Audit & Auditors

Difficulty Level: Low

1. Under Section 139 of the Companies Act 2013, who must appoint an auditor at the first Annual General Meeting (AGM)?
(a) The shareholders
(b) The board of directors
(c) The existing auditor
(d) The government

2. What is the maximum tenure of an auditor appointed under Section 139 before reappointment?
(a) Until the conclusion of the 3rd AGM
(b) Until the conclusion of the 6th AGM
(c) Until the conclusion of the 10th AGM
(d) Indefinite tenure until resignation

3. As per the Companies (Audit and Auditors) Rules 2014, which criteria must be considered for the appointment of an auditor?
(a) The auditor's popularity
(b) The auditor's qualifications and experience
(c) The auditor's financial status
(d) The auditor's geographical location

4. According to Section 142 of the Companies Act 2013, what aspect regarding auditors is specifically, mentioned?
(a) Powers of auditors
(b) Duties of auditors
(c) Remuneration of auditors
(d) Qualifications of auditors

5. What are auditors required to do as stated in Section 143 of the Companies Act 2013?
(a) File financial statements
(b) Monitor the company's day-to-day operations
(c) Adhere to auditing standards and fulfill certain duties
(d) Approve the company's major financial decisions

6. Section 144 of the Companies Act 2013 discusses which of the following about auditors?
(a) Their appointment process
(b) Services they are prohibited from rendering
(c) Their rights in the company
(d) Their retirement benefits

7. What is the main requirement for the signing of audit reports as per Section 145 of the Companies Act 20137
(a) Approval from the shareholders
(b) Signature from the CEO
(c) Signature from a designated auditor
(d) Certification by a government authority

8. Under Section 146 of the Companies Act 2013, auditors are required to do what?
(a) Attend the company's board meetings
(b) Attend the company's Annual General Meetings
(c) Conduct monthly audits
(d) Provide weekly financial reports

9. Section 147 of the Companies Act 2013 primarily deals with what aspect related to auditors?
(a) Their social responsibilities
(b) Punishment provisions
(c) Their role in mergers and acquisitions
(d) Guidelines for international auditing standards

10. The role of a Cost Auditor is specifically mentioned in which section of the Companies Act 2013?
(a) Section 146 (b) Section 147
(c) Section 148 (d) Section 149

11. Who is responsible for the appointment of the first auditor in a company as per Section 139?
(a) The managing director
(b) The shareholders
(c) The board of directors
(d) The previous auditor

12. What must an auditor provide before their appointment as per the Companies Act 20137
(a) A written consent and a certificate of qualification
(b) A financial bond
(c) A list of previous clients
(d) An audit plan for the company

13. Under the Companies Act 2013, an auditor may be removed from office before the expiry of their term by
(a) A simple majority vote of shareholders
(b) A special resolution and approval from the Central Government
(c) The CEO's decision
(d) A unanimous vote of the board of directors

14. If an auditor resigns from a company, they must:
(a) Notify only the board of directors
(b) File a statement with the company and the Registrar
(c) Publish a public notice in major news- papers
(d) Obtain permission from the Central Government

15. As per Section 141, who is eligible to be appointed as an auditor of a company?
(a) Any individual with financial expertise
(b) A chartered accountant with a valid certificate of practice
(c) A retired government officer
(d) A shareholder with accounting experience

16. What is the primary purpose of appointing an auditor in a company as per the Companies Act 2013?
(a) To manage the company's financial accounts
(b) To ensure a true and fair view of the company's financial statements
(c) To make investment decisions for the company
(d) To handle the company's tax filings

17. How does Section 142 of the Companies Act 2013 influence the auditor's role in a company?
(a) It defines their auditing standards
(b) It determines their remuneration
(c) It outlines their managerial responsibilities
(d) It specifies their legal liabilities

18. What does the requirement for an auditor attend the Annual General Meeting (AGM) per Section 146 signify about their role?
(a) To vote on company matters
(b) To provide financial advice to shareholders
(c) To present and discuss the audit report
(d) To assist in electing new board members

19. The prohibition of certain services by auditors as stated in Section 144 is meant to:
(a) Increase their workload
(b) Prevent conflicts of interest
(c) Limit their interaction with clients
(d) Reduce their remuneration

20. What is the implication of the rule that only chartered accountants can be appointed as auditors as per Section 141?
(a) It ensures auditors have legal knowledge
(b) It guarantees financial expertise in auditing
(c) It restricts auditors to accounting tasks only
(d) It mandates auditors to have international experience

21. Why does the Companies Act 2013 require written consent and a qualification certificate from an auditor before their appointment?
(a) To verify their agreement to the terms of appointment
(b) To assess their financial background
(c) To confirm their membership in a professional body
(d) To ensure they are not involved in legal disputes

22. The provision for the removal of an auditor before the end of their term in Section 139 suggests what about the auditor's accountability?
(a) It is limited to the duration of their contract
(b) It is subject to shareholders' satisfaction
(c) It is dependent on the company's financial performance
(d) It is influenced by changes in management

23. What does the rule about the tenure of all auditor's appointment (till the conclusion of the 6th AGM) in Section 139 indicate?
(a) Auditors can only work for a maximum of six years
(b) It provides continuity in the audit process
(c) It limits the auditor's influence in the company
(d) It aligns with the company's financial cycle

24. How does the requirement for auditors to file a notice in Form ADT-1 with the Registrar reflect on the transparency of their appointment?
(a) It ensures public awareness of their appointment
(b) It formalizes their role within the company
(c) It tracks the number of auditors in the country
(d) It is a formality without significant implications

25. The requirement for a special resolution to remove an auditor before the expiry of their term as per Section 139(2) emphasizes:
(a) The importance of mutual agreement in their dismissal
(b) The necessity of government approval for their removal
(c) The auditor's strong legal position within the company
(d) The need for shareholder consensus in critical decisions

26. In the context of auditor appointment, what does the consideration of an auditor's qualifications and experience by the competent authority imply?
(a) Preference for auditors with international experience
(b) Emphasis on auditors with a strong educational background
(c) Prioritizing auditors with relevant expertise and credentials
(d) Selecting auditors based on their familiarity with the company

27. How does the requirement for an auditor to attend AGMs, as per Section 146, contribute to corporate governance?
(a) By ensuring management transparency
(b) By facilitating direct communication with shareholders
(c) By providing a platform for auditors to make executive decisions
(d) By allowing auditors to influence the election of board members

28. What does the restriction on re-appointing a retiring auditor who has not completed a tenure of 5 years without a special notice imply?
(a) It promotes auditor independence
(b) It is a measure to prevent auditor complacency
(c) It reflects on the auditor's performance
(d) It encourages rotation of auditors for fresh perspectives

29. The provision in Section 141 stating that only partners who are chartered accountants can act and sign on behalf of an auditing firm indicates:
(a) A restriction on the firm's operational autonomy
(b) An emphasis on professional qualification in audit practices
(c) A limitation on the number of audits a firm can undertake
(d) A measure to streamline the audit process

30. What does the prohibition of certain individuals (like an officer or employee of the company) from being appointed as an auditor signify?
(a) It aims to reduce the administrative burden on companies
(b) It is to ensure unbiased and independent auditing
(c) It limits the auditor's involvement in day- to-day operations
(d) It seeks to diversify the pool of potential auditors

31. In a scenario where a company's paid-up share capital exceeds ₹50 crore, how would Section 139(2) of the Companies Act 2013 apply in terms of auditor appointment?
(a) The company can appoint any auditor of its choice without restrictions
(b) The company is exempt from appointing an auditor
(c) The auditor must be appointed as per the specified rules for listed and large companies
(d) The auditor can be appointed for an indefinite period

32. If a company plans to remove its auditor before the term expiry, which steps should be taken according to the Companies Act 2013?
(a) Obtain approval from the Central Government and pass a special resolution
(b) The CEO can directly remove the auditor
(c) A simple majority vote at the AGM is sufficient
(d) The auditor can be removed without any specific procedure

33. When an auditor resigns, what application of Rule 8 from the Companies (Audit and Auditors) Rules 2014 is necessary?
(a) Filing a statement in form ADT-3 with reasons for resignation
(b) Obtaining permission from the Central Government
(c) Holding a shareholders' meeting to discuss the resignation
(d) The auditor must re-appoint a successor before resigning

34. How does Section 144 of the Companies Act 2013 apply to a situation where an auditor offers management consultancy services to the audit client?
(a) It is allowed if the client approves
(b) It is prohibited to prevent conflicts of interest
(c) Allowed only if disclosed in the audit report
(d) Permitted if the auditor has special qualifications

35. Applying the qualifications criteria of Section 141, how should a company proceed when selecting an auditor who is part of a limited liability partnership?
(a) Choose any partner from the firm

(b) Ensure only the partners who are chartered accountants can act and sign
(c) Select based on the auditor's experience, regardless of their qualification
(d) Appoint the most senior partner of the firm

36. In a case where an auditor has not completed consecutive tenure of 5 years, what application of Sub-section 4 of Section 140 is required for appointing a new auditor?
(a) A special notice is needed for the AGM resolution
(b) No special procedure is required
(c) Approval from the majority of board members
(d) Consent from the previous auditor

37. When a company needs to inform the Registrar of the appointment of an auditor as per Section 139, what application of this rule is expected?
(a) Filing a notice in Form ADT-1 within 15 days of the appointment
(b) Sending an email notification to the Registrar
(c) Publishing a public announcement in a newspaper
(d) Holding a press conference

38. If a company wants to ensure transparency in auditor remuneration as per Section 142, what practical steps should it take?
(a) Disclose the remuneration in the annual report
(b) Keep the remuneration confidential
(c) Let the auditor decide their own fees
(d) Conduct a shareholder vote on the remuneration

39. How should a company apply the rules of Section 147 in case an auditor violates auditing standards?
(a) File a complaint with the Institute of Chartered Accountants of India
(b) Impose internal company sanctions
(c) Follow the punishment provisions outlined in the Act
(d) Terminate the immediately auditor's contract

40. Analyzing Section 139 in the context of a company with a high turnover, what factors should be considered in appointing an auditor?
(a) The auditor's familiarity with the company's sector
(b) The size and requirements of the company
(c)The geographic location of the auditor
(d) The personal preference of the CEO

41. In examining the role of the auditor in attending AGMs as per Section 146, what critical aspects should be analyzed?
(a) The auditor's influence on managerial decisions
(b) The level of detail in the audit report presented
(c) The interaction between the auditor and shareholders
(d) The auditor's voting rights in the meeting

42. Analyzing the prohibition of certain services under Section 144, what impact does this have on the auditor's independence?
(a) It enhances their ability to make unbiased decisions
(b) It limits their professional development
(c) It increases their workload
(d) It affects their remuneration negatively

43. When assessing the qualifications of an auditor as per Section 141, what key factors should be analyzed?
(a) The number of years in practice
(b) The reputation in the industry
(c) Their educational background
(d) Compliance with the Chartered Accountants Act 1949

44. In the context of auditor resignation, what implications can be drawn from the requirement to file a statement under Rule 8?
(a) It indicates potential issues within the company
(b) It demonstrates transparency in the auditor's exit
(c) It may affect the company's market reputation
(d) It suggests a lack of resources for the auditor

45. Analyzing the requirement for a special resolution to remove an auditor as per Section 139(2), what does this suggest about the company's governance?
(a) It indicates strong shareholder control
(b) It reflects on the independence of the auditor
(c) It shows the complexity of auditor removal
(d) It points to potential conflicts of interest

46. In the context of auditor remuneration as per Section 142, what factors should be analyzed to determine fairness and appropriateness?
(a) The company's profitability
(b) The complexity of the audit
(c) The size of the company
(d) The auditor's previous experience with the company

47. In analyzing the role of the audit committee in recommending auditors, what critical aspects should be considered?
(a) The independence of the audit committee
(b) The committee's understanding of the company's financials
(c) The relationship between the committee and the board
(d) The personal connections of committee members

48. When assessing the implications of an auditor attending AGMs, what should be analyzed in terms of stakeholder communication?
(a) The clarity of the auditor's report
(b) The level of engagement with shareholders
(c) The response to shareholders' queries
(d) The impact on shareholder confidence

49. In a scenario where a company's financial statements show irregularities, how should an auditor approach the situation as per the standards set in the Companies Act 2013?
(a) Immediately report to the regulatory authorities without internal investigation
(b) Discuss with the company's management for potential explanations
(c) Independently verify the discrepancies before making any conclusions
(d) Overlook the irregularities if they are minor

50. Evaluate the effectiveness of requiring auditors to file a notice in Form ADT-1 with the Registrar within 15 days of their appointment in promoting transparency.
(a) Highly effective as it ensures public record of the appointment
(b) Moderately effective as it is a procedural formality
(c) Ineffective as it doesn't contribute to the audit process
(d) Counterproductive as it adds unnecessary bureaucracy

51. How effective is the rule requiring auditors to attend AGMs (Section 146) in ensuring they are accountable to shareholders?
(a) Highly effective as it facilitates direct communication
(b) Somewhat effective but depends on the nature of the AGM
(c) Ineffective as it is merely a procedural requirement
(d) Counterproductive as it takes time away from actual auditing work

52. Propose a strategy for an auditor to effectively communicate significant findings to a company's board of directors, aligning with the standards in the Companies Act 2013.
(a) Presenting a detailed report in the Annual General Meeting
(b) Sending a confidential email to each board member
(c) Organizing a special workshop for board members on audit findings
(d) Publishing the findings in a professional auditor's journal

53. Suggest a method for an auditor to assess the impact of new accounting standards on a company's financial statements as per auditing principles.
(a) Conduct a comparative analysis with previous years' financial statements
(b) Seek external consultation from accounting standards experts
(c) Hold a seminar for company employees on new accounting standards
(d) Create a simulation model to predict future financial trends

54. Develop a procedure for auditors to verify the accuracy of a company's environmental sustainability report.
(a) Cross-checking regulatory filings with environmental
(b) Conducting on-site inspections of company facilities
(c) Interviewing the company's environmental compliance officer
(d) Comparing with industry benchmarks for sustainability practices

55. Propose a system for auditors to continuously update their knowledge and skills in line with evolving auditing standards and regulations.
(a) Monthly webinars on recent changes in auditing standards
(b) Annual certification renewals based on updated knowledge tests
(c) Collaborative learning sessions with international auditing firms
(d) Subscriptions to leading accounting and auditing journal

Difficulty Level: Medium

56. What is the maximum fine for a company that contravenes provisions of sections 139 to 146?
 (a) ₹25,000
 (b) ₹1 lakh
 (c) ₹5 lakh
 (d) ₹10 lakh

57. According to the Companies Act 2013, what is the penalty for an auditor who contravenes provisions of section 139, 144, or 145?
(a) Fine up to 25 lakh
(b) Imprisonment for 1 year
(c) Both fine and imprisonment
(d) Fine up to 25 lakh

58. Under Section 148 of the Companies Act 2013 who is eligible to be appointed as a cost auditor?
(a) A chartered accountant
(b) A cost accountant
(c) Any professional accountant
(d) A company secretary

59. What is the maximum term for the appointment of a cost auditor as per the Companies Act 2013?
(a) 180 days from the closure of the financial year
(b) Till the submission of the cost audit report
(c) For a term of one year
(d) Both (a) and (b)

60. As per the Companies Act 2013, what happens if a cost auditors finds any fraud during the audit?
(a) He should report is to the company's management
(b) He should report it to the Central Government
(c) He should ignore it if it's minor
(d) He should resign immediately

61. What is the purpose of Rule 9 of The National Financial Reporting Authority Rules 2018?
(a) To appoint auditors for companies
(b) To set auditing standards
(c) To conduct cost audits
(d) To oversee the quality of services and suggest measures for improvement

62. How is the auditor of a Government company appointed as per the Companies Act 2013?
(a) By the Comptroller and Auditor General of India
(b) By the Board of Directors
(c) By the shareholders at the AGM
(d) By the Central Government

63. What is the maximum penalty for an auditor who contravenes the Companies Act 2013 knowingly or willfully with the intention to deceive?
(a) Fine up to 25 lakh
(b) Imprisonment for up to 1 year
(c) Both (a) and (b)
(d) Disqualification from practicing

64. Under what circumstances can an auditor who has contravened the Companies Act 2013 be liable to refund their remuneration?
(a) If the contravention involves fraud
(b) If the contravention leads to financial loss to the company
(c) If the contravention is reported to the Central Government
(d) In all cases of contravention

65. What is the role of the Quality Review Board as per the National Financial Reporting Authority Rules 2018?
(a) To review and approve financial statements
(b) To conduct audits
(c) To oversee the quality of service of auditors
(d) To appoint cost auditors

66. When must a company inform the Central Government about the appointment of a cost auditor?
(a) Within 30 days of the Board meeting in which the appointment is made
(b) Within 180 days of the commencement of the financial year
(c) Before the start of the audit
(d) Both (a) and (b)

67. In the context of cost auditing, what does the compliance with cost auditing standards ensure?
(a) Accuracy and uniformity in cost accounting practices
(b) Reduction in the overall cost of production
(c) Direct increase in the company's profitability
(d) Simplification of financial reporting to shareholders

68. What is the primary role of the National Financial Reporting Authority (NFRA) in relation to auditing standards?

(a) Designing auditing standards
(b) Monitoring and enforcing compliance with auditing standards
(c) Direct appointment of auditors for companies
(d) Setting remuneration for auditors

69. When a cost auditor is appointed, what are they required to provide before their appointment?
(a) A financial guarantee
(b) Written consent and a certificate of eligibility
(c) A list of their previous audit engagements
(d) A detailed audit plan for the company

70. What is the significance of filing Form CRA-2 by a company in the context of cost auditing?
(a) It is for maintaining cost records
(b) It is a notice of appointment of the cost auditor to the Central Government
(c) It is for submitting the cost audit report
(d) It indicates the completion of the cost audit

71. How is the remuneration of a cost auditor determined and approved?
(a) By the audit committee and ratified by the shareholders
(b) Directly by the shareholders
(c) By the Central Government
(d) By the board of directors, without any further approval

72. According to the Companies Act 2013, what are the criteria for a company to maintain cost records as per Rule 3?
(a) Companies with a turnover of 235 crore or more
(b) Companies in the regulated sector only
(c) Companies with foreign investments only
(d) All companies irrespective of their turnover

73. Under what circumstances is a company exempt from cost audit as per the Companies Act 2013?
(a) If the company's turnover is below 250 crore
(b) If the company's export revenue exceeds 75% of its total revenue
(c) If the company is operating from a special economic zone
(d) Both (b) and (c)

74. What is the purpose of Rule 9 of The National Financial Reporting Authority Rules 2018 regarding NFRA's role?
(a) To oversee the quality of services of auditors and suggest improvements
(b) To appoint and remove auditors from their positions
(c) To fix the remuneration of auditors
(d) To handle disputes between auditors and companies

75. How is the auditor of a government company appointed as per the Companies Act 2013?
(a) By the Comptroller and Auditor-General of India
(b) By the shareholders in the Annual General Meeting
(c) By the board of directors
(d) By the Ministry of Corporate Affairs

76. What action is required when an auditor contravenes the Companies Act 2013 knowingly or willfully?
(a) The auditor must refund the to the company remuneration
(b) The auditor is subjected to imprisonment and fine
(c) The auditor's license is suspended
(d) The auditor must undergo retraining in auditing standards

77. What is the role of the NFRA in relation to the quality control system of auditors?
(a) To evaluate and suggest improvements in their quality control system
(b) To directly control the auditing process
(c) To set the standards for the quality control system
(d) To provide training on quality control to auditors

78. Under what condition can an auditor be removed from their position before the expiry of their term according to the Companies Act 2013?
(a) By a special resolution of the company and approval of the Central Government
(b) By a simple majority vote of the board of directors
(c) Automatically on reaching the retirement age
(d) If the auditor requests resignation

79. When does a casual vacancy occur in the office of a cost auditor, and how is it filled?
(a) Occurs due to resignation or death, filled by the board within 30 days
(b) Occurs due to termination, filled by the Central Government
(c) Occurs annually, filled by the audit committee
(d) Occurs when the company's turnover exceeds a certain limit, filled by shareholders

80. What is the consequence for a company and its officers if they fail to comply with the provisions of section 148 related to cost auditing?
(a) They are liable to penalties as per section 147(1)
(b) The company's financial statements are considered invalid
(c) The company is barred from stock exchange listing
(d) The officers are personally liable to compensate the shareholders

81. What are the requirements for a company to be subject to cost audit under the Companies Act 2013?
(a) All companies irrespective of their turnover or industry
(b) Companies engaged in production or services with turnover exceeding certain limits
(c) Companies with foreign investments only
(d) Only public limited companies

82. How would an auditor ensure compliance with the requirement to file a return with NFRA in Form NFRA-2?
(a) By submitting the return before 30th November every year
(b) By filing it only if the company is in the regulated sector
(c) By submitting the return within 30 days of the AGM
(d) By filing it annually, irrespective of the company's turnover

83. When implementing cost auditing standards, what approach should a cost auditor take to control various operations and costs effectively?
(a) Focus on reducing production costs only
(b) Ensure the records provide data for cost calculation per unit and facilitate resource utilization
(c) Concentrate on the sales margin for each product
(d) Limit the scope of the audit to financial aspects only

84. If a company is operating from a special economic zone, how does this affect its obligations under the cost audit rules?
(a) It must file cost audit reports in a specific format
(b) It is exempted from the requirement of cost audit
(c) It needs to get a special approval from the NFRA for cost audit
(d) Its cost audit frequency changes from annual to biennial

85. How should a cost auditor proceed if they find inconsistencies in the cost records during an audit?
(a) Immediately report Government to the Central
(b) Discuss the findings with the company's management for clarification
(c) Rectify the records themselves
(d) Ignore the inconsistencies if they are minor

86. What steps should a company take to appoint a cost auditor as per the Companies Act 2013?
(a) Appointment by the board, ratification by shareholders, and filing of Form CRA-2
(b) Direct appointment by the Central Government
(c) Approval from NFRA before appointment
(d) Selection by the audit committee only

87. In what manner must a cost auditor submit the cost audit report to the company?
(a) Through email to the board of directors
(b) In a sealed envelope to the company's secretary
(c) In form CRA-3 within 180 days from the closure of the financial year
(d) Directly to NFRA within 30 days of the AGM

88. What action should a company take if there is a casual vacancy in the office of a cost auditor?
(a) The board must fill the vacancy within 30 days and inform the Central Government
(b) The vacancy can remain unfilled until the next AGM
(c) NFRA must be notified to appoint a new cost auditor
(d) The company should cease all auditing activities until the vacancy is filled

89. Analyze the impact of a company's failure to serve a notice of a general meeting to its auditor as mandated by Section 146 of the Companies Act 2013.
(a) It leads to a direct disqualification of the auditor
(b) It constitutes a contravention resulting in penalties under Section 147
(c) The general meeting becomes invalid
(d) It has no significant impact as the auditor can attend without notice

90. Evaluate the consequences if an auditor knowingly contravenes Sections 139, 144, or 145 of the Companies Act 2013 with intent to deceive.
(a) Fine up to 25 lakh or four times the remuneration of the auditor

(b) Imprisonment for up to 1 year and a fine up to 225 lakh or eight times the remuneration of the auditor
(c) Disqualification as an auditor for up to 5 years
(d) Mandatory resignation from all current audit engagements

91. In a scenario where a partner of an audit firm is found to have colluded in a fraud related to the company they are auditing, what are the implications under the Companies Act 2013?
(a) The entire audit firm is disqualified from auditing any company for 1 year
(b) The specific partner faces civil or criminal liability, as applicable
(c) The company must immediately appoint a new auditor
(d) The audit report is invalidated and a re- audit is required

92. When analyzing the role of NFRA in ensuring compliance with auditing standards, what key functions does it perform?
(a) Appointing auditors for companies
(b) Reviewing audit plans and working papers, and evaluating quality control systems
(c) Directly conducting audits of companies
(d) Setting remuneration for auditors

93. Consider a company's obligation to maintain con records under Rule 3 of the Companies (Cog Records and Audit) Rules 2014. What factors determine this obligation?
(a) The company's net worth and dividend payout ratio
(b) The company's turnover and the nature of its products or services
(c) The number of employees in the company
(d) The company's listing status and market capitalization

94. Analyze the requirement for a cost auditor to comply with cost auditing standards. What is the primary purpose of this requirement?
(a) To ensure uniformity and reliability in cost audits
(b) To simplify the cost auditing process
(c) To increase responsibilities the cost auditor's
(d) To allow flexibility in choosing auditing methods

95. In a situation where a company's revenue from exports exceeds 75% of its total revenue, how does this affect the company's cost audit requirements?
(a) The company is exempted from both maintaining cost records and conducting a cost audit
(b) The company must still maintain cost records but is exempt from the cost audit
(c) The company is required to conduct a cost audit regardless of its export revenue percentage
(d) The company must submit additional reports to NFRA regarding its export revenues

96. If a cost auditor submits the cost audit report after the specified deadline, what are the potential implications for the auditor and the company?
(a) The auditor may face penalties, and the company's financial statements might be delayed
(b) There are no significant consequences long as the report is eventually submitted
(c) The company is required to appoint a new auditor for the next financial year
(d) The report is considered invalid, requiring a re-audit

97. Analyze the effect of a partner in an audit firm being involved in fraud on the firm's liability for the audit of a company.
(a) The firm is not liable if only one partner is involved
(b) The firm and the involved partner are jointly and severally liable for civil or criminal consequences
(c) The firm is automatically disqualified from all future audits

98. Evaluate the effectiveness of the provision that prohibits auditors from providing certain services to their audit clients as per Section 144.
(a) Highly effective in maintaining auditor independence
(b) Somewhat effective but limited in scope
(c) Ineffective due to lack of enforcement
(d) Counterproductive as it restricts auditors' advisory capabilities

99. Assess the impact of NFRA's role in monitoring and enforcing compliance with auditing standards on the quality of audit services.
(a) Significantly improves the quality and reliability of audit services
(b) Moderately enhances audit quality but adds to the regulatory burden

(c) Minimal impact on audit quality
(d) Overregulation that may hinder the efficiency of audit firms

100. Evaluate the implications of a cost auditor failing to comply with cost auditing standards.
(a) Auditor's report is invalidated, requiring a re-audit
(b) May lead to penalties or disciplinary action against the auditor
(c) No significant consequences as long as the cost records are audited
(d) Leads to automatic disqualification of the auditor

101. Consider the requirement of a company to file Form CRA-3 for cost audit report submission. How does this contribute to corporate accountability?
(a) Enhances transparency and accountability in cost management
(b) Creates unnecessary procedures bureaucratic
(c) Has little to no effect on accountability
(d) Increases the company's operational costs

102. Analyze the impact of not serving a notice of a general meeting to the auditor as required under Section 146.
(a) It may result in penalties under Section 147 for the company
(b) The auditor may refuse to audit the company's accounts
(c) It has no significant legal implications
(d) The general meeting's resolutions become void

103. Propose a strategy for a company to ensure compliance with the provisions of Section 148 related to cost audits.
(a) Develop an internal compliance checklist and regular training for staff
(b) Outsource the entire process to a specialized compliance firm
(c) Rely solely on the cost auditor for compliance
(d) Implement automated systems to track and report on compliance

104. Create a plan for an audit firm to enhance its audit quality in line with NFRA's oversight and enforcement of auditing standards.
(a) Regular internal audits and peer reviews of audit processes
(b) Focus solely on compliance with legal requirements
(c) Limit the scope of audits to reduce the risk of errors
(d) Prioritize speed and efficiency over thoroughness in audits

105. Develop a policy for an audit firm to manage conflicts of interest, aligning with the requirements of the Companies Act 2013.
(a) Establish a strict policy prohibiting any financial interests in audit clients
(b) Allow partners to hold minimal stakes in audit clients for better understanding
(c) Rely on individual auditors to disclose and manage their own conflicts
(d) only audits companies in sectors different from where the firm has interest

106. Propose a mechanism for a company to evaluate and ratify the remuneration of a cost auditor as per the Companies Act 2013.
(a) Set up a remuneration committee with independent directors
(b) Base remuneration on the size and complexity and audit
(c) Allow shareholders to on remuneration in the AGM
(d) Use a standardized remuneration scale based on industry norms

107. Design a continuous professional development program for auditors to stay updated with changes in auditing standards and regulations.
(a) Mandatory annual training and certification updates
(b) Occasional workshops based on significant regulatory changes
(c) Self-study and online courses at the auditors' discretion
(d) Collaboration with regulatory bodies for insights on emerging trends

108. Develop a framework for an auditor to report any fraud identified during the audit process, in compliance with the Companies Act 2013.
(a) Immediate report to the company's board and regulatory authorities
(b) Confidential report to the audit committee only
(c) Document the fraud in the audit report without notifying authorities

(d) Advise the company on corrective actions without formal reporting

Difficulty Level: High

109. Under the Companies Act 2013, what is the penalty for an auditor who abets or colludes in any fraud in the company?
(a) Fine up to ₹50 lakh
(b) Imprisonment for a term which may extend to 10 years
(c) Both (a) and (b)
(d) Disqualification from practicing for a period decided by NFRA

110. As per the Companies Act 2013, what is the time limit for a cost auditor to report fraud to the Central Government?
(a) Immediately upon discovery
(b) Within 30 days of becoming aware of the fraud
(c) Within 60 days of the conclusion of the audit
(d) Before the submission of the audit report

111. In which form should a company report the resignation of an auditor to the Registrar under the Companies Act 2013?
(a) Form ADT-3
(b) Form ADT-1
(c) Form NFRA-1
(d) Form CRA-2

112. What is the specific role of the National Financial Reporting Authority (NFRA) as per Rule 10 of the National Financial Reporting Authority Rules, 2018?
(a) To monitor and enforce compliance with auditing standards
(b) To recommend accounting and auditing policies and standards
(c) To oversee the quality of service of the auditors
(d) To appoint auditors for companies

113. Under the Companies Act 2013, what is the threshold of turnover for a small company to be exempted from audit requirements?
(a) ₹50 crore
(b) ₹100 crore
(c) ₹150 crore
(d) ₹20 crore

114. As per the Companies Act 2013, what is the maximum number of consecutive years a person or a firm can act as an auditor in the same company?
(a) 5 years
(b) 10 years
(c) 15 years
(d) 20 years

115. In which sector of the Companies Act 2013 is eligibility, qualifications, disqualifications of auditors specified?
(a) Section 139
(b) Section 141
(c) Section 144
(d) Section 148

116. How does the requirement of NFRA to oversee the quality of services of auditors impact the audit process?
(a) It ensures more rigorous audits and higher reliability of financial statements
(b) It restricts the independence of auditors in choosing their audit methods
(c) It increases the administrative burden on audit firms
(d) It leads to uniformity in audit practices across different firms

117. What are the implications of the Companies Act 2013's requirement for auditors to adhere to auditing standards?
(a) It ensures the credibility and uniformity of the audit process
(b) It limits the auditors' ability to apply professional judgment
(c) It increases the time and cost of conducting an audit
(d) It reduces the scope of auditors' responsibilities

118. In the context of auditor rotation as mandated by the Companies Act 2013, what is the intended outcome of this provision?
(a) To reduce the risk of auditor complacency and conflict of interest
(b) To increase competition among audit firms
(c) To comply with global audit practices
(d) To create opportunities for smaller audit firms

119. What is the significance of the requirement for auditors to report fraud to the Central Government under the Companies Act 2013?
(a) It enhances the accountability of auditors in detecting and reporting fraud
(b) It places undue pressure on auditors to act as whistleblowers
(c) It conflicts with the confidentiality obligations of auditors
(d) It is a procedural requirement with limited practical implications

120. What is the impact of the prohibition on auditors providing certain services as per Section 144 on auditor independence?
(a) It significantly enhances auditor independence by eliminating potential conflicts of interest
(b) It has a minimal impact as auditors can still provide non-prohibited services
(c) It restricts the professional judgment of auditors in rendering services
(d) It may lead to a reduction in the overall quality of audit services

121. How does the penalty provision for auditors who abet or collude in any fraud under the Companies Act 2013 affect the auditing profession?
(a) It discourages auditors from taking on high- risk audit assignments
(b) It has limited impact as proving collusion in fraud is challenging
(c) It deters unethical practices and enhances the integrity of the profession
(d) It may result in excessive caution and conservatism in audits

122. How should an auditor apply the principle of auditor rotation in a company where they have been auditing for 10 consecutive years?
(a) The auditor should continue for another term if approved by the shareholders
(b) The auditor can be reappointed after a cooling-off period of one year
(c) The auditor must step down, and the company should appoint a new auditor
(d) The auditor's firm can nominate another partner to continue the audit

123. When applying the provisions of Section 144 regarding prohibited services, how should an audit firm approach an offer to provide accounting and bookkeeping services to their audit client?
(a) Accept the offer if it does not directly relate to the audit work
(b) Decline the offer to avoid any conflict of interest
(c) Accept the offer with disclosure to the audit committee
(d) Provide the services through a separate entity within the firm

124. In a case where an auditor discovers fraud in a company, how should they apply the reporting requirements as per the Companies Act 2013?
(a) Report the fraud immediately to the Central Government
(b) First discuss the matter with the company's management
(c) Include the details in the audit report without external reporting
(d) Seek legal advice before taking any action

125. Analyze the implications of an auditor not complying with the rotation requirements under Section 139 of the Companies Act 2013.
(a) The audit report may be deemed invalid
(b) The auditor faces disqualification from future audits in the same company
(c) The company faces penalties for non- compliance
(d) It has no significant impact as long as the auditor is qualified

126. Examine the effects of an auditor providing prohibited services as listed in Section 144 on the audit's credibility
(a) It may lead to a conflict of interest and impair the audit's objectivity
(b) Enhances the auditor's understanding of the company, improving audit quality
(c) No effect, as long as the services are disclosed in the audit report
(d) The auditor can better advise the company on financial matters

127. In an audit, if significant discrepancies are found between the financial records and physical

inventory, what should be the auditor's approach to analyze this?

(a) Report the discrepancies to the board and suggest a re-audit

(b) Adjust the financial records to match the physical inventory

(c) Investigate the reasons for discrepancies to determine if there is a misstatement material

(d) Ignore the discrepancies if they are not material to the overall financial statements

128. Analyze the impact of non-compliance with the auditor's duty to attend AGMs as per Section 146 on the auditor-company relationship.

(a) It may lead to a loss of trust and communication breakdown between the auditor and the company

(b) No impact, as AGM attendance is a formality without substantial significance

(c) The auditor may be fined for non- compliance

(d) It leads to automatic termination of the auditor's engagement

129. Consider a scenario where an auditor resigns due to a conflict of interest. How should this be analyzed in terms of audit integrity and ethical standards?

(a) It demonstrates the auditor's commitment to maintaining high ethical standards

(b) It indicates a lack of professionalism in managing personal interests

(c) The resignation may cast doubt on the validity of the audit

(d) It has no bearing on the audit's integrity if a replacement is quickly appointed

130. Evaluate the effectiveness of Section 148 in ensuring that companies accurately and transparently report their costs.

(a) Highly effective as it mandates detailed cost record maintenance and auditing

(b) Moderately effective, but dependent on the diligence of the cost auditor

(c) Ineffective due to lack of stringent enforcement mechanisms

(d) Counterproductive as it adds to the company's compliance burden

131. Evaluate the role of NFRA in enhancing the overall standards of auditing in India

(a) Significantly improves auditing standards through strict oversight and regulation

(b) Has a moderate impact due to its limited scope and resources

(c) Ineffective in making a substantial change in auditing practices

(d) Potentially overregulates, leading to increased compliance costs for audit firms

132. Develop a comprehensive strategy for an audit firm to ensure adherence to the prohibition of certain services as per Section 144. trust

(a) Implement a robust internal control system to identify and prevent prohibited services

(b) Train auditors to offer only approved

(c) Outsource the responsibility to a third-party compliance agency

(d) Create a specialized department within the firm to monitor and report on services

133. Create a policy for an audit firm to manage and disclose conflicts of interest in line with the Companies Act 2013.

(a) Mandate regular declarations of potential conflicts by all audit staff

(b) Implement a system for anonymous reporting of conflicts

(c) Designate a compliance officer to review and address conflict situations

(d) Prohibit auditors from taking any assignments where a conflict might exist