

COMPANY AUDIT

MCQ'S COMPILED BY

CA SANIDHYA SARAF

MCQ's for Practice

1. **Who shall appoint the first auditors in case of non-government company?**
 - (a) Central Government
 - (b) ROC
 - (c) Board of Directors
 - (d) Shareholders

2. **Within how many days the auditor is required to intimate ROC about his appointment?**
 - (a) 15 days
 - (b) 30 days
 - (c) 45 days
 - (d) 60 days

3. **The tenure of the first auditor is valid till**
 - (a) Commencement of first AGM.
 - (b) Conclusion of first AGM.
 - (c) Conclusion of fifth AGM.

4. **Mr Ram who has been appointed by the members suddenly meets a plane crash and died. The casual vacancy shall be filled by**
 - (a) BOD within 30 days.
 - (b) Members within 30 days.
 - (c) BOD within 60 days.
 - (d) Central Government

5. **The first auditor of a Government Company shall be appointed by**
 - (a) BOD within 30 days
 - (b) C&AG within 60 days

- (c) C&AG within 30 days
- (d) Central Government

6. The subsequent auditor of a Government Company is appointed by

- (a) C&AG within 180 days from commencement of financial year.
- (b) C&AG within 180 days from the commencement of calendar year.
- (c) Members in the General Meeting
- (d) Central Government.

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7. A company ABC Ltd whose shareholding pattern is as follows; 20 percent shareholding by Central Government, 20 percent by State Government, 20 percent by Government Company. Who shall appoint the first auditor?

- (a) BOD
- (b) C&AG
- (c) Members
- (d) Government

8. A company ABC Ltd whose shareholding pattern is as follows; 30 percent shareholding by Central Government, 30 percent by State Government. The auditor of the same is appointed by C&AG. Subsequently he is disqualified. The vacancy is filled by?

- (a) C&AG within 30 days.
- (b) C&AG within 60 days.
- (c) BOD within 30 days.

9. While determining the applicability of rotation of auditor's , the amount of paid up share capital for private company shall be taken as?

- (a) 20 crores or more
- (b) exceeding 20 crores
- (c) 50 crores or more

(d) exceeding 50 crores

10. Which of the following statement is correct?

- (a) Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company.
- (b) Where at any annual general meeting, no auditor is appointed or re-appointed, it shall be deemed to be a casual vacancy as per Section 139(8).
- (c) Where at any annual general meeting, no auditor is appointed or re-appointed, the CG shall appoint any other auditor.

11. Mr Ram the auditor of the company submitted his resignation. He is required to intimate to ?

- (a) The BOD
- (b) The ROC
- (c) Both a and b.
- (d) BOD, ROC and CG.

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12. Mr Ram the auditor of the company submitted his resignation and failed to intimate to the ROC. The penalty for the same shall be?

- (a) Minimum: Rs 50,000, Maximum Rs 5,00,000
- (b) Minimum: Rs 50,000 or Audit fees whichever is less, Maximum Rs 5,00,000
- (c) Minimum: Rs 50,000 or Audit fees whichever is high, Maximum Rs 5,00,000
- (d) Minimum: Rs 1,00,000, Maximum Rs 5,00,000

13. The company proposes to remove Mr, Shyam the Auditor before the expiry of term. The procedure to be followed is?

- (a) Firstly BR, then SR, then CG approval.

- (b) Firstly BR, then application to CG, then SR.
- (c) Firstly BR, then application to CG , then SR after giving an opportunity of being heard.

14. Mr Ram, the auditor of the company has been removed by the Tribunal on the grounds of fraud. Which of the following implication is correct?

- (a) He cannot be appointed as the auditor of the same company for a period of 5 years.
- (b) He cannot be appointed as the auditor in any company for a period of 5 years.
- (c) He cannot be appointed as the auditor in any company for a period specified in the Tribunal order.

15. Mr Hanuman ,is a director of the company. He can't be appointed as the auditor in

- (a) The company.
- (b) The company and its subsidiary.
- (c) The company, subsidiary and associate.
- (d) He can be appointed as the auditor in all of them.

16. Rahul's grandfather holds security of Rs 10 lakh face value in ABC Ltd. Which of the following statement is correct?

- (a) Rahul is disqualified to be appointed as auditor in the company.
- (b) Rahul is disqualified to be appointed as auditor in the company and its subsidiary.
- (c) Rahul is disqualified to be appointed as auditor in the company and its subsidiary and associate.
- (d) He can be appointed as the auditor in all of them.

17. Rahul's mother holds security of Rs 10 lakh face value in ABC Ltd. Which of the following statement is correct?

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- (a) Rahul is disqualified to be appointed as auditor in the company.
- (b) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding.
- (c)) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding and associate.
- (d) He can be appointed as the auditor in all of them.

18. Rahul purchases goods of Rs 7,00,000 on credit. Subsequently he gets appointed as an auditor of ABC Ltd . However, before getting appointed as auditor he pays off all his dues. Which of the following statement is correct?

- (a) Rahul is disqualified to be appointed as auditor in the company.
- (b) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding.
- (c)) Rahul is disqualified to be appointed as auditor in the company , subsidiary, holding, associate and subsidiary of holding and associate.
- (d) He can be appointed as the auditor in all of them.

19. Singhi and Enterprise (CA Firm) has a business relationship with ABC Ltd. Singhi and Enterprise are disqualified to be appointed as auditor of?

- (a) ABC Ltd
- (b) ABC Ltd , its subsidiary, holding, associate and subsidiary of holding.
- (c) ABC Ltd , its subsidiary, holding, associate and subsidiary of holding and associate.
- (d) He can be appointed as the auditor in all of them.

20. "ABC and Company" is an audit firm having partners "Mr. A", "Mr B" and "Mr C" Chartered Accountants "Mr. A", Mr. B "and "Mr. C" are holding appointments as Auditor in 4, 6 and 10 Companies respectively. How many audits they can accept?

- (a) 16, 14 and 10 respectively.
- (b) 6, 4 and 0 respectively.
- (c) Unlimited accounts.
- (d) He 26, 24 and 20 respectively.

21. "ABC and Company" are statutory auditors of ABC Ltd. Subsequently they started providing actuarial services to the company. Which of the following statement is correct?

- (a) Disqualified to be appointed as auditor in the company.
- (b) Disqualified to be appointed as auditor in the company, holding and subsidiary.
- (c) Disqualified to be appointed as auditor in the company, holding and subsidiary and associate.
- (d) There is no prohibition in providing actuarial services.

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22. The remuneration of auditors of government company is fixed by the

- (a) C&AG.
- (b) Members.
- (c) Government.

23. The auditor has the right to access the records of

- (a) the company
- (b) the company and its subsidiary
- (c) the company, its subsidiary and its associate.
- (d) the company, its holding, its subsidiary and associate.

24. Which of the following are to be included mandatorily in the audit report?

- (a) Whether all the information and explanation relevant for the audit has been obtained.
- (b) Whether personal expenditure is debited to revenue account.
- (c) Whether the loans and advances given are unsecured and prejudicial to the interest of the company.
- (d) Whether the book entries are prejudicial.

25. Who is empowered to conduct supplementary and test audit of Government Companies?

- (a) Government
- (b) C&AG
- (c) Members

26. The Standards of Auditing shall be prescribed by

- (a) ICAI as recommended by CG
- (b) CG as recommended by ICAI
- (c) MCA

27. Reporting of Fraud to CG as per Section 143(12) is required only in case of

- (a) Actual Frauds

- (b) Suspected Frauds
- (c) Both

28. Reporting of Fraud to CG as per Section 143(12) is required only when

- (a) The amount of fraud exceeds Rs 1 crore
- (b) The amount of fraud is Rs 1 crore or above.
- (c) As per his professional judgement.

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29. The auditor is liable for penalty under Section 147 for contravention of the following sections:

- (a) 139 to 146
- (b) 139, 143, 144 and 145
- (c) 139, 140, 141 and 143

30. Which of the following do not fall in the category of regulated sectors for the purpose of cost audit?

- (a) Fertilizers
- (b) Telecommunication
- (c) Turbo jets
- (d) Electricity

31. A company dealing in petroleum and natural gas has an overall turnover of 65 crores and turnover of the individual products is 30 crores. However, the company generates electricity and uses it for captive consumption. Considering the above situations which of the following statement is correct

- (a) Company is exempted from the requirements of cost audit and maintenance of cost records.

(b) Company is exempted from the requirements of cost audit but not from the requirement to maintain the cost records.

(c) Both the requirements of cost records and cost audit are mandatory.

32. X Ltd. Is engaged in the production of Iron and Steel. A CA Firm ABC Co was appointed as the statutory auditor of X Ltd. for the current financial year. During the year, the management of the company realized that the company is required to maintain cost records in their books of account and get it audited. Therefore, in a general meeting, the members of the company appointed ABC Co as the cost auditor of the company. You are required to examine the validity of appointment of ABC Co. as the cost auditor.

(a) Appointment done by the members is valid.

(b) Appointment done by the members is invalid. Appointment shall be done by the BOD.

33. Cost Audit Report shall be submitted to

(a) Members

(b) BOD.

(c) Both a and b.

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