Format of Representation Letter

(To be obtained on client's letterhead)

Date: ____________________
(Being the same date of audit report)

To,

M/s P A R Y & CO.
Chartered Accountants
(Mention the office address)

Sir,

This representation letter is provided in connection with your audit of Balance Sheet, Profit & Loss Account and Cash Flow Statement of ________________________(*Name of entity*), as of 31st March,_____________ and for the period then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of _______________(*name of entity*) in conformity with accounting standards generally accepted in the India. We acknowledge our responsibility for the fair presentation in the financial statements of financial positions, results of operations, and cash flows in conformity with generally accepted accounting standards in accordance with the recognised accounting standards.

Certain representations in this letter are described as being limited to matters that material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by his omission or misstatement.

We confirm to the best of our knowledge and belief, as of _______________ (*date of auditor's report*), the following representations made to you during your audit(s):

1. That in preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;

2. We had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of applicable laws, for safeguarding the assets of the firm and for preventing and detecting fraud and other irregularities;

3. The firm has prepared the annual accounts on a going concern basis;

4. We have made available to you all:
   a. Financial records and related data.
   b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have yet been prepared

5. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

6. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

7. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

8. There has been no:
   a. Fraud involving management or employees who have significant roles in internal control.
   b. Fraud involving others that could have a material effect on the financial statements.
9. The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. The following have been properly recorded or disclosed in the financial statements:
    a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
    b. Guarantees, whether written or oral, under which the company/firm* is contingently liable.
    c. Significant estimates and material concentrations known to management are disclosed properly.

11. There are no:
    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with AS – 17, Accounting for Contingencies.

12. The company has satisfactory title to all owned assets and are duly utilised for the business purpose only. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except for those as mentioned in schedule enclosed. None of the fixed assets have been revalued during the year;

13. The company has complied with all aspect of contractual agreements that would have a material effect on the financial statement in the event of non-compliance.
    {Add additional representations that are unique to the entity's business or industry}

14. That all the foreign exchange transactions as regard export proceeds, remittance towards Imports and expenses towards other foreign currency expenses on account of travel etc. are as per RBI guidelines and there is no violation of any of the provisions of Foreign Exchange Management Act (FEMA);

15. That the firm has not entered into any "International Transactions", as defined by Section 92B of the Act. In case there is any "International Transaction" has took place during the year it was at "Arm's Length Price" only, i.e. the transactions had been taken place at prevailing market rate and there is no element of under/over invoicing in these transactions. During the year the firm has dealt with the "Associated Enterprises" as defined u/s 92A of the Act. We produce herewith the list of "Associated Enterprises" in Annexure-1.

16. That the firm has used "Comparable uncontrolled method" / "resale price method" / "Cost plus method" / "Profit Split Method"/ "Transactional net margin method" to determined the arms length price for the purpose of International Transactions with the "Associated Enterprises". The firm has maintained the record prescribed under Rule 10D of the Income Tax Rules for the purpose of determining "Arm's Length Price";

17. That any gain or loss on account of exchange rate fluctuation were debited / credited to the Profit & Loss Account under the head "Foreign Exchange gain/loss A/c". The closing balance of all current assets & current liabilities (Related to Foreign Exchange Transactions only) are restated at the exchange rates as given in Annexure-2 prevailing at the year end;

18. There is no related party transaction, except the transactions as mentioned in Annexure-2. The transactions as mentioned in Annexure-3 have been taken place at the market competitive prices only.

19. The cash in hand was physically verified and agreeing as shown in the financial statements. The firm has the bank accounts as mentioned in Annexure-4, which were duly reconciled up to 31.03.200X;

20. That physical valuation of stock was done periodically by the firm and no material discrepancy was observed. The valuation of the same was done according to the accepted accounting principles, i.e. FIFO, Average Rate and at Cost or Market realisable Value, whichever is lower. Please find enclosed Annexure-5 for complete item-wise detail of the Stock-in-hand of Raw Material / Work-in-progress / finished goods;

21. That there is no personal / Capital expenditure debited to the Profit & Loss Account;

22. That all the Current Assets & Current Liabilities are stated at their realisable value;

23. That the firm has not violated any provisions regarding Deduction of Tax at Source as prescribed by Income Tax Act, 1961;

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforesaid financial statements.

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[*Name of Chief Executive Officer and title*]

<u>Note</u>: * Delete whichever is not applicable
Taking management representation letter is mandatory as per clause # **____** of PARY Manual. Refusal to furnish it will generally result in either a disclaimer of opinion or withdrawal from engagement, depending upon the effect of non-compliance.