

Professional Ethics Questions relevant for May 2025 Exams.

1. Mr. A obtained membership certificate from ICAI on 05.03.2024 and he became insolvent on 11.05.2024 and court has issued an order with certificate of discharge on 25.07.2024. His name was removed from the register of members w.e.f. 11.05.2024. Mr. A requests that his membership is entitled for revocation from the date of order passed by the court and he can continue to be a member until the court order is passed. Is the contention of Mr. A correct? Also, Mr. A contends that he is not liable to pay the membership fees for the FY 2024-2025 as his name has been removed from the register of members during the year. Is he correct?

2. Ms. K became member of ICAI on 01.03.2014 and she worked as a tax consultant up to 28.02.2017. After that she took a break of 4 years from job due to her adverse family conditions and she joined another employment as an insolvency professional on 01.02.2021. She wants to apply for fellow membership on 04.04.2023 as she has completed 5 years of service equivalent to practice. Explain the correctness of her application of fellow membership in view of the relevant provisions of the CA Act 1949.

3. Mr. G is having financial crisis and failed to pay the membership fees up to 30 Sept 2024 but he paid the same on 12 Feb 2025. His friend Mr. O advised him that he can do this and his membership will not be revoked at all if he pays the fees up to the end of the FY. Is the advice given to Mr. G correct? Explain

4. Mrs. L, a non-practicing Chartered Accountant claimed herself falsely to be in practice. What are the legal consequences she is liable for? Support your answer with relevant judgement similar to this case.

5. A CA in practice is declared insolvent for a period of 1 year. Can he take up the activity of tax representation during this period in any other capacity?

6. Mr. XAZ is a Chartered Accountant in practice and he wants to provide recovery consultant service to ABC Ltd and insurance agent services to DEF Ltd. Is he allowed to do so? Explain as per relevant provisions of the CA Act 1949. What would be your answer if he was an insurance agent before becoming the member of the ICAI?

7. Mr. It is a CA in practice and he is also a Certified Financial Analyst. He wants to use the acronym CFA after his name. Is he allowed to do so? Explain in view of the relevant provisions of the CA Act 1949.

8. Can a CA in practice share his fees from professional business with a member of the Board of governors of IIM? Explain.

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9. CA Act has prohibited solicitation of professional work by a CA in practice. Explain the reasons for this provision and the impact of these reasons on the dignity of the profession? Explain.
10. Mr. GHJ, a practicing Chartered Accountant, has opened an institute named GHJ classes for CA Final students and he is taking classes of 3 hours every day. In the month of March and April he also took marathon lectures of all subjects which were conducted for 6 hours on each Sunday. Is he guilty under CA Act? Explain with the relevant clauses. Will your answer change if he is giving the aforesaid lectures as a part of full-time lectureship in a college?
11. Mrs. K, a practicing Chartered Accountant, published a book on Direct taxes. She wants to mention the name of her firm on the book. Will he be guilty of professional misconduct?
12. Mr. AT has given interview in a podcast and he has mentioned the name of his own CA practice firm in the podcast multiple times. The committee of ICAI has issued him a legal notice stating he is guilty of professional misconduct. Mr. AT is of the view that the legal notice is not valid. What is your explanation on the validity of the legal notice issued by the ICAI?
13. Ms. Anu is being appointed as auditor of FRD Ltd as the previous auditor has resigned. She wants to communicate with the outgoing auditor and is thinking of the selection of mode of communication allowed to her. Option 1 is through sending a letter through speed post and option 2 is to communicate through the UDIN portal. Explain the correctness of the options available to her.
14. A firm of CA is appointed as special auditor under section 142(2A) to 142(2D) of the Income Tax Act, 1961. Is it mandatory for him to communicate with the statutory auditor of the Company? Explain.
15. A Co-operative society was being audited by a diploma degree holder who was not a CA. He resigned and XY &Co. was appointed as the auditor of the society. Partner of XY & Co. is of the view that the firm is not required to communicate with outgoing auditor as he is not a member of the ICAI. Is the argument of the partner correct as per CA Act and schedules thereto? Explain.
16. Explain the cases, in respect of the joint audit, where you are supposed to communicate with the previous auditor.
17. A resigning auditor is required to communicate to ICAI citing the professional reasons for resignation. Explain the validity of this statement.
18. The BOD of LDK Ltd. is planning to appoint Mr. W, a practicing Chartered Accountant, as its MD. ASD Ltd. holds 34% of the voting power in LDK Ltd. and 46% of ASD Ltd. is held by Ms. C, sister of Mr. W. Mr. W thinks that he can accept the appointment as MD of LDK Ltd if he takes specific permission from the council of ICAI. Explain the correctness of his contention.

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19. Mr. A is being appointed as the Director of DEF Ltd. which is the Holding company of WER Ltd. Mr. A also holds the position of internal auditor of WER Ltd. Is the appointment valid in view of the CA Act? Will your answer change if he is the statutory auditor instead of internal auditor?
20. Mrs. R has been appointed as auditor of a newspaper company. The company has applied for loan from bank and she has issued the certificate for circulation of periodical without checking all the details of the company as to how many copies were sold and paid for, evidences for payment of printer bills etc. The bank was misled in approving the loan due to this incomplete certificate. Mrs. R is of the view that she is not liable for this. Explain the provisions where she is guilty as per CA Act.
21. While performing the audit of a Company, Mr. N followed the technical standards for conducting his audit and such technical standards suggested him to depart from the audit procedures applied by him owing to the moderate misstatements apparent in the books of the client. Mr. N has departed from few of the audit procedures and highlighted such departures in the Key audit matters paragraph of his Audit report. Discuss on the correctness of reporting by Mr. N as per the relevant provisions of the CA Act and schedules thereto.
22. A CA in practice has made a gross receipt of Rs.8Lakhs during the previous year. Is he required to maintain books of accounts as per the CA Act and council general guidelines? If yes, what are the books required to be maintained by him?
23. A public company having turnover of Rs.27 crores has appointed KIJ & Co. as its statutory auditor for fees of Rs.2 crores. KIJ & Co. is a firm under the network SAK & affiliates. Other firms under the network are SAJ & Co. and KIS & Co. which are providing consultancy services to the said public company and the fees charged by them are Rs.3.5 crores and Rs.3.2 crores respectively. Can KIJ & Co. accept the statutory audit of the public company? Explain.
24. A CA in practice has accepted appointment of 8 dormant companies, 23 private limited companies out of which 2 companies have paid up capital of Rs.85 crores and Rs.95 crores respectively, and 1 small company. Is he eligible to accept all the above appointments. Explain in view of the relevant provisions applicable for number of audits allowed to be accepted by a CA in practice.
25. A partner of FTI & Co. (firm of Chartered Accountants) noticed on 30.01.2025 that the council of ICAI has issued new logo guidelines. He has not complied with the guidelines until now and seeks your advice for the requirements for complying with the new logo guidelines and he also wants to know the consequences for non-compliance or late compliance of the new logo guidelines. Advice him in this regard.