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Easy way to learn all 16 points of paragraph 3 of CARO 2016 :-

The entire learning can be divided in 3 parts:

1. For Point No 1 to 8:-

F I L L your bank account with **C C** (short form of cash credit) use it to pay the **STATUTORY DUES** and make no **DEFAULT IN REPAYMENT OF LOANS & BORROWINGS**.

2. For Point 9,10 & 11:-

Register a Company & issue **IPO** use it for correct purpose without any **FRAUD** and don't forget to pay **MANAGERIAL REMUNERATION** on time.

3. For Point 12-16:

Ask your secretary **NIDHI** for **4 C's** (compliances of Companies Act 2013):

1. **C**ompliance with section 177 & 188 for related party transactions.
2. **C**ompliance with section 42 for Preferential allotment and private placement.
3. **C**ompliance with section 192 for Non Cash Transaction.
4. **C**ompliance with section 45-IA of RBI Act.

Detailed Discussion of 16 Points:-

1. F – FIXED ASSETS

- (a) Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets,
- (b) Whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account.
- (c) Whether the title deeds of immovable properties are held in the name of the company. If not, provide the details thereof.

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2. I – Inventories

Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account

3. L – Loans to parties covered U/s 189:

Whether the company has granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. If so,

- (a) whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest;
- (b) whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;
- (c) if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest;

4. L- Loans, Investments guarantees and securities U/s 185 & 186

In respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.

5. C – Compliance of Section 73 to 76 & RBI for Deposits:

In case, the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder, where applicable, have been complied with? If not, the nature of such contraventions be stated;

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 or not?

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6. C- Cost Records U/s 148 of Companies Act 2013:

whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained.

7. Statutory Dues:

- (a) whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated;
- (b) where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute).

8. Default in repayments of Loans or Borrowings:

Whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and government, lender wise details to be provided).

9. IPO

whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported.

10. Fraud

whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.

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11. Managerial Remuneration – Compliance of section 197 of Companies Act 2013

whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same.

12. Nidhi Companies – Compliances of Nidhi Rules 2014:

whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability.

13. Compliances with Section 177 & 188 for related parties transaction:

whether all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.

14. Compliance with section 42 for Preferential allotment and private placement:

whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance.

15. Compliance with section 192 for Non Cash Transaction:

whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with.

16. Compliance with section 45-IA of RBI Act

whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained.