ARTICLE FOR CA FINAL STUDENTS

Topic: **HOW TO GET FIVE MARKS IN AUDIT**

HELLO FRIENDS DONT BE SHOCKED WITH THIS TITLE. YOU MAY HAVE SEEN MANY CASES WHERE STUDENTS FAIL DUE TO AUDIT ONLY AND MOST SAD THING IS THAT, THEY FAIL IN AUDIT AT 35-36-37 ETC. SO I DECIDED TO WRITE SOMETHING WHICH WILL HELP YOU TO GET THAT MOST REQUIRED FIVE MARKS IN AUDIT.

YOU ALL MUST HAVE HEARD ABOUT "TAX AUDIT REPORT" UNDER SEC.44AB OF INCOME TAX ACT. AND I HOPE YOU ALL ARE KNOWN WITH THIS FACT THAT YOU WILL SEE A QUE. REAGARDING TO TAX AUDIT REPORT IN YOUR PAPER OF AUDIT HAVING MARKS UPTO 5. SO DONT MISS THAT 5 MARKS.

THERE ARE 32 CLAUSES IN FORM 3CD AND IF YOU REMEMBER CLAUSE NO. AND YOU MENTION CLAUSE NO. IN YOUR ANSWER, YOU WILL GET THAT 5 MARKS. BUT MOST OF STUDENTS THINK WHY WE SHOULD REMEMBER 32 CLAUSES FOR 5 MARKS, SO FOR THOSE, HERE CA PIYUSH JAIN IS PRESENTING ANOTHER WAY TO GET REMEMBER NUMBERING OF CLAUSES WITHIN AN HOUR. SO BE READY FOR THAT NEW TECHNIQUE:

SMALL INTRO OF TOPIC: Tax Audit Reports U/s. 44AB; Form 3CA, 3CB and Form 3CD

Tax audit –Nature and Need.

•Tax Audits are required to be performed ONLY by a Chartered Accountant u/s 44AB of Income tax act.

•Tax Audits include the issuance of Tax Audit Report in Form 3CA or Form 3CB.

•Form 3CA is used when the accounts of the business or profession of a "person" have been audited under any other law.

•The tax audit report shall include a statement of particulars in Form 3CD

Nature	Criteria	Tax Audit required?
Business	Revenue > 100 lacs	Yes
Profession	Receipts > 25 lacs	Yes

•Special application to deemed profits and gains deemed U/s. 44AD, 44AE, 44BB or 44BBB

FORM 3CD AND THEIR 32 CLAUSES:

Here i am just writing shortcuts for remembering the clauses so you all are requested to keep a formate of 3CD and read along with these shortcuts:

there are two parts:

part A: 6 general and basic caluses(Name, Address, Pan, Status, previous yr, Assessment yr)

part B: 26 other clauses

(clause 1 to 3: NAP) (CLAUSE4 TO 6: SPA)

(NAP: name address pan) (SPA: status P.Y. A.Y.)

partA: clauses1 name

clause 2: address

cl3: PAN (this word has 3 letters so remember with this ref. clause 3 is for PAN)

cl4: status (cl=clause)

cl5: P.Y.

cl6: A.Y.

part B:

cl7: related to partner/members: 7 letters so clause 7 (now go through the clause, it wil take 2 minuts only to get into your mind and you will never forget)

cl8: related to business : 8 letters so clause 8

cl9: related to sec 44AA of income tax act which deals with BOOKS OF ACCOUNTS.

SHORTCUT: SECTION 44AA: 4+4+1=9 (HERE AA ARE TWICE SO WE ARE GIVING 1 RANKING TO AA) SECTION 44AA= 4+4+1= cl9== books of account

cl10 and cl 11 these clauses are to be remember together. there are two words one is presumptive and anothe accounting. presumptive has 11 letters and accounting has 10 letters. but we have remember one thing, there cross connection between these two words. so take a paper and write presumptive==11 letters===cl10 and accouting==10 letters===cl11. there is a cross connection.

cl12: related to closing stock==capital asset==stock in trade==all these words have 12 letters==cl12 (now if you read full clause it will be captured in your mind) important:

cl13: Har cheej ka shortcut is not good so ye yaad rakhna padega: cl13 is about escalation claims and capita receipt which is not credited in profit and loss a/c as these are capital receipts.

cl14: we have schedule 14 in company act which deals with depreciation so here also cluase 14 is for dep. (through full clause)

cl15: related to section 35 of income tax act(series of sec.35)

shortcut: sec.35==3*5==15==cl15

cl16: related to bonus and commission to employee

ICAI LOVES CL.17 SO PLEASE READ IT CAREFULLY FROM FORMAT

cl17: clause satraa is khatraa...business me khatraa tab hota hai jab koi expenditure disallow ho jata hai. so cl 17 is all about the expenses which we incurred in business but they are disallowed. so disallowance wale section ke liye cl17 hai...

expenses:== capital=personal=advertisement=club=penalty etc (again i am saying ic loves this clause so we too have to love this clause)

cl18: In accounts we have AS-18 related party and sec.40A(2)(b) also deals with related person ie. specified person. relate AS-18 with this clause hence here too we have cl18 for related party and sec40A(2)(b) of pgbp speaks about related person.

cl19: sec 33AB OR 33ABA OR 33AC

CL20 AND CL 21: read these clauses together, first set a equation in your mind which is given below:

cl20==20*2+1=41 (multiply by 2 and add 1, result is 41)==cl20 deals with sec41 of income tax act

cl21=21*2+1=43 (multiply by 2 and add 1,result is 43)==cl21 deals with sec43B of act.

cl22: related with credits availed utilized=== 22letters so cl22 (now read in format)

now i am breaking the chain of serial no. and jumping to clause 30, 31 and 32 clause 30,31 and 32: connect these clauses to a diff. thing, you know we have 3 new A.S. namely 30, 31 and 32. so here too we have 3 clauses 30, 31 and 32 and their principal line is "cost and excise ka kya ratio hai" ..read this line twice.

now come here: cl30==cost audit

cl31==excise audit

cl32==ratio(gp=gross profit, np=net profit, stock-in-trade, matetrial consumed)

again clause 32 is icai's second love. so hame bhi isse pyar karna hai.

cl29: kuch to yad karlo...no shortcut here. it deals with sec.115-0== corporate dividend tax(ask twice in past exams)

cl28: Amongst the all clauses cl28 is widest and longest clause. so remember it by this base cl28 biggest cl which deals with inventories(quantitative details of op. stock, purchase, cl, stock etc.)

cl27: In income tax we have chapter 17 which contains sec. of TDS. so here 1 is replaced by 2 an it became 27. cl 27 is for TDS. (you might get a thought that, this is pagalpanti but believe me friends practice it twice..you will feel ya its really working)

cl26: In income tax we have chapter 6 which says about Deduction. but here we are putting a n 2 before 6 so it became 26.===chapter viA deduction.

cl25: while making computation of TOTAL INCOME under income tax act, we give deduction under chapter vi from GROSS TOTAL INCOME and for the same there is cl26. But before deduction we have to give effect of brought forward loss. so here cl25 is for the same B/F losse which is just before cl26.

cl24: khud yad kARLO....ACCEPTANCE AND REPAYMENT OF LOANS AND DEPOSITS..(sec 269SS a sec269T)

Thank you friends i am done. please dont think ki ye kese yad hoga...just try..hoga nahi to kaha jayega. when i did it so everyone can do it...dont leave this free ke 5 marks...one thing again i must say in audit paper you can secure your marks in these type of que. only because these que. required specific answer only..just mention correct clause no. and something idher-udher ka..you will get award of marks. ..

thank you friends.

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