Annexure - I Revised. - Highlighted.

STOCK AUDIT REPORT

DATE OF VISIT AT BRANCH ____________
AT UNIT ____________
DATE OF SUBMISSION OF REPORT ____________

Name of the Account
Constitution ____________

Name of CA firm
Membership No. ____________

Name of the person who inspected the account ____________

Name of the branch ____________

Name of the person from the branch who accompanied CA ____________

RO/FGMO/ZO
Category of branch ____________

Name of the person/s contacted at borrowers site: ____________
Duration of audit

ADDRESS :
Office ____________

____

Factory ____________

____

Category of borrower ____________

Asset Classification ____________

Nature of activity ____________

____

Date of last renewal

Regular/short
If short review, give validity period of limit
Name of lead bank

Banking arrangement ____________
Our Bank's share

Sole/Multiple/consortium

Date of last consortium meeting held

Name/Date/Rating of External Credit Rating Agency

POSITION OF ACCOUNT AS ON THE DATE OF VISIT :

Nature of facility	Limit sanctioned	Drawing Power	O/s as on	Value of security	Margin	Rate of Interest	*Turnover for last one year (1st April to 31st March)	
							Debit	Credit
A.FUND BASED								
i) Working Capital								
ii) Term Loan								
B. NON FUND BASED								

- Limit vis-a-vis turnover under multiple/consortium finance arrangements. Limits with all the member banks should be compared with the total TO & Sales of the corresponding period.

INSPECTION OF ACCOUNT AT BRANCH

TERMS AND CONDITIONS

Ascertain whether all terms and conditions of sanction are complied with : Yes / No

If no, the terms and conditions which are yet to be complied with :

a)

b)

c)

d)

2. DOCUMENTATION

i) Whether proper documents obtained. If not, give details : Yes / No

Date of Documents : ____________

Date of last Debit Balance Confirmation (DBC) : ______________

ii) Whether the documents have been vetted by advocate/Legal Dept. as per the norms of the bank : Yes / No

iii) Whether Credit Process Audit (CPA) of the a/c has been completed before disbursement of the loan : Yes / No

iv) Whether equitable/Simple mortgage of property created, if not, nature of deficiency : Yes / No

v) Whether stamps of adequate value affixed on documents and also for creating equitable mortgage of property. If not, give details : Yes / No

vi) Date of vetting/verification of documents :

vii) Whether charge on assets properly created (including first charge/second charge/ pari passu charge) If not, reasons for non-creation of charge : Yes / No

viii) Details of the registration of charge including modification / enhancements:

Wherever required, whether charge registered with ROC within prescribed time (Form 8 & 13 filed or not)	Date of registration of charges	Date of certificate	Value of charge

If charge is not yet registered, the reasons therefore:

ix) The Prime & Collateral securities offered by way of Land & Bldg are registered under CERSAI (Central Registry of Securitisation :

Asset Reconstruction &
Security Interest of India)

x) Any other irregularity observed in respect of documentation :

3. Operations/Performance of the A/c at branch
(Please see operations of accounts for FY from _______ to _______)

i) Whether the account is being Regularly/actively operated

ii) Whether sales are being routed Through the account

ii-a) Whether cash withdrawals are regularly allowed, the reasons of allowing cash withdrawal. Whether in your opinion such cash withdrawals are warranted or not.

ii-b) Any transaction indicating diversion of funds noticed
Random check of 5% to 10% of the total debits
(subject to minimum 20 transactions)

ii-c) Loans & Advances to sister/associate concern

iii) No. of cheques returned for financial reasons

iv) Detailed observations as regards any large transaction of Rs.5.00 lacs and above be commented upon

v) Average daily balance (debit as well as credit)

vi) Whether the utilization of the limit is more than 90% or not?
Credit/Debit summations in relation to utilization of the limit and the sales projection?

vii) Whether the interest has been serviced within 10 days?
Number of times the account remained overdrawn
Whether the excesses have been allowed Yes/No
Continulously or occasionally or rarely

	Average time taken for adjustment of Excess:	
	Ascertain reasons for such overdrawals	
	Whether excesses allowed have been reported regularly to higher authority:	Yes/No
	Whether excesses have been confirmed or not? If not confirmed action taken for adjustment of excess	Yes/No
iv)	Whether PC is adjusted timely? If not give the following details	Yes/No
v)	S no Amount Last date of Shipment Since when overdue	
	Whether extension of time has been taken/applied for to ECGC and upto which date it is valid (in case of overdue PC)	
	Whether PC is adjusted by application of local Rupee fund/export proceeds?	
v)	Whether bills foreign/inland are being realized as per tenor/terms	Yes/No
vi)	Details of overdue bills, both inland/foreign	
vii)	Details of bills returned unpaid	
viii)	Buyer wise ECGC coverage obtained as per terms of sanction or not	
ix)	Is there any devolvement of L/C, if yes, number of L/Cs devolved, amount and the date of devolvement Reasons of devolvement of L/C be given in brief	
x)	Whether any guarantee invoked? If yes, number, date and amount. Reasons of invocation of L/G be given in brief	
xi)	No. of guarantees expired but still outstanding.	
xii)	Whether interest is being serviced regularly or not. If not details upto which the interest has been repaid and the amount of overdue interest.	
xiii)	In case of term loan, whether: repayment of installment is regular, if not details upto which the installments have been repaid and the amount of overdue installments	
3a	Profitability for relationship(Total earning of the bank with the relationship be mentioned)	
4	Submission of statements	
i)	Whether stock statements are being	Yes/No

	submitted regularly			
i-a)	Whether book debts statements are being submitted regularly Date of last stock statement	Yes/No		
ii)	Whether DP is being calculated: Check DP register. If not Maintained, give remarks	Yes/ No		
iii)a)	Whether QPR statements submitted as per terms of sanction. (Details to be given)	QPR-I	QPR-II	QPR-III
b)	Whether operating limits are fixed as per QPR?			
c)	Whether the information submitted in QPR statement. Is as per the books of account of the party? (analytical view)			
d)	Whether monitoring reports is being submitted regularly? If not submitted give details when it was last submitted.	Yes/No		
iv)	Details of insurance policy			
a)	Name of insurance company		Amount of the policy	
b)	Validity: from to			
c)	Insurance coverage			
d)	Comments on any discrepancy in the policy like the address of the godown/shop/unit, type of goods insured and inadequacy etc.			
B.	Unit/Visit			
	Name of the person contacted at unit	Amount of the policy		
1 a	Whether party's name board has been prominently displayed?	Yes/No		
	Whether notice of hypothecation of bank/s has been prominently displayed	Yes/ No		
2	Production capacity of the unit	Last year	This year	
i)	Licensed capacity			
ii)	Installed capacity			
iii)	Actual capacity			
3a	Method of valuation of stock			
i)	Raw material			
ii)	Stocks in process			
iii)	Finished goods			
	If not in order give details			
3b	Comments on the discrepancies observed in 3 above particularly the effect of change in the method of valuation of stocks on value of stocks			
4	Stock Position of hypothecated stock as on and postion of receivables and sundry creditors of same date.			

A. PHYSICAL INVENTORY: (Stocks)

(Rs in lacs)

Particulars	Total value
Value of stocks as shown in stocks statement as of	
i) Raw Material	
ii)Stock in process	
iii)Stores and spares	
iv)Finished stocks	
Total	
Add purchases (from the date of stocks statement till the date of inspection)	
Less Material consumed/ reduction on account of sales (from the date of stocks till the date of inspection)	
Add stocks given on job work	
Total	
Less stocks received on job work	
Less stocks belonging to sister concerns for which no payment has been made.	
Total Value of Stocks	

Gross sales minus gross profit returns should represent net sales during the period

Total value of stocks must tally with the books of accounts maintained by the party

In case of excisable items, the excise register should be checked to find out stock position.

Otherwise stock register/original invoice be checked to record the stock position. Stock received under L/C or goods received under bills, in respect of which the company has not retired the bills should be deducted while calculating the drawing power.

The entire stocks to be bifurcated value-wise into three categories A,B and C depending upon the high/medium/low cost items. While high cost items to be verified at least 80%, medium and low cost items may be verified at random covering about 40% and 30% of the total value of stocks declared

B. Drawing Power

i)Value of the stocks as arrived at as per clause no 4 A above	
ii)Less unpaid stocks including the stocks received under DAL/CLG or under bills	
iii)Less value of stocks non saleable/obsolete or value of stocks left over.	
iv) Less value of stocks which does not rank for DP i.e normally 3/6 months old. It should be taken as per sanction terms)	
Less Margin	
Drawing Power	

C. Book Debts

Sr. No	Particulars	Amount
1.	Book Debts as on	
2.	Less book debts more than 90 days old*	
3.	Less book debts declared doubtful/irrecoverable by the party's auditor	
4.	Less book debts not pertaining to the business of the party/balances of sister concern	
	Book Debts available for Drawing Power	

*or book debts which are not admissible as per sanction terms.

D. Drawing Power (Book Debts)

Sr. No	Particulars	Amount
1.	Book debts available for drawing power as per clause 4-C above	
2.	Margin on book debts	
3.	Drawing Power	

E. Verification of Book Debts

a-	Collect age wise and party wise break up of book debts and party wise re	
b-	Whether receivables are routed through the account?	
c-	Average time taken for realization of book debts to be compared with the past trend/Industry trend/trade trend. Reasons for any deviation to be analysed and commented upon.	
d-	Overall observations as to quality of book debts?	
e-	Verify excise records/sales tax returns/assessment orders of sales tax	

G. Composition of value of stocks and book debts as on the Balance Sheet date should be compared with value of stocks as on the date of inspection

5. Stocks sent for job work to other processors:

a) Whether letter of lien and letter of free access is obtained?
b) Details of the stocks sent on job work:

Nature of stocks	Value of Stocks	To whom sent	Date of dispatch	Proof of dispatch	Remarks

c) While checking the movement of stock, a counter check could be made of records pertaining to excise duties and Sales tax wherever applicable, in the form of challans and registers.

6) Stocks received for job work or stocks belonging to sister concern/allied concerns:

Nature of stocks	From whom received	Date of receipt	Value of stocks	Proof of receipt	Whether such stocks are segregated & kept apart from the stocks Hyp to the bank

7. Whether the value of the stocks as revealed from the books of the party and actually lying at the site of the party as arrived at above tallies with each other? If not the variation if any to be analysed and reported.

8. Whether inventory levels accepted have been followed by the company? If not the reasons to be analysed and reported here.

9. Reasons of any sudden increase in the raw material/stores and spares, if any:

10.Reasons of any abnormal increase in the finished goods, if any:
Whether the finished goods include the following:-
i) Goods returned by the buyers.
ii) Left over or old batches.
iii) Non saleable items being sub standard or obsolete items of stocks
iv) With regard to finished goods which have a shelf life, the auditors to verify how many reached within six months of the expiry date and such goods should not rank for drawing power.

11. Whether in your opinion the company is following the correct stocking pattern? Give comments.

12.a. Whether proper internal control of verification of the stocks exists?
12.b. Whether proper books of accounts have been maintained by the party? (Stock Register/excise register/ sales tax records/ purchase register/ production register/sales register/work in process/ register for consumables & spares etc.)

13. Details of obsolete stocks:
a) Obsolete stock
b) Stock as stipulated in the sanction advice should not rank drawing power.

14. Whether the factory has been closed due to lock out/strike or the production has suffered due to labour unrest during the year? Give details along with the observation.

15.Whether branch officials have conducted the inspection of the stocks/unit regularly, if yes dates of visits and the major irregularities observed. Any material deviations/variances to be commented upon.

16. Verification of the plant and machinery in case of term loan.
a. Verify invoices/bills

b. Whether the end use of the bank finance is proper?
c. Whether the plant is in working condition?
d. In case of project finance of the projects having long gestation period
Cost overrun if any, the reasons be ascertained and the means of financing.

17. Irregularities pointed out in last RBI inspections/Statutory Inspection/Internal Audit Concurrent Audit regarding the verification of the stocks/book debts and the steps taken by the branch for its verification

	Irregularities	Steps taken for rectification
a.		
b.		
c.		
d.		
e.		

18. Check whether the books of accounts are properly maintained and ascertain the valued of sundry creditors for goods and services used for production on the date of last stock statement submitted to the branch and report differences, if any. To also comment whether they are banking with any other bank.

19. Whether goods purchased under Usance Letter of Credit prior to the date of last stock statement are included in the stock statement? If so to deduct the amount for the purpose of calculating drawing power.

20. Reasons, if any, existing or forseen, which indicates that the continuation of the relationship with the party will not be beneficial for bank, be commented upon so as to plan for timely exit from the a/c.

21. Detailed comments about your overall observation in the account.

ENCLOSURES
Accountant
1.
2.

Signature of the Chartered

Name:
Designation:
Address: