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MANDATORY ROTATION AS PER COMPANIES ACT 2013: A WAY TO ENHANCE AUDITORS INDEPENDENCE

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ABSTRACT

The wave of crises like Enron, WorldCom, and Satyam etc. threatened the integrity of the entire auditing profession. Connected to these accounting scandals, it could be realized that most of the auditors involved in the audits had long standing relationship with these firms. In other words, the auditors had extended audit tenures. This also puts the issue of audit tenure into the consideration that is as to how long auditors should serve a client. To resolve this issue, in India recently provision of mandatory auditor rotation have been incorporated in Companies Act 2013 thereby mandating auditor rotation. The study aimed at examining the effect of above provision on auditor independence as per opinion of I.C.A.I articled assistants of Udaipur City. For the purpose of data collection they were asked to indicate their agreement to 12 statements (assessing the effect of mandatory rotation on auditor independence) by putting tick in appropriate opinion on four point likert scale questionnaire ranging from strongly agree to strongly disagree. The sample was based on convenient sampling. Total responses were 53. The study hypotheses no significant difference between articled assistants overall views on effect of mandatory rotation on auditor independence and no significant difference between views of articled assistants having varied audit experience. For testing both hypotheses Z- test and ANOVA were applied respectively. The conclusions of study were that for overall views, in case of 7 statements, opinions have been found to be significantly different from equally divided opinion and when the effect of number of audit done was examined opinion of only 1 statement have been found to be significantly different from equally divided opinion.

KEY WORDS: *Auditor Independence, Audit Tenure, Audit Quality and Auditor Rotation.*

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