CORPORATE ACCOUNTING AND AUDITING

Time Allowed: 3 Hours **Full Marks: 100**

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

1. Choose the correct option: **[15×2 = 30]**

i. Equity shares amounting to ₹2,00,000 are brought back at a premium of 5%, by issue of preference shares amounting to ₹1,00,000 at a premium of 10%. Compute the amount to be transferred to Capital Redemption Reserve.

a. ₹1,00,000
b. ₹90,000
c. ₹1,50,000
d. ₹50,000

ii. Futura Ltd had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March: (₹ in Lakhs) Securities Premium Account - 80, Capital Reserve – 60, General Reserve – 90. The Company had an Accumulated Loss of Rs250 Lakhs on the same date. Reserves & Surplus to be disclosed in B/S is _______________.

a. ₹250 Lakhs
b. ₹230 Lakhs
c. ₹20 Lakhs
d. ₹(20 Lakhs)

iii. Interest on Long term borrowing is an expense relating to _____________.

a. Investing Activity
b. Operating Activity
c. Financing Activity
d. All the above

iv. _____________ is a reserve which should be created by the insurers towards losses which might arise due to entirely unexpected set of events and not for any specific known purpose.

a. General Reserve
b. Catastrophe Reserve
c. Revenue Reserve
d. Surplus

v. Which of the following is included in cost of inventory as per Ind AS 2?

a. Duties and taxes subsequently recoverable from taxing authorities.
b. Freight inward.
c. Rebates.
d. Duty drawbacks.

vi. **NFRA consists which of the following?**
- **a.** **Accounting Standards Committee**
- **b.** **Auditing Standards Committee**
- **c.** **Enforcement Committee**
- **d.** **All of these**

vii. **Basic Elements of Audit Report as per Standards on Auditing are___________.**
- **a.** **Key Audit Matters**
- **b.** **Auditor's Opinion**
- **c.** **Basis for Opinion**
- **d.** **All of these**

viii. **Audit Report contains ______________.**
- **a.** **Details of Facts**
- **b.** **Details of Frauds**
- **c.** **Expression of Opinion**
- **d.** **Expression of Suggestions**

ix. **A cost auditor submits his report along with reservations and observations in Form No._____________.**
- **a.** **CRA 1**
- **b.** **CRA 2**
- **c.** **CRA 3**
- **d.** **CRA 4**

x. **Auditor of a company appointed u/s ____________shall not act as the cost auditor of the company.**
- **a.** **139**
- **b.** **148**
- **c.** **204**
- **d.** **141**

xi. **_________________refers to the process of conducting the audit of a single organisation by more than one auditor.**
- **a.** **Joint audit**
- **b.** **Cost audit**
- **c.** **Internal audit**
- **d.** **Continuous audit**

xii. **Benefits of Audit Sampling are ____________________.**
- **a.** **It reduces the workload of the auditor**
- **b.** **It saves time and cost**
- **c.** **It gives dependable result as it is based on statistical sampling methods**
- **d.** **All of these**

xiii. **Which of the following records are not maintained by a co-operative society as accounting records?**

a. Cash book
b. Memorandum of Association
c. Register of assets and investments
d. Register of sureties

xiv. **In relation to advances made by bank an auditor needs to review which of the followings?**

a. Scrutinise the subsidiary, ledger, & control accounts
b. Scrutinise the overdue account and scheme for recovery of such amount
c. Ensure the proper documentation of account
d. All of these

xv. **Which of the following is not falling under the broad category of Banks?**

a. Commercial Banks
b. Regional Rural Banks
c. Co-operative Banks
d. None of these

Answer:

i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv
a	d	c	b	b	d	d	c	c	a	a	d	b	d	d

Section – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5 × 14 = 70]

2. (a) The issued share capital of KGF Ltd. consists of 50,000 equity shares of ₹10 each fully paid up. The company offers to its shareholders shares on rights basis in the ratio of 1:1; the shares of ₹10 each being offered at a premium of ₹10 per share. Half of the price was payable with the application and the balance was payable on allotment, distribution being as follows:

	With application (₹)	On allotment (₹)
Share Capital	5	5
Share Premium	5	5

All the shareholders accepted the offer. One shareholder holding 150 shares paid the full offer price with his application. Another shareholder holding 100 shares failed to pay the allotment money and his shares were subsequently forfeited. Later, the shares were re-issued as fully paid up for ₹ 2,000 cash.

Journalise the above-mentioned transactions.

(b) D&CO. Ltd. issued 5,000 shares of ₹20 per share. The entire was underwritten as follows: X 2,500 shares, Y: 1,500 shares, Z: 1,000 shares.

The firm underwriting was to be X 500 shares, Y 250 shares, Z 250 shares. Shares applied for were 4,500 (including firm underwriting); Marked applications being: X 1,750 shares, Y 700 shares and Z 800 shares. Calculate the liability of each underwriter.

[7 + 7 = 14]

Answer:

(a)

Journal Entries in the books of KGF Limited

Date	Particulars	Debit (₹)	Credit (₹)
	Bank A/c Dr.	5,01,500	
	To Equity Share Application A/c		5,00,000
	To Calls –in – Advance A/c		1,500
	(Application money received on 50,000 equity shares @ ₹10 each and Allotment money on 150 shares @ ₹10 each received in advance)		
	Equity Share Application A/c Dr.	5,00,000	
	To Equity Share Capital A/c		2,50,000
	To Security Premium A/c		2,50,000
	(Application money on 50,000 equity shares transferred @ ₹5 each to share capital A/c and @ ₹5 each to Security Premium A/c)		

	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Security Premium A/c (Allotment made for 50,000 Equity Shares and the amount due transferred to Equity Share Capital A/c and Security Premium A/c as per Resolution…… dated…..)	5,00,000	 2,50,000 2,50,000
	Bank A/c Dr. Calls-in-Advance A/c Dr. To Equity share Allotment A/c (Allotment money received on 49,750 Equity Shares @ ₹10 each and the Allotment received in advance on 150 shares @ ₹10 each transferred to Share Allotment A/c)	4,97,500 1,500	 4,99,000
	Equity Share Allotment A/c [100 × ₹10] Dr. Security Premium A/c [100 × ₹5] Dr. To Equity Share Allotment A/c To Forfeited Shares A/c [100 × ₹5] (200 Shares of ₹10 each, forfeited for non-payment of allotment money includ premium due @ ₹5 each as per Resolution……dated…..)	1,000 500	 1,000 500
	Bank A/c Dr. To Equity Share Capital A/c To Security Premium A/c (200 forfeited shares of ₹10 each re-issued at a premium of ₹ 10 each)	2,000	 1,000 1,000
	Forfeited Shares A/c Dr. To Capital Reserve A/c (Profit on re-issue of forfeited shares transferred to Capital Reserve)		 500

(b)

Statement showing the Liability of underwriters

Particulars	X (₹)	Y (₹)	Z (₹)
Gross Liability	2,500	1,500	1,000
Less: Unmarked Applications [4,500 – (1,750+700+800)] or 1,250 in the ratio of 5:3:2	625	375	250
	1,875	1,125	750
Less: Marked Applications	1,750	700	800
Remaining liability	125	425	(50)
Oversubscription of Z divided between X and Y as 5:3	(31.50)	(18.50)	50
Net Liability	**93.50**	**406.50**	**-**
Add: Firm underwriting	500	250	250
Total liability	**593.50**	**656.50**	**250**

3. **Prepare the Balance sheet as at 31st March 2024 from the particulars furnished by KGF Ltd as per Schedule III of Companies Act,2013.**

Particulars	Amount (₹)
Equity Share Capital	8,00,000
Calls in Arrears	800
Land	1,60,000
Building	2,80,000
Plant & Machinery	4,20,000
Furniture	40,000
General Reserve	1,68,000
Loan from IDBI	1,20,000
Loans(unsecured)	96,800
Provision for taxation	54,400
Sundry Debtors	1,60,000
Advances (Dr.)	34,160
Proposed Dividend	48,000
Profit and Loss account	80,000
Cash Balance	24,000
Cash at bank	1,97,600
Preliminary Expenses	10,640
Sundry Creditors (for goods and expenses)	1,60,000
Stock: Finished Goods 1,60,000 Raw Materials 40,000	2,00,000

Adjustment:

i. 1500 equity shares were issued for consideration other than cash.

ii. Loan of ₹1,20,000 for IDBI is inclusive of ₹6,000 for interest accrued but not due. The loan is hypothecated by plant and machinery.

iii. Debtors of ₹50,000 are due for more than 6 months.

iv. The cost of assets:
   a. Building-₹3,20,000
   b. Plant and Machinery-₹5,60,000
   c. Furniture -₹50,000

v. Bank balance includes ₹2,000 with Trust Bank Ltd which is not a scheduled bank.

vi. Bills receivables for ₹2,20,000 maturing on 30th June 2024 have been discounted.

vii. The company had contract for the erection of machinery at ₹1,50,000 which is still incomplete.

[14]

Answer:

Balance Sheet of KGF Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	7,99,200	
Reserve and Surplus	2	2,37,360	
Non-Current Liabilities			
Loan from IDBI (1,20,000 – 6,000)		1,14,000	
Unsecured Loans		96,800	
Current Liabilities:			
Accrued Interest		6,000	
Trade Payables		1,60,000	
Provision for taxation		54,400	
Proposed Dividend		48,000	
Total:		**15,15,760**	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	3	9,00,000	
Current Assets			
Sundry Debtors (50,000 overdue for more than 6 months)		1,60,000	
Advances (Dr.)		34,160	
Cash & Cash Equivalents		2,21,600	
Stock (1,60,000 + 40,000)		2,00,000	
Total:		**15,15,760**	

Note to Balance Sheet

Note 01: Share Capital:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Paid up Capital (80,000 shares of ₹10 each) (1,500 Equity Shares issued for consideration other than cash)	8,00,000	
Less: Unpaid Calls	(800)	
Total	7,99,200	

Note 02: Reserve and Surplus:

Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
General Reserve		1,68,000	
Profit and Loss A/c	80,000		
Less: Preliminary Expenses	(10,640)	69,360	
Total		2,37,360	

Note 03: Property, Plant and Equipment:

Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Land		1,60,000	
Building	3,20,000		
Less: Depreciation (3,20,000 – 2,80,000)	(40,000)	2,80,000	
Plant and Machinery	5,60,000		
Less: Depreciation (5,60,000 – 4,20,000)	(1,40,000)	4,20,000	
Furniture	50,000		
Less: Depreciation (50,000 -40,000)	(10,000)	40,000	
Total		9,00,000	

Note 04: Cash and Cash Equivalents:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash Balance	24,000	
Bank Balance	1,97,600	
Total	2,21,600	

4. (a) Given below are details of interest on advance of a Solution Bank as on 31.03.2024:

(₹ in Crore)

Particulars	Interest Earned	Interest Received
Performing Assets:		
Term Loan	**60**	**40**
Cash Credit and Overdraft	**375**	**310**
Bills Purchased and Discounted	**75**	**75**
Non-Performing Assets:		
Term Loan	**37.50**	**2.50**
Cash Credit and Overdraft	**75**	**6**
Bills Purchased and Discounted	**50**	**10**

Calculate the income to be recognized for the year ended 31st March,2024.

(b)The Life Insurance Fund of Avni Life Insurance Co. Ltd. was ₹25 lakhs on 31.03.2024. Its actuarial valuation on 31.03.2024 disclosed a net liability of ₹21.25 lakhs. An interim bonus of ₹40,000 was paid to the policy holders during previous two years. It is now proposing to carry forward ₹75,000 and to divide the balance between policy holders and the shareholders. Prepare the

a. Valuation Balance Sheet;

b. Net profit for the two-year period; and

c. Distribution of profits. **[7+7=14]**

Solution:

(a)

- **Basis of Recognition:** As per RBI Circular, Interest on non-performing assets are considered on Cash Basis and interest on performing assets are considered on Accrual Basis.
- **Statement showing interest income to be recognized for the year ended 31.03.2024:**

Particulars	Amount(₹)	Amount(₹)
A. **Interest on Performing Assets: Accrual Basis:**		
Term Loan	60	
Cash Credit and Overdraft	375	
Bills Purchased and Discounted	75	510
B. **Interest on Non-Performing Assets: Cash Basis**		
Term Loan	2.50	
Cash Credit and Overdraft	6	
Bills Purchased and Discounted	10	18.50
C. **Interest Income to be recognized(A+B)**		528.50

(b)

a. **Valuation Balance Sheet as on 31.03.2024**

Liabilities	Amount(₹)	Assets	Amount(₹)
To Net Liability as per Acturial Valuation	21,25,000	By Life Insurance Fund	25,00,000
To Surplus (b/f)	3,75,000		
	25,00,000		25,00,000

b. **Calculation of Net profits made by Avni life insurance company for two-year period:**

Particulars	Amount(₹)
a) Surplus as per valuation balance sheet	3,75,000
b) Add: Interim Bonus paid during the two year period	40,000
c) Total profit made during the valuation period (a + b)	4,15,000
d) Less: Amount to be carried forward to next year	(75,000)
e) Profit available for distribution (c – d)	3,40,000

c. **Statement showing distribution of Profit:**

Particulars	Amount(₹)	Amount(₹)
a) To Policy Holders:		
95% of profit (3,40,000 × 95%)	3,23,000	
Less: interim Bonus distributed to policy holders	(40,000)	
Amount Payable to policy holders (3,23,000 – 40,000)		2,83,000
b) To Shareholders (3,40,000 × 5%)		17,000
c) Total profit distributed now (a + b)		3,00,000

5. (a) The information provided by SDF Ltd for the year ended 31/03/2024 and request you calculate the liability and expense to be recognised as per Ind AS 19.

No. of employees (Same as Last year)	**150**
Employee's turnover rate	**6%**
Bonus paid to each employee last year	**₹50,000**
Increase in bonus rate due to inflation as per regular practice of SDF Ltd	**10%**

(b) A Major fire has damaged the assets in factory of SDF Ltd on 2nd April 2024, two days after the book closure date. The loss is estimated at ₹40 Crores out of which 24 Crores will be recoverable from the insurers. Explain - how the loss should be treated in the financial statements for the year ended 31/03/2024? [7 + 7 = 14]

Answer:

(a)

i. <u>Calculation of amount of provision for bonus for the year ended 31/03/2024:</u>

Particulars	**Amount(₹)**
a) Expected amount of bonus per employee (50,000×110%)	55,000
b) Expected number of employee eligible for bonus [150 – (150×6%) = 150-9]	141
c) Amount of provision for bonus (a×b)	77,55,000

ii. <u>Accounting Entry:</u>

Date	**Particulars**		**Debit (₹)**	**Credit (₹)**
	Employee Benefits Expenses A/c	Dr.	77,55,000	
	To Provision for Bonus A/c			77,55,000

(b) As per Ind AS 10, Any event taken place after the balance sheet but before approval by board of directors with respect to which no stipulation or condition exist on the balance sheet is classified as Non-Adjusting events and does not require any adjustment to financials as on the balance sheet date.

In the given case, fire taken place on 2nd April 2024 but no condition exists with respect to the same on 31/03/2024. Therefore, it is a non-adjusting event and does not require any adjustments to financials as on 31/03/2024.

Amount of loss by fire is material 40 crores – 24 crores = 16 crores. It should be disclosed by way of note to account.

6. (a) Explain the basic elements of Internal Control.

(b) Discuss the reporting requirements of Cost Audit as per CRA-3. [7 + 7=14]

Answer:

(a) An effective system of internal control should have the following basic elements:

(i) Financial and Other Organisation Plans: This may take the form of manual suitably classified by flow charts. It should specify the various duties and responsibilities of both management and staff, stating the powers of authorisation that reside with various members.

(ii) Competent Personnel: In any internal control system, personnel are the most important element. When the employees are competent and efficient in their assigned work, the internal control system can be operated efficiently and effectively.

(iii) Division of Work: In any internal control system, each and every work of the organisation should be divided in different stages and should be allocated to the employees in accordance with quality and skill.

(iv) Separation of Operational Responsibility from Record Keeping: In order to ensure reliable records and information, record-keeping function must be separated from the operational responsibility of the concerned department.

(v) Separation of the Custody of Assets from Accounting: To protect assets from misuse and misappropriation, it is required that the custody of assets and their accounting should be done by separate persons.

(vi) Authorization: In an internal control system, all the activities must be authorized by a proper authority.

(vii) Managerial Supervision and Review: The internal control system should be implemented and maintained in conformity with the environmental and elemental changes of the concern. There must be regular supervision and review of the effectiveness of the internal control system of the organisation.

(b) As per Companies (Cost Records and Audit) Rules 2014 as amended up to date, a cost auditor needs to report the following in CRA-3.

(A) Whether he has obtained all the information and explanations, which to the best of his knowledge and belief were necessary for the purpose of the audit.

(B) Whether in his opinion, proper cost records, as per rule 5 of the Companies (Cost Records and Audit) Rules, 2014 have been maintained by the company in respect of its product(s)/ service(s) under reference.

(C) Whether in his opinion, proper returns adequate for the purpose of the cost audit have been received from the branches not visited by him.

(D) Whether in his opinion, and to the best of his information, the said books and records give the information required by the Companies Act, 2013, in the manner so required.

(E) Whether in his opinion, the company has adequate system of internal audit of cost records which to his opinion is commensurate to its nature and size of the business.

(F) Whether in his opinion, information, statements in the annexure to the cost audit report give a true and fair view of the cost of production of product(s)/rendering of service(s), cost of sales, margin and other information relating to product(s)/service(s) under reference.

(G) Whether detailed unit-wise and product/service-wise cost statements and schedules thereto in respect of the product /service of the company duly audited and certified by him are kept in the company.

7. (a) Describe the Essential Characteristics of a Good Audit Report .

(b) Discuss auditor's responsibility for reporting on Internal Financial Control over Financial Reporting.

[7+7 = 14]

Answer:

(a) After conducting an audit of an organisation, it is the duty of the auditor to communicate, to the appointing authority, his opinion on the exhibition of true and fair view of financial performance and financial position of the organisation. Audit report is the written communication on the part of the auditor to convey his opinion to the client.

The following are the essential characteristics of a good audit report:

A) Simplicity: An audit report should be simple and easily understandable to the users. It should be written is simple language and should be self-explanatory.

B) Clarity: The audit report should be clear and unambiguous. The auditor must clearly mention, in his report, the purpose of audit, sources of information, his findings and overall opinion.

C) Brevity: The report should be brief and specific. While everything relevant must be disclosed, the report should avoid unnecessary detailing.

D) Firmness: The report should firmly state whether, in the opinion of the auditor, the financial statements represent the true and fair view of the performance and state of affairs of the business.

E) Objectivity: The audit report should always be based on objective evidences. It is very much required to reduce or eliminate biases, prejudices, or subjective evaluations by relying on verifiable data.

F) Disclosure: The audit report should properly disclose all relevant facts and the truth. The relevance should be decided based on materiality of the concerned item.

G) Impartiality: The report should be unbiased. The recommendations must be impartial and objective.

H) Information-based: Only relevant and accurate information should be included in the audit report.

I) Timeliness: The report should be prepared and presented within the stipulated time. This will help in timely decision making.

(b) As mentioned earlier, Sec 143(3)(i) of Companies Act, 2013 requires that the report of the auditor should state as to whether the company has adequate Internal Financial Control system in place and the operating effectiveness of such controls.

Further, Rule 10A of Companies (Audit & Auditors) Rules 2014 states that:

a) For the financial years commencing on or after 1st April 2015, the report of the auditor should state about existence of adequate Internal financial controls and its operating effectiveness.

b) The auditor of a company may voluntarily include the statement referred to in this rule for the financial year commencing on or after 1st April 2014 and ending on or before 31st March 2015.

As per the Guidance Note issued by The Institute of Chartered Accountants of India in this respect -

- The auditor's objective in an audit of internal financial controls over financial reporting is to express an opinion on the effectiveness of the company's internal financial controls over financial reporting and the procedures in respect thereof are carried out along with an audit of the financial statements.

- Globally, auditor's reporting on internal controls is together with the reporting on the financial statements and such internal controls reported upon relate to only internal controls over financial reporting.

Accordingly, the term 'internal financial controls' wherever used in this Guidance Note in the context of the responsibility of the auditor for reporting on such controls under Section 143(3)(i) of the Act, per se implies and relates to internal financial controls over financial reporting.

Therefore, 'internal financial controls over financial reporting' shall mean 'A process designed to provide rea- sonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that –

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

An auditor needs to conduct an audit of IFC-FR though a proper planning followed by testing the design effectiveness of control and operating effectiveness of control and thereafter report on IFC over Financial Reporting.

The Guidance Note also provides that reporting on the adequacy and operating effectiveness of IFC-FR would apply even in case of consolidated financial statements, for the respective components included in the consolidated financial statements only if it is a company under the 2013 Act. However, reporting on IFC will not be applicable with respect to interim financial statements, such as quarterly or half-yearly financial statements, unless such reporting is required under any other law or regulation.

8. (a) Examine important areas, as regards conducting the audit of Local bodies.

(b) Discuss the disqualification of a Company Auditor. [7 + 7= 14]

Answer:

(a) In India, local self-government refers to governmental jurisdictions below the level of the state. With the introduction of 73rd and 74th amendments to the Indian Constitution, the local self-governance system has been recognised as the formal system of governance at the local level in both rural and urban areas throughout the country. In addition, state legislations also have given power to these organisations.

The urban local self-governance bodies are further divided into Municipal Corporation or Nagar Nigam, Municipality or Nagar Palika and Notified Area Council or Town Panchayat or Nagar Panchayat. Similarly, the rural self-governance in India is structured in three layers, viz. Gram Panchayat (at village level), Panchayat Samiti (at block level) and Zilla Parishad (at district level). All these local bodies are operated by representatives elected through a democratic process by participation of every Indian citizen.

Both urban and rural local bodies are vested with a long list of functions delegated to them by the state governments. Grants are issued by the States and these are to be utilized by the local bodies within the set parameters to execute the sanctioned projects. In addition, several local taxes are also the sources of revenue for them and they employ such funds for development and maintenance of public assets and similar other works. For example, urban local bodies are required to perform functions including general administration and revenue collection, public health, public safety, education, public works, and others such as interest payments. Similarly, rural local bodies are primarily required to help plan, coordinate, monitor and wherever required regulate the implementation of various national programmes. The responsibility of maintaining the assets created through various programmes also lies on them.

Since these organisations deal with public money, audit or the accounts of these bodies are of immense importance to ensure transparency and accountability.

The major objective of audit of Municipalities and Panchayats are enumerated below:

A) To ensure on the fairness and correctness of contents in the Financial Statement
B) To report on adequacy of Internal control
C) To ensure value of money is fully received on amount spent.
D) To detect the frauds and errors.

Accordingly, the auditor is supposed to consider the following general points in conducting the audit of local bodies:

A) Ensure that his appointment is in line with the respective regulation of the local body and approved by the appropriate authority.
B) Obtain a detail understanding of the rules and regulations that governs the operations, especially the financial control and accounting of the organisation.
C) Consult the relevant documents, minutes and resolutions of various meetings of different committees.
D) With regards to various government schemes which are implemented through local bodies, check the utilization of grant, appropriate authorization being maintained throughout and adequacy of accounting.
E) Apply in depth investigation in areas with potential fraud such as revenue collection, various waiver schemes, use of casual labour etc.
F) Whenever there is a provision of funds, ensure that the expenditure is incurred from the provision and the same has been authorized by the competent authority.
G) Ensure that where huge financial expenditure is involved, the schemes are running economically and is expected to generate the targeted outcome.

(b) As per Section 141(3), read with Rule 10 of Company (Audit and Auditor) Rule 2014, the following persons shall not be eligible for appointment as an auditor of a company:

(a) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;

(b) an officer or employee of the company;

(c) a person who is a partner, or who is in the employment, of an officer or employee of the company;

(d) a person who, or his relative or partner:

  (i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company, of face value not exceeding rupees one lakh;

  (ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of rupees five lakh;

  (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of rupees one lakh;

(e) a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;

(f) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel;

(g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;

(h) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;

(i) a person who, directly or indirectly, renders any service referred to in Section 144 to the company or its holding company or its subsidiary company.

Where a person appointed as an auditor of a company incurs any of the disqualifications mentioned in sub-section (3) after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor [Section 141(4)].