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B.Com Honours

Semester VI

Calicut University

AUDITING AND ASSURANCE

Course Code: COM6CJ304 • Module 4 Notes

Module IV: Company Auditor, Rights/Duties, & Audit Reports

Covers statutory qualifications/disqualifications of company auditors (Sec 141), appointment, rights/duties (Sec 143), removal/remuneration (Sec 140/142), SA 700 audit reports, and comparative financial statements (SA 710).

Unit 16: Company Auditor Qualification & Appointment (Sec 139/141)

Qualification (Sec 141): Practicing Chartered Accountant (CA) or CA Firm/LLP.
Disqualifications: Body corporate, officer/employee of company, partner/employee of officer, person holding security in company, person indebted >₹5 Lakhs. Appointment: First auditor appointed by Board within 30 days (or CAG for Govt companies).

Unit 17: Duties, Rights, & Liabilities of Auditor (Companies Act 2013)

Rights (Sec 143): Right of access to books/vouchers, right to seek information, right to attend general meetings. Duties: Reporting on financial statements, reporting on internal financial controls (IFCoFR), fraud reporting to Central Govt (if >₹1 Crore under Sec 143(12)).

Unit 18: Removal & Remuneration of Company Auditors (Sec 140/142)

Removal before term expiration: Special Resolution + Central Govt approval (Form ADT-2). Remuneration fixed in general meeting by shareholders.

Unit 19: Audit Report Characteristics & Significance

Audit Report: Formal medium communicating independent audit opinion to company members & external stakeholders. Must be clear, objective, concise, & backed by audit evidence.

Unit 20: Types of Audit Reports & Basic Elements (SA 700)

1. Unmodified (Clean) Opinion: Financial statements present true & fair view.
2. Qualified Opinion: Misstatements are material but NOT pervasive.
3. Adverse Opinion: Misstatements are material AND pervasive.
4. Disclaimer of Opinion: Unable to obtain sufficient audit evidence; effect is material & pervasive.

Unit 21: Comparative Information & Statements (SA 710)

SA 710: Auditor duties regarding comparative financial figures & corresponding prior period audit statements.

Practical Case Framework 1 (Types of Audit Opinions SA 700 Classification Matrix): Compare opinion type, audit condition, materiality level, and pervasiveness impact.

SA 700 Audit Opinion Typologies Table:

Audit Opinion Type	Financial Misstatement Condition	Pervasiveness Impact on Statements
Unmodified (Clean) Report	No material misstatements identified	Not pervasive (True & fair view)
Qualified Opinion	Material misstatement or scope limitation	Material but NOT pervasive
Adverse Opinion	Exhaustive material misstatements present	Material AND Pervasive distortion
Disclaimer of Opinion	Inability to obtain audit evidence	Material AND Pervasive uncertainty

Practical Case Framework 2 (Company Auditor Disqualification Criteria Sec 141): Detail disqualification trigger, statutory limit, and legal consequence.

Section 141 Disqualifications Reference Table:

Disqualification Trigger	Statutory Ceiling / Condition	Legal Consequence
Indebtedness to Company	Exceeds ₹5,00,000 threshold	Disqualified; immediate vacation of office
Security / Shares Holding	Holds any share (Relative limit ₹1 Lakh face value)	Disqualified from appointment