

CARO, 2003-(As Amended by the CARO Amendment Order 2004)

Aumbarish V Athreya, Chennai

1. Introduction & Basic Structure

The Ministry of Company Affairs (earlier known as Department of Company Affairs) in June 2003 issued the Companies (Auditor's Report) Order, 2003 (CARO, 2003), replacing the Manufacturing and Other Companies (Auditor's Report), Order, 1988. The CARO, 2003 introduced some new reporting requirements for the auditors in respect of certain critical issues on which the auditors were hitherto not required to report explicitly. Some of these critical issues are reporting on the end use of the funds raised by the company, utilization of short-term funds, physical verification of fixed assets, inventories etc.

Subsequently on the 25th of November, 2004 the Ministry of Company Affairs, in exercise of the powers conferred by sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act') and after consultation with the Institute of Chartered Accountants of India made certain amendments to the principal Order issued on June 12, 2003. The CARO 2003 as amended by the CARO(Amendment) Order 2004 ('the Order') shall come into force on the date of the publication of the Amendment Order in the Official Gazette i.e. with effect from the 25th of November, 2004.

Basic Structure of the Order

The Order in its entirety comprises of 5 paragraphs and the relevance of each of them is as follow:

Reference	Particulars
Paragraph 1	Short title, application and commencement

Paragraph 2	Definitions
Paragraph 3	Auditor's report to include matters specified in paragraphs 4 & 5
Paragraph 4	Matters to be included in auditor's report (21 clauses)
Paragraph 5	Reasons to be stated for unfavourable/qualified answers

2. Applicability & Related Issues

2.1 Applicability

The Order shall apply to every company including a foreign company as defined in section 591 of the Act, except the following:

- ✍ a Banking company as defined in clause(c) of section 5 of the Banking Regulation Act, 1949
- ✍ an insurance company as defined in clause (21) of section 2 of the Act;
- ✍ a company licensed to operate under section 25 of the Act; and
- ✍ a private limited company with a paid-up capital and reserves not more than rupees fifty lakh and which does not have loan outstanding exceeding rupees twenty five lakh from any bank or financial institution and does not have a turnover exceeding rupees five crore **at any point of time during the financial year¹**. (Note that the provision relating to acceptance of public deposit by private limited company

¹ Text indicated in bold throughout the paper represent amendments to CARO, 2003

which existed under CARO, 2003 has been deleted under the amended Order.)

2.2 Related issues

Some of the common issues relating to the applicability of the Order are as follows:

Applicability of the Order to companies covered by Section 4(7) of the Act

A private company being a subsidiary of a body corporate incorporated outside India, which, if incorporated in India, would be a public company within the meaning of the Companies Act shall be deemed to be subsidiary of a public company if the entire share capital in that private company is not held by that body corporate whether alone or together with one or more body corporates incorporated outside India. The Order would be applicable to section 4(7) company that fulfills the non-applicability criteria applicable to a private company. Hence, the Order would apply to all section 4(7) companies.

Applicability to a Liaison Office of a foreign company:

Liaison Office of a foreign body corporate is a foreign company under section 591 of the Act and hence the Order would apply to it. However, it is recognised that a number of clauses of the Order would not be applicable to such companies and the auditor should state this fact in the report issued under the Order. It may be noted that MAOCARO, 1988 was not applicable to a liaison office.

Applicability of the Order to a Private Limited Company under the following circumstance

Particulars	Paid-up capital	Revaluation Reserve	P&L Debit Balance
XYZ Pvt. Ltd.	Rs. 20 lakhs	Rs. 40 lakhs	Rs. 15 lakhs

For determining the applicability of the Order to a private limited company both capital as well as revenue reserves should be taken into consideration while computing the limit of Rs. 50 lakh prescribed for paid-up capital and reserves. Revaluation

reserve, if any, should also be taken into consideration while determining the figure of reserves for the limited purpose of determining the applicability of the Order. The credit balance in the profit and loss account should also be considered as a part of the reserve since the balance in the account is available for general purposes like declaration of dividend. The debit balance of the profit and loss account, if any, should be reduced from the figure of revenue reserves only. Therefore, in the instant case, the debit balance in the profit and loss account cannot be reduced from the paid-up capital and revaluation reserve (being non-revenue in nature). Consequently, the Order would be applicable to the private limited company. Miscellaneous expenditure to the extent not written off should not be deducted from the figure of reserve for the purpose of computing the above limit.

Applicability of the Order to a Private Limited Company under the following circumstance

Particulars	Paid-up capital	Turnover	Cash credit facility
XYZ Pvt. Ltd.	Rs. 40 lakhs	Rs. 100 lakhs	Rs. 27 lakhs

In order to be exempted from the applicability of the Order, all the conditions stated in the Order must be satisfied simultaneously. Loans from banks or financial institutions are normally in the form of term loans, demand loans, export credits, working capital limits, cash credits, overdraft facilities, bill purchased or discounted. Outstanding balances of such loans should be considered as loan outstanding for the purpose of computing the limits of rupees twenty five lakhs. Therefore, in the current case, the Order would be applicable to the private limited company, if on any day during the financial year concerned; the amount outstanding in the cash credit facility equals or exceeds Rs. 25 lakhs.

3. Matters to be Included in the Auditor's Report

1.1 Summary

There are 21 clauses under the Order which detail the matters to be included in the auditor's report in respect of certain critical issues. They can be

grouped and analysed, as follows for better understanding:

S. No.	Clause	Deals with	From CARO, 2003
1	4 (i) (a) to (c)	Fixed Assets	No Change
2	4(ii) (a) to (c)	Inventory	No Change
3	4 (iii) (a) to (g)	Loans given to/taken from section 301 parties	Amended
4	4 (iv)	Internal control system	Amended
5	4(v) (a) to (b)	Section 301 Contracts/Arrangements	Amended
6	4 (vi)	Acceptance of Deposits from public	Amended
7	4 (vii)	Internal Audit System	No Change
8	4 (viii)	Maintenance of Cost Records	No Change
9	4 (ix) (a) to (b)	Undisputed & Disputed Statutory Dues	Amended
10	4 (x)	Incurrence of Cash Losses	Amended
11	4 (xi)	Repayment of dues to a financial institution ...	No Change
12	4 (xii)	Records for loans and advances granted on security	No Change
13	4 (xiii)(a) to (d)	Compliance with special statute for chit funds/nidhi ...	Amended
14	4 (xiv)	Records for dealing/trading in shares, securities ...	Amended
15	4 (xv)	Guarantee given for loan taken by others	No Change
16	4 (xvi)	Application of Term Loans	No Change
17	4 (xvii)	Utilisation of short-term funds	Amended
18	4 (xviii)	Preferential allotment of shares to 301 parties	No Change
19	4 (xix)	Creation of security / charge for debentures issued	Amended
20	4 (xx)	Disclosure of end-use of money raised for public issues by the management	No change
21	4(xxi)	Fraud on / by the company	No Change

3.2 Brief description of the clauses:

The auditor's report on the account of a company to which the Order applies shall include a statement on the following matters, namely:-

1. Clauses 4 (i) (a) to (c) – Fixed Assets

- * Maintenance of proper records showing full particulars, including quantitative

details and situation of fixed assets;

- * Physical verification of fixed assets by the management at reasonable interval. If any material discrepancies were noticed on such verification and the same have not been properly dealt with in the books of accounts, then the same should be reported.

- * If a substantial part of fixed assets have been disposed off during the year, then, had it affected the going concern should be checked;

2. *Clauses 4 (ii) (a) to (c) – Inventory*

- * Physical verification of inventory at reasonable intervals by the management;
- * Reasonableness and adequacy of the procedure of physical verification of inventory followed by the management,

if inadequate, the same should be reported.

- * Maintenance of proper records of inventory and whether any material discrepancies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of accounts;

3. *Clauses 4 (iii) (a) to (g); 4(v) (a) to (b); 4 (xviii) – Section 301 related transactions*

Clause 4(iii) (a) to (g)

Clause 4(v) (a) to (b) Clause 4(xviii) (Amended)	(Amended)	(No change)
(a) Has the company granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. If so, the number of parties and amounts involved in the transactions to be disclosed and	(a) whether the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section; and	whether the company has made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act and if so, whether the price at which shares have been issued is prejudicial to the interest of the company;
(b) whether the rate of interest and other terms and conditions of loans given by the company, secured or unsecured, are prima facie prejudicial to the interest of the company; and	(b) whether transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.	-
(c) whether receipt of the principal amount and interest are also regular; and;	-	-
(d) if overdue amount is more than Rs. 1 lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest;	-	-
(e) has the company taken any loans, secured or unsecured from companies, firms, or other parties covered in the register maintained under Section 301 of the Act. If so, give the number of parties and the amount involved in the transactions; and	-	-

Clause 4(iii) (a) to (g) (Amended)	Clause 4(v) (a) to (b) (Amended)	Clause 4(xviii) (No change)
(f) whether the rate of interest and other terms and conditions of loans taken by the company, secured or unsecured, are prima facie prejudicial to the interest of the company; and	-	-
(g) whether payments of the principal amount and interest are also regular	-	-

4. *Clause 4 (iv) – Internal Control System*

- * Adequacy of internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of **goods and services**. Whether there is a continuing failure to correct major weaknesses in internal control system.

5. *Clause 4 (vi) - Acceptance of Deposits from Public*

- * Compliance with directives issued by RBI, the provisions of **section 58A, 58AA or any other relevant provision of the Act** and the rules framed there under in cases where company has accepted deposits from public. If not complied, the nature of contraventions should be stated; if an order has been passed by the **Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal**, whether the same has been complied with or not?

6. *Clause 4 (vii) - Internal Audit System*

- * In the case of listed companies and/or other companies having a paid-up capital and reserves > Rs. 50 lakhs as at the start of the financial year concerned, or having an average annual turnover > Rs. 5 crores for a period of three consecutive financial years immediately preceding the year concerned, whether the company has an internal audit system commensurate with its size and nature of business;

7. *Clause 4 (viii) – Maintenance of Cost Records*

- * Maintenance of cost records and accounts for companies where such maintenance has been prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Act,

8. *Clause 4 (ix) (a) to (b) - Undisputed Statutory Dues & Disputed Dues*

- * Is the company regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income-tax, Sales-tax, Wealth tax, **Service Tax**, Customs Duty, Excise Duty, cess and any other statutory dues with appropriate authorities and if not, the extent of the arrears of outstanding dues as at the last day of the financial year concerned for a period of more than 6 months from the date they became payable.
- * In case of dues of Income tax/Sales tax/Wealth tax/**Service tax**/Custom duty/Excise duty/cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending **shall be mentioned**. (Note: a mere representation to the Department shall not constitute a dispute). Note that this sub-clause contains the exhaustive list of statutory dues and is not inclusive in nature.

9. *Clause 4 (x) – Incurrence of Cash Losses*

- * Whether in case of a company which has been registered for a period of not less

- than 5 years, its accumulated losses at the end of the financial year are not less than 50% of its net worth and whether it has incurred cash losses in such financial year and **in the immediately preceding financial year.**
10. *Clause 4 (xi) – Repayment of Dues to a Financial Institution...*
 - * Whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported;
 11. *Clause 4 (xii) – Records for Loans and Advances Granted on Security*
 - * Adequacy of documents and records maintained in cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities; if inadequate, the deficiencies to be pointed out.
 12. *Clause 4 (xiii) – Compliance with Special Statute for Chit Funds/Nidhi ...*
 - * Compliance of any special statute to chit fund, if applicable. In respect of nidhi/ mutual benefit fund/societies:
 - whether the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet;
 - whether the company has complied with the prudential norms on income recognition and provisioning against sub-standard/**doubtful**/loss assets;
 - whether the company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers;
 - whether the repayment schedule of various loans granted by the nidhi is based on repayment capacity of the borrower and would be conducive to recovery of the loan amount.
 13. *Clause 4 (xiv) – Records for Dealing/ Trading in Shares, Securities ...*
 - * For companies dealing or trading in shares, securities, debentures and other investments, whether proper records have been maintained of the transactions and contracts, timely updation have been made therein; also whether the shares, securities, debentures and **other investments** have been held by the company, in its own name, except to the extent of exemption, if any, granted under Section 49 of the Act.
 14. *Clause 4 (xv) – Guarantee Given for Loan Taken by Others*
 - * Whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
 15. *Clause 4 (xvi) – Application of Term Loans*
 - * Whether term loans were applied for the purpose for which the loans were obtained.
 16. *Clause 4 (xvii) – Utilisation of Short-Term Funds*
 - * Whether the funds raised on short-term basis have been used for long-term investment and ~~vice versa~~. If yes, the nature and amount to be indicated.
 17. *Clause 4 (xix) – Creation of Security / Charge for Debentures Issued*
 - * Whether security **or charge** has been created in respect of debentures issued.
 18. *Clause 4 (xx) – Disclosure of End-Use of Money Raised for Public Issues by the Management.*
 - * Whether the management has disclosed the end use of money raised by public issue and the same has been verified.

19. *Clause 4 (xxi) – Fraud on/by the Company*

- ? Whether any fraud on or by the company has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated.

4. **Key issues in certain clauses of the Order**

- ✍ What is ‘Statutory Due’ for the purpose of clause 4 (ix)?

Any sum, which is to be regularly paid to an appropriate authority under a statute (whether Central, State or Local) applicable to the company, should be considered as a ‘statutory due’ for the purpose of this clause. Some indicative list of statutory and non-statutory dues is as follows:

Particulars	Statutory Due
Bonus Payable under the Payment of Bonus Act, 1965	No
Turnover fees payable to SEBI by brokers	Yes
Penalty/interest on service tax	Yes
Gratuity liability under the Payment of Gratuity Act not funded by the Company	No
Advance Tax	Yes
Electricity dues payable under a statute	No

- ✍ Whether tax deducted at source is a statutory due for the purpose of reporting under clause 4(ix) of the Order

As per paragraph 60 (c) of the Statement on CARO (‘the statement’), any sum, which is to be regularly paid to an appropriate authority under a statute (whether Central, State or Local) applicable to the company, should be considered as a ‘statutory due’ for the purpose of this clause, which include municipal taxes, electricity bills, taxes deducted at source etc. Hence TDS stands clearly covered by the clause.

- ✍ Does non-payment of advance income tax constitute default in payment of statutory dues reportable under clause 4(ix) (a)

Non-payment of advance income tax would constitute default in payment of statutory dues. However, it may happen that the company might not have any taxable income at the due dates on which advance tax is required to be paid. If subsequently, the company has income after the last date on which the tax was required to be paid and consequently the company incurs interest under Section 234 of the Income Tax Act, 1961, it should not be construed that the company is not regular in depositing advance tax.

- ✍ What does the term ‘regular’ as used in clause 4(ix) (a) mean? If a company is making payments of TDS, PF etc., but within a delay of one or two days, can the company be said to be regular in depositing statutory dues?

The word ‘regular’ means within due dates. If a company is not depositing the TDS, PF etc. on or before the due date, the company cannot be said to regular in depositing statutory dues. In this regard, the Statement states that whilst the auditor has to report upon the regularity of the deposit, he is not required to specify in detail each instance where there has been a delay or the extent of delay. It should be sufficient if he indicates whether generally the deposits have been regular or otherwise.

- ✍ Whether TDS not deducted and not recognised in the books of account can be treated by the auditor as being payable and accordingly reported under clause 4(ix) (a)?

The clause requires the auditor to comment on the regularity of the payment of statutory dues. The auditor should examine whether the taxes that were supposed to be deducted at source have been so deducted and paid to the Government within the times specified. It may, however, be noted that the test nature of audit makes it impracticable for the auditor to detect all such non-compliances. The auditor is expected to be vigilant in this regard. Thus in case the company has not provided for statutory dues payable, for example, TDS not

deducted and not recognised in the books of account should be treated by the auditor as being payable and accordingly reported under this clause.

✍ Whether materiality considerations would affect reporting under clause 4(ix)(b) [Disputed Dues]

The clause specifically requires the auditor to mention the disputed amounts. Therefore, even minor amounts would be required to be reported under this clause. The amounts should be reported in a manner so that the reader is able to understand the dispute and amount involved therein.

✍ How is the term ‘disputed dues’ defined?

The amounts involved in cases where a difference of opinion between the relevant departments exists and the company should be considered as ‘disputed dues’. As per the Statement, it is clarified that mere representation to the concerned Department does not constitute dispute. According to the Order, it is necessary that there should be an appeal before the relevant appellate authority. It is, however, reiterated that where an application for rectification of mistake has been made by the company, the amount should be regarded as disputed. Also clarified that issuance of show cause notices by the concerned departments should not be construed to be a demand payable by the company.

✍ How to comply with reporting requirements under clause 4(xvii) in a practical situation [Short-term funds used for long term investment]

The procedure to be adopted by the auditor for the purpose of this clause would be primarily restricted to the data given in the financial statements of the company. The auditor should determine the long-term sources and the long-term application of funds by a company by using the data in the financial statements. If the quantum of long-term funds of a company is not significantly different from the long-term application of funds, it is an

indication that the long-term assets of the company are financed from long-term sources. However, if the quantum of long-term funds is significantly less than the long-term application of funds, it is an indicator that short-term funds have been used to finance long-term assets of the company. The difference between the figures of long-term funds and long-term assets of the company indicate the extent to which short-term funds have been used to finance long-term funds and long-term assets of the company.

✍ The evaluation of short-term funds used for long-term investments should it be done for the period or as at position?

The clause requires commenting upon ‘whether the funds raised on short-term basis have been used for long-term investment’. Since the evaluation needs to be done for the usage of funds it would be logical to evaluate ‘for the period’ rather than ‘as at a date’.

✍ Will issue of ESOPs by companies be considered as preferential allotment for the purpose of clause 4(xviii)?

The term ‘preferential allotment’ is not defined under the Act. It may also be noted that the clause requires the auditor to report on the preferential allotment only in the case of shares issued by the company and not on preferential allotment of other securities issued. The term ‘shares’ includes both equity and preference shares. For the purpose of this clause, preferential allotment of shares would mean an allotment of shares to parties and companies covered in the register maintained under section 301 of the Act in preference to others. The preference can be with regard to the price or other terms and conditions associated with the allotment.

It should be noted that as per ESOP is covered under SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and not covered under the preferential issue guideline of SEBI (Securities Exchange Board of India). This implies that in case of listed companies ESOPs do not fall

under present clause. It cannot be a logical case that though ESOPs issued by listed company are not covered in this clause, they would be so covered of an unlisted company or a private company.

It should be borne in mind that this clause is aimed at preferential allotment of shares to parties in which directors are interested on terms that are prejudicial from the point of view of the company.

5. Other reporting requirement

Where in the auditor's report, the response to any of the questions in respect of the 21 clauses detailed

in paragraph 4 of the Order is unfavourable or qualified; the auditor's report shall also state the reasons for such unfavourable or qualified answer, as the case may be. Where the auditor is unable to express any opinion in answer to a particular question, his report shall indicate such fact together with the reasons as to why it is not possible to give an answer to those question(s).

6. Conclusion

The objective of the Order is to bring out a better understanding to the readers of the financial statements and hence while reporting under the clause should be governed by their substance and not merely by the legal form.

COMPANIES (AUDITOR'S REPORT) ORDER, 2003 – as amended by CARO (Amendment) Order, 2004

CHECKLIST

		Yes	No
	Legal Structure of the Entity		
1.	Is the entity a body corporate that is not a company?		
2.	Is the entity a banking or insurance company?		
3.	Is the company licensed to operate under Section 25 of the Act?		

If any of the answers to the above questions is 'yes', CARO is not applicable.

		Yes	No
	If entity is a private limited company		
1.	Is paid up capital and reserves less than or equal to 50 lakh rupees, at any point of time during the year?		
2.	Whether the Company does not have loan outstanding exceeding 25 lakh rupees from any bank or financial institution, at any point of time during the year?		
3.	Whether turnover* is less than or equal to 5 crore rupees at any point of time during the year?		

*Turnover is net of Sales tax & Excise duty if credited to separate accounts, trade discounts and sales returns

If answers to all the questions above are 'yes', CARO is not applicable.

If CARO is applicable:

Clause No in Para 4		Yes	No	N/A
(i) (a)	1. Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets?			
(i) (b)	2. Whether these fixed assets have been physically verified by the management at reasonable intervals?			
	3. Were the discrepancies noticed on such physical verification material?			
	4. Where material discrepancies were noticed, have these been properly dealt with in the books of account?			
(i) (c)	5. If substantial part of fixed assets have been disposed off during the year, whether going concern assumption has remained unaffected?			
(ii)(a)	6. Whether physical verification of inventory has been conducted at reasonable intervals by the management?			
(ii)(b)	7. Are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business?			
	8. If the procedures of physical verification of inventory followed by the management are not reasonable and adequate in relation to the size of the company and the nature of its business, whether the inadequacies in such procedures have been reported?			
(ii)(c)	9. Whether the Company is maintaining proper records of inventory?			
	10. Were discrepancies noticed on physical verification material?			
	11. Where material discrepancies were noticed, have these been properly dealt with in the books of account?			
(iii)(a)	12. If the company has granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301, whether number of parties and the amount involved in the transactions reported?			
(iii)(b)	13. If loans are granted as reported in above clause, are the rate of interest and other terms and conditions of such			

Clause No in Para 4		Yes	No	N/A
	loans prima facie not prejudicial to the interest of the company?			
(iii)(c)	14. Whether receipt of the principal amount and interest thereon are also regular?			
(iii)(d)	15. If overdue amount is more than 1 lakh, has the company taken reasonable steps for recovery of the principal and interest?			
(iii)(e)	16. If the company has taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301, whether number of parties and the amount involved in the transactions reported?			
(iii)(f)	17. If loans are taken as reported in above clause, are the rate of interest and other terms and conditions of such loans prima facie not prejudicial to the interest of the company?			
(iii)(g)	18. Whether payment of the principal amount and interest thereon are also regular?			
(iv)	19. Is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purpose of inventory and fixed assets and for the sale of goods and services? Whether there is a continuing failure to correct major weaknesses in internal control system?			
(v)(a)	20. Are the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section?			
	21. Whether transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time?.			
(vi)	22. In case the Company has accepted deposits from the public, whether the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under, where applicable, have been complied with?			
	23. If not complied with, has the nature of contraventions been stated?			

Clause No in Para 4		Yes	No	N/A
	24. If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, whether the same has been complied with?			
(vii)	25. Whether the Company has an internal audit system commensurate with its size and nature of its business, where the Company is listed and / or if not listed, paid up capital and reserves exceed Rs. 50 lakhs as at the commencement of the financial year concerned, or average annual turnover for a period of three consecutive financial years immediately preceding the financial year concerned exceeds Rs. 5 crores?			
(viii)	26. Has the Company made and maintained cost accounts and records where maintenance of cost records has been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956?			
(ix)(a)	27. Is the company regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities?			
	28. If the Company is not regular in depositing undisputed statutory dues as mentioned in above clause, whether the extent of the arrears of outstanding statutory dues at the balance sheet date for a period of more than 6 months from the date they become payable are indicated?			
(ix)(b)	29. If the company has any outstanding dues of income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty and cess on account of any dispute, whether the amounts involved and the forum where dispute is pending reported? <i>(A mere representation to the Department shall not constitute a dispute).</i>			
(x)	30. If the Company has been registered for a period not less than 5 years, whether its accumulated losses at the end of the financial year are not less than 50% of its net worth and whether it has not incurred cash losses in current financial year and in the immediately preceding financial year?			

Clause No in Para 4		Yes	No	N/A
(xi)	31. Whether the Company has repaid dues to a financial institution or bank or debenture holders without any default?			
	32. If the Company has defaulted in repayment of dues to a financial institution or bank or debenture holders, whether the period and amount of default reported?			
(xii)	33. Are adequate documents and records maintained where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities?			
	34. If adequate documents and records are not maintained as specified in above clause, whether the deficiencies are pointed out in our report?			
(xiii)	35. Have the provisions of any special statute applicable to chit fund been duly complied with?			
(xiii)(a)	36. If the Company is nidhi / mutual benefit fund / society, whether the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet?			
(xiii)(b)	37. If the Company is nidhi / mutual benefit fund / society, whether the Company has complied with the prudential norms on income recognition and provisioning against sub-standard / doubtful / loss assets?			
(xiii)(c)	38. If the Company is nidhi / mutual benefit fund / society, whether the Company has adequate procedures for appraisal of credit proposals / requests, assessment of credit needs and repayment capacity of the borrowers?			
(xiii)(d)	39. If the Company is nidhi / mutual benefit fund / society, whether the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrowers?			
(xiv)	40. Where the company is dealing or trading in shares, securities, debentures and other investments, have proper records of the transactions and contracts been maintained?			
	41. Whether timely entries been made therein?			
	42. Whether the company held shares, securities, debentures and other investments in its own name except to the extent			

Clause No in Para 4		Yes	No	N/A
	of the exemption, if any, granted under section 49 of the Companies Act, 1956?			
(xv)	43. If the Company has given any guarantee for loans taken by others from bank or financial institutions, whether the terms and conditions thereof are not prejudicial to the interest of the Company?			
(xvi)	44. Whether term loans were applied for the purpose for which the loans were obtained?			
(xvii)	45. Whether the funds raised on short-term basis have not been used for long-term investment?			
	46. If the funds raised on short-term basis have been used for long term investment, whether the nature and amount is indicated?			
(xviii)	47. Whether the Company has made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act?			
	48. If the Company has made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, whether the price at which shares have been issued is not prejudicial to the interest of the Company?			
(xix)	49. Whether securities or charge has been created in respect of debentures issued?			
(xx)	50. Whether the management has disclosed on the end use of money raised by public issues and the same has been verified?			
(xxi)	51. Whether no fraud on or by the Company has been noticed or reported during the year?			
	52. If any fraud on or by the Company has been noticed or reported during the year, whether the nature and amount involved is indicated?			
