

Roll No. 608666

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 12

NOTE : Answer ALL Questions.

PART-I

1. (a) Citing the relevant provision(s), indicate the date up to which each of the following compliances have to be submitted to the Stock Exchange as per the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) [SEBI (LODR)] Regulations, 2015 ?
- (i) Up to which date for the quarter from July to September 2024, ABC Ltd. shall file with the recognized stock exchange, a statement giving the Investors Complaint Statement as per Regulation 13(3) ?
- (ii) What should be the number of Investors complaints resolved during the quarter, if the complaints at the beginning of the quarter were 15 and received during the quarter were 25 and remaining unresolved at the end of the quarter were 05, in the statement to be filed with recognised stock exchange giving the Investors Complaint Statement as per Regulation 13(3) ?
- (iii) Up to which date Quarterly Compliance Report on Corporate Governance as per Regulation 27 (2) will be furnished by ABC Ltd. to the stock exchange for the quarter October to December 2024 ?

- (iv) What will be the last date up to which Quarterly Financial Results as per Regulation 33(3) of ABC Ltd. has to be submitted to the stock exchange for the quarter ending October to December 2024 ?
- (v) Up to which date the Secretarial Compliance Report of the ABC Ltd. as per Regulation 24A of Secretarial Audit and Compliance Report will be furnished to the stock exchange for the financial year 2024-25 ?

(1×5=5 marks)

- (b) MJ Ltd. a listed company, engaged P, a Practicing Company Secretary (PCS) for the pre-certification of e-forms related to certain corporate filings under the Companies Act, 2013. P obtained the engagement letter and reviewed the Company's records. During verification, it was observed that a crucial board resolution authorising a key transaction was missing from the Company's records and the financial statements attached to the form were not the final audited versions. Despite these gaps, P proceeded with certification based on representations made by MJ's management. Later, upon scrutiny by the Registrar of Companies (RoC), it was found that the certified documents contained material misstatements, leading to regulatory action against both the Company and the certifying professional.

Explain the best practices that a PCS should adopt while undertaking such assignments.

(5 marks)

- (c) SM Capital Ltd. was penalised by the Securities and Exchange Board of India (SEBI) for failing to comply with disclosure requirements under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Take-Overs) [SEBI (SAST)] Regulations, 1997, after acquiring shares that increased the promoter group's stake

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beyond the prescribed threshold. The Company contended that the non-compliance was inadvertent and due to lack of awareness of the regulatory requirements. Additionally, it was argued that since the violation occurred in March 2001, the penalty should be based on the legal provisions applicable at that time, rather than the amended Section 15H(ii) of the SEBI Act, 1992, which came into effect in October 2002. However, the tribunal ruled that as the obligation to disclose and make a public announcement persisted beyond the amendment date, the Company was liable under the revised law.

With reference to judicial pronouncement, examine whether the contention of SM Capital is tenable.

(5 marks)

- (d) DE Ltd. recently transitioned from physical document storage to a Cloud-Based Document Management System (DMS) to streamline record-keeping and improve its compliance system. While the new system provided secure access, audit trails and keyword search functionality, some employees raised concerns about data security, restricted access policies, and long-term reliability of cloud storage. The Company Secretary of the Company had confirmed to the Board of Directors that the new DMS would be compliant with the provisions of the Companies Act, 2013.

In this context, explain DMS and its benefits. Also explain the relevant provisions of the Companies Act, 2013.

(3+2=5 marks)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (a) "Compliance Monitoring System (MCACMS Portal) in MCA 21 by the Ministry of Corporate Affairs (MCA) has made compliance process easier and it ensures regular enforcement of Compliance requirements under the Companies Act, 2013."

Discuss the statement and mention the steps for filing the reply to the Show Cause Notice under the system.

(5 marks)

- (b) VM Pvt. Ltd. engaged in wholesale trading, received ₹ 5,00,000 from a foreign investor in April and October 2016. As per the Foreign Exchange Management Act (FEMA) regulations, the Company was required to allot shares within 180 days of receiving the inward remittance. However, the allotment was delayed and completed only in May 2017, after obtaining RBI approval. Recognising the contravention, the Company filed a compounding application under the FEMA, 1999 in July 2018.

Comment whether VM Pvt. Ltd. has taken a correct action by filing a compounding application. Support your answer with relevant case law.

(5 marks)

- (c) TK & Associates LLP, a firm of practicing Company Secretaries, was engaged by KL Ltd. to certify certain regulatory filings under the Companies Act, 2013. Due to high workload, the senior partner of TK & Associates LLP, authorised a junior associate, who was not a qualified Company Secretary, to sign the compliance certificates on behalf of the firm. The certificates were then submitted to the Registrar of Companies (RoC) without disclosing that the signing authority was not a member of the Institute of Company Secretaries of India (ICSI). During an internal compliance audit, the

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Company discovered the irregularity and raised concerns about the legitimacy of the certifications. The issue was subsequently reported to the concerned Disciplinary Committee, which initiated an inquiry against TK & Associates LLP for professional misconduct.

In the background of professional misconduct in relation to Company Secretaries in Practice, analyse the validity of the Senior Partner's action.

(5 marks)

- (d) Explain the documents which are considered as confidential and need complete privacy by any business house. What should be included in the confidential policy of the business house in this regard ?

(5 marks)

OR (Alternate Question to Q. No. 2)

- 2A. (i) ST Ltd. failed to file annual returns, appoint independent directors, and report key Board resolutions on time. Regulatory authorities issued a show cause notice holding Company Secretary KM as the "officer in default." KM argued that compliance was the Board's responsibility.

As per the provisions of the Companies Act, 2013, examine the professional liabilities of a Company Secretary and determine whether KM's contention is valid.

(5 marks)

- (ii) OS Pvt. Ltd. implemented a document control system to ensure its quality and compliance. However, during an internal audit, gaps were identified, including lack of operating logs, incomplete review records, and inadequate tracking of document access and inspections. The management faced challenges in monitoring work performance and analysing information flow.

Enumerate the key measures which should be adopted for effective document control and key concepts required to be considered to take care of records and archives.

(5 marks)

- (iii) JK Ltd. engaged AK, a PCS, to certify its Annual Return (Form MGT-8) for FY 2023-24. During his review, AK identified material discrepancies, including non-disclosure of related party transactions, non-compliance with shareholding disclosure norms, and incomplete statutory registers. The Company's management insisted on certification without adverse remarks, claiming the omissions were minor.

Discuss the duties, responsibilities and guiding principles to be adopted by a PCS in certifying Form MGT-8.

(5 marks)

- (iv) GY Ltd. a publicly listed company, is in the process of securing a high-value government contract. The Company's Chief Financial Officer (CFO), under pressure to meet aggressive financial targets, instructs the Company Secretary (CS) to delay the disclosure of certain financial irregularities detected in an internal audit report. The CFO argues that disclosing the findings immediately might jeopardise the Company's chances of

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winning the contract, potentially leading to job losses and financial instability for shareholders. The Company Secretary is in dilemma now.

Using Kidder's approaches to resolve ethical dilemma, suggest the Company Secretary on further course of action. Also explain that each professional should avoid any conflict of interests with that of the client as its one of the fundamental duties.

(2+3=5 marks)

PART-II

3. (a) An auditor may be appointed either as a result of one-to-one communication between the auditor and the Management or through a tendering process followed by the Management. Discuss various steps where Auditor is appointed through Tendering Process by Management.

(5 marks)

- (b) PT Pvt. Ltd., has a paid-up capital of ₹ 75 lakh and reserves of ₹ 7 crore. Over the last three consecutive financial years, immediately preceding the financial year under audit, its turnover has been ₹ 120 crore, ₹ 250 crore, and ₹ 310 crore respectively. During one of the management meetings, the Managing Director suggested that presently, they may not be required to appoint internal auditors. However, if need arises, they can appoint Jain and Gupta Associates, (Chartered Accounting firm) the Company's statutory auditor, as its internal auditor to ensure compliance.

With reference to the provisions of the Companies Act, 2013, evaluate whether the contention of Managing Director is tenable.

(5 marks)

P.T.O.

- (c) "Financial due diligence provides peace of mind to both corporate and financial buyers by analysing and validating all the financial, commercial, operational and strategic assumptions being made." Give your views on the statement and also provide imperative components of Financial Due Diligence.

(5 marks)

4. (a) ✓ HY Ltd., a growing manufacturing company, initiated a performance assessment of its Internal Audit function to evaluate its alignment with business objectives and risk management practices. During the review, the Board and Audit Committee identified key concerns, including delays in audit completion, inadequate coverage of critical risk areas, and inconsistent communication of audit findings. Additionally, stakeholders expressed concerns about the accuracy of reports, the effectiveness of recommendations, and the overall value addition of the internal audit process.
- Prepare a brief note explaining, how HY Ltd. can systematically evaluate and enhance its Internal Audit function.

(3 marks)

- (b) ✓ AR & Co., were the Secretarial Auditors of PQ Ltd. The audit was carried out by the team, as per the requirements of the Companies Act, 2013 covering various aspects including compliance with corporate laws and governance requirements. During the final review by the Partner of the firm, it was observed that certain working papers lacked proper referencing, key compliance conclusions were not adequately supported by evidence, and some review notes remained unresolved. Additionally, discussions with management regarding critical findings were not properly documented. In the background of above facts, enumerate the key aspects which the secretarial auditor should consider while reviewing working papers.

(3 marks)

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(c) Following is the financial information of MM Ltd., an Indian Company :

| FY | Net profit/loss (in ₹ crores) |
|---------|-------------------------------|
| 2022-23 | 4.50 |
| 2023-24 | 4.90 |
| 2024-25 | 6.70 |

The turnover for the FY 2024-25 is ₹ 980 crore and net worth is ₹ 450 crore.

However, profits for the year 2024-25 includes profit of an overseas branch of ₹ 1.5 crore and dividend received from Indian company which is covered under complying with the provision of section 135 of the Companies Act, 2013 as ₹ 50 lakh.

Whether the Corporate Social Responsibility (CSR), as per the Companies Act, 2013, be applicable on MM Ltd.? Explain.

(3 marks)

(d) Social auditing creates an impact upon governance. It values the voice of stakeholders, including marginalised/poor groups whose voices are rarely heard. Explain the benefits of Social Audit.

(3 marks)

(e) Define suspicion and how will the Secretarial Auditor proceed in case he has sufficient reasons to believe that there is any commission of fraud in the company ?

(3 marks)

5. (a) You have been appointed as an Auditor of a large manufacturing company and during review, you have noticed that there were several entries in the electronic records [maintained by the company, as required by the Audit Trail system implemented by the Ministry of Corporate Affairs (MCA)], which did not match with the company's financial statements. Moreover, there were multiple changes made to the electronic records, but there was no documentation explaining the reasons for the changes. How you will investigate the discrepancies as an Auditor and promote Good Corporate Governance and protect the interest of stakeholders ?

(5 marks)

- (b) UV Ltd., a listed entity, declared full compliances with regulations of the Securities and Exchange Board of India (SEBI) in its Annual Report, despite failing to disclose material non-compliances. Additionally, a significant related party transaction was omitted to be disclosed in the report. These misstatements could mislead investors and affect the Company's credibility. Realising these inadvertent errors, the management has asked you as a Practicing Company Secretary to do a detailed evaluation. During one of the conversations with the management, you mentioned to them that the auditors should have expressed a modified opinion on this.

Prepare a brief note covering the key causes of misstatements in corporate disclosures and modifications to the audit opinion.

(5 marks)

- (c) KT Solutions Ltd., a technology-driven organization, is preparing for an Information Systems Audit aimed at evaluating the overall performance and regulatory compliance of its IT framework. Management wants to ensure that its systems fully support business objectives and protect essential assets.

Explain the key aspects that the auditors should focus during an Information Systems Audit.

(5 marks)

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Attempt all parts of either Q. No. 6 or Q No. 6A

6. (a) A, T and K are partners in LMN LLP, a firm specialising in secretarial audits. A holds 1% paid-up share capital in a company JKL Ltd, where the nominal value of his shares is ₹ 80,000 and the current market value is ₹ 50,000. Wife and daughter of A who are financially dependent on him, each holds 1% paid-up share capital in JKL Ltd. JKL Ltd. has recently offered a Secretarial Audit engagement to LMN LLP.

Critically evaluate whether LMN LLP can accept this engagement.

(5 marks)

- (b) The Peer Reviewer is expected to examine the office systems and procedure with regards to Compliance Professional Service, including the training programmes for staff. Elucidate.

(5 marks)

- (c) AM & Co., the auditors of AT Ltd. plans to rely on a third-party valuation report for assessing the Company's financial position. Define Third Party and explain the considerations which an Auditors should adhere while forming an opinion based on the Third Party reports. Also explain various steps the auditor should take to evaluate and validate the work of a Third Party.

(1+2+2=5 marks)

OR (Alternate Question to Q. No. 6)

- 6A. (i) CK has been appointed a Secretarial Auditor of FP Pvt. Ltd, a rapidly growing company with diverse business operations. As a part of his role, he is responsible for all secretarial compliance and during reviewing secretarial compliances for the financial year 2024-25, he identifies potential gaps in the Board Process compliance. Draft guidelines for verifying Board Processes, giving various provisions mandating Board Processes.

(5 marks)

P.T.O.

- (ii) A quality review is an engagement that needs to be carried out in a manner that ensures the work performed by the Quality Reviewer and the review team meet the professional standards established by the Institute.

Explain various factors affecting quality of the work done by reviewer and also various considerations taken by the Quality Reviewer while planning the Quality Review.

(5 marks)

- (iii) C, a partner at NTU & Associates, a Practicing Company Secretaries firm, specialises in secretarial audits, internal audits, and corporate governance services, primarily catering to the needs of clients in the renewable energy sector. In March 2025, the Chairman of the Audit Committee of GD Ltd, approached NTU & Associates, to take over as the Secretarial Auditor, replacing their existing auditors and C was leading the engagement. C was trying to reach out to the previous auditor and he asked his team to determine materiality for the engagement.

In view of above details, answer each of the following :

- (a) Should C communicate with the previous auditor ?
- (b) Outline the process and key steps involved in determining materiality for the new audit engagement; and
- (c) Explain the risk assessment to be done for audits.

(1+2+2=5 marks)