

1.	Comment on the following:	Marks
(a)	The auditor of SS Ltd. Accepted the gratuity liability valuation based on the certificate issued by a qualified actuary. However the auditor noticed that the retirement age adopted is 65 years as against the existing retirement age of 60 years. The company is considering a proposal to increase the retirement age.	5

Answer: Evaluating the Adequacy of Expert's work:

SA – 500 “Audit Evidence” provides that auditor is required to consider the appropriateness of expert's work before considering it as audit evidence.

The Considerations may include –

- Relevance and reasonableness of that expert's **findings & Conclusion**.
- Relevance and reasonableness of **significant assumption** used.
- Relevance, completeness & accuracy of **source data** used.

In the present circumstances, auditor noticed that retirement age adopted is 65 years as against retirement age of 60 years.

The fact that company is considering the proposal to increase the retirement age is of no relevance.

Conclusion: Under present circumstances, accepting actuary certificate does not seems to be appropriate and hence auditor should perform further audit procedures to determine the gratuity liability based on existing retirement age of 60 years.

1	(b)	MRE Ltd. provided Rs. 25 lakhs for Inventory obsolescence in 2009-10. In the subsequent years, It was determined that 50% of such stock was usable. The Board of Directors wants to adjust the same through prior period adjustment.	5
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Answer: Adjustment of written off inventory as Prior Period Item:

- As per AS 5 “Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies” prior period items are those items of income or expenses that arise in the current period as a result of errors or omissions in one or more prior periods.
- Written back of provision made in respect of inventories in the earlier year does not constitute prior period adjustment. It merely involves revision in accounting estimate due to change in the circumstances on which estimate was based.

Conclusion: Contention of Board of Directors to adjust the value of inventory written off earlier as prior period adjustment is not correct, it amount to change in accounting estimate and requires separate disclosure as per AS 5.

1	(c)	SRS Ltd. has drawn the financial statement as on 31-3-11 and presented to you along with additional information :	6
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Balance Sheet of SRS Ltd. as on 31-3-11

Liabilities	Amt.	Assets	Amt.
Share Capital	50,00,000	Fixed Assets	
Reserves & Surplus		Gross block	
Profit and Loss A/c	4,00,000	Less: Depreciation	1,00,00,000
Secured Loans	75,00,000	Investments	Nil
Current Liabilities and provisions		Current Assets Loans & Advances	
Creditors for trade	3,00,000	Debtors	25,00,000
Advance received	3,00,000	Advance Paid	10,00,000
	1,35,00,000		1,35,00,000

Additional Information:

(a) Entire pre-operative expenses of Rs. 7,00,000/- was charged to Profit and Loss Account whereas for the purpose of Income Tax, only what is allowable is claimed.

(b) Depreciation as per Books Rs. 35,00,000/-

Depreciation as per Income Tax Rs. 50,00,000/-

(c) Losses to be carried forward as per Income Tax Act – Rs. 16,00,000/-

(d) Donation disallowed while computing tax – Rs. 50,000/-

Considering the additional information, Can you certify that the company has complied with the Accounting Standards and issue an unqualified report?

Answer: **Compliance of Accounting Standards:**

- (a) Based on the Additional Information provided in the question, it appears that the company had not complied with the provisions of AS 6, AS 10, AS 22.
- (b) As per Para 28 of AS 6 “Depreciation Accounting” historical cost of each assets is required to be disclosed, which is not shown in the balance sheet.
- (c) As per Para 39 of AS 10 “Accounting for Fixed Assets” Gross Book Value of the fixed assets should be disclosed, which is not shown in the balance sheet.
- (d) As per requirement of AS 22 “Accounting for Taxes on Income” company was required to recognise the effect of timing difference as below:
 - Recognise Deferred Tax Asset for Pre-operative Expenses
 - Recognise Deferred Tax Liability for Depreciation.

Conclusion: As the company had not complied with the requirements of various Accounting Standards, an Unqualified report can not be issued.

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| 1 | <p>(d) ABC & Co. and DEF & Co. Chartered Accountant firms were appointed as joint auditors of Good Health Care Ltd. for 20089-10. A special audit was conducted U/s 233A of the companies Act 1956 during March 2011 and observed gross understatement of Revenue. The revenue aspects were looked after by DEF & Co, but there was no documentation for the division of work between the joint auditors.</p> | 4 |
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Answer: **Responsibilities of Joint Auditor:**

- As per SA 299 “Responsibilities of Joint Auditor” where joint auditors are appointed, they should, by mutual discussion, divide the work among themselves.
- Further the work so divided should be adequately documented and preferable communicated to the entity.
- In respect of audit work divided among the joint auditors, each joint auditor is responsible only for the work allocated to him, whether or not he has prepared a separate report on the work performed by him.
- However for the work not divided, all the joint auditor are jointly and severally responsible.
- In the present case, though the revenue aspects were looked after by DEF & Co., but as there is no documentation for division of the work between them, both the joint auditors will be held responsible for it.

Conclusion: Both Joint auditors are jointly and severally responsible.

2. Comment on the following.

- (a) A Chartered Accountant in practice has been suspended from practice for a period of 6 months. During the said period, though he did not undertake the audit assignment since he had surrendered certificate of practice, he had appeared before Income Tax authorities in his capacity as a Chartered Accountant. 4

Answer: Undertaking Tax Representation Work:

- As per CA Act, 1949, in case is suspended from membership and is not holding COP, he cannot in any other capacity take up any practice separable from his capacity to practise as a member of the Institute.
- This is because once a person becomes a member of the Institute, he is bound by the provisions of the C. A. Act, 1949 and its Regulations.
- If he appears before the income tax authorities, he is only doing so in his capacity as a C.A. and a member of the Institute. Having bound himself by the said Act and its Regulations made thereunder, he cannot then set the Regulations at naught by contending that even though he continues to be a member and has been punished by suspension, he would be entitled to practice in some other capacity.

Conclusion: A would not be allowed to represent before the income tax authorities for the period he remains suspended.

- 2 (b) Mr. J, a Chartered Accountant has identified that ABC Ltd. has taken a loan of Rs. 15 lakhs from Provident Fund Account, during the course of audit. The said loan was not reflected in the books of accounts and statements were prepared ignoring the same. 4

Answer: Failure to Disclose Material Facts:

- As per Clause (5) of Part I of Second Schedule to the CA Act, 1949, a CA in practice will be held liable for misconduct if he fails to disclose a material fact known to him, which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading.
- In this case, Mr. Joe has come across an information that a loan of Rs. 10 lakhs has been taken by the company from Employees PF and the said loan has not been reflected in the books of accounts and hence not disclosed in the financial statements.

Conclusion: Mr. Joe has failed to disclose this fact in his report, he is attracted by the provisions of professional misconduct under clause (5) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

- (c) Mr. K, a Chartered Accountant certified the circulation of a weekly magazine without examining the records and relevant documents. 4

Answer: Failure to obtain information:

- Clause 8 of Part I of Second Schedule to CA Act, 1949 states that if a CA in practice fails to obtain sufficient information to warrant the expression of an opinion or its exceptions are sufficient material to negate the expression of an opinion, the CA shall be deemed to be guilty of a professional misconduct.
- Mr. K, a Chartered Accountant, certified the circulation figures of a weekly magazine without examination of records and other required documents. He should not express his opinion before obtaining the required data and information.
- As an auditor, Mr. K ought to have verified the basic records such as print order, printer's bill, number of copies sold and paid for, number of copies returned unsold to ensure the correctness of circulation figures.

Conclusion: Mr. K will be held guilty of professional misconduct.

- 2 (d) Mr. R, a Chartered Accountant in practice approached Manager of a Nationalised Bank for a loan Rs. 25 lakhs. He has also informed the Manager that if the loan is sanctioned, the Income Tax return of the Manager and staff will be filed without charging any fees, as quid Pro quo for the loan sectioned. 4

Answer: Failure to obtain information:

- Clause 8 of Part I of Second Schedule to CA Act, 1949 states that if a CA in practice fails to obtain sufficient information to warrant the expression of an opinion or its exceptions are sufficient material to negate the expression of an opinion, the CA shall be deemed to be guilty of a professional misconduct.
- Mr. K, a Chartered Accountant, certified the circulation figures of a weekly magazine without examination of records and other required documents. He should not express his opinion before obtaining the required data and information.
- As an auditor, Mr K ought to have verified the basic records such as print order, printer's bill, number of copies sold and paid for, number of copies returned unsold to ensure the correctness of circulation figures.

Conclusion: Mr. K will be held guilty of professional misconduct.

3. (a) XYZ Pvt. Ltd. has submitted the financial statements for the year ended 31-3-11 for audit. 5
The audit assistant observes and brings to your notice that the company's records show following dues:
- Income Tax relating to Assessment Year 2007-08 Rs. 125 lacs – Appeal is pending before Hon'ble ITAT since 30-9-09.
 - Customs duty Rs. 85 lakhs – Demand notice received on 15-9-10 but no action has been taken to pay or appeal.

As an auditor, how would you bring this fact to the members?

Answer: Reporting in case of Statutory dues:

- (a) Matter related with Income Tax: As per Para 4 (ix) of CARO, 2003, "In case dues of Income Tax/ Sales Tax/ Service Tax/ Customs Duty/ Wealth Tax/ Excise Duty/Cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned.

In the present case an appeal relating to income tax is pending with the ITAT, which need to be reported as under:

S. No.	Name of the Statute	Nature of Dues	Amount (in Lacs)	Period to which amount relates	Forum where dispute is pending
1	Income Tax Act, 1961	Income Tax	125.00	AY 2007-08	ITAT

- (b) Matter related with Custom Duty: Demand Notice has been received for Rs. 85 Lacs but the company has not taken any action yet.
Auditor may state the fact accordingly.

3 (b) State the functions of Energy Auditor.**5**Answer: **Key Functions of Energy Auditor:**

- (i) Quantify energy costs and quantities.
- (ii) Correlate trends of production or activity to energy costs.
- (iii) Devise energy database formats to ensure they depict the correct picture – by department, consumer, product, etc.
- (iv) Advise and check the compliance of the organisation for policy and regulation aspects.
- (v) Highlight areas that need attention for detailed investigation.
- (vi) Conduct preliminary and detailed energy audits which should include the following:
 - a) Data collection and analysis
 - b) Measurements, mass and energy balances.
 - c) Reviewing energy procurement practices.
 - d) Identification of energy efficiency projects and techno-economic evaluation.
 - e) Establishing action plan including energy saving targets, staffing requirements, implementation time requirements, procurement issues, details and cost estimates.
 - f) Recommendation on goal setting for energy saving, record keeping, reporting and energy accounting, organization requirements, communications and public relations.

3 (c) A infrastructure company has constructed a mall and entered into agreement with tenants towards licence fees (monthly rental) and variable licence fees, a percentage on the turnover of the tenant (on an annual basis). Chief Finance Officer wants to account / recognize fee as income for 12 months during current year under audit and variable licence fees as income during next year, since invoice is raised in the subsequent year. As an auditor, how would you deal and state in the statement of Accounting policies?

6Answer: **Recognition of License fees:**

- As per AS 19 “Leases” in respect of operating leases, the lessor should recognise the income in Profit and Loss account using straight line method. If any other method reflects more systematic allocation of earning derived from the diminishing value of leased out assets, that approach can be adopted.
- In the present case, the finance officer wants to recognise license fees as income for 12 months and variable license fees as income during next year since invoice will be raised in the subsequent year only.
- Contention of Finance officer to recognise variable license fees as income for next year does not seems to be correct applying accrual principle.
- Under the present circumstances, auditor should advise the finance officer accordingly. If he does not agree for the same the auditor should report the matter in his report accordingly.

4. (a) XY Ltd. is a manufacturing company, provided following details of wastages of raw materials in percentage, for various months. You have been asked to enquire into causes of abnormal wastage of raw materials. 8

Draw out an audit plan.

Wastage percentage are

July 2010	1.5 %
Aug 2010	1.7 %
Sep 2010	1.4 %
Oct 2010	4.1 %

Answer: Audit Plan for Inquiring the causes of abnormal wastage of raw material:

The rate of wastage in Oct. 2010 has risen sharply as compared to previous months. Under the circumstances, before setting for detailed investigation, the auditor need to understand the manufacturing environment right from the stage of purchase of materials, the movement of stock flow through the production process while its becomes finished goods. To locate the reasons for the abnormal wastage, the auditor should develop the audit plan which includes the following:

- Procure a list of raw materials, showing the names and detailed characteristics of each raw material.
- Obtain the standard consumption figures, and ascertain the basis according to which normal wastage figures have been worked out.
- Obtain control reports, if any, in respect of manufacturing costs with reference to predetermined standards.
- Examine the various records maintained for recording separately the various lots purchased and identification of each lot with actual material consumption and for ascertaining actual wastage figures therein.
- Obtain reports of Preventive Maintenance Programme of machinery to ensure that the quality of goods manufacture is not of sub-standard nature.
- Assess whether personnel employed are properly trained and working efficiently.
- See whether quality control techniques have been consistent or have undergone any change.
- Examine inventory plans and procedures in report of transportation storage efficiency, deterioration, pilferage and whether the same are audited regularly.
- Examine whether the basis adopted for calculating wastage for October is the same as was adopted for the other three months.
- Obtain a statement showing break up of wastage figures in storage, handling and process for the four months under reference and compare the results of the analysis for each of the four months.

4 (b) Briefly explain the steps involved in Audit under Indirect tax.**8**

Answer: Following are the steps involved in Audit under Indirect Tax

- (1) **Knowledge of Business:** The Auditor should familiarize himself with the business of the Auditee.
- (2) **Knowledge about concerned laws:** The Auditor should study the Law particularly
 - definitions,
 - procedures to be adopted,
 - provision regarding issues of invoices,
 - claiming of input tax credit etc.
- (3) **Major Accounting Policies:** The Auditor should ascertainable major accounting policies with regard to
 - Production,
 - Sales,
 - Purchases and
 - Valuation of inventory
- (4) **Accounting Records maintained by Auditee:** The auditor should obtain a complete list of all the accounting records relating to
 - Sales / purchase of goods,
 - Stock,
 - Various registers, ledgers in which, the transactions are recorded.
- (5) **Evaluation of Internal control:** The Auditor should evaluate the internal controls prevalent in the entity with respect to
 - Sales,
 - Purchases,
 - Production and
 - Accounting.

He must examine the adequacy and effectiveness of the controls in order to plan the nature and timing of his audit procedures.

5. (a) As a tax auditor how would you deal and report the following:

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| (i) An assessee has borrowed Rs. 50 Lakhs from various persons. Some of them by way of cash and some of them by way of Account payee cheque/ draft. | 3 |
| (ii) An assessee has paid rent to his brother Rs. 2,50,000 and paid interest to his sister Rs. 4,00,000. | 2 |
| (iii) An assessee has incurred payments to clubs. | 2 |

Answer: **Reporting in Form 3CD:**

- (a) Borrowings: Clause 24(a) of Form 3CD requires the following particulars in respect of every borrowing exceeding specified amount:
 - (i) Name, Address and PAN (if available with the assessee) of the lender or depositor.
 - (ii) Amount of loan or deposit taken or accepted;
 - (iii) Whether the loan or deposit was squared up during the PY;
 - (iv) Maximum Amount outstanding in the account at any time during the year.
 - (v) Whether the loan or deposit was taken or accepted otherwise than by an A/c payee Bank cheque or A/c payee bank draft.

- (b) Particulars of any payment made to persons specified u/s 40 A(2)(b) – Clause 18:
Amount paid as rent to brother of Rs. 2,50,000 and as interest to sister Rs. 4,00,000 need to be reported. He is not required to report any excessive or unreasonable amount.
- (c) Expenditure incurred at club – Clause 17(d): Following need to be reported:
- Amount paid as entrance fees and subscriptions;
 - Amount incurred as cost for club services and facilities used;

5 (b) As a bank branch auditor, what aspects will be considered while reporting on credit appraisal, sanctioning/ disbursement and documentation in respect of advances in the LFAR? 5

Answer:

(a) **Credit Appraisal:**

Compliance with the procedure/instructions of the controlling authorities of the bank, regarding loan applications, preparation of proposals for grant/renewal of advances, enhancement of limits etc. including adequate appraisal documentation in respect thereof.

(b) **Sanctioning / Disbursement**

- Instance of credit facilities having been sanctioned beyond the delegated authority or limit fixed for the branch?
- Instances where advances have been disbursed without complying with the terms and conditions of the sanctions?

(c) **Documentation:**

- Instances of credit facilities without complying with the terms and conditions of the sanction.
- Instances of deficiencies in documentation, non-registration of charges, non obtaining guarantees etc.
- Making a lien on deposits in case of advances given against deposits in accordance with the guidelines of the controlling authorities of the bank?

5 (c) ABC Pvt. Ltd. has granted loan of Rs. 20 crores to XYZ Ltd. a sister concern and it remains outstanding at the year end. How would you report the fact? 4

Answer: Loan and advance to sister Concern by Private Limited Company:

- (a) As per requirement of Sec. 227(1A) of Companies Act, 1956, an auditor is required to conduct inquiry in respect of loans and advances made by the company with respect to the following:
- Whether amount of loan is properly secured or not and the terms on which loan have been made are not prejudicial to the interests of the company or its members.
 - Whether Loan and advances made are shown as deposits.

If auditor find anything negative he is required to state the fact in his report.

(b) In case, CARO is applicable to the company (being a private company) auditor is required to report under Para 4(iii) of CARO 2003 the followings:

- has the company granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Act. If so, give the number of parties and amount involved in the transactions;
- whether the rate of interest and other terms and conditions of loans given by the company, secured or unsecured, are prima facie prejudicial to the interest of the company;
- whether receipt of the principal amount and interest are also regular;
- if overdue amount is more than rupees one lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest.

6. (a) Corporate responsibility as envisaged under SOX Act 2002. Briefly explain.

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Answer: **Corporate Responsibility under SOX:**

- (a) The audit committee to be more independent through enhancement of their oversight responsibilities and one of the Audit committee members to be financial expert.
- (b) Requires CEO & CFO to issue certification of the quarterly financial results and annual reports to SEC as part of compliance.
- (c) Provides rules of conduct for companies managerial and their officers regarding Pension matters.
- (d) To Comply with SEC rules requiring attorneys to report violation of securities laws to the company's CEO or chief legal counsel & to Audit Committee if no action is taken.

6 (b) State briefly the basic elements of Management Representation Letter.

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Answer: **Basic Elements of a Management Representation Letter:**

As per SA 580 "Written Representation" a management representation letter should include the followings:

- When requesting a management representation letter, the auditor would request that it be addressed to the auditor, contain specified information and be appropriately dated and signed.
- A management representation letter would ordinarily be dated the same date as the auditor's report. However, in certain circumstances, a separate representation letter regarding specific transactions or other events may also be obtained during the course of the audit or at a date after the date of the auditor's report, for example, on the date of a public offering.
- A management representation letter would ordinarily be signed by the members of management who have primary responsibility for the entity and its financial aspects (ordinarily the senior executive officer and the senior financial officer) based on the best of their knowledge and belief. In certain circumstances, the auditor may wish to obtain representation letters from other members of management. For example, the auditor may wish to obtain a written representation about the completeness of all minutes of the meetings of shareholders, the board of directors and important committees from the individual responsible for keeping such minutes.

- 6 (c) You are a member of an audit team of B & C Associates, auditors of a multi national company YB co. Ltd. The company is working in CIS environment. The partner in charge of B & C Associates asked you to draw out the audit plan for evaluating the reliability of controls** **5**

Answer: **Audit Plan for evaluating the reliability of controls:**

In evaluating the effects of a control, the auditor needs to assess the reliability by considering the various attributes of a control. Accordingly, audit plan should cover the followings:

1. Whether the control is in place and is functioning as desired.
2. Generality versus specificity of the control with respect to the various types of errors and irregularities that might occur.
3. Whether the control acts to prevent, detect or correct errors. The auditor focuses here on
 - a. **Preventive controls:** Controls which stop errors or irregularities from occurring.
 - b. **Detective controls:** Controls which identify errors and irregularities after they occur.
 - c. **Corrective controls:** Controls which remove the effects of errors and irregularities after they have been identified.
4. The number of components used to execute the control: Multi-component controls are more complex and more error prone but they are usually used to handle complex errors and irregularities.

- 6 (d) Y Co. Ltd. has five entertainment centers to provide recreational facilities for public especially for children and youngsters at 5 different locations in the peripheral of 200 kms. Collections are made in cash. Specify the adequate system towards collection of money.** **6**

Answer: **System towards collection of money:**

- (a) There must be a clear cut entry fee structure approved by the management.
- (b) Entrance to the entertainment centre is only through printed tickets;
- (c) All tickets are serially numbered and bound into books;
- (d) Stock of tickets is kept in proper custody.
- (e) Cash collected is deposited in banks partly on the same day and rest on the next day – depending upon the banking facility available.
- (f) The cashier scroll and the authorising officer/s scroll should be checked by an officer daily.
- (g) If tickets are issued through computer- audit the system to ensure its reliability and authenticity of data generated by it.
- (h) Compute analytical ratios in respect of the receipts pattern i.e. on week ends, holidays, etc. and make comparisons to draw conclusions.

7. Write short notes on any four of the following:**(a) Contract notes in case of audit of member of stock exchange****4**Answer: **Contract Notes:**

- (1) Members should issue Contract Notes to his clients for all trades executed by him on their behalf.
- (2) The member should stamp his order sheets/records and the order time should be reflected in the Contract Note along with the time of execution of order.
- (3) The Contract Notes should bear SEBI Registration number of the member.
- (4) Contract Notes should be pre printed and issued within 24 hours of trade execution.
- (5) Appropriate stamps should be affixed on the contract Note.
- (6) Duplicate copies of the contract note should be maintained by the member.
- (7) The Contract Note should be signed by the member or his constituted attorney.
- (8) Contract note issued to the clients should show the brokerage separately.
- (9) Brokerage should be within the limits prescribed by the exchange.

7 (b) Scope of Peer Review**4**Answer: **Scope of peer Review:**

- Compliance with technical standards.
- Quality of reporting.
- Office systems & procedures w.r.t. compliance of attestation services systems & procedures.
- Training Programs for staff (including Articled and Audit Assistants) concerned with attestation functions, including appropriate infrastructure.

7 (c) Audit procedure in respect of "Outstanding premium and agents balance" in Insurance Company.**4**Answer: **Audit Procedure in respect of "Outstanding Premium and Agents balance:**

- (i) Scrutinize and review control account debit balances and their nature should be enquired into.
- (ii) Examine in-operative balances and treatment given for old balances with reference to company rules.
- (iii) Enquire into the reasons for retaining the old balances.
- (iv) Verify old debit balances which may require provision or adjustment. Notes of explanation may be obtained from the management in this regard.
- (v) Check age-wise, sector-wise analysis of outstanding premium.
- (vi) Verify whether outstanding premiums have since been collected.
- (vii) Check the availability of adequate bank guarantee or premium deposit for outstanding premium

- 7 (d) Comptroller & Auditor General of India were conducting supplementary audit u/s 619 (3) (b) of the Companies Act, 1956 made certain comments on the reported foreign exchange loss in the accounts of a Public Sector Company. The Board of Directors failed to reply to the comments of C & AG in their report. Comment. 4**

Answer: **Director's responsibility to reply on comments of CAG:**

- Section 217(3) of the Companies Act, 1956 imposes a duty on the Board of Directors of a company to give the fullest information and explanations in the Directors' Report regarding every reservation, qualification or adverse remarks contained in the auditors' report.
- The Board's remarks on the auditors report are to be given as an addendum to the report and are to form part of the main body of the report as per Section 217(3).
- In the absence of similar provisions requiring the company to give their reply on the reservations made by the C & AG, the board of directors of such a company is not bound to give information or explanation in respect of such comments.

Conclusion: Directors are not required to reply on comments of CAG.

- 7 (e) Propriety elements in CARO 2003 4**

Answer: **Propriety Elements of CARO 2003:**

Propriety audit stands for verification of transactions on the tests of public interest, commonly accepted customs and standards of conduct. The following are the propriety elements of CARO, 2003:

- If the company has given or taken loans, secured or unsecured to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, whether the rate of interest and other terms and conditions of such loans are prima-facie prejudicial to the interests of the company.
- If overdue amount of loan the given to or taken from companies firms or other parties listed in the register maintained under Section 301 of the Companies Act, is more than Rupees one lakh, whether reasonable steps have been taken by the company for recovery/payment of principal and interest.
- Whether particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained.
- Is the company regular in depositing undistributed statutory dues like Provident fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax etc. with the appropriate authorities.
- Whether the company has made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 and if so whether the price at which the shares have been issued is prejudicial to the interest of the company.
