.8.6 Liability towards Third Parties

There are number of persons who rely upon the financial statements audited by the auditor and enter into transactions with the company without further enquiry viz. creditors, bankers, tax authorities, prospective shareholders, etc.

1. Liability for Negligence:

It has been held in the court that auditor is not liable to third parties, as there is no contract between auditor and third parties. He owes no duty towards them.

2. Liability for Frauds:

The third parties can hold the auditor liable, if there is fraud on the part of auditor even if there is no contractual relationship between auditor and third parties. In certain cases negligence of auditor may amount to fraud for which he may be held liable to third parties. But it must be proved that auditor did not act honestly and he knew about it.

1. What is ATC? (Accounting Technician Course)

A candidate may opt for Accounting Technician Course. Such a candidate has to undergo a study course of nine months, 35 hours Orientation Programme and 100 hours Information Technology Training before appearing in Accounting Technician Examination (ATE). It is to be noted that Group I of IPCC is equivalent to ATC. After passing ATE, he will also be required to complete 12 months of work experience and on production of a certificate to this effect he will be issued Accounting Technician Certificate. A candidate who does not wish to complete erstwhile Intermediate/PE-II/PCC/IPCC can opt for ATC.

2. What is FCA and ACA?

FCA stands for Fellow Chartered Accountant which one becomes after holding COP (Certificate of Practice) for more than 5 years. Whereas, ACA stands for Associate Chartered Accountant who holds Certificate of Practice for less than 5 years.

CERTIFICATE COURSES FOR MEMBERS

- Certificate Course on Enterprise Risk Management
- Certificate Course on Master in Business Finance
- Certificate Course on Corporate Governance
- Certificate Course on International Taxation
- Certificate Course on Forensic Accounting & Fraud Detection using IT & CAATs
- Certificate Course on International Financial Reporting Standards
- Certificate Course on Forex and Treasury Management
- Certificate Course on Derivatives
- Certificate Course on Valuation
- Certificate Course on Arbitration



STUDENTS ACTIVITY



1. Conduct a model Annual general meeting with proper agenda for appointing the auditor of a company and fixing his remuneration by passing an ordinary resolution by the shareholders.
2. Visit an auditor's office and discuss with the auditor regarding his professional services.
3. Discuss with an auditor regarding the scope of his work and liabilities of an auditor.

SUMMARY

- In case of a joint stock company, the audit is a statutory requirement under the Companies Act, 2013. A person will be qualified to be appointed as an auditor of a company, only if he is a Chartered Accountant. The following persons shall not be eligible for appointment as an auditor of a company (i) A body corporate, (ii) An officer or employee of the company, (iii) Any partner, (iv) A person indebted in excess of Rs.5,00,000, (v) A person whose relative is a director or key managerial personnel (vi) A person holding more than 20 company audit.
- An auditor shall be appointed as first auditor or subsequent auditor or in casual vacancy in case of Government Company and Non-Government Company in different ways.
- An auditor can be removed from the company before the expiry of the term only by obtaining the prior approval of the Central Government. The auditor who has resigned from the company shall file a statement with the company and the Registrar, in case of Non-Government Company. In case of Government Company with the Comptroller and Auditor General of India (C & AG).
- A company auditor has the right to access books and vouchers, right to obtain information and explanation, right to sign audit report, right to receive notices and attend general meeting, right to visit branches, right to get remuneration, right to report to members, right to seek legal and technical advice, right to give suggestions to the board, right to correct wrong statements and right to be indemnified.

- Duties of a Company Auditor may broadly classified into Statutory Duties, Duties under Common Law and Other Duties like Contractual Duties and Professional Duties.
- The nature of Liabilities of an Auditor are: (1) Civil Liability, (2) Liabilities under Companies Act, (3) Criminal Liability under Indian Penal Code, (4) Liability under Income Tax Act, (5) Liability for Professional Misconduct and (6) Liability towards Third Parties.

KEY TERMS

- **Government Company:** A 'Government Company' is a company in which not less than 51% of the paid up share capital is held by the Central or State Government or Governments or partly by the Central government and partly by one or more State governments.
- **Casual Vacancy:** Casual vacancy arises due to death, insanity, insolvency or due to any other disqualification of the auditor.
- **Negligence:** Negligence means breach of duty. An auditor should take reasonable care and skill in the performance of his duties. If he fails to do so, liability for negligence arises.
- **Misfeasance:** Misfeasance means breach of trust. If an auditor does something wrongfully in the performance of his duties resulting in a financial loss to the company, he is guilty of misfeasance.

Important Sections in Companies Act, 2013:

Section 139 – Appointment of Auditors

Section 140 – Removal and Resignation of Auditor

Section 141 – Eligibility, Qualifications and Disqualifications of Auditors

Section 142 – Remuneration of Auditor

Section 143 – Powers and Duties of Auditor

Section 144 – Auditor not to render certain services

Section 145 – Auditor to sign Audit reports

Section 146 – Auditor to attend General meeting

Section 147 – Punishment for contravention



EVALUATION



I. Multiple Choice Questions:

1. Section 139 of the Companies Act, 2013 deals with
 - a. Appointment of auditors
 - b. Eligibility and qualifications of auditors
 - c. Removal of auditor
 - d. Remuneration of auditor
2. The subsequent auditors of a company are appointed by the
 - a. Board of Directors
 - b. Shareholders
 - c. Central Government
 - d. Company promoters
3. A company auditor on being an individual cannot be an auditor of more than the following number of companies at one time
 - a. 2
 - b. 5
 - c. 10
 - d. 20
4. Which of the following can be appointed as company auditor?
 - a. Any officer or employee of the company
 - b. Body corporate
 - c. Firm of which all the partners are chartered accountants
 - d. HUF
5. Statutory duties of a company auditor are determined by the:
 - a. Memorandum of Association
 - b. Articles of Association
 - c. Companies Act, 2013
 - d. Agreement between company and the auditor
6. Match list I (Items) with list II (Section of the Companies Act, 2013) and select the correct answer using the codes given below the lists:

List I

- A. Appointment of auditors by the CAG
- B. Qualifications and disqualifications of auditors
- C. Powers and duties of auditors
- D. Remuneration of auditors

List II

1. Section 139(5)
2. Section 141
3. Section 142
4. Section 143

Answer Codes:

- | | A. | B. | C. | D. |
|----|----|----|----|----|
| a. | 1. | 2. | 3. | 4. |
| b. | 4. | 3. | 2. | 1. |
| c. | 1. | 2. | 4. | 3. |
| d. | 2. | 3. | 1. | 4. |

7. A Company audit can be done by _____
- Chartered Accountant
 - Cost Accountant
 - Company Secretary
 - Auditor
8. An auditor is a professional that accumulates and evaluates evidence to report whether the company complies with the _____
- Accounting policies
 - Accounting standards
 - Government policies
 - Established set of procedures or standards
9. An auditor may function as _____
- An employee
 - Independent professional
 - An employee or an independent professional
 - An external professional
10. The first auditor so appointed shall hold office till the conclusion of _____
- First accounting year
 - Next accounting year
 - First Annual General Meeting
 - First statutory meeting
11. In case the Board of Directors fails to appoint the first auditors within one month of its incorporation the _____ may appoint the first auditors.
- Chairman of the company
 - Managing directors
 - Company in general meeting
 - Central Government
12. Casual vacancy of auditor in case of company other than Government Company may be filled by the _____
- Board of directors
 - Shareholders
 - Central Government
 - Comptroller & Auditor General
13. Where the vacancy is caused by resignation of auditor of a company, such vacancy shall only be filled by the _____
- Comptroller & Auditor General
 - Central Government
 - Company in general meeting
 - Board of directors
14. Examples of casual vacancy are vacancy arising due to _____
- Resignation of the auditor
 - Death of the audit
 - Disqualification of the auditor
 - All of the above
15. The auditor of a Government Company is appointed by the _____
- Comptroller and Auditor General of India
 - The shareholder in a general meeting
 - The shareholder at an extra-ordinary general meeting
 - The Board of directors

16. Section 141 contains provision as regards
 - a. First appointment of auditors
 - b. Subsequent appointment of auditors
 - c. Qualifications and disqualifications of auditors
 - d. All of the above
17. Who of the following can be appointed auditors of a limited company?
 - a. A chartered accountant
 - b. A cost accountant
 - c. A company secretary
 - d. All of the above
18. The auditors have the right to attend
 - a. Board meeting
 - b. Annual general meeting
 - c. Extraordinary general meeting
- d. Any general meeting
19. The auditor shall have the right to receive _____ for auditing the accounts of the company.
 - a. Remuneration
 - b. Commission
 - c. Reward
 - d. Award
20. A company auditor has the following rights
 - a. Right to receive notice of general meeting
 - b. Right of access to the books of account
 - c. Right to seek from the officers of the company any information related to auditing
 - d. All of the above

[Answers: 1.(a), 2.(b), 3.(d), 4.(c), 5.(c), 6.(c), 7.(a), 8.(d), 9.(c), 10.(c), 11.(c), 12.(a), 13.(c), 14.(d), 15.(a), 16.(c), 17.(a), 18.(d), 19.(a), 20.(d)]

II. Very short answer questions

1. Who can be appointed as an auditor of a company?
2. What is meant by casual vacancy?
3. What is the procedure for removal of an auditor?
4. What is meant by misfeasance?
5. Who cannot become auditor of a company?
6. Who appoints the first auditor of a Company?
7. What is statutory duty?
8. What do you mean by negligence?
9. State any three liabilities of a company auditor.
10. Define 'Government company'.

III. Short answer questions.

1. What are the qualifications of an auditor?
2. What are the disqualifications of an auditor of a company?

3. What are the circumstances in which an auditor can be removed?
4. State the duties of an auditor of a limited company.
5. Explain the civil liability of an auditor.
6. What are the criminal liabilities of an auditor?

7. Explain liability for misfeasance.
8. What is the liability of an auditor for negligence and misfeasance?
9. Discuss the liability of an auditor to third parties.

IV. Essay type questions.

1. State the qualifications and disqualifications of the auditor of a company.
2. State the provisions of the Companies Act, 2013 regarding appointment of auditor in Government Company.
3. Explain in detail about the appointment of auditors in Non-Government Company.

4. Explain in brief the powers of a company auditor.
5. What are the statutory duties of a company auditor? Discuss.
6. Discuss the rights of a company auditor.
7. Write a note on civil and criminal liabilities of an auditor.
8. Discuss the liabilities of a company auditor under the Companies Act.

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