

Integrated Case Study – 1

Moon Group of companies is a retail chain involved in the selling of daily consumer needs directly to the customer. They are in the process of appointing an audit firm for the audit of their accounts for the financial year 2019-20. Moon Group is a South Indian based consumer store having a total of 16 outlets across 4 cities in South India.

Sumant & Co. is appointed as the principal auditor for the entire group. Companies Act, 2013 prescribes in detail the terms of this audit engagement. Further, there are many branch auditors appointed for the outlets in the other cities. The company also has an internal audit function conducted on quarterly basis by Ram & Co. Following are the observations during the course of the statutory audit:

- (a) One of the discounts offered by the store is in the form of payback cards where reward points are accumulated and the customer can redeem the same on subsequent purchase. The management and internal auditors are of the opinion that the points redeemed are to be treated as trade discount. The external auditors are doubtful on the matter.
- (b) One of the outlet in Chennai region is in the verge of getting closed and is only left with low value stock to be cleared before closure. During the year, the sales were only around Rs. 1,40,000 and the auditor considers this component immaterial. All other outlets are performing well with good revenue share.
- (c) The gratuity valuation of the employees of the retail chain is done by an external valuer. The auditor, considering the quantum involved appoints an external auditor's expert for the verification of the actuarial calculation of gratuity.

From the above facts, answer the following questions by choosing the correct answer:

Q.1	<p>As per SA 210 - Agreeing the Terms of Audit Engagement, which of the following statement is correct?</p> <ul style="list-style-type: none"> (a) Though law prescribes in sufficient detail the terms of the audit engagement, the auditor still needs to record them in a written agreement and also seek written agreement from management that it acknowledges and understands that it has responsibility for the preparation of financial statements. (b) Since law prescribes in sufficient detail the terms of the audit engagement, the auditor need not record them in a written agreement except for the fact that law or regulation applies and also seek written agreement from management that it acknowledges and understands that it has responsibility for the preparation of financial statements. (c) The auditor has to take an extract of the law prescribing the details of the terms of the audit engagement and obtain the counter signature of the management in it. (d) Though law prescribes in sufficient detail the terms of the audit engagement, the auditor still needs to record them in a written agreement, however it need not seek written agreement from management that it acknowledges and understands that it has responsibility for the preparation of financial statements.
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Q.2	With respect to the treatment of discount on redemption of points in payback card, what should be the action of the external auditor?
	<p>(a) The auditor can place reliance and go by the opinion of the branch auditor and internal auditor as they have only done a thorough and detailed audit of the accounts</p> <p>(b) The auditor can place reliance on the management's accounting policy as <i>prima facie</i> they are only responsible for preparation of financial statements.</p> <p>(c) The external auditor has sole responsibility for the audit opinion expressed and hence he should perform procedures to satisfy himself on the correct treatment and issue opinion accordingly.</p> <p>(d) The auditor can advise management on correct treatment but cannot qualify his opinion as branch auditor's opinion has higher authority than external auditor's opinion.</p>
Q.3	What is the main objective of the external auditor, when he uses the work of the internal audit function of Ram & Co.?
	<p>(a) To determine as to which areas, what extent the work can be used and whether that work is adequate for the purposes of the audit.</p> <p>(b) To appropriately direct, supervise and review the work of the internal audit function</p> <p>(c) Review the internal audit report and audit the areas not covered by the internal audit function</p> <p>(d) Enquire from management on the special points that arose during internal audit and follow up on the course of action on those points.</p>
Q.4	The external auditor finds that the branch auditor of the outlet in the Chennai region, which is in the verge of closing down, is audited by an auditor who is not a member of the Institute of Chartered accountants of India. What should the external auditor do?
	<p>(a) Since the professional competence of the auditor is in question, the external auditor should himself visit the premise and audit the accounts.</p> <p>(b) Since the financial statement of the component is immaterial, the provisions of SA 600 do not apply.</p> <p>(c) The auditor can rely on the financial statements of that component by obtaining written representation from management that the branch auditor is otherwise well qualified.</p> <p>(d) Since the professional competence of the auditor is in question, the external auditor should co-ordinate with the branch auditor and call for the books of account and other explanations.</p>
Q.5	Which of these is not a factor affecting the external auditor's evaluation of the objectivity of the internal audit function?
	<p>(a) Whether the organizational status of the internal audit function supports the ability of the function to be free from bias, conflict of interest or undue influence of others to override professional judgment.</p> <p>(b) Whether the internal audit function is free of any conflicting responsibilities.</p> <p>(c) Whether the internal auditors have adequate technical training and proficiency in auditing.</p> <p>(d) Whether those charged with governance oversee employment decisions related to internal audit function.</p>

Answer - Integrated Case Study 1

Q. No.	Answer	Reason
Q.1	(b)	As per SA 210, if law or regulation prescribes in sufficient detail the terms of the audit engagement, the auditor need not record them in a written agreement, except for the fact that such law or regulation applies and that management acknowledges and understands its responsibilities.

Q.2	(c)	As per SA 600 and SA 610, Statutory auditor may use the work performed by Another Auditor and Internal Auditor respectively, however, ultimate responsibility for opinion expressed is of Statutory auditor. Hence, he should perform procedures to satisfy himself on the correct treatment and issue opinion accordingly.
Q.3	(a)	As per SA 610, the objectives of the external auditor, if using the work of the internal audit function, is to determine whether that work is adequate for purposes of the audit.
Q.4	(b)	As per SA 600, when the principal auditor concludes that the financial information of a component is immaterial, the procedures outlined in SA 600 do not apply. When several components, immaterial in themselves, are together material in relation to the financial information of the entity as a whole, the procedures outlined in SA 600 should be considered.
Q.5	(c)	As per SA 610, in evaluation of the objectivity of the internal audit function, external auditor considers organisational status of internal audit function, conflicting responsibilities, oversight functions of TCWG w.r.t. employment decisions related to the internal audit function.

Integrated Case Study - 2

M/s JK & Associates have been appointed as auditors of Venus Ltd. for the financial year 2019-20. The team consist of Mr. J & Mr. K both Chartered Accountants as also the engagement partners and the audit staff consisting of 2 article assistants. While starting the audit work of Venus Ltd., the engagement partners briefed the audit staff about the audit work, areas to be covered and the various auditing concepts and their application in the audit of Venus Ltd. along with applicable Standard on Auditing.

Various topics like audit planning, overall audit strategy, audit programme were discussed in detail. The team was told about the purpose and implication of various statements and guidance notes issued by the Institute of Chartered Accountants of India (ICAI) from time to time. Mr. K also briefed the team about the concept of materiality to be applied while planning and performing audit. The team was also explained in detail about the area where benchmark materiality can be applied in case of Venus Ltd.

Based on the above facts, answer the following:

Q.1	_____ sets the scope, timing & direction of the audit and guides the development of the more detailed plan.
	<ul style="list-style-type: none"> (a) Audit Programme (b) Overall Audit Strategy (c) Completion Memorandum (d) Audit Plan
Q.2	<p>Statement 1: The establishment of the overall audit strategy and the detailed audit plan are not necessarily discrete or sequential process but are closely inter-related.</p> <p>Statement 2: The auditor shall establish an overall audit strategy that guides the development of audit plan.</p>
	<ul style="list-style-type: none"> (a) Only Statement 1 is correct (b) Only Statement 2 is correct (c) Both Statements 1 & 2 are correct (d) Both Statements 1 & 2 are incorrect
Q.3	_____ means the amount set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatement exceeds materiality for the financial statements as a whole:

	<p>(a) Benchmark Materiality</p> <p>(b) Materiality in Planning</p> <p>(c) Performance Materiality</p> <p>(d) Materiality.</p>
Q.4	<p>Which of the following is not an example of benchmark that can be used in determining the materiality in the case of financial statements:</p> <p>(a) Total Revenue</p> <p>(b) Profit before tax</p> <p>(c) Net Asset Value</p> <p>(d) None of the above</p>
Q.5	<p>(i) Guidance notes issued by ICAI provide guidance to members on matters which may arise in the course of their professional work.</p> <p>(ii) Statements are issued by ICAI with a view to secure compliance by members on some matters.</p> <p>(iii) Guidance notes are recommendatory in nature.</p> <p>(iv) Statements are mandatory in nature.</p> <p>(a) All the above statements are correct</p> <p>(b) Statements 1 & 2 are correct</p> <p>(c) Statements 1, 2 & 3 are correct</p> <p>(d) Statements 1,2 & 4 are correct</p>

Answer - Integrated Case Study 2

Q. No.	Answer	Reason
Q.1	(b)	As per SA 300, the auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan
Q.2	(c)	As per SA 300, the establishment of the overall audit strategy and the detailed audit plan are not necessarily discrete or sequential processes, but are closely inter-related since changes in one may result in consequential changes to the other.
Q.3	(c)	As per SA 320, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Q.4	(d)	-
Q.5	(a)	-

Integrated Case Study - 3

Anvisha Ltd. is a company engaged in the business of software development. It is one of the largest companies in this sector with a turnover of ₹ 25,000 crores. The operations of the company are increasing constantly, however, the focus of the management is more on cost cutting in the coming years to improve its profitability. Shares of Anvisha Ltd. are listed on Bombay Stock Exchange.

Company in its AGM held on 26.08.2018, appointed M/s ABC and Associates, Chartered Accountants, as their auditors for five years.

In respect of the financial statements of the company for the year 2018-19, which are used by various stakeholders, some fraud was observed in respect of assets reported therein due to which those stakeholders suffered damages. As a result, those stakeholders applied to Tribunal for change of auditor on the basis that auditor is colluded in the fraud.

In the meanwhile, ABC and Associates, resigned from the company without assigning any reason. As per the requirements of Sec. 140(2) of Companies Act, 2013, the auditor who has resigned from the company shall file within a period of 30 days from the date of resignation, a statement in the Form ADT-3 with the company and the Registrar. However, no such statement is filed by ABC and Associates.

Based on the above facts, answer the following:

Q.1	<p>In case of an listed entity, for the purpose of appointment of a person as auditor of the company, qualifications and experience of the individual or the firm proposed to be considered for appointment as auditor and whether such qualifications and experience are commensurate with the size and requirements of the company, is to be considered by:</p>
	<p>(a) Audit Committee (b) Board of Directors (c) Audit Committee and SEBI (d) Board of Directors and SEBI</p>
Q.2	<p>After appointment of the auditor in AGM, Anvisha Ltd. shall inform ABC and Associates of their appointment, and also file a notice in Form _____ of such appointment with _____ within _____ of the meeting in which the auditor is appointed.</p> <p>(a) Form ADT - 1, SEBI, 15 Days (b) Form ADT - 1, Registrar, 15 days. (c) Form ADT - 2, SEBI, 30 days (d) Form ADT - 2, Registrar, 30 days.</p>
Q.3	<p>Which of the following stands true in respect of application made by shareholders to Tribunal for change of auditor on the basis that auditor is colluded in the fraud?</p> <p>(a) Application will be rejected by Tribunal as application for change of auditor can be made only by Central Government. (b) Application will be rejected by Tribunal as Only Tribunal may <i>suo motu</i> take action for change of auditor. (c) If Tribunal is satisfied that the auditor of a company has, whether directly or indirectly, acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers, it may, by order, direct the company to change its auditors. (d) Approval of Central Government is required before making application to Tribunal for change of auditors.</p>
Q.4	<p>An auditor, whether individual or firm, against whom final order has been passed by the Tribunal u/s 140(5) of Companies Act, 2013 shall not be eligible to be appointed as an auditor of any company for a period of _____ from the date of passing of the order and the auditor shall also be liable for action under section _____.</p> <p>(a) 5 years; Sec. 147 (b) 10 Years; Sec. 147 (c) 5 Years; Sec. 447 (d) 10 years; Sec. 447</p>

Q.5	If the auditor does not comply with the provisions of Sec. 140(2) of Companies Act, 2013, he or it shall be liable to a penalty of:
	<p>(a) ₹ 50,000 or an amount equal to the remuneration of the auditor, whichever is less, and in case of continuing failure, with further penalty of ₹ 100 for each day after the first during which such failure continues, subject to a maximum of ₹ 1 lakh.</p> <p>(b) ₹ 50,000 or an amount equal to the remuneration of the auditor, whichever is higher, and in case of continuing failure, with further penalty of ₹ 100 for each day after the first during which such failure continues, subject to a maximum of ₹ 1 lakh.</p> <p>(c) ₹ 50,000 or an amount equal to the remuneration of the auditor, whichever is less, and in case of continuing failure, with further penalty of ₹ 100 for each day after the first during which such failure continues, subject to a maximum of ₹ 5 lakh.</p> <p>(d) ₹ 50,000 or an amount equal to the remuneration of the auditor, whichever is less, and in case of continuing failure, with further penalty of ₹ 500 for each day after the first during which such failure continues, subject to a maximum of ₹ 5 lakh.</p>

Answer - Integrated Case Study 3

Q. No.	Answer	Reason
Q.1	(a)	As per Rule 3 of Companies (Audit and Auditor's) Rules, 2014, in case of a company that is required to constitute an Audit Committee u/s 177, the audit committee, shall take into consideration the qualifications and experience of the individual or the firm proposed to be considered for appointment as auditor and whether such qualifications and experience are commensurate with the size and requirements of the company.
Q.2	(b)	As per Proviso to Sec. 139(1) of the Companies Act, 2013, the company shall inform the auditor concerned of his or its appointment, and also file a notice (Form ADT-1) of such appointment with the Registrar within 15 days of the meeting in which the auditor is appointed.
Q.3	(c)	As per Sec. 140(5) of Companies Act, 2013, the Tribunal either <i>suo moto</i> or on an application made to it by the Central Government or by any person concerned, if it is satisfied that the auditor of a company has, whether directly or indirectly, acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers, it may, by order, direct the company to change its auditors.
Q.4	(c)	As per Sec. 140(5) of Companies Act, 2013, an auditor, against whom final order has been passed by the Tribunal under this section shall not be eligible to be appointed as an auditor of any company for a period of 5 years from the date of passing of the order and the auditor shall also be liable for action u/s 447.
Q.5	(d)	As per Sec. 140(3) of Companies Act, 2013, if the auditor does not comply with the provisions of Sec. 140(2), he or it shall be liable to a penalty of ₹ 50,000 or an amount equal to the remuneration of the auditor, whichever is less, and in case of continuing failure, with further penalty of ₹ 500 for each day after the first during which such failure continues, subject to a maximum of ₹ 5 lakh.

Integrated Case Study - 4

M/s NSG & Associates have been appointed as auditors of Viaan Ltd. for the financial year 2019-20. The processes, operations, accounting and decisions are carried out by using computers in Viaan Ltd. The auditors understand that there are several aspects that they should consider to determine the level of automation and complexity in the business environment of Viaan Ltd. While planning the audit work, the engagement partners discussed with the audit staff about the various types of controls in the automated environment.

The different types of audit tests that can be used in audit of an automated business environment were also discussed within the engagement team. The responsibility regarding the Internal Financial Controls was also discussed in detail. Further the tools and techniques that can be used to deal with the enormous data and information of Viaan Ltd. were briefed to the audit staff by the engagement partners.

From the above facts, answer the following questions by choosing the correct answer:

Q.1	_____ are the manual controls that make use of some form of data or information or report produced from the IT systems and applications.
	<p>(a) Application Controls</p> <p>(b) IT dependent Controls</p> <p>(c) Automated Controls</p> <p>(d) General IT Controls</p>
Q.2	<p>Statement 1: Application controls include both manual and automated controls that operate at a business process level.</p> <p>Statement 2: General IT Controls apply to mainframe, miniframe as well as end user environment.</p> <p>(a) Only Statement 1 is correct</p> <p>(b) Only Statement 2 is correct</p> <p>(c) Both Statements 1 & 2 are correct</p> <p>(d) Both Statements 1 & 2 are incorrect</p>
Q.3	<p>_____ are also known as pervasive or indirect controls:</p> <p>(a) General IT Controls</p> <p>(b) Application Controls</p> <p>(c) IT dependent Controls</p> <p>(d) None of the above</p>
Q.4	<p>Which of the following are not the types of audit tests that can be used in the audit in an automated environment?</p> <p>(a) Observation</p> <p>(b) Inspection</p> <p>(c) Re performance</p> <p>(d) None of the above</p>
Q.5	<p>_____ is the combination of processes, tools and techniques that are used to tap vast amounts of electronic data to obtain meaningful information:</p> <p>(a) Computer Assisted Audit Techniques</p> <p>(b) Automated Controls</p> <p>(c) Data Analytics</p> <p>(d) None of the above</p>

Answer - Integrated Case Study 4

Q. No.	Answer	Reason
Q.1	(b)	-
Q.2	(c)	-

Q. No.	Answer	Reason
Q.3	(a)	-
Q.4	(d)	-
Q.5	(c)	-

Integrated Case Study - 5

You are an audit manager at RMT & Co. and you are considering a number of ethical issues which have arisen on some of the firm's long-standing audit clients.

ABC Ltd.

RMT & Co. is planning its external audit of ABC Ltd. Yesterday, the audit engagement partner, Ramesh, discovered that a significant fee for information security services, which were provided to ABC Ltd. by RMT & Co., is overdue. Mr. Ramesh hopes to be able to resolve the dispute amicably and has confirmed that he will discuss the matter with the finance director, Mr. Keshav, at the weekend, as they are both attending a party to celebrate the engagement of Ramesh's daughter and Keshav's son.

XYZ (P) Ltd.

RMT & Co. is the external auditor of XYZ (P) Ltd. and also provides other non-audit services to the company. While performing the audit for the current year, the audit engagement partner was taken ill and took an indefinite leave of absence from the firm. The ethics partner has identified the following potential replacements and is keen that independence is maintained to the highest level:

- ◆ Mr. Pankaj Garg who is also the partner in charge of the tax services provided to XYZ (P) Ltd.
- ◆ Mr. Mohit Taneja who was the audit engagement partner for the preceding five years.
- ◆ Mr. Chetanya Garg who introduced XYZ (P) Ltd. as a client when he joined the firm as an audit partner five years ago.
- ◆ Mr. Nikunj Garg who is also the partner in charge of the payroll services provided to XYZ (P) Ltd.

MN Ltd.

MN Ltd. is a large public company, and has been an audit client of RMT & Co. for several years. Aadish Jain, a partner of RMT & Co., has acted as the engagement quality control reviewer (EQCR) on the last two audits. At a recent meeting, he advised that he can no longer be EQCR on the engagement as he is considering accepting appointment as a non-executive director and will sit on the audit committee of MN Ltd. The board of directors has also asked RMT & Co. if they would be able to provide internal audit services to the company.

PQR Ltd.

PQR Ltd., a listed company, is one of RMT & Co.'s largest clients. Last year the fee for audit and other services was ₹ 1.2 Cr. and this year it is expected to be ₹ 1.5 Cr. which represents 18% and 19.6% of RMT & Co.'s total income respectively.

Q.1	<p>Which of the following statements correctly explains the possible threats to RMT & Co.'s independence and recommends an appropriate safeguard in relation to their audit of ABC Ltd.?</p> <ol style="list-style-type: none"> (1) An intimidation threat exists due to the overdue fee and ABC Ltd. should be advised that all fees must be paid prior to the auditor's report being signed. (2) A self-review threat exists due to the nature of the non-audit work which has been performed and an engagement quality control review should be carried out. (3) A self-interest threat exists due to the relationship between Ramesh and Keshav and Ramesh should be removed as audit partner.
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	<p>(a) 1, 2 and 3</p> <p>(b) 1 and 2 only</p> <p>(c) 2 only</p> <p>(d) 3 only</p>															
Q.2	<p>Taking into account the concern of the ethics partner, which of the partners identified as potential replacements should take over the audit of XYZ (P) Ltd. for the current year?</p> <p>(a) Mr. Pankaj Garg</p> <p>(b) Mr. Mohit Taneja</p> <p>(c) Mr. Chetanya Garg</p> <p>(d) Mr. Nikunj Garg</p>															
Q.3	<p>Which of the following correctly identifies the threats to RMT & Co.'s independence and proposes an appropriate course of action for the firm if Aadish Jain accepts appointment as a non-executive director of MN Ltd.?</p> <table border="1"> <thead> <tr> <th></th> <th>Threats</th> <th>Course of action</th> </tr> </thead> <tbody> <tr> <td>(a)</td> <td>Self-interest and familiarity</td> <td>Can continue with appropriate safeguards</td> </tr> <tr> <td>(b)</td> <td>Self-interest and self-review</td> <td>Must resign as auditor</td> </tr> <tr> <td>(c)</td> <td>Self-review and familiarity</td> <td>Must resign as auditor</td> </tr> <tr> <td>(d)</td> <td>Familiarity only</td> <td>Can continue with appropriate safeguards</td> </tr> </tbody> </table>		Threats	Course of action	(a)	Self-interest and familiarity	Can continue with appropriate safeguards	(b)	Self-interest and self-review	Must resign as auditor	(c)	Self-review and familiarity	Must resign as auditor	(d)	Familiarity only	Can continue with appropriate safeguards
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Q.4	<p>You are separately considering MN Ltd.'s request to provide internal audit services and the remit of these services if they are accepted.</p> <p>Which of the following would result in RMT & Co. assuming a management responsibility in relation to the internal audit services?</p> <p>(1) Taking responsibility for designing and maintaining internal control systems.</p> <p>(2) Determining which recommendations should take priority and be implemented.</p> <p>(3) Determining the reliance which can be placed on the work of internal audit for the external audit.</p> <p>(4) Setting the scope of the internal audit work to be carried out.</p> <p>(a) 1 and 3</p> <p>(b) 2, 3 and 4</p> <p>(c) 1, 2 and 4</p> <p>(d) 3 and 4 only</p>															
Q.5	<p>Which of the following actions should RMT & Co. take to maintain their objectivity in relation to the level of fee income from PQR Ltd.?</p> <p>(1) The level of fee income should be communicated to those charged with governance</p> <p>(2) Separate teams should be used for the audit and non-audit work</p> <p>(3) Request payment of the current year's audit fee in advance of any work being performed</p> <p>(4) Request a pre-issuance review be conducted by an external accountant</p> <p>(a) 1 and 4 only</p> <p>(b) 3 and 4 only</p> <p>(c) 2 and 3 only</p> <p>(d) 1, 2, 3 and 4</p>															

Answer - Integrated Case Study 5

Q. No.	Answer	Reason
Q.1	(d)	In line with Code of Ethics, a self-interest threat would arise due to the personal relationship between the audit engagement partner and finance director. A self-interest threat, not intimidation threat, would arise as a result of the overdue fee and due to the nature of the non-audit work, it is unlikely that a self-review threat would arise.
Q.2	(c)	In order to maintain independence, Chetanya Garg would be the most appropriate replacement as audit engagement partner as he has no ongoing relationship with XYZ (P) Ltd. Appointing any of the other potential replacements would give rise to self-review or familiarity threats to independence.
Q.3	(b)	If Aadish Jain accepts the position as a non-executive director for MN Ltd., self-interest and self-review threats are created which are so significant that no safeguards can be implemented. Further as per Code of Ethics, no partner of the firm should serve as a director of an audit client and as such, RMT & Co. would need to resign as auditor.
Q.4	(c)	Assuming a management responsibility is when the auditor is involved in leading or directing the company or making decisions which are the remit of management. Designing and maintaining internal controls, determining which recommendations to implement and setting the scope of work are all decisions which should be taken by management.
Q.5	(a)	PQR Ltd. is a listed company and the fees received by RMT & Co. from the company is substantially high. As per Code of Ethics, this should be disclosed to TCWG and an appropriate safeguard should be implemented. In this case, it would be appropriate to have a pre-issuance review carried out prior to issuing the audit opinion for the current year.

Integrated Case Study - 6

ABC Ltd., is one of the leading companies in the pharmaceuticals manufacturing industry. 75% Equity shares of ABC Ltd. was acquired by XYZ Ltd. five years ago and is being retained by XYZ Ltd. till date. Total shareholding of XYZ Ltd. includes the following:

- ◆ The Government of Punjab and Government of Haryana each hold 18% of the paid-up share capital,
- ◆ The Government of Rajasthan's share is 15.5%.

On 29th Oct. 2019, Mr. Shyam, the auditor of ABC Ltd. had resigned from his post, citing medical reasons. However, he had forgotten to inform about his resignation to the concerned authorities. Casual vacancy so created was filled up with the appointment of RMT & Co. Chartered Accountants as statutory auditors of ABC Ltd.

As far as RMT & Co. Chartered Accountants are concerned, Mr. R, who is one of the partners of the firm had borrowed a sum of ₹ 3.00 lakhs from XYZ Ltd. He had also purchased goods worth ₹ 1.89 lakhs from the company. Both the sum borrowed and the cost of the goods bought are not yet paid by Mr. R does not sign the financials of ABC Ltd.

During the course of audit for the financial year 2019-20, the following observations with respect to the company were made by the auditors:

1. The company was not maintaining proper records with respect to the fixed assets maintained by it. The value of fixed assets of the company amounts to ₹ 1.50 crores approximately.
2. Physical verification for the same was not carried out at regular intervals. The last physical verification was conducted on 31st July 2018.