

WT 9 (Ch. 18 - SDG & ESG Assurance and Ch. 19 - Professional Ethics & Liabilities of Auditors)

Marks: 25

Time: 45 Minutes

Instructions: Part A comprises of MCQ.

Part B comprises of descriptive questions.

Part – A (Multiple Choice Questions)

YS & Associates, a firm of Chartered Accountants, having CA. Y and CA. S as partners, is based at Mumbai. YS & Associates get their website developed as www.ysassociates.com from KPY Ltd. The colour of their website was very bright and attractive to run on a “push” technology. Names of the partners of the firm and the major clients were also displayed on the web-site without any disclosure obligation from any regulator.

CA. Y, accepted his appointment as tax auditor of a firm under section 44AB, of the Income-tax Act, and commenced the tax audit within two days of appointment since the client was in a hurry to file Return of Income before the due date. After commencing the audit, CA. Y realised his mistake of accepting this tax audit without sending any communication to the previous tax auditor. In order to rectify his mistake, before signing the tax audit report, he sent a registered post to the previous auditor and obtained the postal acknowledgement.

CA. S, provides management consultancy and other services to his clients. During 2024, looking to the growing needs of his clients to invest in the stock markets, he also advised them on Portfolio Management Services whereby he managed portfolios of some of his clients. Looking at his expertise in financial management, Mr. Tarak, a student of Chartered Accountancy course, is very much impressed with his knowledge. He approached CA. S to take guidance on some topics of financial management subject related to his course. CA. S, on request, decided to spare some time and started providing classes to Mr. Tarak along with some other aspirants for 3 days in a week and for 1 hours in a day. However, he has not taken any specific permission for such private tutorship from the Council.

YS & Associates are also been appointed as statutory auditor of Trustworthy Industries Limited (a listed company) in the last AGM for a period of 5 years. Trustworthy Industries Limited, being very much concerned with Sustainability is preparing and disclosing its sustainability report based upon internationally accepted reporting framework of “Integrated Reporting” on a voluntary basis even some years before BRSR reporting became mandatory by SEBI. Even after BRSR reporting became mandatory, it is cross-referencing disclosures made under such reporting to disclosures sought under BRSR. The key thrust of “Integrated Reporting” is how company creates value over short, medium and long term.

On the basis of the abovementioned facts, you are required to answer the following MCQs:

- Q.1** Whether, website designed for www.ysassociates.com is in compliance with the guidelines given in Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949: **1**
- (a) Yes, website can have names of partners and major clients along with its fess.
 - (b) Yes, as the websites can be designed on a “push” technology.
 - (c) Yes, as there is no restriction on the colours used in the website.
 - (d) No, as names of the partners of the firm and the major clients were displayed without any disclosure obligation from any Regulator.
- Q.2** Before signing the tax audit report, CA. Y sent a registered post to the previous auditor and obtained the postal acknowledgement. Will CA. Y be held guilty of professional misconduct under the Chartered Accountants Act, 1949? **2**
- (a) As per Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949 CA. Y will not be held guilty of professional misconduct as he communicated with the previous tax auditor before signing the audit report.
 - (b) As per Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949, CA. Y will not be held guilty of professional misconduct since the requirement for communicating with the previous auditor being a chartered accountant in practice would apply to statutory audit only.
 - (c) As per Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949, CA. Y will be held guilty of professional misconduct since he has accepted the tax audit, without first communicating with the previous auditor in writing.
 - (d) As per Clause (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949, CA. Y will be held guilty of professional misconduct since he has accepted the tax audit, without first communicating with the previous auditor in writing.
- Q.3** Whether CA S is guilty of professional misconduct in providing private tutorship to Mr. Tarak along with some other aspirants for 3 days in a week and for 1 hours in a day in the absence of specific approval. **2**
- (a) CA. S is not guilty of professional misconduct as he is teaching within prescribed hours i.e. not exceeding 25 hours a month as per Regulation 192A.
 - (b) CA. S is not guilty of professional misconduct as he is teaching within prescribed hours i.e. not exceeding 25 hours a month as per Regulation 190A.
 - (c) CA. S is guilty of professional misconduct as he has not obtained specific permission for the same. CA. S is not guilty of professional misconduct as he is teaching within prescribed hours i.e. not exceeding 25 hours a week as per Regulation 190A.
 - (d) CA. S is not guilty of professional misconduct as he is teaching within prescribed hours i.e. not exceeding 25 hours a week as per Regulation 190A.

- Q.4** Following further information is provided by Trustworthy Industries Limited to YS & Associates: **2**
- (1)** It has increased the number of customers using digital customer mobile app of the company from 2 lac users to 4 lac users. There is 100% increase in digital collection. It has benefitted customers of the company and resulted in use of digital methods for business operations of the company.
- (2)** It has increased the number of beneficiaries under its flagship CSR programmes from previous 10000 to 75000. It has provided value for communities and provided sustainable livelihood to them.
- Discussing above information, identify which of the capitals of “Integrated Reporting” are being referred to at (1) and (2) respectively?
- (a) Intellectual Capital and Social Capital
 (b) Intellectual Capital and Human Capital
 (c) Human Capital and Social Capital
 (d) Manufactured Capital and Social Capital

Part B (Descriptive Questions)

Q. No. 1 is Compulsory. Attempt Any two from the rest.

- Q.1** (a) Identify what kind of threat to independence may be involved in following cases: **2**
- (i) A Chartered accountant receives about 40% of his total audit fees from a single client.
- (ii) CA Murli Madhavan provides accounting and book keeping services to a leading NGO engaged in environmental protection work. He is also offered audit of the accounts of NGO.
- (b) Identify which fundamental principle governing professional ethics is disregarded in following cases: **2**
- (i) CA P. Suryakantam has conducted audit of accounts of an entity for a particular year. ICAI has issued a letter to him relating to certain matters concerning audit. He didn't even bother to reply to the letter despite reminders.
- (ii) A Chartered accountant in practice issued a certificate showing original cost of plant and machinery installed in premises of a client for ₹ 9 crores to save some regulatory fees for his client. However, original cost of plant and machinery was ₹ 15 crore as per records of client.
- (c) One of the NGRBC principles states that businesses should promote inclusive growth and equitable development. The scope of this principle is wide and quite encompassing. Many activities of company could fall under promotion of inclusive growth and equitable development. Explain **4**

- Q.2** Mr. 'K', a practicing Chartered Accountant is the proprietor of M/s K & Co. since 1995. He went abroad in the month of December 2023. He delegated the authority to Mr. 'Y' a Chartered Accountant, his employee for taking care of the important matters of his office. During his absence Mr. 'Y' has conducted the under mentioned jobs in the name of M/s K & Co. 5
- (i) He issued Net worth certificate to a client for furnishing to a Bank.
- (ii) He attended the GST proceedings for a client as authorized representative before GST Authorities.
- Please comment on eligibility of Mr. 'Y' for conducting such jobs in name of M/s K & Co. and liability of Mr. 'K' under the Chartered Accountants Act, 1949.
- Q.3** Mr. X, a Chartered Accountant in Practice filed his income tax return for the Assessment Year 2024-25 u/s 44ADA of the Income-tax Act, 1961, declaring his income on presumptive basis. In a disciplinary proceeding alleged against him for an alleged misuse of funds of his clients, it was asked that he should submit his books of account for the financial year ended on 31.3.2024. Mr. X refused to submit books of account on the ground that he had not maintained any books and even for income tax purposes, he submitted his Return of Income on a presumptive basis. Is he right in putting such a defence? Analyse the issue in the lights of Professional Code, if any. 5
- Q.4** (a) CA Raman Gupta is offered appointment as auditor of a company. One of his distant uncles held some shares in the same company. Holding of such shares, by a distant relative, is not prohibited under provisions of law nor does it affect his independence. Before he could accept appointment, he received unfortunate news of death of his uncle who had died without any children. He came to know that he was nominee of these shares having substantial value. It landed him in a tricky situation. What should be proper course of action for him? 3
- (b) What type of companies are required to mandatorily furnish the Business Responsibility and Sustainability Report (BRSR) as per the SEBI circular with effect from FY 2022-23? 2

Instructions for submission of answer sheet

Single PDF of answer sheet is to be e-mail at test.altclasses@gmail.com

Subject line "Final Audit Test – WT 9 (Sep./Oct. 2024 Series) - (Student Name)"

Mention the following in the E-mail and answer Sheet:

1. Name:
2. Mobile No.:
3. Test: Final Audit – WT 9
4. Order Details/Serial Key: