BASIC AUDIT PROGRAMME

March 31

2013

No. of Times we Got Stuck while Conducting a Tax Audit Or Company Audit. So Here I have Prepared s Basic Audit Programme so that you can easily do your Work. I hope it will be helpful for you.

Get Set ....& Go....

BASIC AUDIT PROGRAMME

Client's Name : ___________________
Accounting Year: ____________________

This programme is a specimen programme. In the course of audit the programme will have to be drawn up considering the size and nature of business of each client.

Sl.No	Particulars	Checked by	Time taken	% of checking	Extent of Test check Monthly/Qtrly/ Half yearly
1	Opening balance tracing				
2	Cash book vouching				
3	Bank book vouching				
4	Sales register/Sales journal vouching				
5	Purchase register /purchase journal vouching				
6	Credit note and debit note register vouching				
7	Any other special registers based on the nature of business and practices followed by the company Journal vouching				
8	Salary and wages				
9	Stock records				
10	Checking for outstanding expences and prepaid expences				
11	Depreciation statements				
12	Ledger scrutiny				
13	Valuation of inventories Checking of notes and quantification				
14	**Company law Records verification**				
	I. Minutes Books of - Board meetings - Annual General meetings - Extraordinary General Meetings, if any - Committee meetings, if any				
16	Statutory Registers as per Annexure 111 of chapter 5				

Reviewed By: _________________

Check List for Audit Staff

Client's Name : ___________________
Accounting Year: ____________________

Sl.No	Particulars	Checked by	Yes	No	N. A	Remarks
1.1	**Opening Balance**					
1.2	Have you checked opening balances of					
	1. General Ledger 2. Debtors Ledger 3. Creditors Ledger 4. Cash and Bank Balances 5. Other Subsidiary Ledgers					
2.1	**Vouching**					
2.2	Vouching includes the following					
	1. Receipts and payments of the cash book and bank book including petty cash book 2. Sales 3. Purchases 4. Credit Notes 5. Debit Notes 6. Register of postage 7. Register of hundi paper 8. Any other book \register of prime entries, salary and wages register, special register like trip register including Ticket book register, job register based on the nature of the business.					
2.3	Have you checked correctness of 1.account head/account code 2.date 3.amount 4.name of party 5.quantities and rates where applicable					
2.4	Are the vouchers properly Authorised and supported by necessary external evidence and/or internal documentation.					
2.5	Does the transaction relate to the accounting year under audit?					
2.6	Have you checked totals/sub-totals?					
2.7	Have you checked succeeding year's vouchers to ensure that no transaction					

	relating to current year is recorded in the succeeding year?					
2.8	Have you made list of items remaining unticked after your vouching is complete.					
3.1	**Cash/Bank Book –Receipts&payments.**					
3.2	Have you checked whether cash collected is banked at reasonable intervals					
3.3	Have you checked the opening balances					
3.4	Have you checked balances at the end of different days if cash book is monthly balanced and ensured that cash book does not have any negative balance?					
3.5.1 3.5.2	Is there any incident of heavy cash balance, substantial cash withdrawals-check reasons therefore? Verify with the rough /cashier cash book?					
3.6	Have you traced transfers from petty cash book to cash book and vice versa					
3.7	Have you checked journal entries for tracing summaries wherever required					
3.8.1	Have you checked bank reconciliation statement-outdated cheques to be reversed					
3.8.2	Have you checked reconciliation entries with clearance in next month's bank statement					
3.8.3	Have you listed entries which are appearing in bank statement but not appearing in bank book?					
3.9	Have you checked credit/debit for bank interest?					
3.10	Have you checked contra entries for cash withdrawals and deposits and ensured that they appear on some date?					

4.1	**Sales**					
4.2	Have you checked quantities as per Delivery Challan with invoices?					
4.3	Have you checked entries in stock records?					
4.4	Have you checked rates with price list and ascertained reasons for variations.					
4.5	Have you made a list of unticked items?					
4.6.1	Have you tallied sales with sales tax returns?					
4.6.2	Have you tallied sales with excise records/excise gate pass, Octroi?					
4.6.3	Terms like-FOB v, CIF and treatment of branch transfers and branch sales.					
4.7.1	Have you reconciled sales tax collections with payments and transfer of the balance to appropriate accounts?					
4.7.2	Have you checked adjustment of sales tax set off by relevant journal entries					
5.1	**Purchases**					
5.2	Have you checked delivery challans quantity With invoices.					
5.3	Have you checked rates wherever orders have Been issued.					
5.4.1	Have you checked quantity into stock records?					
5.4.2	Have you made a list of purchase invoices for which there are no corresponding entries in stock records? All stocks are recorded as either purchases or from opening stock, goods return have been adjusted.					
5.5	Have you checked that purchases are bifurcated between materials for manufacturing and for trading?					

5.6	Have you ensured that all goods received notes are correlated with purchase invoices?					
6.1	**Journal Vouching**					
6.2	Have you checked why debit balance have been written off or credit balance written back?					
6.3	Have you checked head of account on all journal vouchers?					
6.4	Are there any entries relating to earlier or subsequent period.					
6.5	Have you made a list of unticked items					
6.6	Are all journal vouchers supported by necessary evidence /explanation?					
6.7	Are all vouchers properly authorised?					
7.1	**Salary and Wages**					
7.2	Have you checked salary summaries in the cash book/bank book/journal?					
7.3	Have you checked attendance with time cards or muster register?					
7.4	Have you checked increments with approvals/agreements?					
7.5.1	Have you checked statutory deductions for: 1.Provident fund 2.ESIC 3.Income tax 4.Professional tax 5.Advances 6.Any other items					
7.5.2	Have you correlated entries for payments of above deductions?					
7.6	Have you checked overtime payments with necessary register and company's rules?					
7.7	Have you checked payments of salary and wages with registers?					
7.8	Have you checked calculations of bonus with reference to provisions of payment of bonus act/agreement?					
7.9	Have you checked incentive payment with its basis? Ad hoc incentives to be listed?					
7.10	Have you checked payments to contractors /casual workers? Have statutory deductions been made there from?					

8.1 Stock record						
8.2.1	**Raw Material and stores.**					
8.2.2	Have you checked opening stock from preceding year's inventories?					
8.2.3	Have you checked receipts of raw materials while checking purchase, (GRN)?					
8.2.4	Have you checked issues with Materials issues note?					
8.2.5	Have you traced closing stock with physical inventory sheets?					
8.2.6	Have receipts /issues been correlated with debit notes/credit notes?					
8.2.7	Have you correlated consumption with production records?					
8.2.8	Have you checked bifurcation of indigenous and imported raw material?					
8.2.9	Have you checked year end stock inventories with statements submitted to bank?					
8.2.10	Have you checked consumption with excise and other statutory records?					
8.2.11	Have you checked materials given/received to/ from others for processing, and reconciled with corresponding receipt/ dispatches of processed goods and processing charges. Check the gatekeepers outward register for items other than sales and reconcile with the final entries for billing or returns?					
8.2.12	Have slow-moving, damaged, and obsolete items been identified?					
8.2.13	Have materials given/taken on loan been properly accounted and, has proper record been maintained?					
8.3.1	**Finished goods.**					
8.3.2	Have you checked opening stock from preceding year's inventory?					
8.3.3	Have you checked daily production with reports/excise records? Reconciliation with excise records					
8.3.4	Have you correlated dispatches with delivery challans, and excise records?					
8.3.5	Have you reconciled opening stock, production, sales and closing stock?					
8.3.6	Has due care been taken to identity slow-moving and /or obsolete items.					
9.1 Capitalisation of Assets/Expenses						
9.2	Have you checked all addition to assets with account heads and approvals?					

9.3	Have you checked capitalisation of expenses including interest as per guidelines of institute of chartered accountants of India-ICAI.					
9.4	Have you checked sale/deletion of assets and working of profit/loss on the same?					
10.1	**Posting**					
10.2.1	Have you checked postings from cash book, bank book, sales register, purchase register, debit note/credit note register, journal and all other principal books?					
10.2.2	Have you checked summarized posting of sales/purchase register and debit note /credit note register/petty cash book/expense register?					
10.3	Have you listed out unticked items?					

Reviewed by__________________

Check List for Review of Financial Statements

Client's Name : -----------------
Accounting year: ----------------------------

Label1

1.1 Ledger scrutiny		
1.2	Have you scrutinized 1. General ledger 2. Debtors ledger 3. creditors ledger 4. Loan ledger 5. Staff loan register 6. Advance ledger	
1.3	Is the break up of year end balance available?	
1.4.1	Have you scrutinised all expenses accounts to ensure that full year's expenses have been booked and no such expense has been booked which does not accrue during the year?	
1.4.2	Have you scrutinised all revenue accounts to ensure that all revenue accruing during the year are accounted and credit has not been taken for any revenue not accruing during the year?	
1.4.3	Have you scrutinised all asset accounts to ensure that all assets of the company have been properly accounted band that the assets do not include any item which does not represent asset of the company?	
1.4.4	Have you scrutinised all liability accounts to ensure that all liabilities are properly accounted and that liabilities do not include any item which does not represent a liability of the company?	
1.5	Have you ascertained in case of creditors ledger 1. Advances unadjusted for more than a reasonable time. 2. Non-payment of credit balances for more than a reasonable time. 3. Any transaction which does not represent any transaction of purchase/services and which is in the nature of loans.	
1.6	Have you ascertained in case of debtors ledger 1. Outstanding for more than 6 months and otherwise. 2. Outstanding exceeding a reasonable time to determine doubtful debts. 3. Any transaction which does not represent sale and which is in nature of loan.	

2.1 share capital		
2.2	Has authorised share capital been checked with memorandum of association or amending document?	
2.3.1	Have all movements of share capital during the year been shown in the accounts?	
2.3.2	Have you reviewed minutes authorizing movement of capital?	
2.4.1	Share issued for cash 227(1A) (f).	RS.
2.4.2	Shares issued for consideration other than cash.	Rs.
2.4.3	Has the consideration been correctly described in the accounts (sec.227 (1A))?	
2.5.1	Shares issued by capitalization of reserves –bonus shares during the year?	
2.5.2	Date of general body resolution for issue of bonus shares.	
2.5.3	Have bonus shares been issued within six months from date of such resolution.	
2.6.1	Redeemable and convertible preference shares- terms of redemption and conversion.	
2.6.2	Whether the terms have been followed, if not give details.	
2.7	Expenses incurred on 1. Increase in authorised capital. 2. Issue of share certificates. 3. Public issue.	 Rs. Rs. Rs.
2.8	Have SEBI guidelines been followed?	
2.9	Have you checked appropriate returns to registrar of companies and acknowledgements for all changes in authorised and paid-up capital?	
2.10	In case of shares issued to Non-residents, ensureRBI formalities have been complied with?	
2.11	Have you checked the terms of options/warrants if any?	
3.1 Reserves and surplus		
3.2	Have all movements of reserves during the year been shown in accounts?	
3.3	Have you reviewed the minutes authorising the movements in reserves?	
3.4	Ascertain whether reserves are required to be created in respect of: 1. Foreign projects reserve accounts –section 80HHD I.T.Act. 2. Foreign exchange earning reserve- section 80HHD I.T.Act. 3. Mandatory transfer to general reserve- section 205 read with transfer of profits to reserves rules 1975. 4. Debenture redemption reserve. 5. Capital redemption reserve-section 80.	

	6. Transfer u/s. 45IC of RBI Act in case of NBFC.	
3.5.1	Transfer from reserves to: 1. Profit and loss account. 2. General reserve.	
3.5.2	Have you ensured compliance with the companies (transfer of profits to reserves) rules, 1975?	
3.6	Have you verified the transfer from investment allowance utilized reserve after the expiry of 10 years?	
3.7	Are the reserves free to be distributed by way of dividends? If not give details of restrictions.	
3.8	Have you checked the creation of revaluation reserve if any and transfer therefrom?	
4.1 BORROWINGS		
4.2	Secured-has the nature of security been properly disclosed and co-related with register of chargers.	
4.3	Section 293 resolution: _limit _date	
4.4	Term Loans-installments due within 12 months.	
4.5	Section 58A- Fixed deposits: 1. Are the above within the prescribed limits? 2. Date of filling of return of deposits. 3. Date of advertisement/statement in lieu of advertisement. 4. Have declarations been obtained for exempt deposits. 5. Has register been maintained? 6. Has liquidity deposit been made? 7. Is liquidity deposit unencumbered? 8. Have deposits from employees been treated as deposit under section 58A. 9. Have you ensured that debentures secured against immovable property only are treated as exempt-Rule 2(b) (x).	
NOTE: sec.58A does not apply to non-banking financial companies for which separate directions have been issued by RBI.		
4.6	Registration of chargers –section 136/143.	
4.7.1	Whether terms of redemption of debenture have been specified.	
4.7.2	Whether proportionate amount for debenture redemption fund has been appropriated –CLB guideline dt: 14.1.87.	
4.7.3	What is the security for debentures?	
4.7.4	Has debenture deed been executed?	
4.8	Whether loan confirmations have been obtained.	
4.9	Have you correlated all borrowings with interest expense?	
4.10	Has interest accured and due been included under	

	loans and disclosed separately?	
4.11	Have minutes authorising fresh loans been reviewed?	
4.12	In case of borrowing from a non-resident check for RBI approval and compliance with FERA?	
4.13	Have you seen that loans from directors and manager have been shown separately?	
5.1 CREDITORS		
5.2	Has total of individual balances been reconciled with control balance? If not, give details.	
5.3	Have subsequent payments been marked.	
5.4.1	Have you obtained list of creditors outstanding for more than 12 months along with reason for non payment?	
5.4.2	Have you obtained a list of disputed creditors?	
5.5	If confirmations called: 1. Date of balance confirmation. 2. Number of confirmations sent. 3. Number of confirmations received. 4. Total of creditors on date of confirmations. 5. Value of confirmations sent. 6. Value of confirmations received. 7. What action has been taken where discrepancies have been noticed between balance as per party and balance as per books of account?	
5.6	In case confirmations are not called for is a disclosure considered necessary.	
5.7	Have advances been segregated from credit balances of parties and included on asset side.	
5.8	Have you noticed unusually large debit or credit balances? If yes give details.	
6.1 TAXATION (Also refer Annexure 'I':Guidelines)		
6.2.1	Does the provision for taxation adequately cover estimated liability for taxation on income and wealth for the year-obtain computation statements.	
6.2.2	Has provision been made for interest's payable under the Income-tax Act?	
6.2.3	If the accounting year of the company is not the 'Financial year' has the provision been made in respect of income of the full accounting year. Have proper disclosures been made.	
6.3.1	Is the aggregate provision for taxation in excess/short of provision reasonably required?	
6.3.2	Obtain year-wise list of provision for taxation and taxes paid.	
6.4	Does the company account for deferred taxation. If so, please state basis of calculation and give details of movements in the year unless ready shown in the accounts.	
6.5	Are all the necessary entries made in respect of	

	completed assessments including for the assessments which are disputed in appeal.	
6.6.1	Have you examined whether orders of past years have bearing on provision for current year.	
6.6.2	Attach full details of material points in dispute.	
6.7	If in spite of book profit there is no provision for taxation is a note given on accounts.	
6.8	Ensure that the provision is made for liability arising as per the provisions of sec.115jA.	
6.9	Disclose the adjustment of MAT paid in past for current tax liability.	
7.1 DIVIDENDS		
7.2	Have you ensured compliance with section 205A in respect of unpaid/unclaimed dividends?	
7.3	Preference dividends in arrears: Amount Years	
7.4	Has separate bank account been kept for disbursement of dividends?	
7.5	Has the provision for dividend tax made and separately disclosed.	
8.1 BILLS DISCOUNTED		
8.2	Balance outstanding at year end-verify whether any bills are overdue.	
8.3	Since realised.	
8.4	Subsequent cancellation of the invoice. Nos of invoices Value	
8.5	Disclosure of contingent liability, if on discounting customer's account is credited and also in respect of unmatured discounted/endorsed bills.	
9.1 CONTINGENT LIABILITIES		
9.2	Have you obtained a note describing system of recording contingent liabilities of the company?	
9.3.1	Is there dependable procedure ensuring that all such claims and contingent liabilities will be brought to the notice of the Chief Account of/Administration Head/Board.	
9.3.2	If not, how does the company's system ensure that all such claims and contingent liabilities will be duly recorded and brought to the notice of the management	
9.4	Have you followed up last year's contingent liabilities and ensured that these have been duly considered for the current year's account.	
9.5	Obtain a list of contingent liabilities from the company and correlate it with: Minutes of the Board or Committee of Directors. Company's sale/purchase contracts for liquidated damages/penalties/warranties. Income-tax, sales, tax and excise records.	

	Confirmations from client's solicitors as to pending suits for claims against the company and reconcile the same with schedule of fees paid to solicitors/counsels. Certificate from clients, bankers for contingent liabilities. (e.g., bill discounted, letters of credit, guarantees etc). Labour union agreements, whether these have expired and whether union have demanded a revision or additional remuneration or bonus. Investment schedule for outstanding calls on investments. Arrears of dividend in respect of fixed cumulative preference shares. Estimated amounts of contracts on Capital account. Other money in respect of which company is liable.	
10.1 FIXED ASSETS		
10.2.1	Scrutinise repair accounts to ensure no items of capital nature are included therein.	
10.2.2	Scrutinise additions to fixed assets to ensure no items of revenue nature are capitalized.	
10.3.1	Has expenditure prior to asset being put to use been capitalized .AS-10.	
10.3.2	Have you ensured that interest upto the date of use of asset been capitalised in case of specific loans against the asset. Assets given on lease to be shown separately?	
10.3.3	Have you ensured that expenditure after the asset is put to use has not been capitalized?	
10.4	Has a composite acquisition of assets for a slump price been bifurcated into land and building and other assets supported by proper evidence?	
10.5	Has land been disclosed as free hold land and/or lease hold land?	
10.6	For assets acquired by foreign currency loans ensure that adjustments are made as per Accounting standard on foreign exchange. AS-11?	
10.7	If asset acquired is a replacement check that asset replaced has been deleted from fixed assets account?	
10.8	Whether government grants (including subsidy etc.)Are received towards cost of assets. If so, place note on the treatment given.AS-12?	
10.9	State the basis on which fixed assets manufactured by the company are capitalized?	
10.10	Have assets acquired under hire purchase agreements been correctly and consistently accounted for.	
10.11	In case of good will and technical know how obtain the vendor agreement and as certain the cost.	

10.12.1	Have fixed assets been revalued during the year.	
10.12.2	If yes: 1. What is the basis of revaluation? 2. Fact of revaluation has to be disclosed for subsequent five years. 3. Quantum of revaluation has to be disclosed.	
10.12.3	If a revalued asset has been sold, have transfers been made from revaluation reserve to capital reserve.	
10.13	Have you ensured that: 1. Immovable properties held as investments and as stock-in-trade have been shown accordingly in the accounts. 2. All fixed assets were in use during in the year. If not, please give details. 3. Have all items of fixed assets, been adequately ensured. 4. Additions/deductions, deletions are authorised by Minutes of Board.	
10.14	Have you obtained: 1. List and value of fixed assets taken on lease. 2. An item wise list of 'capital work in progress'. 3. Explanation for items appearing in capital work in progress for a long time without any movement.	
10.15.1	Scientific research fixed assets-see that they are properly classified.	
10.15.2	Written off in the year of acquisition? If yes-note on the accounts.	
11.1 INVESTMENTS		
11.2	If investments have been made during in year: 1. Director's sanction-section 292. 2. Has compliance with section 372 been ensured regarding: 3. Government sanction.	
11.3	Are there any restrictions on sale of investments? If so place a note on the accounts.	
11.4	Have investments been physically verified and are the investments held in company's name except as detailed in section 49.	
11.5	In case of companies other than Investment Companies or Banking Companies, whether any of the shares, debentures or securities have been sold at a price less than their purchase cost. If so, give details-section 227 – (IA) (c).	
11.6	Whether investment register is maintained and updated with each transaction of investment. Has the list of investment verified been co-related with investment register and ledger balance?	
11.7.1	Have all investments been properly reflected in the accounts.	

11.7.2	Have bonus issues, rights issues, and conversions relating to investments been properly accounted for.	
11.8	Has income accruing from all the investments been included in the accounts?	
11.9	Have trade and other investments and income there from been separately shown in the accounts.	
11.10.1	In case of quoted investments have you compared cost with stock exchange quotations as at year end and state market value?	
11.10.2	In case of unquoted investments have you compared cost with break-up value as at year end?	
11.10.3	Has provision been made for significant fall in value of investment?	
11.11	Are investments classified as: a) Long-term and current investments b) Trade and Non-trade c) Government or Trust Securities, Shares, Debenture or Bonds d) Investment in properties e) Others like investment in subsidiaries and other companies-partnership firms.	
11.12	Further classify as quoted or unquoted.	
12.1	**CURRENT ASSETS,LOANS AND ADVANCES**	
12.2	If in opinion of the Board, any of the current assets, loans and advances do not have value on realisation at least equal to the amount at which it is stated, the fact should be disclosed in the accounts.	
13.1	**INVENTORIES**	
13.2.1	Has the list of inventories physically verified been correlated with book records?	
13.2.2	Have major differences between physical and book stocks been satisfactorily explained?	
13.2.3	Have the inventories lying with third parties been physically verified and/or confirmation obtained?	
13.2.4	Have materials given/taken on loan been properly adjusted?	
13.2.5	Have you checked goods in transit with subsequent receipts?	
13.2.6	Have all comments/observations at the time of physical verification been considered?	
13.2.7	Are you satisfied that all work-in-progress is for current job?	
13.3	Have you compared quantities in valuation summary with physical verification stock sheets?	
13.4.1	What is the basis of valuation for the following: Raw materials Work-in-progress Finished goods Stores and spares.	
13.4.2	Prepare a detailed note describing components of cost	

	and basis of computing net realizable value?	
13.4.3	Costs should be allocated on normal production or production for the year whichever is higher?	
13.4.4	Have you ensured that excise duty and sales tax set off is not included in valuations of stock of raw materials where Modvat credit and sales tax set off have been credited to purchases?	
13.4.5	Have adjustments been made to eliminate any unrealised profit on stock supplied by other units.	
13.4.6	Have you ensured that duty element is included in valuation of" duty paid" stocks?	
13.4.7	Have you ensured that adequate provision has been made in respect of 1. Slow moving or obsolete items 2. Damaged items of stock.	
13.5	Ascertain if there has been a substantial fall in realisable value of finished stock after year end resulting in loss on sale.	
13.6	In case of stock of goods sold on Hire Purchase, have you ascertained that the proportionate profit applicable to outstanding instalments is not taken into revenue.	
14.1 DEBTORS AND LOANS AND ADVANCES		
14.2	Has balance at year end been tallied with control account?	
14.3	Debts due for more than: 6 months Rs. 12 months Rs. 24 months Rs. 36 months Rs.	
14.4.1	Have subsequent payments been marked.	
14.4.2	Reasons for non-recovery/adjustment.	
14.5	Considered bad and doubtful 1.Debtors 2.Loans and Advances	
14.6	If no provision made-note on accounts.	
14.7	Legal action if any taken-Note explaining status.	
14.8.1	Whether secured debtor/loans have been segregated.	
14.8.2	Nature of security if secured.	
14.9.1	Have you reviewed subsequent year's transactions for reversal of cheques credited during current year?	
14.9.2	Examine credit notes issued after end date and ascertain whether they relate to current year.	
14.10	Are balances at year end in foreign currency converted at year end rate of exchange?	
14.11	In case of foreign parties debts outstanding over six months would require RBI approval check whether same obtained.	
14.12	Have you assessed need for provision in respect of: time barred debts/loans Legally disputed debts/loans.	

14.13	Please give brief details of any unusually large or abnormal balances outstanding at the year end.	
14.14	Have advances received been segregated from debit balances of parties and included on liability side.	
14.15	Has maximum debit balance been shown separately 1.Directors 2.Officers 3. Companies under the same management with names in case of loans and advances.	
14.16.1	Have amounts due from companies or firms in which directors are interested been shown separately.	
14.17.1	If confirmation called: 1. date of balances confirmed 2. number of confirmations called for 3. number of confirmations received 4. value of confirmations sent 5. value of confirmations received 6. total outstanding on date of confirmation 7. What action has been taken where balance confirmed does not tally with balance in books of account?	
14.17.2	Note on accounts in case confirmations are not called for:	
14.18.1	**Loans and Advances**	
14.18.2	Section 227(1A): 1. Do the company properly secured, and the terms on which they are made not prejudicial to the interest of the company and its members make loans and advances. 2. Are loans and advance, made to individual and private concerns shown correctly as such or as deposit?	
14.18.3	Compare balances with previous year end and enquire into major variations.	
14.18.4	Ensure compliance with section 370,295 and 292 and disclose amount recoverable from Directors etc.separately.	
14.18.5	Consider applicability of section, 2(22) (e) of the income-tax Act.	
14.18.6	Review cases where recoveries are not in accordance with terms of repayment.	
14.18.7	Where loans have been advanced to companies (including subsidiaries) which show a negative net worth in view of huge losses examine whether any provision/disclosure has to be made.	
14.18.8	Loans to employees does not include: 1. Advance against expenses- provided expense account is regularly submitted. 2. Advance against following month's salary-	

	provided is adjusted.	
14.18.9	Details of inter-corporate deposits?	
14.18.10	Has interest on loans been accounted?	
14.18.11	Is balance in prepaid account chargeable to future accounting period(s)?	
14.18.12	Advances to supplier 1. on capital account 2. for expenses 3. For supplies.	
14.18.13	Reasons for non adjustment of advance for more than reasonable time.	
15.1 CASH AND BANK BALANCES		
15.2.1	Whether cash and stamps have been verified at year end/during the year (surprise check).	
15.2.2	If unusually large cash balance was observed during the year have you obtained explanation from the company?	
15.3	Have cash and bank certificates at year end been obtained.	
15.4	Have outstanding entries in bank reconciliation statement been traced to subsequent bank statements.	
15.5	Is any entry outstanding for unusually long time?	
15.6	If any director or his relative is interested in bankers other than scheduled bank, have you disclosed the nature of interest?	
15.7	In case of balance with the banks other than scheduled banks has maximum amount outstanding during the year been disclosed?	
15.18.1	Security deposit received from employees to be kept in a separate bank account. If not, place a note-section 417.	
15.18.2	Unpaid dividend to be kept in a separate bank account-section 205A.	
15.9	Have you ensured that losses, if any, due to exchange variation have been accounted for in case of Foreign currency accounts?	
16.1 Deferred Expenditure and other intangible Assets		
16.2	Give details of any expenditure incurred on intangible assets that has been carried forward and state the basis on which it is to be written off.	
16.3	Give details of any amounts written off during the year, if not disclosed in the accounts.	
16.4	Is the basis of carrying expenditure forward consistent with the practice of earlier years?	
16.5	Has the board resolution for deferring the expense been seen? Is it supported by any expert opinion?	
16.6	Have you considered effect on provision for taxes?	
16.7	In case of preliminary expenses, ensure write off is in accordance with section 3.5D of the Income-tax Act.	

17.1 Inter Unit Balances		
17.2	Have all balances, inter unit and with other group companies been confirmed and tallied.	
18.1 Profit and Loss Acccount		
18.2	Have accounts been prepared on accrual basis of accounting. AS-9 and specify the exceptional items in Accounting policies-section 209.	
18.3.1	Have all outstanding and known liabilities been provided.	
18.3.2	Have adjustments been made for prepaid expenses.	
18.3.3.1	Have following been provided for: 1. Gratuity- if not, note on accounts. 2. Bonus –if not, note on accounts.	
18.3.3.2	What is the basis for providing gratuity?	
18.4.1	Has the company accounted for all the known incomes accruing during the year?	
18.4.2	Has income been accrued for materials processed but not delivered /invoiced?	
18.4.3	Has income received in advance been properly adjusted?	
18.5.1	Whether every material expense- i.e., 1% of the turnover has been shown separately.	
18.5.2	Have non–recurring and extraordinary items been shown separately?	
18.6.1	Compare accounts with previous year and list major variations.	
18.6.2	Raw material consumption ratio to production and comparison with previous year. Reasons for variation-in quantity.	
18.6.3	Review percentage of scrap, by-products and waste generated with production and compare with this year?	
18.7.1	What is the basis of accounting for claims 1. made by the company 2. made on the company	
18.7.2	Is a register for claims made by and also against the company maintained. If not, how is it controlled?	
18.8	Amortisation of: 1. Preliminary expenses. 2. Technical know-how cost. 3. Share issue expenses. 4. Debenture issue expenses. 5. Voluntary retirement scheme payments. 6. Others.	
18.9	Contributions to political parties-section 293A. 1. Advertisement in souvenirs. 2. Payment.	
18.10	Have payments to auditors been shown separately 1.As Auditor 2.As Advisor or in any other capacity in respect of	

	a) Taxation matter b) Company Law Matter c) Management Services d) Any other e) Any expenses reimbursed.	
18.11.1	**Income from investments and Deposits** 1. Gross 2. Tax at source.	
18.11.2	Interest paid to Income Tax Department.	
18.11.3	Interest received from Income Tax Department.	
18.12.1	**Purchases**	
18.12.2	Have all materials included in stock been recorded as purchase.	
18.12.3	Have goods returned been adjusted and excluded from stock.	
18.12.4	Have all claims for defective materials been adjusted.	
18.12.5	Forward purchase contracts- outstanding at year end.	
18.13.1	**Sales**	
18.13.2.1	Have goods delivered been invoiced.	
18.13.2.2	Examine sales booked immediately after the year end with dispatch notes/ excise gate pass.	
18.13.3.1	Have goods invoiced been delivered.	
18.13.3.2	Has provision been made for materials still to be supplied where invoice has been raised for the entire supply?	
18.13.3.3	Scrutinise dates of dispatch notes prepared immediately after year end.	
18.13.4	Have sales returns been recorded- credit notes issued and included in inventory.	
18.13.5	Have rebates and discounts been adjusted.	
18.13.6	Check sales invoices does to year end with dispatch notes and gate passes/ excise record/ proof of service rendered.	
18.13.7	In case of long term contracts: 1. what is the basis of accounting profit/loss 2. Have provisions for losses been made if anticipated. If so, on what basis.	
18.13.8	Have you scrutinized all expenses account in particular 1. Building repairs 2. Machinery repairs 3. Other repairs To check any item of capital nature charged to revenue or vice versa.	

18.14.1 Managerial Remuneration		
18.14.2	Directors' resolution-for commission and other allowances if permitted.	
18.14.3	Shareholders' resolution.	
18.14.4.1	In the case of Public Company, is the remuneration in accordance with schedule x111 or Government Sanction-if not-note to be placed on the accounts and qualification in the auditors' report.	
18.14.4.2	If government sanction not received, note on accounts.	
18.14.4.3	Has computation of managerial remuneration been checked with reference to section 349/350?	
18.14.4.4	For computation of managerial remuneration for public companies including 43A company's depreciation has to be computed on w.d.v basis at rates prescribed in scheduled xiv section 350.	
18.14.5	Copy of legal opinion-If any.	
18.14.6.1	Has recovery been made for following-in excess of limits: 1.remuneration 2.rent 3.electricity 4.gas 5. Medical expenses.	
18.14.6.2	Has recovery been made for: 1. trunk calls-personal. 2. Personal club expenses.	
18.14.6.3	For medical expenses in excess of limits, has application to government been made or in case of private company, has the board approved the excess expenses.	
18.15.1 DEPRECIATION		
18.15.2	Has the method of charging depreciation been disclosed in accounts?	
18.15.13.1	Has depreciation been charged at rates prescribed in schedule xiv?	
18.15.13.2	Depreciation on additions and deletions is proportionate. State the basis of verifying dates for additions/deletions of fixed assets- If not notes on account and qualify if necessary.	
18.15.4	Basis of amortising lease hold assets.	
18.15.5	Have you obtained certificate for extra shift working.	
18.15.6	Have additional or exceptional depreciation charges (if any) been shown in accounts separately including the depreciation charged on revalued assets.	
18.15.7	Apart from freehold land have all fixed assets been depreciated.	

19.1 GENERAL		
19.2.1	Has the Internal Control questionnaire issued by the Institute of Chartered Accountants of India duly been considered with regard to different aspects and areas of checking? It should be duly filled up and attached herewith. (Changes in procedures should be recorded every year).	
19.2.2	Do you consider the company's system of internal control and accounting satisfactory in the circumstances of the company? If not, attach report on deficient areas along with your suggestions to be forwarded to management.	
19.3.1	Have the following fundamental accounting concepts been followed: Going-concern (continuity of business of the company in succeeding years). Accrual (income & expenses accruing during the year under review). Consistency (same basis of Accounting to be followed consistently). Prudence (future losses to be ascertained and accounted for whereas future gains to be deferred) been adhered to?	
19.3.2	If not, please give particulars of departures there from.	
19.4.1	Compliance with Mandatory Accounting Standards AS 1 Disclosure of Accounting policies. AS 4 Contingencies and events occurring after the Balance Sheet date. AS 5 Prior period and extraordinary items and changes in accounting policies. AS 7 Accounting for construction contracts. AS 8 Accounting for Research and Developments. AS 9 Revenue Recognition. AS 10 Accounting for fixed Assets. AS 11 Changes in rates of Foreign Exchange. AS 12 Government grants. AS 13 Accounting for investments. AS 14 Accounting for Amalgamations. AS 15 Retirement Benefits.	
19.4.2	Whether all the requirements of the above standards have been adhered to by the company? If not, report has to be suitably qualified?	
19.5	Have the institute's statements and guidance notes followed if applicable?	
19.6	Have accounting procedures for items such as MODVAT etc. laid down by the institute from time to time adhered to? If not, please give brief particulars of material exceptions?	
19.7	Have accounting policies as disclosed in the accounts	

	been followed in preparation of the accounts and applicable Accounts standards are disclosed?	
19.8.1	Is Public Liability Insurance Act applicable?	
19.8.2	If yes, premium paid.	
19.9.1	Is the company holding/ subsidiary company?	
19.9.2	If so are disclosure requirements under section 212 complied with.	
19.10	Has the company become a deemed public company by virtue of: Shares held by a public company in excess of 25%. Company's average annual turnover for last three years exceeding Rs. 10 crores. Company's investment in shares of a Public Limited Company in excess of 25%. Acceptance/renewal of deposit from public, pursuant to invitation by advertisement.	
19.11	Liabilities of interest under the interest on delayed payment to Small Scale and Acillary undertaking Act, 1993 to be ascertained and disclosed in accounts.	
19.12	Actual production: 1. Are production figures submitted to any Government authority? Trade association. 2. Actual production to be reconciled with excise records.	

Checked by: _______________

Reviewed by: _______________

Annexure-1

GUIDELINES FOR PROVISION FOR TAXES

(All sections mentioned are of the income tax Act)

S.no		Remarks
1.	Depreciation-Section 32 read with section 43(6) (c) and section 50(2).	
2.	Withdrawal of investment allowance-32A, Investment deposit-section 32AB- on sale of asset.	
3.	Section 35-Expenditure on Scientific Research including donations. Depreciation cannot be claimed if deduction is claimed under section 35.	
4.	Section 35A-Expenditure on acquisition of Patent Rights or copy rights.	
5.	Section 35AB-Technical know-how expenditure.	
6.	Section 35D-Amortisation of preliminary expenditure.	
7.	Section 37(2B)-Advertisement- political parties.	
8.	Provisions for doubtful debts.	
9.	Section 40A (2).	
10.	Section 40A(3)-payments over Rs.10, 000-Rule 6DD.	
11.	Section 41(1).	
12.	Section 43(B)/36(1) (va)/2(24) (x)/36(1) (ii).	
13.	Interest payable under the interest on delayed payment to small scale and Acillary undertaking Act, 1993 disallowable.	
14.	Set off and carry forward of losses- section 70 to 75 and 78 to 80 and 115jAA.	
15.	Deductions under chapter VIA. Audit reports under various clauses.	
16.	Section 234B re: interest on shortfall in advance tax.	
17.	Section 234C re: interest on deferment of advance tax.	
18.	Advance tax to be paid: Minimum 15% before 15th June. Further 30% before 15th September. Further 30% before 15th December. Balance 25% before 15th march.	
19.1	Have major repair costs been capitalized in the accounts and treated as an expense whilst computing taxable income.	
19.2	Has interest been capitalised and treated as expense whilst computing taxable income.	

20.	Section 44AB-Tax audit report to be attached with the return.	
21.	MAT consider the provisions of section 115JA regarding computation of tax in relation to book profits.	

Annexure-11

FOLLOWING ITEMS TO BE DISCLOSED SEPARATELY IN THE PROFIT AND LOSS ACCOUNT AS REQUIRED BY PART-11 OF SCHEDULE -VI

S.no		Remarks
Items of income		
1.	Turnover	
2.	The income from investments, distinguish between trade investments and other investments –Long term and current investments.	
3.	Other income by way of interest specifying the nature of income.	
4.	The T.D.S deducted should be shown separately if deducted in case of (2) & (3) above.	
5.	Profits or Losses on investments (showing distinctly the extent of the profits or losses earned or incurred on account of membership of a partnership firm).	
6.	Profits or Losses in respect of transactions of a kind, not usually undertaken by the company if material.	
7.	Misc. Income.	
8.	Dividend from subsidiary companies.	
Items of Expenses		
1.	Commission paid to sole selling agents.	
2.	Commission paid to other selling agents.	
3.	Brokerage & Discount on sales (other than trade).	
4.	Depreciation.	
5.	Interest on company's debentures and other fixed term loans, showing separately amount paid to the Managing Director, Manager.	
6.	Income Tax.	
7.	Amount reserved for 1.repayment of share capital, and 2.repayment of loans	
8.	Amount set aside for any Reserve;	
9.	Amount withdrawn from any Reserve;	
10.	Consumption of stores and spare parts;	
11.	Power& fuel.	
12.	Rent.	
13.	Repairs to Building.	
14.	Repairs to Machinery.	
15.	1.salary, wages & bonus 2. Contribution to provident & other funds. 3. Staff Welfare Expenses.	
16.	Insurance	
17.	Rates & Taxes excluding taxes on income and wealth.	
18.	Misc.Expenses (However, any item under which expenses exceeds 1 percent of the total revenue of the company or Rs	

	1,00,000/- whichever is higher shall be shown as separate and distinct item against an appropriate head in profit & Loss Account).	
19.	Aggregate amount of the dividends paid and proposed stating that it is subject to T.D.S.	
20	Payments to Directors, including Managing Directors or Manager, if any by the company, subsidiary of the company and any other person for following: 1. Managerial remuneration u/s.198/309/349. 2. Other allowance and commission including guarantee commission (details to be given). 3. Any other perquisite or benefits in cash or in kind. 4.pension etc.	
21.	Hire charges of plant & Machinery, and material.	
22.	1. Donation for charitable and other purposes, if material. 2. Donations to political parties.	
23.	Research and Development expenses-capital as well as revenue- see whether the department is registered with the Department of Science and Technology of the Government of India.	

Annexure-111

STATUTORY REGISTERS

Registers and Documents to be maintained by the company. If not maintained, give reason.

S.no		**Remarks**
1.	Register of investments not in company's name (section 49).	
2.	Register of deposits u/s. 58A.	
3.	Copies of charges on unpaid calls, goodwill, patent rights etc. (section 125).	
4.	Copy of instruments creating a charge (section 136).	
5.	Register of charges and mortgages (section 143).	
6.	Register of members and their particulars (section 150)	
7.	Index of members if more than 50(section 151).	
8.	Register and index of debenture holders (section 152).	
9.	Branch register of members and debenture holders (section 157).	
10.	Copies of all annual return u/s. 159 and 160(section 163).	
11.	Separate Minute Books of: 1.General Meetings 2. Director's Meeting 3. Committee Meetings (section 193).	
12.1	Register of company's Firms etc.in which directors are interested (section 301).	
12.2	Register of contracts, with companies and confirms, in which directors are interested giving details (section 297& 299).	
13.	Register of Directors, Manager and secretary (section 303).	
14.	Register of directors, shareholding and debenture holdings (section 307).	
15.	Register of appointment of Director's or an Associate as a selling agent outside India of goods produced by the company and for supply of or rendering of service (section 356-357).	
16.	Register of loans to companies 'under the same management' (section 370).	
17.	Register of investments in shares/ debentures of body corporate u/s. 372(5) and (8).	

Annexure IV

IMPORTANT SECTIONS OF THE COMPANIES ACT

S.no		Sections	Remarks
1.	Private Company to become a public company in certain cases	43A	
2.	Acceptance of Deposits	58A	
3.	Prohibition of allotment unless minimum subscription received	69A	
4.	Application for and allotment of shares and debentures.	72A	
5.	Compulsory redemption of irredeemable preference shares.	80A	
6.	Payment of dividend in proportion to amount paid up.	93	
7.	Charges	125	
8.	Restriction on commencement of new business (not applicable to Private Limited Company).	149	
9.	Resolution to be filed with the register.		
10.	Managerial personnel	197A	
11.	Overall maximum managerial remuneration in case of absence of or inadequacy of profits (not applicable to Private Limited Company)	198	
12.	Calculation of commission in certain cases	199	
13.	Dividend to be paid out of profits only	205	
14.	Declaration of dividend out of reserve	205(3)	
15.	Unpaid dividend to be deposited in a Scheduled Bank	205A	
16.	Books of account to be kept by the company on accrual basis and maintenance of cost records where applicable	209	
17.	Accounting period not to exceed 15 months	210(4)	
18.	Managing director and secretary to sign the accounts	215	
19.	Auditors	224/224A/225/226	
20.	Branch auditors	228	
21.	Provision relating to managing, whole time or non-rotational directors to require government approval (not applicable to Private	268	

	Limited Company)		
22.	Appointment or reappointment of managing or whole director to require government approval in certain cases. Mandatory appointment of managerial personnel in certain cases	269	
23.	Disqualification of directors	274	
24.	Vacation of office by a director, refer sub-section 1(4)	283	
25.	General power of Board	291	
26.	Certain powers to be executed by Board only at Board Meeting	292	
27.	Restrictions on power of Board	293	
28.	Prohibition regarding making of political contribution	293A	
29.	Appointment of sole selling/purchasing agents to require approval of company in General Meeting (not applicable to Private Limited Company)	294	
30.	Loans to Director	295/296	
31.	Boards sanction required for certain contracts in which particular directors are interested	297	
32.	Disclosure of interest by Directors	299	
33.	Interested director not to participate or vote in proceedings at Board meetings	300	
34.	Maximum remuneration to Directors (not applicable to Private Limited Company)	309	
35.	Increase in remuneration to require government sanction (not applicable to Private Limited Company)	310	
36.	Increase in remuneration of Managing Director or reappointment to require government sanction (not applicable to Private Limited Company)	311	
37.	Directors etc, not to hold place of profit	314/204	
38.	Managing Director not to be appointed for more than 5 years at a time (not applicable to Private Limited Company)	317	
39.	Determination of net profits (not applicable to Private Limited Company)	349	
40.	Ascertainment of depreciation (not	350 r.w.205 (2)	

	applicable to Private Limited Company)		
41.	Loans etc. to companies under the same management	370	
42.	Purchase by company of shares etc, of other companies (not applicable to Private Limited Company)	372	
43.	Appointment of secretary	383A	
44.	Remuneration of manager (not applicable to Private Limited Company)	387	
45.	Contracts in which company is an undisclosed principal	416	
46.	Employees securities to be deposited in Post Office Saving Bank or Scheduled Bank Account	417	
47.	Provisions applicable to provident fund of employees (where the Employee Provident Fund Miscellaneous Provisions Act, 1952 does not apply)	418	

Annexure-v

Following ratios should be compared and a comparative chart for three years, should be placed on file along with management explanation for abnormal variations

S.no			Remarks
Static Ratios			
1.	Asset Intensive Ratio	Fixed assets (Net to Total Assets)	
2.	Proprietary Ratio	Proprietor's Funds (capital plus Reserves) to Total Assets	
3.	Current Ratio	Current Assets to current Liabilities	
4.	Quick Ratio/Acid Test Ratio/Liquid Ratio	(Debtors plus cash/Bank Balances) to Creditors	
5.	Debt-Equity Ratio	Proprietor's Funds to Loan Funds	
6.	Capital gearing Ratio	Equity capital to (Preference Capital plus Debentures)	
Dynamic Ratios			
1.	Materials cost Ratio	Cost of Materials to cost of Sales	
2.	Lab ours cost Ratio	Cost of personnel to cost of sales	
3.	Overheads cost Ratio	Cost of expenses (excluding finance cost) to cost of sales	
4.	Finance cost Ratio	Cost of finance to cost of sales	
5.	Cost of sales Ratio	Cost of sales to sales	
6.	Gross Profit Ratio	Gross profit to sales	
7.	Net profit Ratio	(Profit before dividend) to sales	
Inter-Related Ratios			
1.	Working Capital Turnover Ratio	(Current Assets minus current Liabilities) to sales	
2.	Stock Turnover Ratio	Stock to sales	
3.	Fixed Assets Turnover Ratio	Fixed Assets to sales	
4.	Net Worth Turnover Ratio	(Equity Capital plus Reserves) to sales	
5.	Capital Turnover Ratio	(Capital plus Long Term Loans) to sales	
6.	Debtors Turnover Ratio	Debtors to sales Credit sales per day Debtors	

Profitability Ratios			
Return on capital Ratio Net profit (before Dividend) to Average Capital (Equity plus Reserves)			
1.	Earnings per Share	Net Profit (before Dividend)	
		No of equity shares	
2.	Interest Coverage Ratio	Profit before interest and Taxes	
		Interest plus Preference Dividend	
3.	Debt Service Ratio	Profit before interest and Taxes	
		Interest plus Preference Dividend plus Annual debt installment due	
4.	Operating Leverage	Fixed cost	
		Profit before interest and Taxes	
5.	Financial Leverage	Profit before interest and Taxes	
		Profit before Taxes	
Growth Ratios			
1.	Book value per Share	Equity Capital plus Reserves	
		No of equity shares	
2.	Annual growth	Closing book value per share minus operating book value per share	
		Opening book value per share	
3.	Assets growth	Addition to Total Assets x 100	
		Opening total Assets	
4.	Expansion Rate	Addition to fixed Assets x 100	
		Opening fixed Assets	

Check List for Audit Report under CARO

Client's Name____________________
Accounting year____________________

MANUFACTURING &OTHER COMPANIES (AUDITOR'S REPORT) ORDER 1988
Notes:

S.no		Remarks
1.	The provisions of CARO are applicable to companies engaged in or proposing to engage in any of the following activities: a) Manufacturing, mining or processing; b) Supplying and rendering Services; c) Trading; d) Financing, Investment, chit Fund, Nidhi or Mutual Benefit.	
2.	For all representations made to auditors on the basis of which the check-list is filled up, written confirmation from the client should be obtained, so far as is practicable.	
3.	All certificates, representation, working papers on the basis of which checklist has been filled up should be attached to this checklist and suitably referenced.	
4.	Detailed working note as to why auditors have come to such conclusion should invariably be attached to this statement.	
5.	All-important observations must be properly documented and cross-linked to the individual working papers.	
6.	Where there are exceptions; i.e., adverse conclusions, such fact should be appropriately highlighted.	
1.1 FIXED ASSETS		
1.2	Does the company maintain Fixed Asset Register/cards	
1.3	Do these give the following particulars 1. Description of asset; 2. Accounts classification; 3. Location; 4. Identification No; 5. Quantity; 6. Original cost; 7. Depreciation rate & amount; 8. Cumulative depreciation; 9. Details regarding disposal.	

1.4	Has physical verification of the assets been conducted by the management at reasonable intervals. If yes: 1. What is the frequency thereof 2. What is the percentage in value thereof 3. Is there sufficient evidence thereof?	
1.5	Have the results of the verification been reconciled with the fixed asset record and if so: 1. Has a list of discrepancies been prepared and placed on audit file; 2. Are these discrepancies significant; 3. How have the discrepancies dealt with in the accounts.	
1.6	Did the auditors observe all or any part of the verification?	
1.7	Has the Asset Register been reconciled with the financial records?	
3.1 INVENTORIES		
3.2	List out the intervals at which physical verification is conducted for 1. Raw materials 2. Finished goods 3. Stores and spare parts	
3.3.1	Has the stock, at year end been physically verified by the management.	
3.3.2	Are comprehensive written stock taking instructions issued-statement on auditing practices Appendix A. obtain a copy thereof. If not obtain a note on procedures of verification.	
3.3.3	Whether auditors were present for physical verification.	
3.3.4	Has due cognizance been taken of cut off procedures in physical verification and valuation of inventories.	
3.3.5	Are the procedures of physical verification followed by the management, reasonable and adequate?	
3.4	What is the percentage in value covered in the course of verification?	
3.5.1	Whether the stock records are maintained.	
3.5.2	Verify the report of variations between book record and physical stock. Are the discrepancies material.	
3.6	Have these discrepancies been properly dealt with in the books of account.	
3.7	Has the method of valuation of stock been	

	placed on the working paper file?	
3.8	Is the valuation of stocks fair and proper in accordance with normally accepted accounting principles?	
3.9	Is the method of valuation of stock consistent with that followed in the immediately preceding year?	
3.10	In case there is change in the method of valuation, the effect thereof should be quantified and disclosed in the Auditor's Report.	
4.1 LOANS TAKEN BY THE COMPANY		
4.2.1	Has the company taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained u/s. 301 and/or from the companies under the same Management as defined u/s. 370(1B).	
4.2.2	Has a list of such loans giving details of terms and conditions been placed on file?	
4.3	Are the terms on which these loans have been taken prima facie prejudicial to the interest of the company with regard to comparative terms for; 1. Security offered; 2. Rate of interest; 3. Terms of repayment; 4. Loan given by the company; 5. Other conditions attached.	
4.4	If the loans are prima facie judicial has written explanation been obtained from the company as to why it should not be so considered.	
5.1 LOANS GIVEN BY THE COMPANY		
5.2.1	Has the company granted any loans, secured or unsecured to company's firms or other parties listed in the Register maintained u/s. 301 and/or to companies under the same management as defined u/s.370 (1B).	
5.2.2	Has a list of such loans giving details of terms and conditions been placed on file?	
5.3	Are the terms on which these loans have been taken prima facie prejudicial to the interest of the company with regard to comparative terms for: Security offered; Rate of interest; Terms of repayment; Loan taken by the company;	

	Other conditions attached.	
5.4	If the terms of loans given are prima facie prejudicial, has written explanation been obtained from the company as to why it should not be so considered?	
7.1 INTERNAL CONTROL OVER PURCHASE OF STORES, RAW MATERIAL INCLUDING COMPONENTS, PLANT AND MACHINERY, EQUIPMENT AND OTHER ASSETS AND FOR THE SALE OF GOODS.		
7.2	Obtain a note on the internal control system relating to purchase of the above items and for the sale of goods.	
7.3	Has the system as explained been followed during the year?	
7.4	As per auditor's evaluation of the systems existing during the year, is the internal control over the purchase of these assets and sale of goods adequate in relation to the size of the company and nature of its business.	
8.1 PURCHASE OF GOODS AND MATERIALS AND SALE OF GOODS, MATERIALS AND SERVICES FROM/TO CERTAIN PARTIES.		
8.2	Obtain a list of companies, firms and other parties entered in register under section 301 with aggregate value of purchase of goods and sale of goods, materials and services transacted with these parties.	
8.3.1	In case the aggregate value of such purchases and sales made during the year exceed Rs.50,000 in respect of each party thereof ensure that the prices paid/obtained for such purchases/ sales are reasonable as compared to Prevailing market prices for such goods, materials or services; Prices at which transactions for similar goods or services have been made with other parties.	
8.3.2	Prices charged to be compared after considering Debit/credit notes.	
9.1 UNSERVICEABLE/DAMAGED STORES, RAW MATERIALS AND FINISHED GOODS.		
9.2	Does the company have a system of determining of stock of unserviceable/ damaged stores, raw materials and finished goods?	
9.3.1	Have such items been identified as at the year end.	
9.3.2	If yes, give details as under: 1. Stores	

	2. Raw Materials 3. Finished Goods	
9.4	Is adequate provision made in the Accounts for the loss considering: 1. Subsequent sale of such items, 2. Provision for anticipated losses.	
10.5 DEPOSITS FROM THE PUBLIC		
10.2	Has the company accepted deposits including loans from the public within the meaning of the provisions of section 58-A.	
10.3	If such deposits have been considered as exempt u/s.58-A, have you placed on file reasons for the same?	
10.4	Has the company complied with the provisions of section 58A and rules framed there under?	
10.5	If not, has the nature of contraventions been placed on the file and accordingly disclosed in the report.	
12.1 INTERNAL AUDIT SYSTEM		
12.2.1	Is the paid-up share capital of the company at the commencement of the financial year in excess of Rs. 25 lakhs;or	
12.2.2	Does the average annual turnover (for the 3 financial years immediately preceding) of the company exceed Rs. 2 crores?	
12.3	If so, does the company have an internal audit system: 1. In the form of an outside firm of Chartered Accounts, 2. In the form of its own internal audit department.	
12.4	Has the internal audit programme been reviewed? Was it drawn in consultation with statutory auditors?	
12.5	Is the coverage of internal audit adequate?	
12.6	Are the persons carrying out the internal audit adequately qualified for the job?	
12.7	To whom does the internal auditor report?	
12.8	Have the internal audit reports been perused and ensured that they have been duly acted upon.	
12.9	In view of what is stated above is the internal audit system of the company commensurate with its size and the nature of its business.	
13.1 COST RECORDS		
13.2	Has maintenance of cost records been prescribed for any of the activities of the	

	company?	
13.3	If so, whether the records, have been verified to form a prima facie opinion thereon.	
13.4	Having regard to the above, can it be concluded that prima facie the prescribed records have been maintained.	
13.5	Has cost audit been prescribed in respect of these records and if so, have reports been perused.	
14.1 PROVIDENT FUND/ E.S.I.C DUES		
14.2	Has a statement been placed on file showing the following: 1. Month-wise deductions and contributions on account of provident fund/ESIC; 2. Due date; 3. Date of deductions; 4. Date on which these amounts have been deposited with the appropriate authorities.	
14.3	Has the company deposited provident fund/ E.S.I.C dues, in time in all cases during the year?	
14.4	Have arrears at year end been disclosed in the report.	
15.1 UNDISPUTED TAXES ETC. NOT PAID		
15.2	Obtain list of taxes/ duties outstanding as at year end in respect of 1. Income Tax 2. Wealth Tax 3. Sales Tax 4. Customs Duty 5. Excise Duty 6. Service Tax 7. Interest Tax.	
15.3.1	In respect of undisputed amounts, identify those outstanding for over six months as at year end.	
15.3.2	Ensure proper disclosure of these items.	
15.4	Where liability is disputed. Obtain a file note detailing the status.	

Checked by--------------------------
Reviewed by--------------------------

Documentation of Audit Work

Client's Name-------------------------
Accounting Year------------------------

S.no		Remarks
1.1 AUDIT WORKING PAPERS		
1.2	**The financial accounts file must contain to the extent applicable** 1.1 Eligibility letter 1.2 Appointment letter 1.3 Acceptance letter 1.4 Form 23B-Registrar of companies 2. Audit programme- giving inter alia, name of assistants, details of work done, and total man-days devoted in the audit. 3. Notes on routine checking duly signed by assistants concerned and also indicating clearly as to how these were finally cleared or disposed of. 4. Final Trial Balance and groupings duly signed by the Accountant/ Secretary and Assistant concerned. 5. Comparative analysis of all items of expenses and GP and NP ratios disproportionate variations and reasons therefore. 6. Note to clients, if necessary regarding points, for attention. 7.1 Final points for discussion with partner-in charge. 7.2 These may be written on double sheet-one side being left blank for indication as to how these were finally disposed of. 8. Pending points, which are to be taken, note of in the succeeding year's audit.	
1.3	**NUMBER OF HOURS This year preceding year** Partner in charge Chartered Accounts Paid Senior Assistant Articled Clerks	
1.4	**Audit fee**	

2. CERTIFICATES TO BE TAKEN ON FILE		
1. 2.	1.Number of Bank accounts------------------------- 2. ------------------------ Certificates and bank reconciliations. 1. Number of financial institutions from whom loans taken------------------------ 2. -------------------------- Certificates.	
3.	Shift working.	
4.	Installed capacity.	
5.	Actuary's certificate for gratuity/ pension/ leave encashment provisions.	
6.	Cash on hand.	
7.	Additions and deletions- fixed assets-certificate re: date.	
8.	Safe custody certificate regarding investment held by government authorities/bankers etc.	
9.	Confirmation of full account with associated concern.	
10.1	Inventories at year end.	
10.2	Stock received on loan.	
10.3	Stock loaned.	
10.4	Stock with processors 1. Processed material. 2. Unprocessed material. 3. By-products/ waste.	
10.5	Stock of customers.	
10.6	Stock with customers.	
10.7	Stock with warehousing agency.	
10.8	Stock sent on consignment.	
10.9	Stock received on consignment.	
10.10	Stock of damaged materials dealt-in.	
10.11	Stock-in transit.	
11.	Contingent liabilities.	
12.	Affirmation regarding realisability of current assets-loans and advances and adequacy of provision for liabilities and non-charging of personnel expenses.	
3. RESOLUTIONS-COPIES TO BE TAKEN ON FILE		
1.	Remuneration of working directors.	
2.	Section 314(1B)-office or place of profit-check the period.	
3.	Sole selling agents-check the period.	
4.	Sole buying agents-check the period.	
5.	Sitting fees any change during the year.	
6.	Movement in capital.	
7.	Movement in Reserve.	

8.	Donations- section 293 A.	
9.	Investments.	
10.	Addition, sale or lease of assets-section 293.	
11.	Loans by the company	
12.	Borrowings- s. 293 1. Directors 2. Members	
13.	Company commencing a new activity even if permitted by its memorandum section 149(2A).	
14.	Guarantee given.	
15.	Register of Appointment of buying agents for the company outside India (358).	
16.	Capitalisation of expenses.	
4. COMPUTATIONS TO BE TAKEN ON FILE		
1.	Capitalisation of expenses	
2.	Bonus	
3.	Write back of development rebate and investment allowance.	
4.	Gratuity-Management certificate in case Actuary's certificate is not obtained.	
5.	Managerial remuneration.	
6.	Provision for taxes. 1. Income tax 2. Wealth tax	
7.	Dividends Section 205 and 205A of Companies Act.	
8.	Section 58A limits based on last audited balance sheet.	
9.	Obtain statement regarding following payments- delays and arrears at year end 1. Provident fund 2. Employees state insurance 3. Sales tax 4. Income tax	
10.	Donations including donations to political parties- section 293 (1) (e) and 293A.	

Checked by------------------------
Reviewed by------------------------

Audit under income-tax Act- salient points

S.no		Remarks
1.1	Whilst reviewing accounts, have you ensured that company has a system of identifying and correctly recording: 1. Scientific Research expenditure. 2. Payments to entities covered by section 40A (2) (b).	
1.2	Are bonus register maintained showing details of unpaid bonus for each financial year and dates of subsequent payments?	
1.3.1	Whilst doing bank reconciliation's have you identified payments in cash from bank accounts in excess of Rs.10, 000 each?	
1.3.2	Have you correlated these payments to bankbook and ensured that payments are not for expenditure incurred by the company. If yes, have you noted these payments in cash?	
1.3.3	Similar checking should also be done for giving of loan or repayment of loan exceeding Rs.20, 000 refer section 269SS and 269T.	
1.4	Whilst reviewing year end balances obtain a list following out standings 1. Taxes, duties, cess and fees. 2. Company's contribution to provident fund, superannuation fund and gratuity fund. 3. Bonus to employees. 4. Commission to employees. 5. Interest payable to financial institution and banks.	
2.1	Have you identified sales proceeds for exports received in 1. Convertible Foreign Exchange, 2. Non-convertible Foreign Exchange.	
2.2	Have the sales proceeds for exports been received within six months from end of the financial year. If not, list such exports.	
2.3	Where client has maintained an exports register have the details in said register been checked whilst conducting the audit.	
2.4	If a separate register is maintained for trading goods purchased and exporter have the details in said register been checked whilst conducting the audit.	

3.	Reference is invited to various audits to be carried out under chapter vi.	

Audit under computer Environment- salient points

S.no		Remarks
1.	Study the system- whether it is only an accounting package or a comprehensive package covering other areas of on-line system.	
2.	How are branches, other units, divisions or plants covered?	
3.	System of codification: Major code, Minor code, Analytical code, Area code, etc. Codes, which are only for statistical purpose.	
4.	Controls over system Records, Data input.	
5.1	Study the Data input- what are details fed in.	
5.2	Whether any built-in checks for error detection.	
6.	Tie-up of other records with accounts; e.g., inventories linked with prices, discounts etc. or cheque preparation with vouchers.	
7.	Who have access to: Data Input, System Software, Output.	
8.	Data transfers from division- whether full transfer or only summaries.	
9.	Authorisation at various levels for: Voucher preparation, Data correction, Cheque writing, Journal entries, Discounts and credit notes.	
10.	Standardisation of output statements Whether primary books/Day books are prepared or listed out Details or narration on transactions	
11.	Collection of details at source for Audit purpose, Tax audit, Costing purpose, Inventory valuation.	