One of your team members has recently qualified as a chartered accountant and joined your team to audit a portfolio of audit clients who are private companies. One of the clients Surrey Pvt Ltd. is a hotel in the small town near Jaipur. The revenue generated for the current year ended is Rs.10.5 crores and the entity is not a holding or subsidiary of any public company. The owner of the business Mr. Hazelwood runs this family business from last 10 years. Your team member is keen to know whether Surrey Pvt Ltd is required to comment on the matter prescribed under CARO 2016. Which of your explanations to him are correct?

(a) The entity's revenue exceeds Rs.10 crores. Hence, no need to comment on the matter prescribed under CARO 2016.

(b) The entity is not a holding or subsidiary of any public company, hence no need to comment on the matter prescribed under CARO 2016.

(c) The entity's revenue for the year is Rs.10.5 cr which exceed the limit of Rs.10 cr. Hence, the entity has to provide the comment on the matter prescribed under CARO 2016.

(d) The entity is not a holding or subsidiary of any public company, hence there is a need to comment on the matter prescribed under CARO 2016.

Prakash Limited has around 25 branch offices and all the branch offices were on company's own land and building. Company has the Policy that all the original title deeds for land and building owned by the company will be kept in the custody of authorised official at company's head office and a certified copy of the same is kept with the respective branch for verification. You have been appointed as the internal auditor for the branches of the company and during the course of audit you observed that the original title deeds of some of the branch office are kept in the branch under the custody of branch officials itself. What action will you take in such case?

(a) It is not a material discrepancy, so the auditor is not required to take any action in such case.

(b) The auditor should inform the internal auditor of the Head Office for the compliance of the same.

(c) The auditor should ask the branch office/official to send original title deed to the authorised official at Head Office of the company immediately and submit the Internal Audit Report once the confirmation received from Head office of company.

(d) As an internal auditor, report the matter in the Internal Audit Report and check for the compliance of the same in the next audit period.

High Limited is a public limited company engaged in the manufacturing of watches. The company has appointed CA. Eshaan as statutory auditor of the company for the year 2018-19. On verification of the composition of Board of Directors of the company, the auditor observed that during the reporting period in one of the board meeting the chairman was non-executive director and less than one-third of the Board comprised of Independent Directors. The auditor wants to examine the effect of changes in the composition of the Board and/or its chairman and its impact on compliance throughout the reporting period.
period. But the management restricts the auditor from examining the same. Whether the auditor has right to examine the effect of changes in composition of board?

(a) The auditor has no right to verify the composition of Board and examine the effect of changes in the composition since it is not related with preparation of financial statements.

(b) The auditor should verify the composition of Board and examine its impact on compliance throughout the reporting period as a part of certifying compliance with the requirements of corporate governance.

(c) The management’s act is void, as the auditor is appointed by Board of Directors only so the auditor should necessarily verify the composition of Board and its impact on compliance.

(d) Since High Limited is a public limited company, its Board composition has to be compulsorily verified by the auditor.

4. Following are the registered persons under GST Act, 2017. Which one of the registered person is required to get his accounts audited and also furnish a copy of audited annual accounts and a reconciliation statement, duly certified in FORM GSTR –9C?

(a) Mr. A is an advocate whose turnover for the financial year ended 31 March 2018 was Rs.1.25 crores.

(b) Mr. B is a labour contractor managing construction services and his turnover for 31 March 2018 was Rs.3.95 crores.

(c) Dr. C is a pediatric surgeon who has newly set up his practice in Pune. He paid an amount of Rs.10.5 lakhs as taxes in the current year.

(d) Mr. D who is an architect has paid taxes of Rs.22.5 lakhs in the current year.

5. As an auditor appointed under section 44AB of the Income Tax Act, 1961, under which clause of Form 3CD, you will report for amounts deemed to be profits and gains under section 32AC, 33AB or 33ABA or 33AC

(a) clause 24

(b) clause 40

(c) clauses 31

(d) clause 23

6. Bajaj Allianz General Insurance Ltd. agreed to insure a large commercial client. Due to the size of this client's operations, there is the potential that it could suffer a substantial loss. It would be financially difficult for Bajaj Allianz to pay the entire claim itself. To spread this risk, Bajaj Allianz contacted Bharti AXA General Insurance to request that it cover a portion of the risk. Bharti AXA General Insurance agreed, but only on the condition that it receive a portion of the premium the client has paid to Bajaj Allianz General Insurance Ltd. The term that best describes this scenario is

(a) retention.

(b) reinsurance.

(c) loadings.

(d) casualty insurance.

7. An audit firm is the subject of the Peer review, please indicate the maximum number of years in the review cycle:

(a) 1 year

(b) 2 years

(c) 3 years
8. In Case of PSU, Direct Reporting Engagement does not include
   (a) Performance audits
   (b) compliance audits
   (c) Financial audits
   (d) Comprehensive Audit

9. Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation (DICGC) is:
   (a) Not available to depositors of NBFCs
   (b) Available to depositors of NBFCs
   (c) Available to depositors of Banks
   (d) Not available to depositors of both NBFCs and banks

10. Mr. Sunil was member of Bombay Stock Exchange from 2004 and was conducting the business in
    securities from his proprietorship firm. During the financial 2017-2018 his firm conducted the business
    of securities for 30 days with income of Rs. 2 lakhs only. SEBI sent a letter to the firm for getting the
    accounts audited for the year 2017-18 but as per Mr. Sunil it was not necessary to get the firm’s accounts
    audited as the firm was not in active business of securities during the year. Do you think that Mr. Sunil
    was right as per Government notification on Securities Contract Rules?
    (a) Mr. Sunil took a right decision as it is not necessary for the proprietary firm to get the accounts
        audited as per Securities Contract Rules.
    (b) As per Government notification issued in 1984 a member of the stock exchange is considered
        active for the purpose of audit if he has conducted the business in securities even for a single day
        in the year and shall get its accounts audited if it is required by SEBI.
    (c) Mr. Sunil cannot be considered an active member as he has not conducted the business in
        securities for 180 days or more during the year. So, he is not required to get his accounts audited.
    (d) As during the year the firm’s income from conducting the business in securities is less than Rs. 5
        lakhs, the firm is not required to get the accounts audited.

Questions (11-20) carry 2 Marks each

11. XY & Co. is a chartered firm with two partners Mr. X and Mr. Y. The firm was appointed auditor for 35
    companies in the year 2017 and Mr. X was having total 19 audits in his name. Mr. Y was also partner in
    EFY & Co. Where he was appointed auditor in 4 companies. On 4th August 2017, Mr. X met with an
    accident and died. The firm was reconstituted with Mr. Y as the proprietor of new firm and the audits of
    the new firm reduced to 16. The new firm, in which Mr. Y is the proprietor, accepted the audit of a Private
    Limited Company having paid up capital of Rs. 52 crores on 30th August 2017. EFY & Co., another
    chartered firm, contended that Mr. Y cannot accept the appointment of Private Limited Company as he
    has already crossed the ceiling of 20 company audits in that year. Do you think that EFY & Co.’s claim
    is valid?
    (a) EFY & Co.’s claim is valid as MR. Y has already been appointed auditor for 20 companies i.e. 16
        in the reconstituted firm and 4 in EFY & Co.
    (b) Mr. Y cannot accept the audit of Private Limited Company in the year in which there is change in
        the constitution of firm, therefore the claim of EFY & Co. is valid.
    (c) Mr. Y can accept the audit as the ceiling of 20 company audits is applicable for each firm in which
        the chartered accountant is a partner or proprietor.
    (d) EFY & Co.’s claim is void as the ceiling of 20 company audits doesn’t include audit of private
        company having paid up capital less than Rs. 100 crores.
12. Brown Ltd is a holding company with two subsidiaries Black Ltd and White Ltd. You have been given
the task of covering the valuation of non-current tangible assets in the consolidated financial statements.
You note that Black Ltd and Brown Ltd. adopt straight line method of depreciation for its assets whereas
White Ltd, follows written down method for calculating the depreciation. Which of the following
adjustment would be considered as correct in respect of the consolidated financial statements
preparation?
(a) White Ltd is required to depreciate the assets adopting straight line method of depreciation which
is the method adopted by the holding company.
(b) Brown Ltd is required to make suitable adjustments as to the depreciation charged by White Ltd,
at the time of consolidation.
(c) Brown Ltd and Black Ltd are required to depreciate the assets adopting written down value as to
facilitate the harmonization of accounting policies.
(d) No adjustment is required as there can be different methods of calculation of depreciation for its
assets for the group companies.

13. Management of HFC Ltd. noticed a sudden increase in expense under the head “wages & salaries” for
the year 2015-16 and 2016-17. The management felt a need to get the management audit done in order
to identify the reason for the sudden increase. Mr. Arsh Gupta, Chartered Accountant was appointed as
management auditor by the company on 15th April 2017. What areas do you think the auditor need to
verify for the purpose?
(a) Check the payroll sheet prepared as per approved pay and allowances; verify the overtime
sanctioned and authorised; and verify the payment process followed by the company for the
payment of wages & salaries to employees.
(b) Overtime authorised and the payment done to employees are the main areas need to be verified
by the auditor.
(c) Auditor should first understand the HR Policy of the company. Then verify all the authorised
vouchers for overtime payments done during the year; verify the payroll preparation and reconcile
the gross pay in terms of increments/ promotions & resignations; verify the appointments made
during the year as per HR Policy and payments made to agencies providing contractual staff.
(d) Auditor need to verify the new appointments i.e. of company's payroll or outsourced staff and the
overtime allowance paid to employees.

14. An educational institute was collecting fees from their students by cash/ cheque / draft and through net
banking. Institute follows the policy to account for the fees received in the year of receipt only and for
the cheques or drafts received but not deposited in bank or credited in bank account, should be shown
in reconciliation statement. The internal auditor of branches noticed that at some branches only the fees
received up to 25th March are accounted for in the same year and the receipts after that date are carried
forward to be accounted for in the next financial year. The fees collected in these branches between
25th to 31st March amounted to Rs. 15 lakhs for the year 2017-18 and the collection for the financial
year ended 31st March 2018 amounted to Rs. 115 crores. The auditor was of the view that it will not
give a true and fair view on institute’s revenue for the year. What do you think should be the next step
of the auditor?
(a) The branches have accounted for those receipts in the next financial year so the auditor can ignore
the observation.
(b) Auditor should report the matter in Executive Summary paragraph and highlight it as significant
internal control lapse.
(c) Internal auditor can discuss the matter with the management to take a strict action against the
branches not following institute’s policy.
(d) Auditor should get the accounts modified and report the matter in action taken report.
15. AFM coaching institute was accepting fees from its students in cash or cheque or online transfer for an amount up to Rs.10,000/-, and if the amount of fees is above Rs.10,000/- by cheque or online transfer only. In the year 2017 the institute’s total fees collection was of Rs.82 crores. Your firm has been appointed the internal auditor by the Institute and during the verification of vouchers for fee receipts you noticed that cash receipts of approximately Rs.5 lakhs were directly credited in bank account instead of routing through cash account. Management explained that since the deposit slips used for fees received in cash or cheque are same, the accountant has erroneously shown them in the bank account but he has always tallied the cash at day end and those cash receipts were deposited in the bank account same day. Whether the auditor will consider the discrepancy as material for audit report?

(a) The auditor should disclose the fact with his comment in the audit report as it is material for giving a true and fair view on financial statements.

(b) It is not a material discrepancy as the total receipts amount will remain the same and the fees collected in cash are deposited in bank account only.

(c) The auditor should verify that whether such cash receipts reflects in bank statement on the same day and cash ledger reconciles with the cash book on the respective dates or not. If it is followed then auditor can include the matter in observation paragraph with his comments else disclose the matter as major internal control lapse.

(d) Auditor can ask the management to give a representation letter in writing.

16. BVM & Associates is an audit firm that employs large number of audit assistants. CA Mahesh, a partner pays extreme attention to briefing the audit assistants every day while the audit is continuing. All audit assistants are required to document their notes in the daily briefing and accordingly conduct the audit. CA Mahesh has made it very clear that any assistant who does not document the notes taken and the steps taken accordingly will be reprimanded as it will mean that the assistants are not creating their audit programmes on the job. The practice deployed by CA Mahesh can be termed as?

(a) Unacceptable as CA Mahesh being the auditor should be providing the audit programme and he cannot expect the team to take daily notes instead of performing the audit.

(b) Appropriate and in line with SA 230 as the audit programme must be prepared on the basis of documentation of auditor’s briefing notes.

(c) Acceptable but incomplete as CA Mahesh has not given any audit programme to the audit assistants to follow.

(d) Inappropriate as CA Mahesh should not only provide the audit programme but also make sure that audit programme is formally approved by all partners of the firm.

17. KJA Ltd is in the business of consultancy services. The business of the company has been growing significantly and considering the nature of business, it becomes subject to various laws and regulations. Compliances have also increased because of this and management has found this very difficult to keep in pace with the changing regulatory requirements. The statutory auditors of the company, Shilpa & Associates, have considered compliance with laws and regulations as a significant risk for the purpose of their audit.

Auditors had a audit planning meeting with the management and management has understood that it will be their responsibility including those charged with governance to ensure that the company’s operations are fully compliant with the provisions of various laws and regulations. This may also have an impact on the reported amounts and disclosures in the financial statements of the company.

Management is planning to ensure full compliance and may implement policies and procedures, wherever required, to assist in the prevention and detection of non-compliance with laws and regulations. Please suggest among the following which one will not be a policy/ procedure to be implemented to assist in the prevention and detection of non-compliance with laws and regulations in accordance with SA 250?
(a) Maintaining a register of significant transactions of the company with comparison to particular industry and a record of complaints.
(b) Monitoring legal requirements and ensuring that operating procedures are designed to meet these requirements.
(c) Developing, publicising and following a code of conduct.
(d) Instituting and operating appropriate systems of internal control.

18. You are a manager in the audit department of Narang & Co, and you are dealing with several ethical and professional matters raised at recent management meetings, all of which relate to audit clients of your firm:

One of your client Bernwood Co has a year ending 31 March 2018. During this year, the company established a pension plan for its employees, and this year end the company will be recognising for the first time a pension deficit on the balance sheet, in accordance with Ind AS 19 Employee Benefits. The finance director of Bernwood Co has contacted the audit engagement partner, asking if your firm can provide an actuarial valuation service in respect of the amount recognised.

Which of the following options need to be considered by the audit engagement partner?

(a) The issue is whether there is a self-review threat, as the valuation of the amount recognised would be recorded in the financial statements. The audit partner should decline the work of valuation service.
(b) The issue is whether the audit firm would be likely to possess the requisite competence to provide such a valuation service. The audit partner should decline since not professionally qualified to provide the valuation service.
(c) Narang & Co. needs to assess the materiality of the figure, and the degree of subjectivity involved. If it considers that safeguards like using separate personnel, performing a second partner review, could reduce the threat to an acceptable level, then it can go ahead with both the audit and the valuation service.
(d) The audit partner could go ahead with the valuation service and disclose the fact in its audit report about the service provided during the period. This will safeguard and reduce the threat to an acceptable level.

19. You are an audit senior at Ghaisas & Co and are currently performing the final audit of Bingham Co. for the year ended 31 March 2018. The company is a manufacturer and retailer of table lamps. The current audit senior is ill, and you have been asked to complete the audit of payroll in their absence. On arrival at the head office of Bingham Co, you determine the following data from a review of the current year and prior year audit files:

- As at 31 March 2017, the company had 350 employees
- On 1 April 2017, 10% of staff were made redundant, effective immediately, due to discontinuation of a product line
- On 1 June 2017, all remaining staff received a 5% pay rise
- Over the course of the year, sales levels met performance targets which resulted in a fixed bonus of Rs.8,000 being paid to each employee on 31 March 2018.

The following audit evidence has been gathered relating to the accuracy of wages and salaries for Bingham Co.

(1) Proof in total calculation performed by an audit team member
(2) Written representation from the directors of Bingham Co confirming the accuracy of wages and salaries
(3) Verbal confirmation from the finance director of Bingham Co confirming the accuracy of wages and salaries.

(4) Recalculation of the gross and net pay for a sample of employees by an internal audit team member of Bingham Co.

What is the order of reliability of the audit evidence starting with the MOST RELIABLE first?

(a) Audit evidence - 1, 2, 3, 4
(b) Audit evidence - 1, 4, 2, 3
(c) Audit evidence - 4, 1, 2, 3
(d) Audit evidence - 4, 1, 3, 2

20. You are an audit senior of Pendse Accountants and are currently conducting the audit of Stalwart Co for the year ended 31 March 2018. Below is an extract from the list of supplier statements as at 31 March 2018 held by the company and corresponding payables ledger balances at the same date along with some commentary on the noted differences:

<table>
<thead>
<tr>
<th>Supplier Statement balance</th>
<th>Payables ledger balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs. 90,000</td>
<td>Rs. 70,000</td>
</tr>
<tr>
<td>Rs. 1,85,000</td>
<td>Rs. 1,15,000</td>
</tr>
</tbody>
</table>

AB Co: The difference in the balance is due to an invoice which is under dispute due to faulty goods which were returned on 29 March 2018.

CD Co: The difference in the balance is due to the supplier statement showing an invoice dated 27 March 2018 for Rs.70,000 which was not recorded in the financial statements until after the year end.

The payables clerk has advised the audit team that the invoice was not received until 3 April 2018.

The audit manager has asked you to review the full list of trade payables and select balances on which supplier statement reconciliations will be performed. Which of the following statement is correct in respect of including or excluding from your sample?

(a) Exclude with material balances at the year-end.
(b) Exclude suppliers which have a high volume of business with Stalwart Co.
(c) Include major suppliers with nil balances at the year-end.
(d) Include suppliers where the statement agrees to the ledger.

(10 x 2 = 20 Marks)

Division B- Descriptive Questions-70 Marks

Question No. 1 is compulsory.

Attempt any four questions from the Rest.

1. Comment on the following:

(a) Statutory auditor of O Ltd requested the management for a written representation in respect of obsolescence of inventory and warranty obligations recognized by the company in its financial statements. The management denied the representation on the ground that during the course of audit, all the required procedures were performed by the auditor and after obtaining sufficient appropriate audit evidence, auditor has issued a clean report. Please comment. (4 Marks)

(b) OP & Associates are the statutory auditors of BB Ltd. BB Ltd is a listed company and started its operations 5 years back. The field work during the audit of the financial statements of the company for the year ended 31 March 2018 got completed on 1 May 2018. The auditor's report was dated 12 May 2018. During the documentation review of the engagement, it was observed that the
engagement quality control review was completed on 15 May 2018. Engagement partner had completed his reviews in entirety by 10 May 2018. Please comment. (5 Marks)

(c) Rathi Limited had definite plan of its business being closed within a short period from the close of the accounting year ended on 31st March, 2018. The Financial Statements for the year ended 31/03/2018 had been prepared on the same basis as it had been in earlier periods with an additional note that the business of the Company shall cease in near future and the assets shall be disposed off in accordance with a plan of disposal as decided by the Management. The Statutory Auditors of the Company indicated this aspect in Key Audit Matters only by a reference as to a possible cessation of business and making of adjustments, if any, thereto to be made at the time of cessation only. Comment on the reporting by the Statutory Auditor as above. (5 Marks)

2. (a) YKS & Co., a proprietary firm of Chartered Accountants was appointed as concurrent auditor of a bank. YKS used his influence for getting some cheques purchased and thereafter failed to repay the loan/overdraft. Comment with reference to the Chartered Accountants Act, 1949, and Schedules thereto. (4 Marks)

(b) AQP Limited is one of the prominent players in the chemicals industry. The company is a public company domiciled in India and listed on BSE and NSE. The Company was facing extreme liquidity constraints and there were multiple indicators that casted doubt over the company’s ability to continue as a going concern.

The Company was led into insolvency proceedings by consortium of banks led by PNB and the NCLT ordered the commencement of corporate insolvency process against the Company on 31 August 2017. The company invited prospective lenders, investors and others to submit their resolution plans to the Resolution Professional (RP) latest by 1 January 2018. The RP reviewed the resolution plans and ensured conformity with Insolvency and Bankruptcy Code 2016. The compliant plans were presented to Committee on Creditors (CoC) on 2 February 2018 and the resolution plan submitted by PQR Ltd. was evaluated as highest evaluated Compliant Resolution Plan. CoC of AQP Ltd approved the Resolution Plan submitted by PQR Ltd. on 2 March 2018. The approval of NCLT was finally obtained on 4 May 2018.

PQR Ltd submitted detailed plans and commitments as part of the resolution plan including clearance of all outstanding debts which were leading to negative cash flows.

Please suggest how would you deal with this situation as the auditors of AQP Ltd. (5 Marks)

(c) Vedanta Agro Mills Ltd had recently started its operations in the month of May 2018. The company has to comply with statutory requirements of Water (Prevention and Control of Pollution) Act 1974. The operations of the company include manufacture of battery cells used for battery-run devices. The management was keen to have an environmental audit done for the period from June 2018 till December 2018. Briefly discuss the features of environmental audit for Vedanta? (5 Marks)

3. (a) CA. T, in practice, was appointed to carry out internal audit of a stock broker, listed with BSE. However, he failed to intimate his appointment to the statutory auditors of the company. The statutory auditor feels this is violation of professional ethics. Comment with reference to the Chartered Accountants Act, 1949, and Schedules thereto. (5 Marks)

(b) As an auditor of a company registered under section 8 of the Companies Act, 2013 you find that as per the notification of the Ministry of Corporate Affairs regarding applicability of Indian Accounting Standards (Ind-AS), the company has to prepare its financial statements for the year ended 31st March, 2018 under Ind-AS. The management of the company is however of the strong view that being a section 8 company having charitable objects, Ind-AS cannot apply to the company. The financial statements are therefore prepared by the management under the earlier GAAP and a note for the same is given in the financial statements. How would you report on these financial statements? (5 Marks)
(c) “The C&AG may direct the appointed auditor the manner in which the accounts of the Government company are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor-General of India.” What are the relevant sections of the Companies Act, 2013 and steps involved in auditor of Government Companies? (4 Marks)

4. (a) Whilst the Audit team has identified various matters, they need your advice to include the same in your audit report in view of CARO 2016:
   (i) The long term borrowings from the parent has no agreed terms and neither the interest nor the principal has been repaid so far.
   (ii) The Internal Auditor of the Company has identified a fraud in the recruitment of employees by the HR department wherein certain sums were alleged to have been taken as kick-back from the employees for taking them on board with the Company. After due investigation, the concerned HR Manager was sacked. The amount of such kickbacks is expected to be in the range of Rs. 12 Lakhs. (5 Marks)

(b) ST Ltd is a growing company and currently engaged in the business of manufacturing of tiles. The company is planning to expand and diversify its operations. The management has increased the focus on the internal controls to ensure better governance. The management had a discussion with the statutory auditors to ensure the steps required to be taken so that the statutory audit is risk based and focused on areas of greatest risk to the achievement of the company’s objectives. Please advise the management and the auditor on the steps that should be taken for the same. (5 Marks)

(c) Ayush, a practicing Chartered Accountant is appointed to conduct the peer review of another practicing unit. What are the areas excluded from the scope of peer reviewer? (5 Marks)

5. (a) JY & Co. is appointed as auditor of Breeze Ltd. JY & Co. seeks your guidance for reviewing the records and documentation of the company regarding ‘related party transactions in the normal course of business’. Describe the steps to be followed. (4 Marks)

(b) A Ltd who is one of the leading manufacturer of kids clothing is interested to acquire B Ltd. B Ltd is currently a manufacturer of women’s clothing. As a professional consultant in due diligence and valuation, A Ltd entrusted you to value B Ltd. The valuation of B Ltd is dependent on future maintainable sales. Discuss the factors you would consider in assessing the future maintainable turnover of B Ltd? (4 Marks)

(c) Concession Ltd. is engaged in the business of manufacturing of threads. The company recorded the turnover of Rs. 1.13 crore during the financial year 2018-19 before adjusting the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount allowed in Sales Invoice</td>
<td>Rs. 8,20,000</td>
</tr>
<tr>
<td>Cash discount (other than allowed in Cash memo/sales invoice)</td>
<td>Rs. 9,20,000</td>
</tr>
<tr>
<td>Trade discount</td>
<td>Rs. 2,90,000</td>
</tr>
<tr>
<td>Commission on Sales</td>
<td>Rs. 6,00,000</td>
</tr>
<tr>
<td>Sales Return (F.Y. 2016-17)</td>
<td>Rs. 1,60,000</td>
</tr>
<tr>
<td>Sale of Investment</td>
<td>Rs. 6,60,000</td>
</tr>
</tbody>
</table>

You are required to ascertain the effective turnover to be considered for the prescribed limit of tax audit under the relevant Act and guide the company whether the provisions relating to tax audit applies. (6 Marks)

6. (a) M/s LMN, a firm of Chartered Accountants having 5 partners accepts an audit assignment of a newly formed private limited company for audit fees of Rs. 5,000. Comment with reference to the Chartered Accountants Act, 1949, and Schedules thereto. (3 Marks)
(b) Abhimanyu Finance Ltd. is a Non Banking Finance Company and was in the business of accepting public deposits and giving loans. The company was having net owned funds of Rs.1,50,00,000/- (one crore fifty lakhs) and was not having registration certificate from RBI and applied for it on 30th March 2018. The company appointed Mr. Kabra as its statutory auditors for the year 2017-18. Advise the auditor with reference to auditor procedures to be taken and reporting requirements on the same in view of CARO 2016? (6 Marks)

(c) X Ltd had a net worth of INR 1300 crores because of which Ind AS became applicable to them. The company had various derivative contracts – options, forward contracts, interest rate swaps etc. which were required to be fair valued for which company got the fair valuation done through an external third party. The statutory auditors of the company involved an auditor’s expert to audit valuation of derivatives. Auditor and auditor’s expert were new to each other i.e. they were working for the first time together but developed a good bonding during the course of the audit. The auditor did not enter into any formal agreement with the auditor’s expert. Please advise. (5 Marks)